

Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2011
Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization COMMUNITY MEDICAL CENTER INC Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 2827 FORT MISSOULA ROAD City or town, state or country, and ZIP + 4 MISSOULA, MT 59804 F Name and address of principal officer STEVE CARLSON 2827 FORT MISSOULA ROAD MISSOULA, MT 59804	D Employer identification number 81-0247705 E Telephone number (406) 728-4100 G Gross receipts \$ 152,780,784
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
J Website: ▶ WWW.COMMUNITYMED.ORG		
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1948 M State of legal domicile MT

Part I Summary

1	Briefly describe the organization's mission or most significant activities YOUR HEALTH - OUR COMMITMENT TO YOU, FROM DAY ONE		
2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
3 Number of voting members of the governing body (Part VI, line 1a)			
3		12	
4 Number of independent voting members of the governing body (Part VI, line 1b)			
4		12	
5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)			
5		1,371	
6 Total number of volunteers (estimate if necessary)			
6		150	
7a Total unrelated business revenue from Part VIII, column (C), line 12			
7a		2,253,970	
b Net unrelated business taxable income from Form 990-T, line 34			
7b		-380,924	
		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	897,895	1,504,029
9	Program service revenue (Part VIII, line 2g)	146,279,301	148,440,839
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	356,059	498,118
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,875,966	2,292,684
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	150,409,221	152,735,670
		Beginning of Current Year	End of Year
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	155,521	147,928
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	70,700,892	71,932,249
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ▶ 2,106			
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	70,438,410	72,330,762
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	141,294,823	144,410,939
19	Revenue less expenses Subtract line 18 from line 12	9,114,398	8,324,731
20	Total assets (Part X, line 16)	150,377,522	149,194,755
21	Total liabilities (Part X, line 26)	69,729,886	61,708,913
22	Net assets or fund balances Subtract line 21 from line 20	80,647,636	87,485,842

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	2013-05-13 Date
	DAVID RICHART VP - FISCAL SERVICES Type or print name and title	

Paid Preparer's Use Only	Preparer's signature ▶ ROBERT E SCHILE	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P00369682
	Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ CLIFTONLARSONALLEN LLP 220 SOUTH SIXTH STREET SUITE 300 MINNEAPOLIS, MN 55402			EIN ▶ 41-0746749 Phone no ▶ (612) 376-4500

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III Yes No

1 Briefly describe the organization's mission
YOUR HEALTH - OUR COMMITMENT TO YOU, FROM DAY ONE

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 and section 4947(a)(1) trusts 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 \$ 109,656,104 including grants of \$ 147,928) (Revenue \$ 148,440,839)
CMC PROVIDES DAILY PATIENT SERVICES, PROFESSIONAL AND TECHNICAL SERVICES, AND REHABILITATION SERVICES FOR PATIENT CARE 5,061 INPATIENTS ARE ADMITTED TO CMC EACH YEAR 127,695 OUTPATIENT SERVICES ARE PROVIDED ANNUALLY 92,816 VISITS ARE MADE TO OUR PHYSICIANS THE AMOUNT OF CHARGES FORGONE FOR SERVICES AND SUPPLIES FURNISHED UNDER THE HOSPITAL'S CHARITY POLICY AGGREGATED APPROXIMATELY \$4,167,171 FOR THE YEAR ENDED JUNE 30, 2012

4b (Code) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses \$ 109,656,104

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)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule C, Part II.</i> <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule C, Part III.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part I.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part II.</i> <input checked="" type="checkbox"/>		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> <input checked="" type="checkbox"/>		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> <input checked="" type="checkbox"/>		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule D, Part VII.</i> <input checked="" type="checkbox"/>	Yes	
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? <i>If "Yes," complete Schedule D, Part VIII.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part IX.</i> <input checked="" type="checkbox"/>		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	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)? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Part I.</i>		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Part II and IV.</i>		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Part III and IV.</i>		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? <i>If "Yes," complete Schedule G, Part I.</i>		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? <i>If "Yes," complete Schedule G, Part II.</i>		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements. <input checked="" type="checkbox"/>	Yes	

Part IV Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 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 questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <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 owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	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 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question number, question text, and Yes/No columns. Rows include questions 1a-1c, 2a-2b, 3a-3b, 4a-4b, 5a-5c, 6a-6b, 7a-7h, 8, 9a-9b, 10a-10b, 11a-11b, 12a-12b, 13a-13c, and 14a-14b.

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

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

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (12), 1b (12), 2 (No), 3 (No), 4 (No), 5 (No), 6 (No), 7a (No), 7b (No), 8a (Yes), 8b (Yes), 9 (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b, 11a (Yes), 11b, 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (Yes), 16b (Yes).

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection
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
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(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) SCOTT STEARNS BOARD CHAIR	1 50	X		X				0	0	0
(2) SCOTT HACKER 1ST VICE CHAIR	1 50	X		X				0	0	0
(3) JAN PARKS 2ND VICE CHAIR	1 50	X		X				0	0	0
(4) JOHN VANSTRYDONCK SECRETARY/TREASURER	1 50	X		X				0	0	0
(5) TANYA ASK BOARD MEMBER	1 50	X						0	0	0
(6) FRANK D'ANGELO BOARD MEMBER	1 50	X						0	0	0
(7) MARK GARNAAS MD BOARD MEMBER	1 50	X						0	0	0
(8) BILL JOHNSTON BOARD MEMBER	1 50	X						0	0	0
(9) ROBERT PHILLIPS BOARD MEMBER	1 50	X						0	0	0
(10) RON PREMURROSO BOARD MEMBER	1 50	X						0	0	0
(11) ROGER MUNRO MD BOARD MEMBER / FORMER BOARD CHAIR	1 50	X		X				0	0	0
(12) MICHAEL STEWART MD BOARD MEMBER	1 50	X						0	0	0
(13) GEORGE MANLOVE BOARD MEMBER (FORMER 1ST VICE CHAIR)	1 50	X		X				0	0	0
(14) SHARON PETERS BOARD MEMBER (FORMER)	1 50	X						0	0	0
(15) RICH ZINS BOARD MEMBER (FORMER)	1 50	X						0	0	0
(16) STEVE CARLSON PRESIDENT & CEO	40 00			X				451,949	0	29,281
(17) DAVID RICHHART VP - FISCAL SERVICES	40 00			X				216,688	0	18,871

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) FRANK REED PRESIDENT OF PHYSICIAN GROUP (FORMER)	40 00				X			171,629	0	18,775
(19) JONATHAN WEISUL CHEIF MEDICAL OFFICER	40 00				X			329,303	0	30,771
(20) DAVID JINICH MD PHYSICIAN	35 00					X		735,464	0	32,720
(21) PAULA GUINNIP MD PHYSICIAN	35 00					X		459,555	0	11,661
(22) GREGORY UTTER MD PHYSICIAN	35 00					X		422,693	0	32,708
(23) BRUCE MORGAN MD PHYSICIAN	35 00					X		358,174	0	4,269
(24) JANET HILLER MD PHYSICIAN	35 00					X		371,775	0	17,709
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,517,230	0	196,765

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **79**

	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>		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>	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>		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
MT CANCER SPECIALISTS PO BOX 7877 MISSOULA, MT 59807	ONCOLOGY SERVICES	1,648,340
MT HEART ANGIO LAB LLC 2827 FORT MISSOULA ROAD MISSOULA, MT 59804	CARDIOLOGY SERVICES	1,631,454
SOUND INPATIENT PO BOX 742936 LOS ANGELES, CA 90074	HOSPITALIST	970,312
MAYO COLLABORATIVE PO BOX 9146 MINNEAPOLIS, MN 55480	LAB SERVICES	482,844
SEATTLE CHILDREN'S PO BOX 24728 SEATTLE, WA 98124	PHYSICIAN SERVICES	414,387

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 **24**

Part VIII Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d	959,802				
	e	Government grants (contributions) 1e	145,500				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	398,727				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		1,504,029			
Program Service Revenue	2a	NET PATIENT REVENUE	621500	145,910,558	143,656,588	2,253,970	
	b	JV ANCILLARY REVENUE	621500	2,909,480	2,909,480		
	c	HEART LAB REVENUE	621500	-379,199	-379,199		
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		148,440,839			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		510,064		510,064	
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6a		(i) Real				
			(ii) Personal				
		b	Gross rents	593,162			
		c	Less rental expenses	0			
	d	Net rental income or (loss)		593,162		593,162	
	7a		(i) Securities				
			(ii) Other				
		b	Gross amount from sales of assets other than inventory		33,168		
		c	Less cost or other basis and sales expenses		45,114		
	d	Net gain or (loss)		-11,946		-11,946	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
	b	Less direct expenses					
c	Net income or (loss) from fundraising events						
9a	Gross income from gaming activities See Part IV, line 19						
b	Less direct expenses						
c	Net income or (loss) from gaming activities						
10a	Gross sales of inventory, less returns and allowances						
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory						
	Miscellaneous Revenue	Business Code					
11a	MISCELLANEOUS REVENUE	900099	3,245,889		3,245,889		
b	LOSS ON JOINT VENTURE	900099	-1,546,367		-1,546,367		
c							
d	All other revenue						
e	Total. Add lines 11a-11d		1,699,522				
12	Total revenue. See Instructions		152,735,670	146,186,869	2,253,970	2,790,802	

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) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	147,928	147,928		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,392,219		1,392,219	
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	57,281,474	45,361,247	11,920,227	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,181,086	1,688,649	492,437	
9	Other employee benefits	7,015,377	5,496,799	1,518,578	
10	Payroll taxes	4,062,093	3,144,969	917,124	
11	Fees for services (non-employees)				
a	Management				
b	Legal	351,011		351,011	
c	Accounting	48,882		48,882	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	18,127,190	12,962,273	5,164,917	
12	Advertising and promotion				
13	Office expenses	4,152,211	1,579,213	2,572,998	
14	Information technology				
15	Royalties				
16	Occupancy	2,699,878	1,242,750	1,455,022	2,106
17	Travel	705,131	338,983	366,148	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	6,864		6,864	
20	Interest	825,784	623,003	202,781	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	6,742,317	6,715,657	26,660	
23	Insurance	1,345,332	821,074	524,258	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES/DRUGS	21,721,242	20,881,433	839,809	
b	BAD DEBT	7,247,920	7,247,920		
c	REPAIRS & MAINTENANCE	4,774,337	697,740	4,076,597	
d	LICENSE & FEES	1,092,312	20,088	1,072,224	
e					
f	All other expenses	2,490,351	686,378	1,803,973	
25	Total functional expenses. Add lines 1 through 24f	144,410,939	109,656,104	34,752,729	2,106
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	22,001,552	1	17,084,983
	2 Savings and temporary cash investments	33,315,767	2	21,681,565
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	20,323,744	4	20,999,168
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net	5,154,301	7	3,855,003
	8 Inventories for sale or use	3,336,757	8	3,097,534
	9 Prepaid expenses and deferred charges	803,489	9	1,114,186
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	123,928,615		
	b Less accumulated depreciation	61,621,357	10c	62,307,258
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11	7,127,504	12	10,026,066
	13 Investments—program-related See Part IV, line 11	3,474,241	13	3,423,001
	14 Intangible assets	952,862	14	889,946
	15 Other assets See Part IV, line 11	5,781,826	15	4,716,045
16 Total assets. Add lines 1 through 15 (must equal line 34)	150,377,522	16	149,194,755	
Liabilities	17 Accounts payable and accrued expenses	21,238,533	17	17,349,578
	18 Grants payable		18	
	19 Deferred revenue	26,511	19	30,812
	20 Tax-exempt bond liabilities	24,409,555	20	24,428,532
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 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	13,701,378	23	11,858,882
	24 Unsecured notes and loans payable to unrelated third parties	1,505,784	24	945,429
	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	8,848,125	25	7,095,680
	26 Total liabilities. Add lines 17 through 25	69,729,886	26	61,708,913
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	74,863,568	27	82,901,610
	28 Temporarily restricted net assets	2,731,191	28	1,490,082
	29 Permanently restricted net assets	3,052,877	29	3,094,150
	Organizations that do not follow SFAS 117, 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	80,647,636	33	87,485,842	
34 Total liabilities and net assets/fund balances	150,377,522	34	149,194,755	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	152,735,670
2	Total expenses (must equal Part IX, column (A), line 25)	2	144,410,939
3	Revenue less expenses Subtract line 2 from line 1	3	8,324,731
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	80,647,636
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,486,525
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	87,485,842

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 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	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued 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 separated basis		
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
b	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)

Public Charity Status and Public Support

OMB No 1545-0047

2011

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
COMMUNITY MEDICAL CENTER INC

Employer identification number

81-0247705

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

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

- 1 A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 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 An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
 a Type I b Type II c Type III - Functionally integrated d Type III - Other
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 (ii) a family member of a person described in (i) above?
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

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

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

Part II Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2011. 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 <input type="checkbox"/>		
b 33 1/3% support test—2010. If the organization did not check the 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 <input type="checkbox"/>		
17a 10%-facts-and-circumstances test—2011. 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 <input type="checkbox"/>		
b 10%-facts-and-circumstances test—2010. 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 <input type="checkbox"/>		
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 <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	

- 19a 33 1/3% support tests—2011.** 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—2010.** 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.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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.

