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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Baylor Regional Medical Center at Plano

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 2001 Bryan Street No 2200 | Room/suite

City or town, state or country, and ZIP + 4
Dallas, TX 75201

D Employer identification number
82-0551704

E Telephone number
(214) 820-4135

G Gross receipts $ 213,507,054

F Name and address of principal officer
Jerri Garison
4700 Alliance Blvd
Plano, TX 75095

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www BaylorHealth com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 2002 | **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Faith based acute care hospital providing exemplary patient care to Plano, Texas and the surrounding communities since 2004

2 Check this box ▶☐ 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**	7
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	926
6	Total number of volunteers (estimate if necessary)	**6**	337
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	14,400
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	12,060

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	509,371	186,233
	9 Program service revenue (Part VIII, line 2g)	183,462,258	198,293,251
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,943,002	2,171,287
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	185,914,631	200,650,771
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	2,867,000	3,253,029
	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)	51,619,667	54,775,828
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	101,775,712	108,408,661
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	156,262,379	166,437,518
	19 Revenue less expenses Subtract line 18 from line 12	29,652,252	34,213,253

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	189,802,357	202,568,591
	21 Total liabilities (Part X, line 26)	116,222,156	90,569,101
	22 Net assets or fund balances Subtract line 21 from line 20	73,580,201	111,999,490

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 — Date: 2012-05-11

Deanne Kindred VP Finance/Hosp Fin off
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
Firm's name ▶				Firm's EIN ▶
Firm's address ▶				Phone no ▶

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 . . . . . ☑

1 Briefly describe the organization's mission

Through our faith-based culture of caring service, we will build a healthier community by providing operational and clinical excellence to those we serve

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 exempt purpose achievements for each of the organization's three largest program services 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 $ 146,233,462 including grants of $ 3,253,029) (Revenue $ 197,630,821)

See Schedule OBaylor Regional Medical Center at Plano (Baylor Plano) is a faith-based, non-profit, 112-bed acute care hospital providing exemplary patient care to Plano, Texas and surrounding communities since 2004 Baylor Plano is an affiliate of Baylor Health Care System (BHCS), a nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and other community services to the North Texas region Baylor Plano provides inpatient and outpatient medical services to treat individuals with diseases, illnesses and injuries of varying complexities Treatment services include scoliosis, neuroscience, orthopedics, oncology, women's services and all digital imaging and rehabilitation This quality acute care hospital with multidisciplinary interactions among physicians, provides patients with innovative methods of prevention, diagnosis, treatment, education and support Some of these clinical services are provided despite a financial loss to Baylor Plano During the fiscal year ended June 30, 2011, Baylor Plano admitted 5,395 inpatients resulting in a total of 28,396 days of care, treated 30,721 outpatients, and had 18,254 emergency department visits As part of its charitable mission, Baylor Plano is committed to providing free and/or subsidized care to both financially and medically indigent patients in the community During the year, Baylor Plano reported community benefits (as reported to the Texas Department of State Health Services and in accordance with the State of Texas Statutory methodology) of $35,916,765 Baylor Plano provided community benefits (as reported on the IRS Form 990, Schedule H) of $8,621,762 The Texas Annual Statement of Community Benefit Standard includes approximately $28,000,000 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H Baylor Plano also participates in community health fairs and outreach programs targeted for the underserved Major focus areas for these programs, determined through a comprehensive needs analysis include diabetes, heart disease, cancer and injury prevention, which are addressed by the hospital through educational seminars and screenings to help identify individuals at risk for developing these diseases For example, "Living Well with Cancer" is a series of free informational sessions for all cancer patients and their families Focusing on nutrition, exercise and other topics of interest to cancer patients, the supportive and educational atmosphere impacts their management of disease and provides hope for recovery The unreimbursed cost of providing these programs was $320,607 Baylor Plano also provided supervisory education programs for the training of future nurses in an effort to increase the supply of health care professionals nationwide Assisting with the preparation of future nurses at entry and advanced levels of nursing is critical to establishing a workforce of qualified nurses During the year, Baylor Plano invested hours in the training of undergraduate nurses The unreimbursed cost of providing these nursing education programs was $23,971

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** ▶ $ 146,233,462

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	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? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**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? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	**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? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**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? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☑ Yes ☐ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**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 . . . . . .

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	**1a**	194		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c** Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	926		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b** Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a** Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b** Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			**4a**	No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**	
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**	
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**	
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**	
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**	
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?			**9a**	
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**	
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	**11a**			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			**13a**	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**			
c	Enter the amount of reserves on hand	**13c**			
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**	No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**	

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

Deanne Kindred
4700 Alliance Blvd
Plano, TX 75093
(469) 814-2135

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, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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) Ron Carter Trustee	1 00	X						0	0	0
(2) Roy Lamkin Chairman	1 00	X						0	315	0
(3) Paul Madeley MD Trustee	1 00	X						0	733,749	81,205
(4) George McCleskey Trustee	1 00	X						0	0	0
(5) Timothy Owens Trustee	1 00	X						0	0	0
(6) Walker Harman Trustee	1 00	X						0	4,683	0
(7) Mark Dyer Trustee	1 00	X						0	0	0
(8) Ellen Pitcher CNO/COO	40 00			X				225,652	0	20,793
(9) Jerri Garison President	40 00			X				443,688	0	67,238
(10) Deanne Kindred VP Finance/Hosp Fin Off	40 00			X				222,703	0	26,837
(11) William Boyd Secretary	1 00			X				0	971,758	220,513
(12) Alina Alexander Director Pharmacy	40 00					X		158,315	0	22,645
(13) Margaret Murff Director Surgical Services	40 00					X		139,478	0	18,256
(14) Rochelle Genn Clinical Pharmacist	35 00					X		143,815	0	19,852
(15) Soo Shin Clinical Pharmacist	38 00					X		143,649	0	19,011
(16) Joseph Daniels Director Radiology	40 00					X		133,539	0	26,182

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 (check all that apply)						(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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,610,839	1,710,505	522,532

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 46

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Baylor Health Care System 2001 Bryan St Ste 2200 Dallas, TX 75201	Management Services	21,427,136
Aramark Services Inc P O Box 651009 Charlotte, NC 282651009	Engineering/Food Serv	3,005,550
HealthTexas Provider Network 2001 Bryan St Ste 2200 Dallas, TX 75201	Clinical/Administrative	1,631,260
AP Communications Inc 1000 Main St 290 Grapevine, TX 76051	Marketing Services	1,228,847
McMurray Publishing Inc P O Box 44377 Phoenix, AZ 85064	Printing Services	561,572
2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 24		

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	186,233				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f					
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		186,233			
Program Service Revenue		Business Code				
	2a Patient Care Revenue	621990	177,798,209	177,798,209		
	b Affiliate Income	621990	17,041,401	17,041,401		
	c Rent	531120	2,570,961	2,556,561	14,400	
	d Cafeteria	722210	666,400			666,400
	e Duplication Fees	561439	56,641	56,641		
	f All other program service revenue		159,639	91,725		67,914
	g **Total.** Add lines 2a–2f . . . . . ▶		198,293,251			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		957,569	86,284		871,285
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	14,070,001				
	b Less cost or other basis and sales expenses	12,758,699	97,584			
	c Gain or (loss)	1,311,302	-97,584			
	d Net gain or (loss) . . . . . ▶		1,213,718			1,213,718
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a _____					
	b _____					
	c _____					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶					
	12 **Total revenue.** See Instructions . . . ▶		200,650,771	197,630,821	14,400	2,819,317

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).