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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, line 35c (Proxy Tax), then

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

Name of the organization COMMUNITY MEDICAL CENTER INC

Employer identification number

81-0247705

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 on behalf of or in opposition to candidates for public office 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?
4a Was a correction made?
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?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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 border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%; text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <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> </tbody> </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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable 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)).

	(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? If "Yes," describe in Part IV	Yes		10,056
j Total lines 1c through 1i			10,056
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 carryover 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) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) non-deductible 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

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	COMMUNITY MEDICAL CENTER PAYS DUES TO THE AMERICAN HOSPITAL ASSOCIATION AND MONTANA HOSPITAL ASSOCIATION THESE ORGANIZATION PARTICIPATE IN LOBBYING ACTIVITIES

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization COMMUNITY MEDICAL CENTER INC

Employer identification number 81-0247705

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may 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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically importantly land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable 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?
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 170(h)(4)(B)(ii)?
9 In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items
b If the organization elected, as permitted under SFAS 116, 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 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 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 XIV

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 XIV and complete the following table

	Amount
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	3,756,462	3,054,980	2,356,624	2,952,845	
b Contributions	41,273	49,499	38,678	11,855	
c Investment earnings or losses	24,356	651,983	659,678	-608,076	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	3,822,091	3,756,462	3,054,980	2,356,624	

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶ 19 000 %
- b** Permanent endowment ▶ 0 %
- c** Term endowment ▶ 81 000 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i)	No
(ii) related organizations	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		209,682		209,682
b Buildings		54,482,859	24,643,940	29,838,919
c Leasehold improvements		1,115,362	252,387	862,975
d Equipment		53,555,698	36,725,030	16,830,668
e Other		14,565,014		14,565,014
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				62,307,258

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ENDOWMENT FUNDS ARE HELD BY THE CMC FOUNDATION AND THE INCOME EARNED ON THESE FUNDS ARE DISTRIBUTED TO THE HOSPITAL TO COMPLY WITH THE PURPOSES SPECIFIED BY THE DONOR
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL IS EXEMPT FROM INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE THE HOSPITAL FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED THE HOSPITAL'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES THE HOSPITAL IS NOT AWARE OF ANY ACTIVITIES THAT WOULD JEOPARDIZE ITS TAX-EXEMPT STATUS THE TAX RETURNS FOR THE YEARS ENDED 2009 TO 2011 ARE OPEN TO EXAMINATION BY FEDERAL, LOCAL, AND STATE AUTHORITIES

SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization answered "Yes" to Form 990, Part IV, question 20. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization COMMUNITY MEDICAL CENTER INC

Employer identification number 81-0247705

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? If "No," skip to question 6a. 1b If "Yes," is it a written policy? 2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. 3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year. 3a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care? 3b Did the organization use FPG to determine eligibility for providing discounted care? 4 Did the organization's policy provide free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? 5b If "Yes," did the organization's charity care expenses exceed the budgeted amount? 5c 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? 6a Did the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public?

7 Charity Care and Certain Other Community Benefits at Cost

Table with 6 columns: (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. Rows include Charity Care and Means-Tested Government Programs (a-d) and Other Benefits (e-k).

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			15,000		15,000	0.010 %
3 Community support						
4 Environmental improvements			8,000		8,000	0.010 %
5 Leadership development and training for community members			1,500		1,500	0 %
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			24,500		24,500	0.020 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2 Enter the amount of the organization's bad debt expense	2	7,249,754	
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	35,000	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	24,290,891
6 Enter Medicare allowable costs of care relating to payments on line 5	6	31,570,664
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-7,279,773
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	Yes
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes

Part IV Management Companies and Joint Ventures (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)

How many hospital facilities did the organization operate during the tax year? 1

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	COMMUNITY MEDICAL CENTER 2827 FORT MISSOULA ROAD MISSOULA, MT 59804	X	X					X		

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

COMMUNITY MEDICAL CENTER

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): _____ 1 _____

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
<ul style="list-style-type: none"> a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input 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 type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input 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 Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
<ul style="list-style-type: none"> a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI) 		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<ul style="list-style-type: none"> a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input 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 Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V Facility Information *(continued)*

	Yes	No
10 Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) 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 checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11 Yes	
12 Explained the method for applying for financial assistance?	12 Yes	
13 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) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon 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)	13 Yes	

Billing and Collections

14 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?	14 Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	No
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

18 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

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
18	Yes	

Individuals Eligible for Financial Assistance

19 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** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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

21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?

.

If "Yes," explain in Part VI

20		No
21		No

Part V Facility Information *(continued)*

Section C. Other 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 facilities did the organization operate during the tax year? 18

Name and address	Type of Facility (Describe)
1 See Additional Data Table	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COSTING METHOD USED WAS THE COST TO CHARGE RATIO DERIVED FROM USING WORKSHEET 2

Identifier	ReturnReference	Explanation
		PART I, LINE 7G ALL SUBSIDIZED HEALTH COSTS ARE ATTRIBUTABLE TO PHYSICIAN CLINICS

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) WHEN CALCULATING CHARITY-CARE PERCENTAGE OF TOTAL EXPENSES (SCHEDULE H, PART I, LINE 7, COLUMN F), THE HOSPITAL ELIMINATED \$7,249,754 OF BAD DEBT EXPENSE

Identifier	ReturnReference	Explanation
		<p>PART II CMC INVESTS IN MISSOULA AND THE SURROUNDING AREA THROUGH MULTIPLE AVENUES AS A KEY PARTNER OF THE MISSOULA ECONOMIC PROJECT (MEP), CMC HELPS MEP CREATE A PROGRESSIVE BUSINESS DEVELOPMENT AND RECRUITMENT PROGRAM FOR THE CITY OF MISSOULA WE BELIEVE THAT A STRONG BUSINESS COMMUNITY CREATES A VIBRANT CITY THAT CAN BE SUPPORTED BY NON-PROFIT HEALTHCARE ORGANIZATIONS, SUCH AS CMC IN ADDITION, OUR PARTICIPATION IN EMERGENCY PREPAREDNESS IN PARTNERSHIP WITH OTHER HOSPITALS, FIRE, POLICE, AND THE CITY/COUNTY GOVERNMENT STRENGTHENS OUR ABILITY TO RESPOND EFFICIENTLY AND QUICKLY TO ANY EMERGENCY WITHIN THE AREA AS MISSOULA CHAMBER OF COMMERCE MEMBERS, WE SUPPORT OUR BUSINESS COMMUNITY BY SPONSORING AT LEAST ONE PARTICIPANT FROM CMC IN THE LEADERSHIP MISSOULA PROGRAM ANNUALLY THIS PROGRAM CREATES AMBASSADORS OF CMC EMPLOYEES FOR THE LARGER COMMUNITY</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT IS AN ESTIMATE USING HISTORICAL DATA ON PAYMENTS RECEIVED AND AMOUNTS THAT WERE ACTUALLY NEVER COLLECTED THE AMOUNT REPORTED ON SCHEDULE H, PART III, LINE 3 IS AN ESTIMATE BASED ON TOTAL CHARITY CARE

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 8 COST ARE ALLOCATED BASED ON ACTUAL COST OF INDIVIDUAL CLINICS OR HOSPITAL DEPARTMENTS THE AMOUNT SHOWN HERE AS THE MEDICARE SHORTFALL DOES NOT INCLUDED ALL COSTS AND REVENUES FOR MEDICARE THE COSTS AND REVENUES SHOWN HERE INCLUDE ONLY THE AMOUNTS ALLOWED IN THE MEDICARE COST REPORT TO DETERMINE THE ACTUAL MEDICARE SHORTFALL ALL REVENUES AND COST MUST BE INCLUDED IN THE CALCULATION WHEN ALL COSTS ARE INCLUDED OUR SHORTFALL FOR MEDICARE OUR SHORTFALL IS SIGNIFICANTLY HIGHER ONE HUNDRED PERCENT OF THIS SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT THIS AMOUNT IS CONSIDERED TO BE COMMUNITY BENEFIT FOR THE FOLLOWING REASONS IN OUR COMMUNITY MEDICARE HAS THE LOWEST REIMBURSEMENT RATE OF ALL PAYERS WE DO NOT BELIEVE OUR MEDICARE SHORTFALL TO BE FROM ANY SORT OF DEFICIENCIES IN THE EFFICIENCY OF OPERATIONS OR LOW PATIENT VOLUMES</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENTS RECEIVE INFORMATION AT THE TIME OF REGISTRATION REGARDING FINANCIAL ASSISTANCE BOTH FOR SELF PAY AND BALANCE AFTER INSURANCE ALL SELF PAY PATIENTS ARE SCREENED FOR ELIGIBILITY FOR FEDERAL, STATE AND LOCAL PROGRAMS BY THE MASH PROGRAMS, AND IF NO ELIGIBILITY EXISTS ARE FURTHER SCREENED FOR HOSPITAL FINANCIAL ASSISTANCE ADDITIONALLY, PATIENTS RECEIVE INFORMATION REGARDING FINANCIAL ASSISTANCE IN THEIR STATEMENTS AS WELL AS VERBALLY WHEN FOLLOW UP CALLS ARE MADE ON ANY PATIENT BALANCE PATIENTS WHO QUALIFY FOR CHARITY CARE RECEIVE AN ADJUSTMENT ON THE BALANCE OF THEIR ACCOUNT CORRESPONDING WITH THE APPROPRIATE REDUCTION ACCORDING TO POLICY REMAINING BALANCES, IF ANY, ARE COLLECTED EITHER IN FULL OR BY PAYMENT PLAN, OR IN THE CASE OF NON-PAYMENT MAY HAVE THE ADJUSTED BALANCE ASSIGNED TO AN OUTSIDE AGENCY FOR RESOLUTION

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 COMMUNITY MEDICAL CENTER WORKS WITH SAINT PATRICK HOSPITAL AND THE MISSOULA CITY-COUNTY HEALTH DEPARTMENT TO ASSESS THE NEEDS OF THE COMMUNITY, AS WELL AS WITH OTHER NON-PROFIT ORGANIZATIONS, I E , MISSOULA AGING SERVICES, YWCA, YMCA, POVERELLO HOMELESS SHELTER, AND UNITED WAY COMMUNITY ASSESSES THE NEEDS OF THE COMMUNITY ALONG WITH OUR PARTNER ORGANIZATIONS AND THEN CRAFTS A RESPONSE TO THE NEEDS ASSESSMENT TO FULFILL ANY GAPS THAT ARE IDENTIFIED

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 PATIENTS RECEIVE INFORMATION AT THE TIME OF REGISTRATION REGARDING FINANCIAL ASSISTANCE BOTH FOR SELF PAY AND BALANCE AFTER INSURANCE ALL SELF PAY PATIENTS ARE SCREENED FOR ELIGIBILITY FOR FEDERAL, STATE AND LOCAL PROGRAMS BY THE MASH PROGRAMS, AND IF NO ELIGIBILITY EXISTS ARE FURTHER SCREENED FOR HOSPITAL FINANCIAL ASSISTANCE ADDITIONALLY, PATIENTS RECEIVE INFORMATION REGARDING FINANCIAL ASSISTANCE IN THEIR STATEMENTS AS WELL AS VERBALLY WHEN FOLLOW UP CALLS ARE MADE ON ANY PATIENT BALANCE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 CMC SERVES THE COMMUNITY OF MISSOULA, MT AND THE SURROUNDING COUNTIES MONTANA IS A RURAL STATE AND THERE ARE THEREFORE LIMITED HOSPITALS IN THE REGION THERE ARE TWO HOSPITALS IN MISSOULA CMC SERVES A DISPROPORTIONATE NUMBER OF LOWER INCOME INDIVIDUAL AND THEREFORE RECEIVES DSH PAYMENTS

Additional Data

Software ID:
Software Version:
EIN: 81-0247705
Name: COMMUNITY MEDICAL CENTER INC

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other 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 facilities did the organization operate during the tax year? <u>18</u>	
Name and address	Type of Facility (Describe)
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS
MISSOULA VALLEY PEDIATRICS (MVP) 2835 FORT MISSOULA ROAD SUITE 205 MISSOULA, MT 59804	PEDIATRICS

Schedule I (Form 990)

OMB No 1545-0047

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

2011

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. Attach to Form 990

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization COMMUNITY MEDICAL CENTER INC

Employer identification number 81-0247705

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance...
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.

Table with 8 columns: (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, (g) Description of non-cash assistance, (h) Purpose of grant or assistance. Contains 5 rows of data.

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

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
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Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
COMMUNITY MEDICAL CENTER INC

Employer identification number

81-0247705

Part I Questions Regarding Compensation

Yes No

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items

- First-class or charter travel
- Travel for companions
- Tax idemnification and gross-up payments
- Discretionary spending account
- Housing allowance or residence for personal use
- Payments for business use of personal residence
- Health or social club dues or initiation fees
- Personal services (e g , maid, chauffeur, chef)

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

1b No

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

2 No

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply

- Compensation committee
- Independent compensation consultant
- Form 990 of other organizations
- Written employment contract
- Compensation survey or study
- Approval by the board or compensation committee

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

a Receive a severance payment or change-of-control payment?

4a No

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

4b No

c Participate in, or receive payment from, an equity-based compensation arrangement?

4c No

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

a The organization?

5a No

b Any related organization?

5b No

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

a The organization?

6a Yes

b Any related organization?

6b No

If "Yes," to line 6a or 6b, describe in Part III

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

7 No

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III

8 No

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?

9

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space 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, columns (D) and (E) for that individual

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) STEVE CARLSON	(i)	372,394	78,313	1,242	19,981	9,300	481,230	0
	(ii)	0	0	0	0	0	0	0
(2) DAVID RICHHART	(i)	182,714	31,500	2,474	9,721	9,150	235,559	0
	(ii)	0	0	0	0	0	0	0
(3) FRANK REED	(i)	100,909	36,750	33,970	7,260	11,515	190,404	0
	(ii)	0	0	0	0	0	0	0
(4) JONATHAN WEISUL	(i)	277,932	51,371	0	13,809	16,962	360,074	0
	(ii)	0	0	0	0	0	0	0
(5) DAVID JINICH MD	(i)	561,661	172,561	1,242	12,588	20,132	768,184	0
	(ii)	0	0	0	0	0	0	0
(6) PAULA GUINNIP MD	(i)	283,714	0	175,841	0	11,661	471,216	0
	(ii)	0	0	0	0	0	0	0
(7) GREGORY UTTER MD	(i)	388,712	31,239	2,742	9,721	22,987	455,401	0
	(ii)	0	0	0	0	0	0	0
(8) BRUCE MORGAN MD	(i)	338,250	19,924	0	2,989	1,280	362,443	0
	(ii)	0	0	0	0	0	0	0
(9) JANET HILLER MD	(i)	209,483	159,842	2,450	15,156	2,553	389,484	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	CMC PAID COUNTRY CLUB DUES ON BEHALF OF STEVE CARLSON, CEO IN THE AMOUNT OF \$14,438. THIS AMOUNT WAS NOT INCLUDED IN STEVE'S TAXABLE COMPENSATION.
	PART I, LINE 6	CMC PAYS OUT LEADERSHIP COUNCIL BONUSES IF THE NET EARNINGS OF CMC MEETS OR EXCEED THE BUDGETED AMOUNTS BASED ON THE FISCAL YEAR 2012 FINANCIAL RESULTS, A PERCENTAGE OF THEIR BASE SALARY WAS PAID OUT AS A BONUS.

**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**

▶ **Attach to Form 990. ▶ See separate instructions.**

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
COMMUNITY MEDICAL CENTER INC

Employer identification number

81-0247705

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A MONTANA FACILITY FINANCE AUTHORITY	36-4615155	612043JA3	12-29-2010	24,400,067	CONSTRUCTION AND FACILITY EXPANSION OF WOMEN'S AND NEWBORN CARE CENTER		X		X		X

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired				
2 Amount of bonds defeased				
3 Total proceeds of issue	24,146,299			
4 Gross proceeds in reserve funds	2,139,736			
5 Capitalized interest from proceeds	1,944,776			
6 Proceeds in refunding escrow				
7 Issuance costs from proceeds	220,565			
8 Credit enhancement from proceeds				
9 Working capital expenditures from proceeds				
10 Capital expenditures from proceeds	10,606,964			
11 Other spent proceeds				
12 Other unspent proceeds	8,539,525			
13 Year of substantial completion				
	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?		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 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2 Is the bond issue a variable rate issue?		X						
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was a hedge terminated?								
4a Were gross proceeds invested in a 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?								
5 Were any gross proceeds invested beyond an available temporary period?		X						
6 Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

Check the box if 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 Yes No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE K, PART II, LINE 3	TOTAL PROCEEDS OF ISSUE	TOTAL PROCEEDS OF \$24,146,299 ON PART II, LINE 3 DOES NOT EQUAL THE ISSUE PRICE OF \$24,400,061 INCLUDED IN PART I, LINE A, COLUMN E THE DIFFERENCE OF \$253,768 IS EQUAL TO THE UNDERWRITERS' DISCOUNTS

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COMMUNITY MEDICAL CENTER INC

Employer identification number

81-0247705

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	THE ROLE OF THE EXECUTIVE COMMITTEE IS TO TRANSACT THE BUSINESS OF THE COMMUNITY MEDICAL CENTER BOARD OF DIRECTORS IN THE INTERIM BETWEEN MEETINGS OF THE FULL BOARD, WHEN A MEETING OF THE FULL BOARD IS NOT FEASIBLE. THEIR RESPONSIBILITIES INCLUDE - ACT ON MATTERS THAT CANNOT REASONABLY WAIT ACTION BY THE FULL BOARD - ACT ON OTHER MATTERS DELEGATED TO THE EXECUTIVE COMMITTEE BY THE BOARD - REPORT ACTIONS AT THE NEXT MEETING OF THE BOARD FOR RATIFICATION - FUNCTION AS AN ADVISOR TO THE PRESIDENT/CEO ON SENSITIVE TOPICS - PROVIDE INPUT INTO THE CONTENT AND STRUCTURING OF THE BOARD AGENDA - CONDUCT THE EVALUATION AND SET THE SALARY OF THE PRESIDENT/CEO. THE EXECUTIVE COMMITTEE SHALL CONSIST OF THE OFFICERS OF THE BOARD AND ONE ADDITIONAL BOARD MEMBER AT LARGE. THE PRESIDENT/CEO SHALL BE AN EX OFFICIO MEMBER WITHOUT VOTE. THE CHAIR OF THE BOARD APPOINTS THE COMMITTEE MEMBERS ANNUALLY, TO COINCIDE WITH THE ELECTION OF OFFICERS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 AND RELATED SCHEDULES WILL BE GIVEN TO THE BOARD OF DIRECTORS FOR REVIEW AND APPROVAL PRIOR TO BEING FILED WITH THE IRS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	<p>THE BOARD OF DIRECTORS SHALL BY RESOLUTION APPROVE A CONFLICT OF INTEREST POLICY FOR CMC THAT IS CONSISTENT WITH AND AT LEAST AS PROTECTIVE AS THE APPLICABLE CONFLICT OF INTEREST PROVISIONS UNDER THE MONTANA NONPROFIT CORPORATION ACT THE PURPOSE OF THE POLICY IS TO PROTECT CMC'S INTEREST WHEN IT IS CONTEMPLATING ENTRY INTO A TRANSACTION OR ARRANGEMENT THAT MIGHT BENEFIT THE PRIVATE INTEREST OF A DIRECTOR, OFFICER OF THE BOARD, OFFICER OF THE ORGANIZATION, OR MEMBER OF A COMMITTEE ("INTERESTED PERSON") THE POLICY SHALL CONTAIN AT LEAST THE FOLLOWING PROVISIONS (A) A DEFINITION OR DESCRIPTION OF WHAT CONSTITUTES A "CONFLICT OF INTEREST TRANSACTION," (B) A DEFINITION OR DESCRIPTION OF AN "INTERSTED PERSON," (C) A DEFINITION OR DESCRIPTION OF WHEN A PERSON HAS A "FINANCIAL INTERST" IN A TRANSACTION OR ARRANGEMENT, (D) DISCLOSURE PROCEDURES, (E) PROCEDURES FOR DETERMINING WHETHER THE FINANCIAL INTEREST OF AN INTERESTED PERSON MAY RESULT IN A CONFLICT OF INTEREST, (F) PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST AFTER DETERMINING THAT THERE IS A CONFLICT, INCLUDING VOTING REQUIREMENTS AND PROCEDURES, (G) PROCEDURES FOR ADEQUATE RECORD KEEPING, AND (H) PROCEDURES FOR ENSURING THAT ALL DIRECTORS, PRINCIPAL OFFICERS, AND MEMBERS OF COMMITTEES, UNDERSTAND AND COMPLY WITH THE CONFLICT OF INTEREST POLICY ALL REAL OR POTENTIAL CONFLICTS OF INTEREST MUST BE IMMEDIATELY REFERRED TO THE INTEGRITY OFFICER FOR RESOLUTION CMC'S EMPLOYEE HANDBOOK AND STANDARDS OF CONDUCT IS GIVEN TO EACH NEW HIRE UPON EMPLOYMENT, UNDER THE STANDARDS OF CONDUCT THERE IS A SECTION ON CONFLICTS OF INTEREST AND HOW TO HANDLE THE CONFLICT CONFLICTS ARE TO BE REPORTED DIRECTLY TO THE IMMEDIATE SUPERVISOR AND CMC ALSO OFFERS AN ANONYMOUS HOTLINE SERVICES ONCE A YEAR THE CONFLICT OF INTEREST POLICY IS REVIEWED AT A BOARD MEETING</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	WE HIRED AN INDEPENDENT SERVICE (INTEGRATED HEALTHCARE STRATEGIES) TO DO AN EXECUTIVE COMPENSATION SURVEY THIS SURVEY WAS CONDUCTED FOR THE TOP 12 COMPENSATED EMPLOYEES OF THE HOSPITAL THE DATA WAS PRESENTED TO A COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS, AND SALARY ADJUSTMENTS (IF ANY) WERE DETERMINED THE SURVEY INCLUDED REGIONAL AND NATIONAL COMPARISONS TO INSTITUTIONS OF A SIMILAR SIZE AND REVENUE GENERATION TO MAKE THE RESULTS COMPARABLE AS MENTIONED ABOVE, THE SAME PROCESS THAT WAS USED FOR THE CEO, WAS USED TO COMPARE THE SALARIES OF OTHER KEY EXECUTIVES THE LAST COMPENSATION ANALYSIS WAS PERFORMED IN 2011