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 U S See Part IV, line 21	3,253,029	3,253,029		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,060,208		1,060,208	
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	43,354,109	42,745,570	608,539	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,436,472	1,378,909	57,563	
9	Other employee benefits	5,719,285	5,706,040	13,245	
10	Payroll taxes	3,205,754	3,130,813	74,941	
a	Fees for services (non-employees) Management	58,236	58,236		
b	Legal	172,159		172,159	
c	Accounting				
d	Lobbying				
e	Professional fundraising services *See Part IV, line 17*				
f	Investment management fees				
g	Other	30,397,006	15,999,828	14,397,178	
12	Advertising and promotion	2,793,967	40,750	2,753,217	
13	Office expenses	36,553,232	36,096,510	456,722	
14	Information technology	4,905,707	4,905,707		
15	Royalties				
16	Occupancy	10,705,276	10,628,498	76,778	
17	Travel	125,538	94,824	30,714	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	83,134	60,663	22,471	
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	9,975,152	9,975,152		
23	Insurance	2,272,283	2,215,993	56,290	
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	Bad Debt	9,836,371	9,836,371		
b	Recruiting	245,220	10,223	234,997	
c	Special Functions	160,823	20,418	140,405	
d	Dues & Memberships	68,080	41,435	26,645	
e	Federal Income Tax	5,040		5,040	
f	All other expenses	51,437	34,493	16,944	
25	**Total functional expenses.** Add lines 1 through 24f	166,437,518	146,233,462	20,204,056	0
26	**Joint costs.** Check here ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		3,146	1	3,308
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		13,753,776	4	13,040,084
	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)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net		1,028,292	7	1,450,922
	8	Inventories for sale or use		4,224,494	8	4,192,974
	9	Prepaid expenses and deferred charges		151,733	9	2,578,105
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 185,008,782			
	b	Less accumulated depreciation	10b 59,450,461	131,137,299	10c	125,558,321
	11	Investments—publicly traded securities		20,541,681	11	34,289,242
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		17,642,287	13	19,250,907
	14	Intangible assets		523,213	14	523,213
	15	Other assets See Part IV, line 11		796,436	15	1,681,515
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		189,802,357	16	202,568,591
Liabilities	17	Accounts payable and accrued expenses		6,599,832	17	4,850,814
	18	Grants payable			18	
	19	Deferred revenue		878,935	19	1,613,299
	20	Tax-exempt bond liabilities			20	
	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			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		108,743,389	25	84,104,988
	26	**Total liabilities.** Add lines 17 through 25		116,222,156	26	90,569,101
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		73,206,208	27	111,602,017
	28	Temporarily restricted net assets		373,993	28	397,473
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ 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		73,580,201	33	111,999,490
	34	Total liabilities and net assets/fund balances		189,802,357	34	202,568,591

Part XI Reconcilliation 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	200,650,771
2	Total expenses (must equal Part IX, column (A), line 25)	2	166,437,518
3	Revenue less expenses Subtract line 2 from line 1	3	34,213,253
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	73,580,201
5	Other changes in net assets or fund balances (explain in Schedule O)	5	4,206,036
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	111,999,490

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 ☐ Cash ☑ Accrual ☐ 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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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 ☐ Separate basis ☑ Consolidated basis ☐ 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?	3a	Yes	
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 . .	3b	Yes	

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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

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

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 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?

	Yes	No
(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? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** 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 ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(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)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(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 section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** 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—2009.** 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 explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Baylor Regional Medical Center at Plano	82-0551704

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $ _____

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

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group
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		
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-		

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

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? ☐ Yes ☐ 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) 2007	(b) 2008	(c) 2009	(d) 2010	(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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		5,947
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		39,121
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			45,068
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
Part IV, Supplemental Information		Statement Regarding Legislative Activity Health care policy is critical to all Americans, and Baylor Regional Medical Center at Plano ("BRMCP") believes that health care providers must participate in forming health care policy by interacting with national, state and local representatives and their staff members to help them better understand the complexities and ramifications of key health care policies including, without limitation, those related to uninsured and indigent patient needs as well as the legislative and regulatory needs to assure the delivery of cost-efficient, quality health care BRMCP has established relationships with persons and industry associations that often communicate BRMCP's positions on major health care issues These contacts may include direct contact, telephone conversations and/or letters Also, BRMCP may attempt to educate the local community on certain legislative initiatives that may impact BRMCP's ability to provide quality health care services to the community through direct mailings, media advertising or broadcast statements The amount of resources (time and money) involved in these activities is insubstantial BRMCP has not intervened in any political campaign

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

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 ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

b If "Yes," explain the arrangement in Part 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					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		7,185,393		7,185,393
b Buildings		113,493,730	17,933,302	95,560,428
c Leasehold improvements				
d Equipment		64,329,659	41,517,159	22,812,500
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				125,558,321

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Investment in Partnerships	19,250,907	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	19,250,907	

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Physician Guarantee Liability	1,284,042
Note Payable to Related Organization	82,820,946
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	84,104,988

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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 Uncertain Tax Positions Under FIN 48	Part X	The filing organization does not have separate individual audited financial statements, however, the organization is included in Baylor Health Care System's combined audited financial statements (System) The System follows the provisions of ASC 740 "Income Taxes " As of June 30, 2011 and 2010, the System had no material gross unrecognized tax benefits

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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

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

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activites per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
East Asia and the Pacific	0	0	Program Services	Medical Education	9,589
North America	0	0	Program Services	Facility Development	695
Europe	0	0	Program Services	Medical Education	1,712
3a Sub-total		0			11,996
b Total from continuation sheets to Part I		0			0
c **Totals** (add lines 3a and 3b)		0			11,996

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Use Part V if additional space is needed.

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

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

3 Enter total number of other organizations or entities . . . . . ▶

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

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*	☐ Yes	☑ No
2	Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*	☐ Yes	☑ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*	☐ Yes	☑ No

Additional Data

Software ID:
Software Version:
EIN: 82-0551704
Name: Baylor Regional Medical Center at Plano

Part V **Supplemental Information**

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 500.000000000000 %			
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			5,013,998	0	5,013,998	2 280 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			4,883,314	5,906,253	-1,022,939	0 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	806	-806	0 %
d **Total** Financial Assistance and Means-Tested Government Programs			9,897,312	5,907,059	3,990,253	1 810 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			310,455	4,060	306,395	0 140 %
f Health professions education (from Worksheet 5)			42,878	0	42,878	0 020 %
g Subsidized health services (from Worksheet 6)			0	0		0 %
h Research (from Worksheet 7)			0	0		0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			4,289,504	7,268	4,282,236	1 950 %
j **Total** Other Benefits			4,642,837	11,328	4,631,509	2 110 %
k **Total.** Add lines 7d and 7j			14,540,149	5,918,387	8,621,762	3 920 %

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

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 Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	3,984,939		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	398,494		
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	56,402,361		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	75,839,178		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-19,436,817		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?		9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures

	(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	1 Texas Heart Hospital of the Southwest LLP	Patient Care	50 410 %	0 %	49 590 %
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, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	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	Baylor Regional Medical Ctr at Plano 4700 Alliance Blvd Plano,TX 75093	X	X				X	X		
2	Texas Heart Hospital of Southwest LLP 1100 Allied Drive Plano,TX 75093	X	X					X		

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

	Name and address	Type of Facility (Describe)
1	Baylor Imaging Ctr at Craig Ranch 8080 Hwy 121 Suite 210A McKinney,TX 75070	Radiology Center
2	Baylor Imaging Ctr at Craig Ranch 8080 Hwy 121 Suite 210A McKinney,TX 75070	Radiology Center
3	Baylor Imaging Ctr at Craig Ranch 8080 Hwy 121 Suite 210A McKinney,TX 75070	Radiology Center
4	Baylor Imaging Ctr at Craig Ranch 8080 Hwy 121 Suite 210A McKinney,TX 75070	Radiology Center
5	Baylor Imaging Ctr at Craig Ranch 8080 Hwy 121 Suite 210A McKinney,TX 75070	Radiology Center
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description 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, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 3c and Line 3b In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines ("FPG"), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Identifier	ReturnReference	Explanation
		Part I, Line 6a The organization prepares and files an Annual Report of Community Benefit Plan with the Texas Department of State Health Services This report is made available through the organization's website at www baylorhealth com

Identifier	ReturnReference	Explanation
		Part I, Line 7 A ratio of patient care cost to charges, as determined in Worksheet 2, was used to report the amounts in Part I, Lines 7a - 7d For amounts reported on lines 7e - 7k, actual expenses for each community benefit activity are tracked and reported using both community benefit software and/or the organization's cost accounting system Part I, Line 7b, Column (d) Includes payments from the State Medicaid Private Hospital Upper Payment Limit Program, which funds are to be used to expand indigent care Part I, Line 7i, Column (c) Includes charity care payments of $3,253,029 that are made directly to or on the behalf of a local public hospital and/or other nonprofit organizations for the treatment of indigent patients of those organizations Part I, Line 7, Column (f) The tax software used to prepare and file electronically the Form 990 for the organization may not properly print the percentages in Part I, Lines 7a-7k, column (f) if the product results in a negative percentage

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The amount of bad debt expense included on Form 990, Part IX, line 25, but removed for Schedule H, Part I, Line 7, Column (f) totaled $9,836,371

Identifier	ReturnReference	Explanation
		Part III, Line 4 As stated in the combined audited financial statements, the organization maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The organization assesses the reasonableness of the allowance account based on the historical write-offs, cash collections, and the aging of the accounts Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowance associated with its receivable Bad debt does not include amounts for patients who are known to qualify under the organizations charity care policy The amount of bad debt at cost was calculated using Worksheet A from Schedule H instructions The amount of bad debt attributable to patient's accounts is net of contractual allowances, payments received and recoveries of bad debt previously written off Based on prior experience and certain demographics and other information obtained during admission, the organization believes a portion of the bad debt expenses at cost would be attributable to patients that would otherwise qualify for charity care Despite all of the effort and ways the organization educates patients about qualifying for its charity care program as demonstrated in Part IV, question 3 below, many uninsured patients either refuse or fail to complete a charity care application or provide sufficient information at the time of admission, during their stay or after being discharged to qualify for assistance under the organization's charity care policy The amount reported on Part III, Line 3 was estimated by reviewing the average acceptance rate for charity care applications received at certain facilities during the year multiplied by the number of denials that were attributable to those facilities due to insufficient information

Identifier	ReturnReference	Explanation
		Part III, Line 8 The amount reported on Part III, Section B, line 6 was calculated in accordance with the Schedule H instructions utilizing the organization's allowable cost reported in the Medicare cost report based on a cost to charge ratio However, the allowable costs in the Medicare cost report do not reflect the actual cost of providing care to patients since the Medicare cost report excludes many direct patient care costs that are essential to providing quality care to these patients For example, certain coverage fees to physicians, cost of Medicare C and D, and other similar direct patient care expenses are specifically excluded as allowable cost in the cost reports Using the same methodology to calculate the unreimbursed cost of providing charity care and Medicaid (using applicable Schedule H Worksheets) would result in a shortfall of $32,575,275, which is $13,138,458 higher than the shortfall reported on Part III, Section B, Line 7 The organization believes that all of the shortfall should be considered as a community benefit for the following reasons First, the IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients IRS Revenue Ruling 69-545 provides, in part, that hospitals serving patients with governmental health benefits, including for example Medicare, is an indication that the hospital operates for the promotion of health in the community Second, the organization provides care to Medicare patients regardless of this shortfall, i e , loss, and thereby relieves the state and federal government of the burden of paying the full cost for the care of Medicare beneficiaries Medicare does not provide sufficient reimbursement to cover the entire cost of providing care to these patients causing the organization to use other surplus funds to cover the shortfall It is expected that reimbursement under the Medicare program will continue to decline and therefore may further limit access to care due to the anticipated reduction of participating Medicare providers in the community As a result, the care for these patients will likely increase at, and rest on the shoulders of, nonprofit hospitals or county hospital districts Third, many of the Medicare participants have low fixed incomes and therefore would qualify for charity care or other means-tested government programs absent being enrolled in the Medicare program Fourth, Texas nonprofit hospitals must provide a minimum level of community benefit in order to obtain exemption from state and local taxes According to the current Texas Health and Safety Code, the unreimbursed cost of Medicare is considered to be a community benefit in determining these state statutory requirements as it helps relieve a governmental burden of providing this care that would otherwise be provided through the county hospital system in Texas

Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization's debt collection policy and procedures prohibit any collection efforts for the portion of the patient account balance that qualifies for financial assistance under the organization's charity care policy

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Like many other nonprofit hospitals in the 12 county North Texas region, the organization elected to base their service area needs on a report generated by the local county hospital district The community health needs assessment, Our Community Health Checkup 2008 for the Dallas/Fort Worth Combined Metropolitan Statistical Area ("Checkup") was a collaborative effort of 16 member hospitals of the Dallas Fort Worth Hospital Council ("DFWHC") The preparation (including support, research and analysis) of the report was provided by the staffs of the Strategic Planning and Population Medicine Department of the Parkland Health & Hospital System (also known as the Dallas County Hospital District), Baylor Health Care System and other health care providers The Checkup was developed to address issues relative to the health of individuals, families, and communities for use by the residents of the community and the institutions serving them The Checkup provided a framework by which health needs could be joined with the assets or investments made by the community in its social and physical infrastructure Overall coordination of this collaboration is under the auspices of the DFWHC These documents can be found online at www dfwhc org

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The organization is committed to promoting health in the community including providing or finding financial assistance programs to assist patients Patients who may qualify for financial assistance through the organization's charity care program or other federal, state and local government programs are informed and educated about their eligibility in several ways including, but not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The organization primarily serves Collin County, the north, northwest and northeast Dallas County region, and southern Denton County, a total service area population of 2,264,298 The ethnic population of the area consisted of 53 3% White, 12% Black 7 7% Asian and Pacific Islanders, 24 4% Hispanics, and 2 5% Other with the Black population as the fastest growing segment followed by Asian and then by Hispanics Claritas data from 2008 indicated 32 8 percent of households earned between $25,000 and $75,000 and 35 6% earned more than $100,000 with a median income of $77,664 Collin County households had a mean income of $99,649 in 2008 About 8 9 percent lived between 100 and 200 percent of the federal poverty level in 2007 2008 data showed that 7 9 percent of the county over the age of 25 had not completed high school while 47 2 percent had a bachelor's degree or more During the FY 2011 year, approximately 12% of the total patient encounters were uninsured or Medicaid recipients As indentified in the Checkup referenced above in Question #2, the five primary areas of community health were identified as diabetes, chronic respiratory disease, cardiac health/stroke, Alzheimer's disease and cancer

Identifier	ReturnReference	Explanation
		Part VI, Line 6 With the oversight of an independent volunteer community board and Baylor Health Care System, the organization's sole member, the organization has promoted health and benefited the community by providing access to more than 20 specialty centers designed to treat a range of medical conditions The organization's governing body is comprised of volunteer community representatives that provide leadership and governance for the organization The members of the governing body contribute their wisdom, insights, and expertise to ensure the organization is fulfilling its mission and charitable purpose while providing efficient administrative support services and direction for the System The members are well respected residents and/or own businesses in the organization's primary or secondary service area and understand the needs of the community The medical staff of the organization is open to all physicians in the community who meet membership and clinical privileges requirements Surplus funds are continuously utilized to maintain access to limited patient services or expand access points of care to patients throughout the community including, but not limited to, the following The organization participates in major community health fairs targeted at the underserved and supports local not-for-profit organizations as part of its community benefit efforts The community assessment revealed that key areas of focus include diabetes, cardiac health/ stroke, chronic respiratory disease, Alzheimer's disease, and cancer These areas have been addressed by the hospital via educational seminars and material, support groups, monetary grants, and screenings that help identify those at risk Through these efforts, over 11,000 individuals benefitted The organization has been named one of the nation's top performers on key quality measures by The Joint Commission, the leading accreditor of health care organizations in America This recognition was based on data reported about evidence-based clinical processes that are shown to improve care for certain conditions, including heart attack, heart failure, pneumonia, surgical care and children's asthma The organization is one of only 405 U S hospitals and critical access hospitals earning the distinction of top performer on key quality measures for attaining and sustaining excellence in accountability measure performance Inclusion on the list is based on an aggregation of accountability measure data reported to The Joint Commission during the previous calendar year For example, this first recognition program is based on data that were reported for 2010 To be recognized as a top performer on key quality measures an organization must meet two 95 percent performance thresholds First they must achieve a composite performance of 95 percent or above after the results of all the accountability measures for which they report data to The Joint Commission Accountability measures were factored into a single score, including measures that had less than 30 eligible cases or patients Second, they must meet or exceed a 95 percent performance target for every single accountability measure for which they report data, excluding any measures with less than 30 eligible cases or patients Medical education is a crucial part of the organization's mission During a nurses training, clinical skills and professional competencies are developed to provide the nurse with the ability to take on increasing responsibility for patient care Quality teaching programs add many dimensions to the organization's ability to serve patients During the fiscal year 2011 the organization provided education for 51 nursing students attracted from across the Dallas Fort Worth Metroplex to help improve the level of medical care for the entire community Teaching programs also aid attending teaching nurse staff in keeping their own knowledge current Upon completion of their education programs at the organization, many nurses remain in North Texas, providing a continuous supply of well-trained medical professionals for the region

Identifier	ReturnReference	Explanation
		Part VI, Line 7 The organization is part of a large faith based integrated health care delivery system ("System") serving the health care needs of the twelve county Dallas-Fort Worth metroplex area The System exists to serve all people through exemplary health care, education, research and community service Community benefits are provided through the provision of charity care, governmental sponsored programs (such as Medicaid and Medicare), medical research, medical education, community health improvement services, donations to other nonprofit health care providers, and many other community service activities During the year, the affiliated nonprofit hospitals reported community benefits (as reported to the Texas Department of State Health Services, and in accordance with the State of Texas Statutory methodology) in excess of $502,800,000 The System's nonprofit hospitals provided community benefits (as reported on the IRS Form 990, Schedule H) in excess of $151,000,000 during the tax year The Texas Annual Statement of Community Benefit Standard includes approximately $302,000,000 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H The System is comprised of separate legal entities including philanthropic foundations, a research institute, a physician network, acute care hospitals, short-stay hospitals, specialty hospitals, ambulatory surgery centers and other health care providers all which fall under the common control of Baylor Health Care System, the organization's sole member As part of the System, certain affiliates make grants and/or contributions to other related nonprofit affiliates to help financially support and/or fund worthy community benefits activities The System has also established a patient transfer system among the affiliated hospitals allowing patients needing a particular level of care to be transferred as needed to a related hospital that can provide that service in an efficient and effective manner As part of the System, all hospitals and other affiliated health care providers are required to adhere to high standards for medical quality, patient safety and patient satisfaction These standards are set forth by Baylor Health Care System, the organization's sole member, which helps ensures consistency across the System