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE MADE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
ALLOCATION OF HOURS	FORM 990, PART VII, SECTION A	STEVE CARLSON, MEMBER OF THE GOVERNING BODY OF CMC FOUNDATION, ALSO SERVES AS THE CEO OF COMMUNITY MEDICAL CENTER, A RELATED NON-PROFIT ON AVERAGE HE SERVES BOTH ORGANIZATIONS WORKING AN AVERAGE OF 43 HOURS PER WEEK AS FOLLOWS COMMUNITY MEDICAL CENTER - 40 HOURS PER WEEK CMC FOUNDATION - 3 HOURS PER WEEK JANET HILLER, MD, MEMBER OF THE GOVERNING BODY OF CMC FOUNDATION, ALSO SERVES AS A PHYSICIAN OF COMMUNITY MEDICAL CENTER, A RELATED NON-PROFIT ON AVERAGE SHE SERVES BOTH ORGANIZATIONS WORKING AN AVERAGE OF 41 HOURS PER WEEK AS FOLLOWS COMMUNITY MEDICAL CENTER - 40 HOURS PER WEEK CMC FOUNDATION - 1 HOUR PER WEEK ROBERT PHILLIPS, MEMBER OF THE GOVERNING BODY OF CMC FOUNDATION, ALSO SERVES AS A MEMBER OF THE GOVERNING BODY OF COMMUNITY MEDICAL CENTER, A RELATED NON-PROFIT ON AVERAGE HE SERVES BOTH ORGANIZATIONS WORKING AN AVERAGE OF 2 5 HOURS PER WEEK AS FOLLOWS COMMUNITY MEDICAL CENTER - 1 5 HOURS PER WEEK CMC FOUNDATION - 1 HOUR PER WEEK

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -276,301 CHANGE IN BENEFICIAL INTEREST OF CMC FOUNDATION -1,210,224 TOTAL TO FORM 990, PART XI, LINE 5 - 1,486,525

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization
COMMUNITY MEDICAL CENTER INC

Employer identification number

81-0247705

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

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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" 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 organization	
						Yes	No
(1) COMMUNITY MEDICAL CENTER FOUNDATION 2827 FORT MISSOULA ROAD MISSOULA, MT 59804 36-3627205	TO PROVIDE FUNDING TO COMMUNITY MEDICAL CENTER HOSPITAL	MT	501(C)(3)	7	N/A		No

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	
(1) MONTANA HEART ANGIO LAB LLC 2827 FORT MISSOULA ROAD MISSOULA, MT 59804 81-0542065	CATH LAB	MT	COMMUNITY MEDICAL CENTER	RELATED	1,773,160	1,912,370		No			No	92.900 %

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

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses
- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c	Yes	
1d	Yes	
1e		No
1f		No
1g		No
1h		No
1i	Yes	
1j		No
1k	Yes	
1l	Yes	
1m	Yes	
1n	Yes	
1o		No
1p	Yes	
1q		No
1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) MONTANA HEART ANGIO LAB LLC	I	93,644	FMV
(2) MONTANA HEART ANGIO LAB LLC	L	1,478,088	FMV
(3) MONTANA HEART ANGIO LAB LLC	K	117,616	FMV
(4)			
(5)			
(6)			

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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Schedule R (Form 990) 2011

COMMUNITY MEDICAL CENTER, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

**COMMUNITY MEDICAL CENTER, INC.
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YEARS ENDED JUNE 30, 2012 AND 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Medical Center, Inc.
Missoula, Montana

We have audited the accompanying consolidated balance sheets of Community Medical Center, Inc. (the Hospital) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2012 and 2011, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic 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 basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 16, 2012



**COMMUNITY MEDICAL CENTER, INC.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2012 AND 2011**

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 17,023,272	\$ 22,199,290
Restricted Cash	61,711	51,324
Current Portion of Assets Limited as to Use	1,186,962	806,096
Short-Term Investments	10,179,452	13,326,509
Patient Receivables, Net of Allowance for Doubtful Accounts of \$3,972,000 in 2012 and \$4,041,000 in 2011	19,570,045	17,893,802
Other Receivables	1,622,647	2,479,023
Inventory	3,097,534	3,336,757
Prepaid and Other Assets	1,114,186	776,978
Total Current Assets	53,855,809	60,869,779
 LONG-TERM INVESTMENTS	 10,026,066	 7,127,504
ASSETS LIMITED AS TO USE		
By Board	25,114	21,257
Restricted for Construction Project, Net of Current Portion	7,481,131	14,793,799
Held by Trustee Under Indenture Agreement, Net of Current Portion	2,808,906	4,119,044
Total Assets Limited as to Use, Net of Current Portion	10,315,151	18,934,100
 BENEFICIAL INTEREST IN COMMUNITY MEDICAL CENTER FOUNDATION	 4,522,521	 5,732,745
 PROPERTY AND EQUIPMENT, NET	 62,307,258	 48,105,479
OTHER ASSETS		
Unamortized Bond Issuance Costs	889,946	952,862
Notes Receivable	3,855,003	5,154,301
Investment in Joint Ventures	3,423,001	3,474,241
Total Other Assets	8,167,950	9,581,404
Total Assets	\$ 149,194,755	\$ 150,351,011

See accompanying Notes to Consolidated Financial Statements

LIABILITIES AND NET ASSETS	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Current Portion of Notes Payable and Capital Lease Obligations	\$ 2,344,191	\$ 2,398,254
Accounts Payable		
Trade	7,297,271	6,821,772
Construction and Equipment	1,328,269	4,238,113
Estimated Third-Party Payor Settlements	7,095,680	8,848,125
Accrued Salaries, Payroll Related Liabilities, and Other Liabilities	8,597,904	10,017,900
Accrued Interest Payable	156,946	160,748
Total Current Liabilities	<u>26,820,261</u>	<u>32,484,912</u>
 LONG-TERM DEBT OBLIGATIONS		
Long-Term Obligations Under Bond Indenture	24,428,532	24,409,555
Notes Payable and Capital Lease Obligations, Less Current Maturities	<u>10,460,120</u>	<u>12,808,908</u>
Long-Term Debt Obligations, Less Current Maturities	<u>34,888,652</u>	<u>37,218,463</u>
 Total Liabilities	 61,708,913	 69,703,375
 NET ASSETS		
Unrestricted Net Assets		
Undesignated	82,779,259	74,718,151
Board Designated	25,114	21,257
Noncontrolling Interest in Subsidiary	97,237	124,160
Total Unrestricted Net Assets	<u>82,901,610</u>	<u>74,863,568</u>
Temporarily Restricted Net Assets	1,490,082	2,731,191
Permanently Restricted Net Assets	<u>3,094,150</u>	<u>3,052,877</u>
Total Net Assets	<u>87,485,842</u>	<u>80,647,636</u>
 Total Liabilities and Net Assets	 <u>\$ 149,194,755</u>	 <u>\$ 150,351,011</u>

COMMUNITY MEDICAL CENTER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED REVENUES AND GAINS		
Net Patient Service Revenue	\$ 146,216,647	\$ 144,948,119
Other Operating Revenue	3,709,562	2,753,032
Total Unrestricted Revenue and Gains	<u>149,926,209</u>	<u>147,701,151</u>
OPERATING EXPENSES		
Salaries and Wages	58,498,131	56,766,370
Employee Benefits	13,551,734	14,036,787
Professional Fees	7,955,208	8,004,398
Purchased Services	15,833,994	13,976,567
Medical Supplies	22,255,169	22,923,459
Non-Medical Supplies	3,360,900	3,457,678
Utilities	1,693,933	1,702,529
Depreciation and Amortization	7,129,678	6,455,998
Bad Debt Expense	7,230,227	6,894,654
Interest Expense	853,301	739,685
Leases and Rents	2,021,097	2,187,867
Education and Travel	775,544	999,416
Other Direct Expenses	3,664,704	3,658,449
Total Operating Expenses	<u>144,823,620</u>	<u>141,803,857</u>
OPERATING INCOME	5,102,589	5,897,294
OTHER INCOME AND EXPENSE		
Investment Income	510,443	395,558
Equity Earnings in Joint Venture Income	2,909,480	2,098,769
Forgiveness of Equity Investment and Notes Receivable	(1,546,367)	-
Other Nonoperating Loss, Net	(155,443)	(174,248)
Total Other Income and Expense	<u>1,718,113</u>	<u>2,320,079</u>
EXCESS OF REVENUE OVER EXPENSES	6,820,702	8,217,373
Net Change in Unrealized Loss on Marketable Securities	(276,301)	(79,191)
Net Assets Released from Restriction	1,493,641	2,504,268
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 8,038,042</u>	<u>\$ 10,642,450</u>

See accompanying Notes to Consolidated Financial Statements

COMMUNITY MEDICAL CENTER, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	Unrestricted Net Assets	Noncontrolling Interest	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
NET ASSETS - JUNE 30, 2010	\$ 64,062,730	\$ 158,388	\$ 64,221,118	\$ 3,532,702	\$ 3,003,378	\$ 70,757,198
CHANGES IN NET ASSETS						
Excess (Deficit) of Revenue Over Expenses	8,249,016	(31,643)	8,217,373	-	-	8,217,373
Net Change in Unrealized Loss on Marketable Securities	(79,191)	-	(79,191)	-	-	(79,191)
Contributions (Distributions) to Members	2,585	(2,585)	-	-	-	-
Net Assets Released from Restriction	2,504,268	-	2,504,268	(2,504,268)	-	-
Temporarily Restricted Donations and Grants	-	-	-	897,024	-	897,024
Change in Beneficial Interest in Temporarily and Permanently Restricted Net Assets of Community Medical Center Foundation	-	-	-	805,733	49,499	855,232
Increase (Decrease) in Net Assets	<u>10,676,678</u>	<u>(34,228)</u>	<u>10,642,450</u>	<u>(801,511)</u>	<u>49,499</u>	<u>9,890,438</u>
NET ASSETS - JUNE 30, 2011	74,739,408	124,160	74,863,568	2,731,191	3,052,877	80,647,636
CHANGES IN NET ASSETS						
Excess (Deficit) of Revenue Over Expenses	6,847,625	(26,923)	6,820,702	-	-	6,820,702
Net Change in Unrealized Loss on Marketable Securities	(276,301)	-	(276,301)	-	-	(276,301)
Net Assets Released from Restriction	1,493,641	-	1,493,641	(1,493,641)	-	-
Temporarily Restricted Donations and Grants	-	-	-	1,504,029	-	1,504,029
Change in Beneficial Interest in Temporarily and Permanently Restricted Net Assets of Community Medical Center Foundation	-	-	-	<u>√(1,251,497)</u>	<u>√41,273</u>	(1,210,224)
Increase (Decrease) in Net Assets	<u>8,064,965</u>	<u>(26,923)</u>	<u>8,038,042</u>	<u>(1,241,109)</u>	<u>41,273</u>	<u>6,838,206</u>
NET ASSETS - JUNE 30, 2012	<u>\$ 82,804,373</u>	<u>\$ 97,237</u>	<u>\$ 82,901,610</u>	<u>\$ 1,490,082</u>	<u>\$ 3,094,150</u>	<u>\$ 87,485,842</u>