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	TX

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Baylor University Medical Center3500 Gaston Avenue Dallas,TX 75246	75-1837454	501(C)(3)	2,311,143		N/A	N/A	Indigent Care
(2) Dallas Academy of Medicine dba Project Access Dallas140 E 12th Street Dallas,TX 75203	75-0223610	501(C)(3)	67,002		N/A	N/A	Indigent Care
(3) Dallas County Indigent Care CorporationPO Box 655999 Dallas,TX 75265	26-0610562	501(C)(3)	874,884		N/A	N/A	Indigent Care

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 3

3 Enter total number of other organizations . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Monitoring Grants & Other Assistance As part of its mission, the organization provides grants and other assistance to related organizations and/or unrelated not-for-profit organizations which are religious, charitable, scientific, or educational in nature, within the meaning of Internal Revenue Code Section 501(c)(3), when the use will further one or more tenets of Baylor's charitable mission and one of the following criteria for use of these funds is met (1)Fulfills a need identified by a community needs assessment conducted by Baylor Health Care System (BHCS) or a third party (such as Community Health Check Up or by the United Way) and adopted as a priority by BHCS's Community Service Advisory Council, (2) Serves an under-served community or group of people through medical mission work to improve their health status For related organizations, all grants and other assistance are subject to the policies and procedures set forth by BHCS which ensures all funds are used in accordance with the guidelines set forth above and in accordance with the related organization's exempt purpose Grants and other assistance provided to unrelated organizations are typically monitored by personal inspection Examples include providing assistance to entities where the filing organization's employee serves as a Board Member for the recipient organization or through attendance at community events where the filing organization employees work as volunteers or to help coordinate these events

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 ☑ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☑ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☑ Discretionary spending account ☐ 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 orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
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**	Yes	
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 ☐ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ 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 from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
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**		No
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**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured 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 duplicate copies if additional space is needed.

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(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) Paul Madeley MD	(i)	0	0	0	0	0	0	0
	(ii)	503,357	0	230,392	67,185	14,020	814,954	226,611
(2) Ellen Pitcher	(i)	184,727	40,445	480	9,291	11,502	246,445	0
	(ii)	0	0	0	0	0	0	0
(3) Jerri Garison	(i)	290,647	109,442	43,599	47,758	19,480	510,926	28,706
	(ii)	0	0	0	0	0	0	0
(4) Deanne Kindred	(i)	177,940	44,353	410	9,062	17,775	249,540	0
	(ii)	0	0	0	0	0	0	0
(5) William Boyd	(i)	0	0	0	0	0	0	0
	(ii)	538,151	409,474	24,133	197,632	22,881	1,192,271	0
(6) Alina Alexander	(i)	137,475	20,415	425	7,131	15,514	180,960	0
	(ii)	0	0	0	0	0	0	0
(7) Margaret Murff	(i)	115,910	22,756	812	5,896	12,360	157,734	0
	(ii)	0	0	0	0	0	0	0
(8) Rochelle Genn	(i)	133,077	5,000	5,738	5,324	14,528	163,667	0
	(ii)	0	0	0	0	0	0	0
(9) Soo Shin	(i)	128,274	5,000	10,375	4,967	14,044	162,660	0
	(ii)	0	0	0	0	0	0	0
(10) Joseph Daniels	(i)	116,439	15,140	1,960	6,279	19,903	159,721	0
	(ii)	0	0	0	0	0	0	0
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

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	Tax indemnification and gross-up payments-The organization provides tax indemnification where an authorized member of management determines there is justification to reimburse an individual for the tax impact on certain taxable, non-cash benefits provided to them All tax indemnification payments provided are treated as taxable compensation Four of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year
	Part I, Line 1a	Discretionary spending account-The organization provides eligible employees who travel frequently in their personal vehicle an auto expense allowance in lieu of reimbursement for business mileage under the organization's business travel and expense reimbursement policy All auto expense allowances are treated as taxable compensation One person listed in the Form 990, Part VII, Section A, received this benefit during the tax year
	Part I, Line 1a	Housing allowance or residence of personal use-The organization provides temporary housing to eligible employees under the organization's moving and relocation reimbursement policy All temporary housing provided to any employee is treated as taxable compensation One person listed in the Form 990, Part VII, Section A, received this benefit during the tax year
	Part I, Line 4b	In order to recruit and retain key talent, Baylor Health Care System ("BHCS") offers a supplemental non qualified retirement plan to eligible employees The plan provides an annual benefit (based on a percentage of compensation) to the employee which is paid to the employee on a future date upon vesting in the plan The following individual(s) participated in and/or received payments (noted in parenthesis) from BHCS' supplemental non qualified retirement plan during the tax year Jerri Garison ($28,706), Paul Madeley, M D ($226,611), and William Boyd Also, select certain officers, as designated by BHCS's governing body, are eligible to participate in a Long Term Incentive Plan that is designed to recognize the key senior leaders value and contribution to BHCS as well as align their compensation to the long term strategy of BHCS Performance targets are based upon a percentage of the participants base salary and are developed by independent third party expert(s) using market competitive data within the guides of reasonableness The plan is based on BHCS's three-year performance against its peers, determined based on peer rankings or percentile rankings in quality, patient satisfaction and financial performance At the end of three years, awards are determined by BHCS's governing body for participants Payouts are partially made in cash and the remainder vests over an additional two year period The following individual participated in and/or received payments (noted in parenthesis) from this plan during the tax year William Boyd
	Part I, Line 7	The organization has adopted and implemented BHCS's, the organization's sole member, Performance Award Program to provide a market competitive total cash compensation incentive program that is designed to attract and retain key leaders and establish greater individual accountability and alignment to business performance Payout targets are based upon a percentage of base pay and are developed by independent third party expert(s) using comparable market competitive data within the bounds of reasonableness and that are reviewed and approved by BHCS's governing body Payout levels are based upon a combination of system, entity, and individual performance using various metrics related to quality, patient satisfaction, employee retention, and financal stewardship BHCS's governing body may approve modifications to annual incentive awards provided under the program consistent with market comparability data
Supplemental Information	Part III	Supplemental Information Governing Body Compensation The members of the governing body serve on a voluntary basis and receive no cash compensation from the organization for these duties as a member of the governing body Some, but not all, members have received modest benefits incident to their service on the board and/or multiple board committees or received compensation as an employee of a related organization These benefits include reimbursement for certain reasonable expenses paid on behalf of the member's spouse while accompanying the member on business travel on behalf of the related organization and/or a wellness physical All such benefits are treated as taxable compensation to the extent required by law and are reported in the Form 990 where applicable

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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

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		Members or stockholders The organization is a Texas nonprofit membership organization in which Baylor Health Care System ("BHCS"), a tax exempt, Texas nonprofit corporation, is the sole member

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		Election of members of governing body by members, stockholders, or other persons The sole member, BHCS, elects and removes the members of the governing body

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Governing body decisions subject to approval All rights and powers are reserved to the sole member, BHCS, except only those rights and powers expressly set forth in the bylaws, required by state or federal law, or to meet the requirements and standards promulgated by Joint Commission For example, the member's reserved rights and powers include, without limitation, approval of the organization's articles of incorporation and bylaws and amendments thereto, appointment and removal of members of the organization's governing body, approval of dissolutions and mergers, and other similar decisions over the organization

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		Process used to review the Form 990 The Form 990 is prepared and reviewed by BHCS's tax department During the return preparation process the tax department works with other functional areas including finance, accounting, treasury, legal, human resources, and corporate compliance for advice, information and assistance to prepare a complete and accurate return Upon completion, the Form 990 is reviewed by the organization's President, financial officer and/or other key officers A complete final copy of the return is provided to the organization's governing body prior to filing with the IRS

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Process used to monitor and enforce compliance with the organization's conflict of interest policy Persons with the actual or perceived ability to influence the organization have the duty to disclose annually and otherwise promptly as potential conflicts are identified, any familial, professional or financial relationships with entities or individuals that do, or seek to do business with the organization or that compete with the organization These individuals include the organization's officers, governing body, management, physicians with administrative services agreements and other key personnel who interact with outside organizations or businesses on behalf of the organization The BHCS Board of Trustees Audit and Compliance Committee and the BHCS Corporate Compliance Committee review all relevant disclosures submitted by these individuals to determine whether a conflict of interest exists and to determine an appropriate resolution, if necessary The BHCS Compensation and Governance Committee also reviews all relevant disclosures by individuals serving on BHCS's governing body Any individual with a perceived or potential conflict is prohibited from voting or participating in the decision making process regarding such transaction with that individual