See accompanying Notes to Consolidated Financial Statements

COMMUNITY MEDICAL CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 6,838,206	\$ 9,890,438
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Changes in Beneficial Interest in Net Assets of Community Medical Center Foundation	1,210,224	(855,232)
Depreciation and Amortization	7,129,678	6,455,998
Provision for Bad Debts	7,230,227	6,894,654
Unrealized Loss on Investments	276,301	79,191
Forgiveness of Equity Investment and Notes Receivable	1,546,367	-
Temporarily Restricted Donations and Grants	(1,504,029)	(897,024)
Equity in Earnings from Joint Ventures	(2,909,480)	(2,098,769)
(Increase) Decrease in		
Accounts Receivable and Other Receivables	(7,970,496)	(6,124,949)
Inventory and Prepaid Expenses	(97,985)	(20,210)
Increase (Decrease) in		
Accounts Payable and Accrued Salaries and Related Liabilities	(975,705)	(45,110)
Estimated Third-Party Payor Settlements	(1,752,445)	2,973,125
Accrued Interest Payable	(3,802)	158,302
Net Cash Provided by Operating Activities	9,017,061	16,410,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(24,159,408)	(14,623,173)
Change in Investments Restricted by Contributors and Grantors for Capital	-	1,600,131
Change in Investments and Assets Limited as to Use	8,210,277	(16,955,619)
Cash Paid for Bond Issuance Costs	-	(795,306)
Distributions from Investments in Joint Ventures	2,665,261	1,689,431
Net Cash Used by Investing Activities	(13,283,870)	(29,084,536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable and Capital Lease Obligations	(2,402,851)	(2,533,735)
Proceeds from Long-Term Obligations Under Bond Indenture and Notes Payable	-	24,400,067
Other Financing Activities	-	2,585
Temporarily Restricted Donations and Grants	1,493,642	648,172
Net Cash Provided (Used) by Financing Activities	(909,209)	22,517,089
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,176,018)	9,842,967
Cash and Cash Equivalents - Beginning of Year	22,199,290	12,356,323
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,023,272	\$ 22,199,290
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest	\$ 1,966,426	\$ 1,135,382
Construction in Progress Payables	\$ 1,328,269	\$ 4,238,113

See accompanying Notes to Consolidated Financial Statements

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community Medical Center, Inc. (the Hospital) is a private, not-for-profit corporation exempt from income tax under Section 501(C)(3) of the Internal Revenue Code. The Hospital operates an acute care hospital and rehabilitation center for Western Montana patients whose bills are paid in whole or in part by third-party payors, e.g. Medicare, Medicaid, and private insurance carriers. The accompanying consolidated financial statements include the accounts and transactions of Community Medical Center, Inc. and its majority owned limited liability company Montana Heart Angio Lab, LLC. All intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting policies generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited under indenture agreement, or by board for capital improvements.

Patient Receivables

The Hospital maintains an allowance for uncollectible self-pay accounts. Patients are not required to provide collateral for services rendered. Payment for services is required at the time of service when the amount due is known or upon receipt of an invoice, after payment by insurance, if any. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patients' financial history, credit history and current economic conditions. When all collection efforts have been exhausted, the account is written off against the related allowance. At June 30, 2012 and 2011, the allowance for uncollectible accounts was approximately \$3,972,000 and \$4,041,000, respectively.

Inventories

Inventories are stated at the lower of cost or market using a weighted average of the latest invoice cost which approximates the first-in, first-out method.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities. Investments are regularly reviewed for impairment and a charge is recognized when the decline in fair value is below cost basis and is judged to be other than temporary.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under indenture agreements, restricted for construction, and assets designated by the board of trustees for capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital are reported as current assets.

Property and Equipment, Net

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

Gifts of long-lived assets such as land, buildings, or equipment are recorded as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted 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.

Temporarily and Permanently Restricted Net Assets

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

Unamortized Bond Issuance Costs

Unamortized bond issuance costs are being amortized over the period the related obligations are outstanding using the interest method.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue

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

Excess of Revenues over Expenses

Excess of revenue over expenses includes operating expenses, interest, dividends, and realized gains and losses. Changes in unrestricted net assets which are excluded from excess of support and revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets).

Donor-Restricted Gifts

Contributions received, including unconditional promises to give cash and other assets, are recognized as revenues in the period received at their fair values. Unconditional promises to give with payments due in future periods are reported as restricted support. Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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 consolidated statements of operations as net assets released from restrictions.

Income Taxes

The Hospital is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Hospital follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Hospital's income tax returns are subject to review and examination by federal, state, and local authorities. The Hospital is not aware of any activities that would jeopardize its tax-exempt status. The tax returns for the years ended 2009 to 2011 are open to examination by federal, local, and state authorities.

The Hospital's majority owned limited liability company, Montana Heart Angio Lab, LLC is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, by Montana Heart Angio Lab, LLC.

Fair Value of Financial Instruments

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

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

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

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

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 16 to the consolidated financial statements for the fair market value disclosures of the Hospital's financial instruments as of June 30, 2012 and 2011.

Available for Sale securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities. Securities valued using Level 3 inputs include annuities that are non-transferable.

Additionally, from time to time, the Hospital may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

Subsequent Events

In preparing the consolidated financial statements, the Hospital has considered events and transactions that have occurred through October 16, 2012, the date in which the consolidated financial statements were available to be issued.

NOTE 2 NOTES RECEIVABLE

Notes receivable at June 30, 2012 and 2011 is set forth in the following table:

	<u>2012</u>	<u>2011</u>
New West Health Plan	\$ 3,834,601	\$ 5,154,301
Other	20,402	-
Total Notes Receivable	<u>\$ 3,855,003</u>	<u>\$ 5,154,301</u>

New West Health Plan

Notes receivable at June 30, 2012 consist of a \$3,834,601 subordinated notes receivable from New West Health Plan (See Note 12). During fiscal year 2012, the Hospital entered into a withdrawal agreement with New West and as a result forgave \$1,319,700 of the total \$5,154,301 in subordinated notes receivable outstanding as of June 30, 2011. The forgiveness of the notes receivable has been included in "Forgiveness of Equity Investment and Notes Receivable" in the consolidated statement of operations. The note receivable incurs interest at 1% and are payable in eight equal annual installments commencing July 1, 2014. The note is guaranteed by an outside third party, thus management has determined no allowance is considered necessary at June 30, 2012. If at any time the notes receivable should become past due, the Hospital will assess the collectability of the outstanding balance.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 3 CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The approximate mix of patient receivables from patients and third-party payors at June 30, 2012 and 2011 was as follows:

	2012	2011
Medicare	30 %	22 %
Medicaid	11	14
Patients	22	26
Other Third-Party Payors	37	38
Total	100 %	100 %

FDIC Coverage

During the year ending June 30, 2012 and 2011, the Hospital had cash balances in individual financial institutions in excess of FDIC insurance limits. Effective October 3, 2008 FDIC insurance coverage increased from \$100,000 per depositor account to \$250,000 per account and has subsequently been extended indefinitely. In addition, all non-interest bearing accounts are entirely covered by FDIC insurance through December 2012. Prior to the changes in FDIC insurance coverage, at times, cash balances may have been in excess of insured limits.

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments

The composition of investments, stated at fair value, at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
Short-Term Investments		
Cash and Short-Term Investments	\$ 546,676	\$ 9,594,164
Mortgage Backed Government Securities	7,046,603	3,732,345
Corporate Bonds	2,586,173	-
Total Short-Term Investments	10,179,452	13,326,509
Long-Term Investments		
Mortgage Backed Government Securities	1,067,423	7,127,504
Corporate Bonds	8,958,643	-
Total Long-Term Investments	10,026,066	7,127,504
Total Investments	\$ 20,205,518	\$ 20,454,013

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Assets Limited as to Use

The composition of assets limited as to use, stated at fair value, at June 30, 2012 and 2011 is set forth in the following table:

	<u>2012</u>	<u>2011</u>
Held by Trustee Under Indenture Agreement		
Cash and Short-Term Investments	\$ 2,918,248	\$ 4,228,386
Restricted for Construction Project		
Cash and Short-Term Investments	8,558,751	15,490,553
Other Investments Designated by the Board		
Cash and Short-Term Investments	<u>25,114</u>	<u>21,257</u>
Total Assets Limited as to Use	11,502,113	19,740,196
Less Current Portion of Assets Limited as to Use	<u>(1,186,962)</u>	<u>(806,096)</u>
Assets Limited as to Use, Net of Current Portion	<u><u>\$ 10,315,151</u></u>	<u><u>\$ 18,934,100</u></u>

Investment Income

Investment income and gains for assets limited as to use, cash equivalents and other investments are comprised of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Investment Income	\$ 510,443	\$ 395,558
Net Change in Unrealized Loss on Marketable Securities	<u>(276,301)</u>	<u>(79,191)</u>
Total	<u><u>\$ 234,142</u></u>	<u><u>\$ 316,367</u></u>

Unrealized Losses

The following table reflects the fair value and unrealized losses, by investment category at June 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate Bonds	\$11,279,108	\$ (146,143)	\$ -	\$ -
Mortgage Backed Government Securities	4,810,082	(91,480)	3,256,356	(13,539)
Total	<u><u>\$ 16,089,190</u></u>	<u><u>\$ (237,623)</u></u>	<u><u>\$ 3,256,356</u></u>	<u><u>\$ (13,539)</u></u>

The unrealized losses on the corporate bonds amounted to \$146,143 at June 30, 2012. The Hospital has no losses on the corporate bonds greater than one year. Because the Hospital has the ability and intent to hold these investments until a market price recovery, which may be at maturity, the Hospital does not consider the investment value declines to be other-than-temporary at June 30, 2012.

The unrealized losses on the Hospital's investments in Mortgage Backed Government Securities were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Unrealized Losses (Continued)

Because the Hospital has the ability and intent to hold these investments until a market price recovery, which may be at maturity, the Hospital does not consider the investment value declines to be other-than-temporary at June 30, 2012.

The Hospital's investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term.

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Land and Improvements	\$ 1,325,044	\$ 1,107,419
Buildings	54,482,859	44,504,431
Fixed Equipment	7,760,576	6,687,078
Major Movable Equipment	45,795,122	42,135,994
Construction in Progress	14,565,014	9,287,829
Subtotal	<u>123,928,615</u>	<u>103,722,751</u>
Less Accumulated Depreciation	<u>(61,621,357)</u>	<u>(55,617,272)</u>
Property and Equipment, Net	<u>\$ 62,307,258</u>	<u>\$ 48,105,479</u>

Construction in progress at June 30, 2012 and 2011 includes costs associated with the construction of a new Woman and Children's Center and Oncology building which have an estimated total cost of construction and equipment of approximately \$23,500,000. During fiscal year 2012, phase one of the project was capitalized at an approximate cost of \$8,474,000. The Woman and Children's Center is anticipated to be completed in October 2012 and the Oncology building is anticipated to be completed in the fall 2013. Both projects are being financed with a combination of the Series 2010 D and E bond issuance and capital contributions raised through the Foundation. In 2012 and 2011, approximately \$1,156,000 and \$675,000 of interest expense, net of interest earnings, was capitalized as part of the construction project, respectively.

In addition, construction in progress at June 30, 2012 includes the installation of an electronic medical record system, various remodeling projects and equipment upgrades that are planned to be finished in fiscal 2013 and 2014. The total estimated costs of these projects are approximately \$15,400,000 and are expected to be financed with internal funds.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 6 LONG-TERM OBLIGATIONS UNDER BOND INDENTURE

Long-term obligations under bond indenture consists of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Series 2010D Health Care Facility Revenue Bonds, Bearing Fixed Rates of Interest Ranging from 4 0% to 5 5%, Maturing June 1, 2035	\$ 19,015,000	\$ 19,015,000
Series 2010E Health Care Facility Revenue Bonds, Bearing Fixed Rates of Interest Ranging from 4 5% to 5 6%, Maturing June 1, 2025	5,850,000	5,850,000
Series 2010D Unamortized Bond Discount	<u>(436,468)</u>	<u>(455,445)</u>
Total Long-Term Obligations Under Bond Indenture	<u>\$ 24,428,532</u>	<u>\$ 24,409,555</u>

Series 2010 Bonds

On December 29, 2010, the Hospital issued Health Care Facility Revenue Bonds, Series 2010 D and E, in the amount \$24,865,000. The bond issuance provided funding of reserves to pay interest payments on the bonds partially through 2013, funded a debt service reserve fund, paid cost of issuance and provided financing for the ongoing construction project. Interest payments are due annually beginning on June 1, 2013 through maturity and principal payments are due annually beginning on June 1, 2019 through maturity.