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	Process for determining compensation The organization, a controlled affiliate of BHCS, recognizes that those chosen to lead the organization are vital to its ongoing success and growth Thus, it must attract, retain and engage the highest quality officers and key employees to lead the organization and help BHCS maintain its national reputation for achieving high targets for medical quality, patient safety, and patient satisfaction A significant portion of the organization's officers' and key employees' total compensation is based on significant performance achievements This strategy, known as the Performance Award Program, works to put a greater emphasis on the importance of the organization achieving targeted improvements in the areas of People, Quality, Patient Satisfaction and Financial Stewardship, annually Total executive compensation is part of an integrated talent management strategy developed by the BHCS Board of Trustees and its Compensation and Governance Committee (Committee) to attract, motivate, and retain the best leadership resources for the organization Executive compensation is determined pursuant to guidelines outlined in the intermediate sanction rules under IRC Section 4958 including taking steps to meet the rebuttable presumption standard of reasonableness under Treasury Regulation 53 4958-6, as summarized below When making compensation decisions, the organization compares itself to similar-sized, and structured businesses including other integrated health care service systems and other similar-sized organizations, both locally and nationally The BHCS Board of Trustees and Committee, on behalf of the organization, work directly with independent compensation expert(s) to identify reasonable and competitive market rates as well as provide an annual review of the total compensation of the organization's top management officials and key employees The Committee is made up of members of the BHCS Board of Trustees, who are independent, community volunteers Guided by the information provided by the independent compensation expert(s), the Committee approves and recommends to the BHCS Board of Trustees salary increases, earned incentives, and benefit offerings for the organization's President, other officers and/or key employees to be comparable to similar organizations for similar services and/or positions Furthermore, the Committee is charged with the responsibility of reviewing annually the major elements of the executive compensation program to assure designs remain consistent with the business needs, market practices, and compensation philosophy As part of the decision making process, the Committee will often meet in executive session to discuss and review recommendations made by the independent compensation expert(s) During the executive session no officer or key employee whose compensation is being reviewed is present during these discussions All decisions are contemporaneously documented in the Committee minutes which are timely reviewed and approved by the Committee

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Process for making governing documents, conflict of interest policy, & financial statements available to the public The organization's articles of incorporation and amendments thereto are made available to the public by the filing of those documents with the Texas Secretary of State Also, the organization is included within the combined financial statements of BHCS that are made available to the public by the posting of those documents through DAC Bond and are attached to this return The organization's other governing documents and conflicts of interest policy are not made available to the public

Identifier	Return Reference	Explanation
	Form 990, Part VI, Question 14 Document Retention and Destruction Policy	The organization has been following a written Document Retention and Destruction Policy since April 2003 that was approved by management at Baylor Health Care System, the organization's sole member As a controlled affiliate of Baylor Health Care System, system wide policies are put in place to promote best governance practices and to implement consistent policies among controlled affiliates

Identifier	Return Reference	Explanation
	Form 990, Part VII Hours devoted to related organizations	The persons listed below also serve either as a voluntary member of the governing body, an employed officer, or an employee of a related organization The average hours per week devoted to the related organizations are listed below William Boyd (40 Hours) Roy Lamkin (10 Hours) Paul Madeley, M D (40 Hours) Walker Harman (10 Hours)

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 4,249,530 Transfers Between Entities Under Common Control -66,974 Change in Net Assets Held at BHCS Foundation 23,480 Total to Form 990, Part XI, Line 5 4,206,036

Identifier	Return Reference	Explanation
	Supplemental Information Section 6038 Statement	Baylor Plano is controlled by BHCS, Employer Identification Number 75-1812652 BHCS also owns Health Care Insurance Company of Texas, Ltd (HCIC) HCIC is a controlled foreign corporation BHCS furnishes all information required of Baylor Plano by IRC Section 6038 and the regulations thereunder with respect to HCIC Therefore, pursuant to Treasury Regulation Sec 1 6038-2(j)(2), Baylor Plano is excepted from providing such information BHCS files its Return of Organization Exempt from Income Tax in Ogden, Utah

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ 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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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
See Additional Data Table							

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? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
See Additional Data Table												

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
(1) Baylor Health Enterprises LP 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1997378	Fitness Center/Pharmacy/ Hotel	TX	N/A	C			
(2) Baylor Health Network Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2463251	Billing/ Collection	TX	N/A	C			
(3) BMP Incorporated 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1436779	Post Office	TX	N/A	C			
(4) Health Care Insurance Company of Texas Ltd PO Box GT 2nd Fl Buckingham Sq Grand Cayman CJ 98-0403182	Investments	CJ	N/A	C			
(5) Baylor Medical Center at Grapevine Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2747555	Condo Association	TX	N/A	C			
(6) BUMCRoberts Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2897806	Condo Association	TX	N/A	C			
(7) Baylor All Saints Med Cntr at Ft Worth Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 26-1661900	Condo Association	TX	N/A	C			

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

		Yes	No
1 During the tax year, did the orgranization 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	1a	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for other organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations by other organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p		No
q Other transfer of cash or property to other organization(s)	1q	Yes	
r Other transfer of cash or property from other organization(s)	1r	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data Return to Form

Software ID:
Software Version:
EIN: 82-0551704
Name: Baylor Regional Medical Center at Plano

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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
Baylor Health Care System 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1812652	Management Services	TX	501(c)(3)	11, Type III	N/A		No
Baylor University Medical Center 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1837454	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Medical Centers at Garland and McKinney 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1037591	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Medical Center at Irving 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2586857	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Medical Center at Waxahachie 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1844139	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Regional Medical Center at Grapevine 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1777119	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Institute for Rehabilitation at Gaston Episcopal Hospital 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1037226	Rehabilitation Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Specialty Health Centers 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1765385	Long Term Care Hospitals	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor All Saints Medical Center 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1008430	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Health Care System Foundation 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1606705	Fundraising	TX	501(c)(3)	7	Baylor Health Care System	Yes	
All Saints Health Foundation 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1947007	Fundraising	TX	501(c)(3)	7	Baylor All Saints Medical Center	Yes	
HealthTexas Provider Network 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2536818	Physician Practices	TX	501(c)(3)	3	Baylor Health Care System	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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
Baylor Health Services 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1917311	Inactive	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Research Institute 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1921898	Research	TX	501(c)(3)	4	Baylor Health Care System	Yes	
Southern Sector Health Initiative 2001 Bryan Street Suite 2200 Dallas, TX75201 26-3087442	Diabetes Health & Wellness Center	TX	501(c)(3)	11, Type I	Baylor University Medical Center	Yes	
Baylor Health Care System Employee Benefit Trust 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1848557	VEBA	TX	501(c)(9)		Baylor Health Care System	Yes	
Irving Healthcare Foundation 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1570933	Fundraising	TX	501(c)(3)	7	Baylor Medical Center at Irving	Yes	