Restrictive Covenants

Under the terms of the Bond and Note agreements, the Hospital is required to maintain rates, fees and charges so that excess revenues (excluding depreciation and interest) in any fiscal year during the life of the bonds and notes would not be less than 125% of the Maximum Annual Debt Service Requirement. If in any year this provision is not met, the Hospital is to retain an Independent Consultant to make recommendations to increase the Debt Service Coverage ratio for subsequent years to at least 125%. Management believes the Hospital was in compliance with the Debt Service Coverage Ratio requirement for June 30, 2012.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 7 NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

<u>Notes Payable</u>	<u>Interest Rate</u>	<u>2012</u>	<u>2011</u>
Promissory Note, First Interstate Bank, unsecured, fixed monthly interest and principal payments of \$38,347 through July 2013	4 00%	\$ 481,621	\$ 902,061
Promissory Note, unsecured, fixed monthly payments of \$13,963 through June of 2015	5 10%	463,808	603,723
Montana Facility Finance Authority Health Facilities Revenue Note Series 2010A, bi-annual interest and principal payments through December 2013	2 60% - 3 05%	2,430,000	4,120,000
Montana Facility Finance Authority Health Facilities Revenue Note Series 2010B, bi-annual interest and principal payments through December 2021	5 10%	9,390,000	9,390,000
<u>Capital Lease Obligations</u>			
Various capital leases with interest rates ranging from 3 27% to 4 78%, monthly interest and principal payments through 2015	3 27% - 4 78%	<u>38,882</u>	<u>191,378</u>
Total Notes Payable and Capital Lease Obligations		12,804,311	15,207,162
Less Current Portion of Notes Payable and Capital Lease Obligations		<u>(2,344,191)</u>	<u>(2,398,254)</u>
Non-Current Notes Payable and Capital Lease Obligations		<u>\$ 10,460,120</u>	<u>\$ 12,808,908</u>

Scheduled principal repayments on notes payable and payments on capital lease obligations for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	<u>Obligations Under Capital Lease</u>
2013	\$ 2,320,579	\$ 23,813
2014	1,978,281	14,700
2015	2,031,569	612
2016	1,965,000	-
2017	2,070,000	-
Thereafter	2,400,000	-
	<u>\$ 12,765,429</u>	<u>39,125</u>
Less Amount Representing Interest on Obligation Under Capital Leases		<u>(243)</u>
Total		<u>\$ 38,882</u>

**COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 8 LINE OF CREDIT

The Hospital has a revolving line of credit from a local bank which allows the Hospital to borrow up to \$3,000,000. The interest rate on any outstanding balance is variable, and is indexed with the Prime Rate which was 3.25% on June 30, 2012. The line of credit has an interest rate floor of 4%, which was the rate on the line of credit as of June 30, 2012. The revolving line of credit is unsecured. As of June 30, 2012 and 2011, the Hospital has \$-0-outstanding on the line of credit. The line of credit expires December 31, 2012.

NOTE 9 DESCRIPTION OF LEASING ARRANGEMENTS

Capital Leases – Equipment

The Hospital has entered into capital lease contracts for the use of medical and office equipment, varying in maturity through August 2014. These leases are collateralized by leased equipment with a cost of \$1,712,365 and \$1,712,365 and accumulated depreciation of \$1,662,765 and \$1,615,152 as of June 30, 2012 and 2011, respectively.

Operating Leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through 2017. The total rental expense in fiscal 2012 and 2011 for all operating leases was \$2,045,280 and \$2,201,397, respectively.

The following is a schedule by year of the future minimum lease payments under operating leases as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 1,111,757
2014	725,921
2015	295,911
2016	227,605
2017	186,987
Total	<u>\$ 2,548,181</u>

NOTE 10 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

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 10 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicare (Continued)

Medicare pays outpatient services under the Ambulatory Payment Classification (APC) method. Under this method, Medicare reimburses the Hospital a predetermined amount for most outpatient services. The following services are excluded from the APC payment methodology; services already paid on a fee schedule and certain drugs, biologicals and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report. Professional fees for clinic and other services are paid according to the Medicare fee schedule.

Montana Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a reimbursement methodology similar to inpatient Medicare. Outpatient Medicaid services are reimbursed under the lower of usual or customary charge fee structure.

Idaho Medicaid

Due to its proximity to Idaho, the Hospital provides services to Idaho residents who receive health care benefits under the Idaho Medicaid program. Payments are received from Idaho Medicaid for inpatient and outpatient services throughout the year based on established interim payment amounts, with final settlement at year-end based on the Medicare cost report.

Medicare and Medicaid Reimbursement

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 11%, respectively, of the Hospital's net patient revenue for the year ended 2012, and 25% and 10%, respectively, of the Hospital's net patient revenue for the year ended 2011. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2012 and 2011 net patient service revenue increased approximately \$1,318,000 and \$640,000, respectively due to prior-year retroactive adjustments in excess of amounts previously estimated.

Commercial Insurance

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.

Montana State Bed Tax

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

**COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 10 NET PATIENT SERVICE REVENUE (CONTINUED)

Montana State Bed Tax (Continued)

The increased Medicaid payment received by the Hospital from the state special revenue amounted to approximately \$4,210,000 and \$5,662,000 for the fiscal years ended June 30, 2012 and 2011, respectively, and is included in net patient service revenues in the consolidated statements of operations. The total utilization fee paid by the Hospital for the fiscal years ended June 30, 2012 and 2011 amounted to approximately \$1,202,000 and \$1,324,000, respectively, and is included in other direct expenses in the consolidated statements of operations. Thus the net impact of the Montana State Bed Tax on the changes in net assets in the accompanying consolidated statements of operations was approximately \$3,008,000 and \$4,338,000 for the years ended June 30, 2012 and 2011, respectively.

A summary of patient revenue and contractual adjustments is as follows:

	<u>2012</u>	<u>2011</u>
Gross Patient Service Revenue	\$ 256,941,732	\$ 254,260,348
Contractual Adjustments		
Medicare	56,015,873	53,433,403
Medicaid	20,365,034	23,141,971
Other Insurance	34,344,178	32,736,855
Total Contractual Adjustments	<u>110,725,085</u>	<u>109,312,229</u>
Net Patient Service Revenue	<u>\$ 146,216,647</u>	<u>\$ 144,948,119</u>

NOTE 11 RETIREMENT PLAN

The Hospital maintains a Defined Contribution Plan for employees with one or more year's service. Employees are allowed to contribute up to the defined IRS limits on an annual basis. The Hospital shall make a Matching Contribution equal to 25% of the Elective Contributions, but not in excess of 6% of compensation for Participants. The expense for the years ended June 30, 2012 and 2011 was \$2,181,086 and \$2,041,711, respectively.

The Hospital also maintains a Supplemental Retirement Plan [403(b)]. Substantially all employees may contribute up to the defined IRS limits [401(k) and 403(b) combined] on an annual basis. The Hospital does not make a contribution to the 403(b) plan.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 12 INVESTMENTS IN JOINT VENTURES AND RELATED PARTY TRANSACTIONS

Investment in joint ventures consists of the following at June 30:

	2012	2011
Big Sky Surgery Center	\$ 1,443,385	\$ 1,163,723
Partners in Home Care (through the Missoula Hospital Alliance)	1,617,925	1,510,243
New West Capital Investment	-	226,667
VHA Cooperative	29,865	34,763
VHA Captive Insurance Investment	272,312	272,312
Advanced Imaging Inc , LLC	-	182,316
Missoula Sleep Medicine, LLC	59,514	84,217
Total Investment in Joint Ventures	<u>\$ 3,423,001</u>	<u>\$ 3,474,241</u>

Equity in earnings of the joint venture investments for fiscal years 2012 and 2011 was \$2,909,480 and \$2,098,769, respectively. Distributions declared to the Hospital from the joint ventures for fiscal years 2012 and 2011 were \$2,765,261 and \$1,928,577, respectively.

A description of investments in joint ventures and various related party transactions at June 30, 2012 and 2011 is as follows:

Missoula Hospitals Alliance, Inc.

The Hospital, along with St. Patrick Hospital, are the two members comprising the Missoula Hospital Alliance, Inc., a membership corporation. Missoula Hospital Alliance, Inc. is the parent company of Partners in Home Care, Inc. and Plains Hospital Corporation. Under terms of Missoula Hospital Alliance, Inc. bylaws, the Hospital is represented on their board of directors by one of the Hospital's management team members. There was no substantive activity in the membership entity Missoula Hospital Alliance, Inc. for the Hospital's fiscal years ended June 30, 2012 and 2011.

Big Sky Surgery Center

The Hospital invested \$299,066 for a 35% general partner equity interest in the limited liability company. The investment is recorded on the equity method of accounting that approximates the Hospital's equity in the underlying book value of Big Sky Surgery Center. At June 30, 2012 and 2011, the Big Sky Surgery Center owes the Hospital \$4,545 and \$5,391, respectively, which is included in other receivables. The Hospital was billed and recorded expenses in the amount of \$11,717 and \$10,140 in 2012 and 2011, respectively.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

**NOTE 12 INVESTMENTS IN JOINT VENTURES AND RELATED PARTY TRANSACTIONS
(CONTINUED)**

Big Sky Surgery Center (Continued)

Summarized financial information from the unaudited financial statements of Big Sky Surgery Center at June 30, 2012 and 2011 follows:

	2012	2011
Assets	\$ 5,470,526	\$ 5,124,988
Liabilities	\$ 1,346,569	\$ 1,987,279
Equity	4,123,957	3,137,709
Total Liabilities and Equity	\$ 5,470,526	\$ 5,124,988
Revenue	\$ 9,850,955	\$ 8,916,507
Expenses	5,987,176	6,276,971
Net Income	\$ 3,863,779	\$ 2,639,536

Partners in Home Care

The Hospital participates on a 50/50 ownership basis with St. Patrick Hospital (through the Missoula Hospital's Alliance, Inc.) in the operations of Partners in Home Care, a Missoula based home health agency. During the most recent fiscal year, the Hospital did not make any equity contributions. The Hospital records this investment on the equity method which approximates their equity in the underlying book value of Partners in Home Care. The Hospital was billed nothing and recorded no expenses in 2012 and 2011.

Summarized financial information from the audited financial statements of Partners in Home Care at December 31, 2011 and 2010 follows:

	2011	2010
Assets	\$ 3,885,906	\$ 3,446,309
Liabilities	\$ 802,949	\$ 760,822
Equity	3,082,957	2,685,487
Total Liabilities and Equity	\$ 3,885,906	\$ 3,446,309
Revenue	\$ 10,023,196	\$ 9,697,821
Expenses	9,426,405	9,182,654
Net Income	\$ 596,791	\$ 515,167

New West Health Services

The Hospital, along with other health care providers, has invested in a Health Maintenance Organization (HMO), named New West Health Services. During fiscal year 2012, the Hospital entered into a withdrawal agreement with New West Health Services. As part of this agreement the capital contribution made by the Hospital is no longer subject to repayment. The Hospital recognized a loss included in "Forgiveness of Equity Investment and Notes Receivable" on the consolidated statement of operations for the year ending June 30, 2012. In addition to the capital investment, the Hospital has a subordinated note receivable from New West Health Services at June 30, 2012 amounting to \$3,855,003.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

**NOTE 12 INVESTMENTS IN JOINT VENTURES AND RELATED PARTY TRANSACTIONS
(CONTINUED)**

VHA Cooperative

The Hospital is a member of VHA Cooperative, a cooperative of organizations put together to negotiate discount prices on various supplies and other items purchased by the Hospital. The investment balance in VHA Cooperative amounted to \$29,865 and \$34,763 at June 30, 2012 and 2011, respectively.

VHA Mountain States

The Hospital has joined the VHA Mountain States Captive Insurance Company. The captive company was organized to provide hospitals and physicians professional liability and general liability coverage to its subscribers and their affiliates on a claims-made basis. An aggregate excess reinsurance policy provides the subscribers and their affiliates with an additional sum of funds for protection from the total cost of all losses not covered by the specific excess. Each member of the insurance reciprocal is required to pay a premium based on industry pure premiums, claims experience, scheduled credits and administration expenses.