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
MEDCO Construction LLC 2001 Bryan Street Suite 2200 Dallas, TX75201 20-5965871	Construction	TX	N/A									
Baylor Affiliated Services LLC 2001 Bryan Street Suite 2200 Dallas, TX75201 26-0614730	Benefit Plans	TX	N/A									
Baylor Heart and Vascular Center LLP 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2834135	Specialty Hospital	TX	N/A									
Texas Heart Hospital of the Southwest LLP 2001 Bryan Street Suite 2200 Dallas, TX75201 41-2101361	Specialty Hospital	TX	N/A	Related	15,058,043	37,078,597		No		Yes		50 411 %
HealthTexas Provider Network-Gastro Serv LLP 2001 Bryan St Ste 2200 Dallas, TX75201 73-1697736	Ambulatory Surgery Center	TX	N/A									
Trinity MC LLC 2001 Bryan Street Suite 2200 Dallas, TX75201 20-8889358	Acute Care Hospital	TX	N/A									
Texas Health Venture Group LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2696845	Holds interests in Ambulatory Surgery Centers/ Short Stay Hospitals	TX	N/A									
Dallas Surgical Partners LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 72-2183815	Ambulatory Surgery Center	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Valley View Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2900902	Ambulatory Surgery Center	TX	N/A									
Denton Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2708579	Ambulatory Surgery Center	TX	N/A									
Bellaire Outpatient Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 56-2297308	Ambulatory Surgery Center	TX	N/A									
Grapevine Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2854711	Ambulatory Surgery Center	TX	N/A									
Lewisville Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2862263	Ambulatory Surgery Center	TX	N/A									
North Garland Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 56-2399993	Ambulatory Surgery Center	TX	N/A									
Garland Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2764855	Ambulatory Surgery Center	TX	N/A									
Arlington Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2748040	Ambulatory Surgery Center	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Rockwall Ambulatory Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 20-5506447	Ambulatory Surgery Center	TX	N/A									
Metroplex Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2567179	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Plano LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 26-0308454	Ambulatory Surgery Center	TX	N/A									
RockwallHeath Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 20-0334166	Ambulatory Surgery Center	TX	N/A									
Irving Coppell Surgical Hospital LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 54-2086863	Short Stay Hospital	TX	N/A									
North Central Surgical Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 20-1508140	Short Stay Hospital	TX	N/A									
Trophy Club Medical Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 48-1260190	Short Stay Hospital	TX	N/A									
Ft Worth Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2658178	Short Stay Hospital	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Frisco Medical Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2865177	Short Stay Hospital	TX	N/A									
MSH Partners LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2829613	Short Stay Hospital	TX	N/A									
Arlington Orthopedic and Spine Hospital LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 26-1578178	Short Stay Hospital	TX	N/A									
University Surgical Partners of Dallas LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 55-0823809	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Granbury LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 26-3896477	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Mansfield LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 27-1835675	Ambulatory Surgery Center	TX	N/A									
Physicians Surgical Center of Ft Worth LLP 15305 Dallas Parkway Suite 1600 Addison, TX75001 20-8303422	Ambulatory Surgery Center	TX	N/A									
Desoto Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX75001 75-2592508	Ambulatory Surgery Center	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Metrocrest Surgery Center LP 15305 Dallas Parkway Suite 1600 Addison, TX75001 03-0380493	Ambulatory Surgery Center	TX	N/A									
Lone Star Endoscopy Center LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 27-3635726	Ambulatory Surgery Center	TX	N/A									
Tuscan Surgery Center at Las Colinas LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 27-3578014	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Ennis LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 27-4202856	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Plano Parkway LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 27-4282604	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Duncanville LLC 15305 Dallas Parkway Suite 1600 Addison, TX75001 27-3583837	Ambulatory Surgery Center	TX	N/A									
BIR JV LLP 4714 Gettysburg Rd Mechanicsburg, PA17055 27-4586141	Rehabilitation Hospitals	TX	N/A									

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
Baylor Health Enterprises LP 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1997378	Fitness Center/Pharmacy/ Hotel	TX	N/A	C			
Baylor Health Network Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2463251	Billing/ Collection	TX	N/A	C			
BMP Incorporated 2001 Bryan Street Suite 2200 Dallas, TX75201 75-1436779	Post Office	TX	N/A	C			
Health Care Insurance Company of Texas Ltd PO Box GT 2nd Fl Buckingham Sq Grand Cayman CJ 98-0403182	Investments	CJ	N/A	C			
Baylor Medical Center at Grapevine Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2747555	Condo Association	TX	N/A	C			
BUMCRoberts Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 75-2897806	Condo Association	TX	N/A	C			
Baylor All Saints Med Cntr at Ft Worth Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX75201 26-1661900	Condo Association	TX	N/A	C			

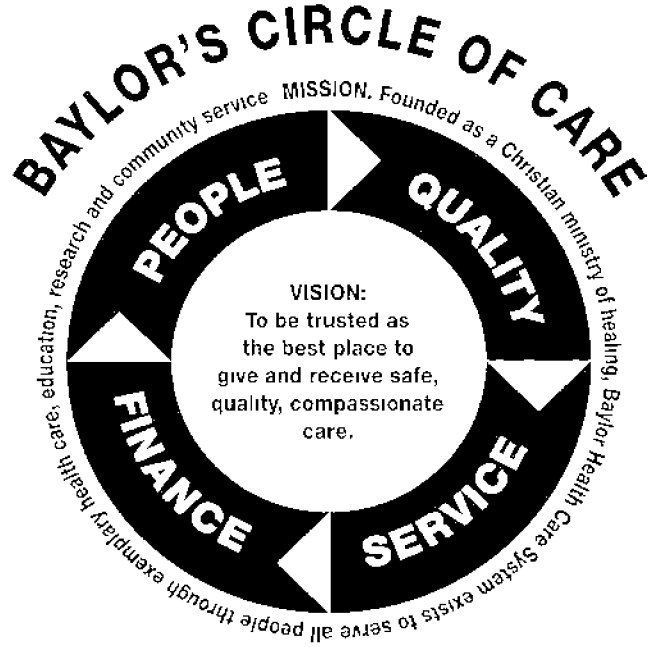
Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Baylor University Medical Center	B	2,311,143	GAAP
(2)	Baylor Health Care System Foundation	C	186,233	GAAP
(3)	Texas Heart Hospital of the Southwest LLP	R	16,650,714	GAAP
(4)	HealthTexas Provider Network	A	6,504	GAAP
(5)	Texas Heart Hospital of the Southwest LLP	A	1,700,114	GAAP
(6)	Texas Heart Hospital of the Southwest LLP	K	543,648	GAAP
(7)	Baylor Health Care System	L	21,788,543	GAAP
(8)	Baylor University Medical Center	L	204,029	GAAP
(9)	HealthTexas Provider Network	L	1,796,118	GAAP
(10)	MEDCO Construction LLC	L	165,188	GAAP
(11)	Texas Heart Hospital of the Southwest LLP	L	347,009	GAAP
(12)	Baylor Health Care System	O	2,486,598	GAAP
(13)	Baylor Health Care System	Q	5,483,021	GAAP
(14)	BIR JV LLP	L	324,437	GAAP

BAYLOR
Health Care System

Combined Financial Statements and Supplementary Information

Years ended June 30, 2011 and 2010



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BAYLOR HEALTH CARE SYSTEM

Combined Financial Statements and Supplementary Information
Years ended June 30, 2011 and 2010

BAYLOR HEALTH CARE SYSTEM

Combined Financial Statements and Supplementary Information

Years ended June 30, 2011 and 2010

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Baylor Health Care System:

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and changes in net assets, and of cash flows present fairly, in all material respects, the financial position of Baylor Health Care System and subsidiaries (the "System") at June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, in 2011, the System changed the manner in which it accounts for noncontrolling interests of its not-for-profit subsidiaries.

PricewaterhouseCoopers LLP

November 1, 2011

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, TX 75201-2997
T: (214) 999 1400, F: (214) 754 7991, www.pwc.com/us

BAYLOR HEALTH CARE SYSTEM

COMBINED BALANCE SHEETS - JUNE 30, 2011 AND 2010
(In thousands)

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 218,263	$ 157,062
Short-term investments	59,550	46,813
THVG funds due from United Surgical Partners, Inc	46,538	43,709
Accounts receivable		
Patient, net of allowance for uncollectibles of $115,970 and $104,358 in 2011 and 2010, respectively	397,288	371,006
Other	66,357	50,523
Invested collateral - securities lending program	109,626	120,712
Other current assets	99,775	85,668
Total current assets	997,397	875,493
LONG-TERM INVESTMENTS		
Unrestricted	1,473,908	1,198,951
Restricted	263,463	236,143
Total long-term investments	1,737,371	1,435,094
ASSETS WHOSE USE IS LIMITED		
Other designated assets	6,663	5,995
Self insurance retention trust	57,561	59,254
Funds held by bond trustee	118,903	13
Total assets whose use is limited	183,127	65,262
PROPERTY AND EQUIPMENT, net	1,941,261	1,792,064
CONTRIBUTIONS RECEIVABLE, net	54,234	40,980
INVESTMENTS OF INSURANCE SUBSIDIARIES	2,126	1,903
OTHER LONG-TERM ASSETS		
Equity investments in unconsolidated entities	13,100	24,476
Goodwill and intangible assets, net	217,691	167,330
Other	25,219	27,012
Total other long-term assets	256,010	218,818
Total assets	$ 5,171,526	$ 4,429,614

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease obligations	$ 43,955	$ 46,542
Long-term debt subject to short-term remarketing arrangements	50,000	-
Trade accounts payable	163,336	158,305
Payable under securities lending program	109,626	120,712
Accrued liabilities		
Payroll related	157,102	161,957
Third-party programs	57,984	33,754
Other	111,416	97,066
Total current liabilities	693,419	618,336
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	1,213,863	1,035,822
OTHER LONG-TERM LIABILITIES		
Self insurance and other insurance liabilities	71,235	66,364
Other	191,500	189,383
Total other long-term liabilities	262,735	255,747
COMMITMENTS AND CONTINGENCIES		
MINORITY INTERESTS	-	143,553
NONCONTROLLING INTERESTS – REDEEMABLE	120,830	33,498
NET ASSETS		
Unrestricted - attributable to BHCS	2,443,733	2,047,550
Unrestricted - noncontrolling interests nonredeemable	114,412	15,545
Total unrestricted net assets	2,558,145	2,063,095
Temporarily restricted	147,421	131,997
Permanently restricted	175,113	147,566
Total net assets	2,880,679	2,342,658
Total liabilities and net assets	$ 5,171,526	$ 4,429,614