Advanced Imaging, LLC

The Hospital has a 50% equity interest in the limited liability company. The investment is recorded on the equity method of accounting that approximates the Hospital's equity in the underlying book value of Advanced Imaging, LLC. At June 30, 2012 and 2011, Advanced Imaging, LLC owed the Hospital \$51,441 and \$221,386, respectively, which is included in other receivables and the Hospital owed Advanced Imaging, LLC \$94,691 and \$26,982, respectively. The Hospital was billed and recorded expenses in the amount of \$239,672 and \$348,446 in 2012 and 2011, respectively.

The Hospital owns the building that Advanced Imaging, LLC occupies. The Hospital receives monthly rent payments from Advanced Imaging, LLC of approximately \$17,000.

Effective March 1, 2012, the Hospital executed an agreement to restructure the joint venture so that the Advance Imaging, LLC will operate as a provider-based facility of the Hospital. As part of the restructuring of the agreement the operating, imaging services, professional services, and management services agreements were amended. The Hospital has recorded revenue of \$4,921,784 related to the restructured joint venture agreement. The Hospital has recorded expenses of \$2,032,159 for compensation to Advanced Imaging under the restructured joint venture agreement. Amounts payable to Advanced Imaging at June 30, 2012 were \$100,104.

**COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

**NOTE 12 INVESTMENTS IN JOINT VENTURES AND RELATED PARTY TRANSACTIONS
(CONTINUED)**

Advanced Imaging, LLC (Continued)

Summarized financial information from the unaudited financial statements of Advanced Imaging, LLC at June 30, 2012 and 2011 follows:

	2012	2011
Assets	\$ 1,435,283	\$ 2,203,126
Liabilities	\$ 1,507,496	\$ 1,840,566
Equity	(72,213)	362,560
Total Liabilities and Equity	\$ 1,435,283	\$ 2,203,126
Revenue	\$ 7,131,058	\$ 7,398,112
Expenses	4,859,799	5,671,088
Net Income	\$ 2,271,259	\$ 1,727,024

Missoula Sleep Medicine, LLC

The Hospital purchased a 25% equity interest in the limited liability company in fiscal 2006. The investment is recorded on the equity method of accounting that approximates the Hospital's equity in the underlying book value of Missoula Sleep Medicine, LLC. For fiscal 2012 and 2011, there were no receivables, payables, or expenses between the Hospital and Missoula Sleep Medicine, LLC.

Summarized financial information from the unaudited financial statements of Missoula Sleep Medicine, LLC at June 30, 2012 and 2011 follows:

	2012	2011
Assets	\$ 222,557	\$ 253,281
Liabilities	\$ 7,509	\$ 2,772
Equity	215,048	250,509
Total Liabilities and Equity	\$ 222,557	\$ 253,281
Revenue	\$ 510,269	\$ 828,932
Expenses	297,064	365,544
Net Income	\$ 213,205	\$ 463,388

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 13 BENEFICIAL INTEREST IN COMMUNITY MEDICAL CENTER FOUNDATION

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

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

The Foundation's purpose is to educate the citizens of the Missoula area about services provided by the Hospital, to develop new facilities and services, and to raise funds for the operation, maintenance and development of those facilities and services.

The majority of the Foundation's administrative costs are billed to and paid by the Hospital; and reimbursement is made quarterly by the Foundation to the Hospital. Operating costs paid by the Hospital for the Foundation amounted to approximately \$404,000 and \$420,000 for fiscal years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, the Foundation has reflected a liability to the Hospital of \$88,677 and \$101,071, respectively, related to these payments included in "Other Receivables" on the Hospital's Consolidated Balance Sheet.

Support payments made by the Foundation to the Hospital during the years ended June 30, 2012 and 2011 were \$959,802 and \$465,841, respectively.

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

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

**NOTE 13 BENEFICIAL INTEREST IN COMMUNITY MEDICAL CENTER FOUNDATION
(CONTINUED)**

A summary of the Foundation's assets, liabilities, and results of operations and changes in net assets as of June 30, 2012 and 2011 follows:

	2012	2011
Assets	<u>\$ 4,769,656</u>	<u>\$ 5,963,551</u>
Liabilities	\$ 247,135	\$ 230,806
Net Assets		
Unrestricted	809,695	1,390,995
Temporarily Restricted	618,676	1,288,873
Permanently Restricted	<u>3,094,150</u>	<u>3,052,877</u>
Total Net Assets	<u>4,522,521</u>	<u>5,732,745</u>
Total Liabilities and Net Assets	<u>\$ 4,769,656</u>	<u>\$ 5,963,551</u>
Support and Revenue	\$ 547,561	\$ 1,999,354
Expenses Including Distributions to the Hospital	1,757,785	1,144,122
Excess (Deficit) of Support and Revenue over Expenses	<u>\$ (1,210,224)</u>	<u>\$ 855,232</u>

NOTE 14 COMMUNITY BENEFITS AND CHARITY CARE

The mission of the Hospital is to improve the health of the people in its region through exceptional care and services. The Hospital provides services to patients regardless of their ability to pay for those services.

The Hospital defines and measures their investment in and partnership with the community primarily through various community based services programs such as prenatal education, car seat safety education, and health care scholarships. Additionally, a number of health related educational programs are provided for the benefit of the community, including health enhancements and wellness, classes on specific conditions, and programs designed to improve the general standards of the health of the community.

The Hospital provides care, without charge, to patients who meet certain criteria under its financial assistance policy. Key elements used to determine eligibility include a patient's demonstrated inability to pay based on family size and household income related to federal income poverty guidelines. The Hospital's charity care guidelines use a sliding scale starting with free care for those at or below 200% of the Federal Poverty Level, and reduced-cost care for those ranging up to and exceeding 300% of the Federal Poverty Level.

The Hospital has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the per-diem rate from the most recently filed cost report to the Hospital's gross bill rate. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 14 COMMUNITY BENEFITS AND CHARITY CARE (CONTINUED)

Using this methodology, the Hospital has estimated the costs foregone for services and supplies furnished under the Hospital's financial assistance policy aggregated approximately \$1,830,000 and \$1,985,000 for the years ended June 30, 2012 and 2011, respectively.

The Hospital did not receive any funds to subsidize the costs of providing charity care under its financial assistance policy for the years ended June 30, 2012 and 2011.

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

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

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Hospital uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Hospital measured at fair value on a recurring basis as of June 30, 2012 and 2011:

2012	Level 1	Level 2	Level 3	Total
Short-Term Investments				
Mortgage Backed				
Government Securities	\$ -	\$ 7,046,603	\$ -	\$ 7,046,603
Corporate Bonds	-	2,586,173	-	2,586,173
Long-Term Investments				
Mortgage Backed				
Government Securities	-	1,067,423	-	1,067,423
Corporate Bonds	-	8,958,643	-	8,958,643
Beneficial Interest in Net Assets of Community Medical Center Foundation				
	-	-	4,522,521	4,522,521
	<u>\$ -</u>	<u>\$ 19,658,842</u>	<u>\$ 4,522,521</u>	<u>\$ 24,181,363</u>

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-Term Investments				
Mortgage Backed				
Government Securities	\$ -	\$ 3,732,345	\$ -	\$ 3,732,345
Long-Term Investments				
Mortgage Backed				
Government Securities	-	7,127,504	-	7,127,504
Beneficial Interest in Net Assets of Community Medical Center Foundation	-	-	5,732,745	5,732,745
	<u>\$ -</u>	<u>\$ 10,859,849</u>	<u>\$ 5,732,745</u>	<u>\$ 16,592,594</u>

The following table provides a summary of changes to fair value of the Hospital's Level 3 financial assets for the years ended June 30, 2012 and 2011:

<u>2012</u>	<u>Foundation</u>
Beginning Balance	\$ 5,732,745
Change in Value of Beneficial Interest in Net Assets of CMC Foundation	(1,210,224)
Ending Balance	<u>\$ 4,522,521</u>
<u>2011</u>	<u>Foundation</u>
Beginning Balance	\$ 4,877,513
Change in Value of Beneficial Interest in Net Assets of CMC Foundation	855,232
Ending Balance	<u>\$ 5,732,745</u>

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

The following disclosures represent financial instruments in which the ending balances at June 30, 2012 and 2011, are not carried at fair value in their entirety on the consolidated balance sheet:

	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Health Care Facility Revenue Bonds	<u>\$ 24,428,532</u>	<u>\$ 27,470,322</u>	<u>\$ 24,409,555</u>	<u>\$ 28,223,854</u>

The fair value of the Hospital's health care revenue bonds were estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Hospital for debt of the same remaining maturities, as advised by investment bankers.

COMMUNITY MEDICAL CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 16 LONG-TERM ILLNESS BENEFIT

Eligible Hospital employees accrue long-term illness hours up to a maximum of 600 hours per employee. The hours are a benefit granted to employees to protect against loss of income during absences due to employee illness. Additionally, employees with fifteen or more years of continuous service who leave hospital employment giving a minimum of thirty days written notice receive 50% to 75% of their accumulated illness balance depending on date of hire and contract status. The Hospital paid out approximately \$163,000 and \$99,000 during fiscal 2012 and 2011, respectively, and this has been recorded as an expense. As of June 30, 2012 and 2011, the Hospital has accrued a liability of \$135,000 as a potential payout.

NOTE 17 FUNCTIONAL EXPENSES

The Hospital provides general health care services and/or financial support for those services to residents within its geographic region. Expenses related to providing these services for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Healthcare Services	\$ 108,827,089	\$ 108,588,927
General and Administrative	35,994,425	33,196,765
Fundraising	2,106	18,165
Total	\$ 144,823,620	\$ 141,803,857

NOTE 18 COMMITMENTS AND CONTINGENCIES

Litigation

The Hospital is involved in various legal actions in the normal course of business. The actions are in various stages of processing, and some may ultimately be brought to trial. As of June 30, 2012 and 2011, management has estimated and recorded a liability reserve for a range of potential costs associated with these legal actions, included in accounts payable on the consolidated balance sheet.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

SUPPLEMENTARY INFORMATION

**COMMUNITY MEDICAL CENTER
CONSOLIDATING BALANCE SHEET
JUNE 30, 2012**

	Community Medical Center	Montana Heart Angio Lab, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 16,713,175	\$ 310,097	\$ -	\$ 17,023,272
Restricted Cash	61,711	-	-	61,711
Current Portion of Assets Limited as to Use	1,186,962	-	-	1,186,962
Short-Term Investments	10,179,452	-	-	10,179,452
Patient Receivables, Net of Allowance for Doubtful Accounts	19,493,184	267,211	(190,350)	19,570,045
Other Receivables	1,764,434	-	(141,787)	1,622,647
Inventory	2,908,970	188,564	-	3,097,534
Prepaid and Other Assets	1,034,069	110,929	(30,812)	1,114,186
Total Current Assets	<u>53,341,957</u>	<u>876,801</u>	<u>(362,949)</u>	<u>53,855,809</u>
LONG-TERM INVESTMENTS	10,026,066	-	-	10,026,066
ASSETS LIMITED AS TO USE				
By Board	25,114	-	-	25,114
Restricted for Construction Project, Net of Current Portion	7,481,131	-	-	7,481,131
Held by Trustee Under Indenture Agreement, Net of Current Portion	2,808,906	-	-	2,808,906
Total Assets Limited as to Use, Net of Current Portion	<u>10,315,151</u>	<u>-</u>	<u>-</u>	<u>10,315,151</u>
BENEFICIAL INTEREST IN COMMUNITY MEDICAL CENTER FOUNDATION				
	4,522,521	-	-	4,522,521
PROPERTY AND EQUIPMENT, NET	61,174,452	1,132,806	-	62,307,258
OTHER ASSETS				
Unamortized Bond Issuance Costs	889,946	-	-	889,946
Notes Receivable	3,855,003	-	-	3,855,003
Investment in Majority Owned Subsidiary	1,272,321	-	(1,272,321)	-
Investment in Joint Ventures	3,423,001	-	-	3,423,001
Total Other Assets	<u>9,440,271</u>	<u>-</u>	<u>(1,272,321)</u>	<u>8,167,950</u>
Total Assets	<u>\$ 148,820,418</u>	<u>\$ 2,009,607</u>	<u>\$ (1,635,270)</u>	<u>\$ 149,194,755</u>