See accompanying notes

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
OPERATING REVENUE		
Net patient care revenue	$ 3,821,093	$ 3,640,512
Other operating revenue	152,246	143,627
Net assets released from restrictions for operations	54,650	42,092
Total operating revenue	4,027,989	3,826,231
OPERATING EXPENSES		
Salaries, wages, and employee benefits	1,729,526	1,632,540
Supplies	681,084	658,401
Other operating expenses	776,277	694,365
Bad debt expense	284,051	280,695
Depreciation and amortization	201,517	192,142
Interest	69,848	63,022
Total operating expenses	3,742,303	3,521,165
Income from operations	285,686	305,066
NONOPERATING GAINS (LOSSES)		
Gains on investments, net	256,062	132,604
Contributions	632	1,075
Equity losses in unconsolidated entities	(3,961)	(1,000)
Loss from extinguishment of debt	(2,513)	-
Gains (losses) on fixed asset disposals, net	1,078	(12,098)
Other	284	(491)
Total nonoperating gains	251,582	120,090
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES AND MINORITY INTERESTS	537,268	425,156
LESS INCOME TAX EXPENSE	7,689	5,134
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE MINORITY INTERESTS	529,579	420,022
LESS MINORITY INTERESTS	-	63,786
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	529,579	356,236

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - continued

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Unrealized gains on investments, net	$ 5,907	$ 5,787
Net assets released from restrictions for capital expenditures	9,990	3,243
Other changes in net assets attributable to minority interests and noncontrolling interests - nonredeemable	(60,439)	(8,881)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(106,146)	(57,640)
Net assets acquired	16,612	8,237
Other	2,309	(7,317)
INCREASE IN UNRESTRICTED NET ASSETS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	397,812	299,665
Change in unrestricted net assets to initially apply non-profit guidance related to noncontrolling interests	97,238	-
INCREASE IN UNRESTRICTED NET ASSETS	495,050	299,665
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	46,949	49,442
Realized gains and investment income, net	14,958	5,097
Unrealized gains on investments, net	19,174	6,519
Changes in value of split-interest agreements	91	1,858
Net assets released from restrictions for operations	(54,650)	(42,092)
Net assets released from restrictions for capital expenditures	(9,990)	(3,243)
Other	(1,108)	(4,453)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	15,424	13,128
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	26,588	8,056
Realized gains (losses) and investment income, net	182	(115)
Changes in value of split-interest agreements	149	1,655
Unrealized gains on investments, net	457	539
Changes in net assets of related foundation	-	(3,340)
Other	171	11,682
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	27,547	18,477
INCREASE IN NET ASSETS	538,021	331,270
NET ASSETS, beginning of year	2,342,658	2,011,388
NET ASSETS, end of year	$ 2,880,679	$ 2,342,658

See accompanying notes

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 538,021	$ 331,270
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Unrealized gains on investments, net	(207,251)	(76,682)
Realized gains on sales of investments, net	(37,088)	(37,773)
Restricted contributions, net of release for operations	(18,887)	(17,542)
Gift in kind – property and equipment	-	2,136
Bad debt expense	284,051	280,695
Depreciation and amortization	201,517	192,142
(Gains) losses on sale or disposal of assets, net	(805)	9,478
Change in value of split-interest agreements	(240)	(3,513)
Deferred rent	5,935	2,729
Other changes attributable to noncontrolling interests	132,700	61,549
Change in unrestricted net assets to initially apply non-profit guidance related to noncontrolling interests	(97,238)	-
Changes in operating assets and liabilities (net of acquisition)		
Increase in net patient accounts receivable	(305,310)	(283,853)
(Increase) decrease in other accounts receivable	(19,460)	3,968
Increase in other assets	(20,058)	(3,878)
Increase in trade accounts payable and accrued liabilities	50,126	908
Decrease in minority interest	-	(11,054)
Increase in other liabilities	6,856	15,854
Net cash provided by operating activities	512,869	466,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, net	(329,341)	(175,630)
Cash proceeds from sales of assets, net of selling expense	2,610	1,447
Net assets acquired, net of cash acquired	(19,290)	(3,658)
(Increase) decrease in THVG funds due from United Surgical Partners, Inc	(2,829)	26,229
Net purchases of trading investments	(64,527)	(214,690)
Increase in other than trading investments	(5,907)	(5,787)
(Increase) decrease in investments of insurance subsidiaries	(223)	768
Decrease (increase) in invested collateral-securities lending program	11,086	(51,008)
(Increase) decrease in assets whose use is limited	(117,865)	15,241
Net cash used in investing activities	(526,286)	(407,088)

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF CASH FLOWS - continued

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	$ (363,082)	$ (237,685)
Proceeds from issuance of long-term debt	557,632	116,456
(Decrease) increase in payable under securities lending program	(11,086)	51,008
Distributions to noncontrolling interests owners	(135,464)	(61,361)
Purchases of noncontrolling interests	(7,837)	(2,575)
Sales of noncontrolling interests	15,568	5,157
Restricted contributions, net of release for operations	18,887	17,542
Net cash provided by (used in) financing activities	74,618	(111,458)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,201	(52,112)
CASH AND CASH EQUIVALENTS, beginning of year	157,062	209,174
CASH AND CASH EQUIVALENTS, end of year	$ 218,263	$ 157,062
SUPPLEMENTAL CASH FLOW DATA		
Cash paid for interest	$ 73,099	$ 64,314
Cash paid for income taxes	$ 6,493	$ 5,894
Property and equipment acquired under capital leases	$ 27,723	$ 206,298
Dividends declared but not paid	$ 13,670	$ 13,746
Increase in accounts payable due to property and equipment received but not paid	$ 14,724	$ 3,758

See accompanying notes

1. ORGANIZATION

Baylor Health Care System (BHCS) is a Texas nonprofit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code The combined financial statements include the accounts of BHCS, Baylor University Medical Center (the Medical Center), Baylor Health Care System Foundation (Foundation), All Saints Health Foundation, nine community and specialty medical centers located throughout the Dallas and Fort Worth metroplex, two wholly owned insurance subsidiaries and other related entities (collectively referred to as the "System") Investments in certain related entities with 50 0% or less ownership are accounted for using the equity method Investments in certain related entities with greater than 50 0% ownership or where the System exercises board control are included in the accompanying combined financial statements with related noncontrolling interests or minority interests reported in the combined financial statements All significant intercompany accounts and transactions among entities included in the combined financial statements have been eliminated

The following summarizes significant changes in the System in 2011 and 2010

Irving Healthcare Foundation

Effective March 17, 2010, the Irving Healthcare Foundation (IHF) was reorganized by its Board of Directors whereby Baylor Medical Center at Irving (Irving), an affiliate of the System, is the new sole member of IHF As a result, IHF's balances and transactions are reflected in the combined financial statements in 2011 and 2010

Baylor Medical Center at Carrollton

BRMCG Holdings, LLC is wholly owned by Baylor Regional Medical Center at Grapevine (BRMCG), an affiliate of BHCS Effective May 1, 2011 BRMCG Holdings merged with Trinity MC, LLC (TMC), with TMC becoming the sole surviving entity in the merger The membership interest in BRMCG Holdings held by BRMCG immediately prior to the effective date of the merger was cancelled and converted into 100% of the ownership interest in TMC Each of the minority member units in TMC outstanding immediately prior to the effective date of the merger were purchased by BRMCG and cancelled The ownership interests in TMC were 71 0% and 29 0% by BRMCG Holdings, LLC and by the Physician Members, respectively, as of June 30, 2010

Texas Health Ventures Group, LLC (THVG)

The Medical Center has a majority ownership of 50 1% in THVG with USP North Texas, Inc (USP), a Texas corporation and subsidiary of United Surgical Partners, Inc (USPI) holding the remaining 49 9% THVG had net patient care revenue included in the BHCS combined financial statements of approximately $578,824,000 and $478,973,000 in 2011 and 2010, respectively

The following table represents significant acquisitions made by THVG during fiscal year 2010

Legal Name	Acquisition Price	Effective Date	Ownership Interest
	(In thousands)		
Desoto Surgicare Partners, Ltd	$ 1,403	December 31, 2009	50 1%
Physicians Surgical Center of Fort Worth, LLP	3,082	December 31, 2009	50 1%
Mansfield Surgical Center, LLC	No Consideration	May 1, 2010	50 1%

The following table represents significant acquisitions made by THVG during fiscal year 2011