**COMMUNITY MEDICAL CENTER
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2012**

	Community Medical Center	Montana Heart Angio Lab, LLC	Eliminations	Consolidated
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Notes Payable and Capital Lease Obligations	\$ 2,196,882	\$ 147,309	\$ -	\$ 2,344,191
Accounts Payable				
Trade	7,485,923	143,485	(332,137)	7,297,271
Construction and Equipment	1,328,269	-	-	1,328,269
Estimated Third-Party Payor Settlements	7,095,680	-	-	7,095,680
Accrued Salaries, Payroll Related Liabilities, and Other Liabilities	8,597,904	30,812	(30,812)	8,597,904
Accrued Interest Payable	155,002	1,944	-	156,946
Total Current Liabilities	<u>26,859,660</u>	<u>323,550</u>	<u>(362,949)</u>	<u>26,820,261</u>
LONG-TERM DEBT OBLIGATIONS				
Long-Term Obligations Under Bond Indenture	24,428,532	-	-	24,428,532
Notes Payable and Capital Lease Obligations, Less Current Maturities	<u>10,143,621</u>	<u>316,499</u>	<u>-</u>	<u>10,460,120</u>
Long-Term Debt Obligations, Less Current Maturities	34,572,153	316,499	-	34,888,652
Total Liabilities	61,431,813	640,049	(362,949)	61,708,913
NET ASSETS				
Unrestricted Net Assets				
Undesignated	82,779,259	1,272,321	(1,272,321)	82,779,259
Board Designated	25,114	-	-	25,114
Noncontrolling Interest in Subsidiary	-	97,237	-	97,237
Total Unrestricted Net Assets	<u>82,804,373</u>	<u>1,369,558</u>	<u>(1,272,321)</u>	<u>82,901,610</u>
Temporarily Restricted Net Assets	1,490,082	-	-	1,490,082
Permanently Restricted Net Assets	3,094,150	-	-	3,094,150
Total Net Assets	<u>87,388,605</u>	<u>1,369,558</u>	<u>(1,272,321)</u>	<u>87,485,842</u>
Total Liabilities and Net Assets	<u>\$ 148,820,418</u>	<u>\$ 2,009,607</u>	<u>(1,635,270)</u>	<u>\$ 149,194,755</u>

**COMMUNITY MEDICAL CENTER
CONSOLIDATING BALANCE SHEET
JUNE 30, 2011**

ASSETS	Community Medical Center	Montana Heart Angio Lab, LLC	Eliminations	Consolidated
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 21,577,563	\$ 621,727	\$ -	\$ 22,199,290
Restricted Cash	51,324	-	-	51,324
Current Portion of Assets Limited as to Use	806,096	-	-	806,096
Short-Term Investments	13,326,509	-	-	13,326,509
Patient Receivables, Net of Allowance for Doubtful Accounts	17,791,959	301,546	(199,703)	17,893,802
Other Receivables	2,650,511	-	(171,488)	2,479,023
Inventory	3,180,393	156,364	-	3,336,757
Prepaid and Other Assets	713,124	90,365	(26,511)	776,978
Total Current Assets	<u>60,097,479</u>	<u>1,170,002</u>	<u>(397,702)</u>	<u>60,869,779</u>
LONG-TERM INVESTMENTS	7,127,504	-	-	7,127,504
ASSETS LIMITED AS TO USE				
By Board	21,257	-	-	21,257
Restricted by Contributors for Capital	14,793,799	-	-	14,793,799
Held by Trustee Under Indenture Agreement, Net of Current Portion	4,119,044	-	-	4,119,044
Total Assets Limited as to Use, Net of Current Portion	<u>18,934,100</u>	<u>-</u>	<u>-</u>	<u>18,934,100</u>
BENEFICIAL INTEREST IN COMMUNITY MEDICAL CENTER FOUNDATION	5,732,745	-	-	5,732,745
PROPERTY AND EQUIPMENT, NET	46,624,237	1,481,242	-	48,105,479
OTHER ASSETS				
Unamortized Bond Issuance Costs	952,862	-	-	952,862
Notes Receivable	5,154,301	-	-	5,154,301
Investment in Majority Owned Subsidiary	1,624,596	-	(1,624,596)	-
Investment in Joint Ventures	3,474,241	-	-	3,474,241
Total Other Assets	<u>11,206,000</u>	<u>-</u>	<u>(1,624,596)</u>	<u>9,581,404</u>
Total Assets	<u>\$ 149,722,065</u>	<u>\$ 2,651,244</u>	<u>\$ (2,022,298)</u>	<u>\$ 150,351,011</u>

**COMMUNITY MEDICAL CENTER
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2011**

	Community Medical Center	Montana Heart Angio Lab, LLC	Eliminations	Consolidated
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Notes Payable and Capital Lease Obligations	\$ 2,262,327	\$ 135,927	\$ -	\$ 2,398,254
Accounts Payable				
Trade	6,923,155	269,808	(371,191)	6,821,772
Construction and Equipment	4,238,113	-	-	4,238,113
Estimated Third-Party Payor Settlements	8,848,125	-	-	8,848,125
Accrued Salaries, Payroll Related Liabilities, and Other Liabilities	10,017,900	26,511	(26,511)	10,017,900
Accrued Interest Payable	158,302	2,446	-	160,748
Total Current Liabilities	<u>32,447,922</u>	<u>434,692</u>	<u>(397,702)</u>	<u>32,484,912</u>
LONG-TERM DEBT OBLIGATIONS				
Long-Term Obligations Under Bond Indenture	24,409,555	-	-	24,409,555
Notes Payable and Capital Lease Obligations, Less Current Maturities	12,341,112	467,796	-	12,808,908
Long-Term Debt Obligations, Less Current Maturities	<u>36,750,667</u>	<u>467,796</u>	<u>-</u>	<u>37,218,463</u>
Total Liabilities	69,198,589	902,488	(397,702)	69,703,375
NET ASSETS				
Unrestricted Net Assets				
Undesignated	74,718,151	1,624,596	(1,624,596)	74,718,151
Board Designated	21,257	-	-	21,257
Noncontrolling Interest in Subsidiary	-	124,160	-	124,160
Total Unrestricted Net Assets	<u>74,739,408</u>	<u>1,748,756</u>	<u>(1,624,596)</u>	<u>74,863,568</u>
Temporarily Restricted Net Assets	2,731,191	-	-	2,731,191
Permanently Restricted Net Assets	3,052,877	-	-	3,052,877
Total Net Assets	<u>80,523,476</u>	<u>1,748,756</u>	<u>(1,624,596)</u>	<u>80,647,636</u>
Total Liabilities and Net Assets	<u>\$ 149,722,065</u>	<u>\$ 2,651,244</u>	<u>(2,022,298)</u>	<u>\$ 150,351,011</u>

**COMMUNITY MEDICAL CENTER
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2012**

	Community Medical Center	Montana Heart Angio Lab, LLC	Eliminations	Consolidated
UNRESTRICTED REVENUES AND GAINS				
Net Patient Service Revenue	\$ 145,910,558	\$ 1,746,875	\$ (1,440,786)	\$ 146,216,647
Other Operating Revenue	3,837,735	57,019	(185,192)	3,709,562
Total Unrestricted Revenue and Gains	<u>149,748,293</u>	<u>1,803,894</u>	<u>(1,625,978)</u>	<u>149,926,209</u>
OPERATING EXPENSES				
Salaries and Wages	58,380,515	-	117,616	58,498,131
Employee Benefits	13,551,734	-	-	13,551,734
Professional Fees	7,943,889	142,314	(130,995)	7,955,208
Purchased Services	16,328,310	983,772	(1,478,088)	15,833,994
Medical Supplies	21,756,403	498,871	(105)	22,255,169
Non-Medical Supplies	3,354,604	6,296	-	3,360,900
Utilities	1,693,215	21,867	(21,149)	1,693,933
Depreciation and Amortization	6,742,317	387,361	-	7,129,678
Bad Debt Expense	7,247,920	(17,693)	-	7,230,227
Interest Expense	825,784	27,517	-	853,301
Leases and Rents	2,036,264	98,090	(113,257)	2,021,097
Education and Travel	774,929	615	-	775,544
Other Direct Expenses	3,627,127	37,577	-	3,664,704
Total Operating Expenses	<u>144,263,011</u>	<u>2,186,587</u>	<u>(1,625,978)</u>	<u>144,823,620</u>
OPERATING INCOME (LOSS)	5,485,282	(382,693)	-	5,102,589
OTHER INCOME AND EXPENSE				
Investment Income	510,064	379	-	510,443
Equity Earnings in Joint Venture Income	2,557,205	-	352,275	2,909,480
Forgiveness of Equity Investment and Notes Receivable	(1,546,367)	-	-	(1,546,367)
Other Nonoperating Gain (Loss), Net	(158,558)	3,115	-	(155,443)
Total Other Income and Expense	<u>1,362,344</u>	<u>3,494</u>	<u>352,275</u>	<u>1,718,113</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	6,847,626	(379,199)	352,275	6,820,702
Net Change in Unrealized Loss on Marketable Securities	(276,301)	-	-	(276,301)
Net Assets Released from Restriction	1,493,641	-	-	1,493,641
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 8,064,966</u>	<u>\$ (379,199)</u>	<u>\$ 352,275</u>	<u>\$ 8,038,042</u>

**COMMUNITY MEDICAL CENTER
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2011**

	Community Medical Center	Montana Heart Angio Lab, LLC	Eliminations	Consolidated
UNRESTRICTED REVENUES AND GAINS				
Net Patient Service Revenue	\$ 144,626,212	\$ 1,823,544	\$ (1,501,637)	\$ 144,948,119
Other Operating Revenue	2,867,372	24,971	(139,311)	2,753,032
Total Unrestricted Revenue and Gains	<u>147,493,584</u>	<u>1,848,515</u>	<u>(1,640,948)</u>	<u>147,701,151</u>
OPERATING EXPENSES				
Salaries and Wages	56,664,105	-	102,265	56,766,370
Employee Benefits	14,036,787	-	-	14,036,787
Professional Fees	7,953,632	152,779	(102,013)	8,004,398
Purchased Services	14,493,021	1,007,935	(1,524,389)	13,976,567
Medical Supplies	22,397,172	527,287	(1,000)	22,923,459
Non-Medical Supplies	3,448,023	9,655	-	3,457,678
Utilities	1,701,681	24,429	(23,581)	1,702,529
Depreciation and Amortization	6,070,095	385,903	-	6,455,998
Bad Debt Expense	6,890,807	3,847	-	6,894,654
Interest Expense	703,930	35,755	-	739,685
Leases and Rents	2,182,518	97,119	(91,770)	2,187,867
Education and Travel	999,230	186	-	999,416
Other Direct Expenses	3,598,301	60,608	(460)	3,658,449
Total Operating Expenses	<u>141,139,302</u>	<u>2,305,503</u>	<u>(1,640,948)</u>	<u>141,803,857</u>
OPERATING INCOME (LOSS)	6,354,282	(456,988)	-	5,897,294
OTHER INCOME AND EXPENSE				
Investment Income	394,141	1,417	-	395,558
Equity Earnings in Joint Venture Income	1,687,317	-	411,452	2,098,769
Other Nonoperating Gain (Loss), Net	(184,139)	9,891	-	(174,248)
Total Other Income and Expense	<u>1,897,319</u>	<u>11,308</u>	<u>411,452</u>	<u>2,320,079</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	8,251,601	(445,680)	411,452	8,217,373
Net Change in Unrealized Loss on Marketable Securities	(79,191)	-	-	(79,191)
Net Assets Released from Restriction	2,504,268	-	-	2,504,268
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 10,676,678</u>	<u>\$ (445,680)</u>	<u>\$ 411,452</u>	<u>\$ 10,642,450</u>