Legal Name	Acquisition Price	Effective Date	Ownership Interest
	(In thousands)		
Metrocrest Surgery Center, L P	$ 4,003	July 1, 2010	50 1%
Lone Star Endoscopy Center, LLC	7,549	November 1, 2010	51 0%
Baylor Surgicare at Duncanville, LLC	626	November 1, 2010	50 1%
Tuscan Surgery Center at Las Colinas, LLC	3,192	December 1, 2010	51 0%
Baylor Surgicare at Ennis, LLC	3,341	January 1, 2011	51 0%
Baylor Surgicare at Plano Parkway, LLC	3,151	March 1, 2011	51 0%

BIR JV, LLP

Effective April 1, 2011 BIR JV, LLP (BIR JV), a Texas limited liability partnership, was formed between Baylor Institute for Rehabilitation at Gaston Hospital (BIR), an affiliate of the System, and Select Physical Therapy Texas Limited Partnership (Select), a Delaware limited partnership, to provide rehabilitation services to the North Texas Region BIR contributed a freestanding inpatient rehabilitation hospital and certain outpatient clinics located throughout the North Texas Region valued at $28,180,000 in exchange for a 699 units in BIR JV Select contributed an inpatient rehabilitation hospital and certain outpatient clinics located throughout the North Texas

Region valued at $12,145,000 in exchange 301 units in BIR JV Pursuant to the terms of the agreement, Select purchased 189 units in BIR JV from BIR for $7,614,250 resulting in BIR holding 510 units or a 51% ownership interest and Select holding 490 units or a 49% ownership interest in BIR JV Goodwill recorded as part of this transaction totaled $17,891,000

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of BHCS have been prepared in conformity with accounting principles generally accepted in the United States The following is a summary of the significant accounting and reporting policies used in preparing the financial statements

Adoption of New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement No 168, "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (a replacement of FASB Statement No. 162,*" or SFAS 168, that establishes the FASB Accounting Standards Codification (Codification) as the single source of authoritative US GAAP The Codification does not create any new GAAP standards but incorporates existing accounting and reporting standards into a new topical structure The new guidance was effective for the System beginning in the three months ended September 30, 2009, and a new referencing system is now used to identify authoritative accounting standards, replacing the existing references to SFAS, EITF, FSP, etc Existing standards are designated by their "*Accounting Standards Codification (ASC)*" topical reference and new standards will be designated as "*Accounting Standards Updates (ASU),*" with a year and assigned sequence number

In January 2010, FASB issued ASU 2010-07, "*Not-for-Profit Entities: Mergers and Acquisitions,*" including an amendment to ASC 350, "*Goodwill and Other Intangible Assets,*" which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2009 This Statement provides guidance on accounting for a combination of not-for-profit entities, which is a transaction or other event that results in a not-for-profit entity initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements This Statement applies to a combination that meets the definition of either a merger of not-for-profit entities or an acquisition by a not-for-profit entity

As prescribed by ASC 350, goodwill is assigned to reporting units and is subject to annual impairment testing The System ceased to amortize goodwill recorded on its not-for-profit entities on July 1, 2010 as a result of the issuance of ASU 2010-07 The System completed the transitional impairment test in accordance with ASC 958, and no indication of an impairment existed The goodwill is subject to an annual impairment test as of June 30 each year, the System's fiscal year end The impact of this new standard will be affected by the level of transactions and acquisitions entered into by the System

In December 2007, the FASB issued ASC 810, *"Consolidation,"* which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 ASC 810 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the financial statements within the equity section but separate from the company's equity It also requires the amounts of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of operations, changes in ownership interest to be accounted for as equity transactions, and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary must be measured at fair value The System adopted the provisions of ASC 810 effective July 1, 2009 for its entities that are controlled by for-profit parents For the remaining for-profit entities controlled by nonprofit parents, ASC 810 became effective July 1, 2010 when ASC 958 was adopted The adoption of ASC 958 resulted in an adjustment to unrestricted net assets of approximately $97,238,000 as of July 1, 2010 The System now reflects noncontrolling interests in subsidiaries as either noncontrolling interests - redeemable in the mezzanine section of the combined balance sheets, or noncontrolling interests - nonredeemable in net assets in the combined balance sheets, according to ASC 810 The implementation of ASC 810 also results in the cash flow impact of certain transactions with noncontrolling interests being classified within financing activities, consistent with the view that under ASC 810 transactions between the System (or its subsidiaries) and noncontrolling interests are considered to be equity transactions These changes are summarized in the table below, along with the cash flow classifications of several similar types of transactions that did not change as a result of ASC 810

	Before ASC 810	ASC 810
Changes in Cash Flow Classification:		
Distributions of earnings paid to noncontrolling interests	Operating	Financing
Acquisitions or sales of equity interests in consolidated subsidiaries, no change of control	Investing	Financing
No Change in Cash Flow Classification:		
Distributions of earnings received from unconsolidated affiliates	Operating	Operating
Returns of capital paid to noncontrolling interests	Financing	Financing
Returns of capital received from unconsolidated affiliates	Investing	Investing
Sales of equity interests in consolidated subsidiaries resulting in a change of control	Investing	Investing
Acquisitions or sales of equity interests in unconsolidated affiliates, no change of control	Investing	Investing
Acquisitions of equity interests in unconsolidated affiliates, resulting in change of control	Investing	Investing

Upon the occurrence of various fundamental regulatory changes, the System could be obligated, under the terms of its investees' partnership and operating agreements, to purchase some or all of the noncontrolling interests related to the System's consolidated for-profit subsidiaries These repurchase requirements are limited to the portions of the System's consolidated for-profit subsidiaries that are owned by physicians and would be triggered by regulatory changes making the existing ownership structure illegal While the System is not aware of events that would make the occurrence of such a change probable, regulatory changes are outside the System's control Accordingly, the noncontrolling interests subject to these repurchase provisions have been classified in the mezzanine, outside of net assets, on the System's combined balance sheets

In January 2010, the FASB issued ASU 2010-06, *"Fair Value Measurements and Disclosure (Topic 820): Improving Disclosures about Fair Value Measurements,"* or ASU 2010-06 This ASU amends the disclosure requirements of ASC 820 related to recurring and non-recurring fair value measurements The ASU requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers Additionally, the ASU requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements) The ASU became effective for the System on July 1, 2010, except for the disclosure provisions on the roll forward activities for the Level 3 fair value measurements, which will become effective for the System for fiscal years, and interim periods within those fiscal years, beginning July 1, 2011 The adoption of the disclosure provisions of transfers between Level 1 and Level 2 assets and liabilities has no impact on the results of operations or financial position as of June 30, 2011

In August 2010, the FASB issued ASU 2010-23, *"Measuring Charity Care for Disclosure (Topic 954): Health Care Entities."* This ASU amends the disclosure requirements of ASC 954 related to the measurement basis used in the disclosure of charity care The ASU requires that cost be identified as the direct and indirect costs of providing charity care This ASU results in various techniques being used to identify charity care costs and requires disclosure of the method applied The System applied the updated provisions of ASU 2010-23 in 2011

Other Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board issued ASU 2010-24, *"Presentation of Insurance Claims and Related Insurance Recoveries (Topic 954): Health Care Entities."* This ASU amends Topic 954 to be consistent with the guidance on netting receivables and payables under ASC 210-20, "Balance Sheet – Offsetting" The ASU clarifies that a health care entity should not net insurance recoveries against a related claim liability In addition, the amount of the claim liability should be determined without consideration of insurance recoveries The System has not evaluated all of the updated provisions, which are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010

In July 2011, The FASB issued ASU 2011-07, *"Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities."* This ASU requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts For nonpublic entities, the amendments are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented The disclosures required by the amendments in this Update should be provided for the period of adoption and subsequent reporting periods The System has not yet completed the process of evaluating the impact this ASU will have on its financial statements

In September 2011, the FASB issued ASU 2011-08, *"Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment."* This ASU provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount If, after assessing the totality of events and circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early application permitted in an entity's financial statements that have not yet been issued The System has not yet completed the process of evaluating the impact this ASU will have on its financial statements

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Cash and Cash Equivalents

Cash equivalents are defined as investments which have original maturities of three months or less Cash equivalents consist primarily of securities issued by the United States government or its agencies, certificates of deposit, commercial paper and dollar denominated foreign issuer investments

THVG Funds Due From United Surgical Partners, Inc.

THVG participates in a shared services accounts payable program with USPI, wherein USPI has custody of substantially all of THVG's excess cash, paying THVG and its facilities interest income on the net balance at prevailing market rates Amounts held by USPI on behalf of THVG totaled $46,538,000 and $43,709,000 at June 30, 2011 and 2010, respectively The funds due from USPI are available on demand The interest income amounted to $235,000 and $338,000 for the years ended June 30, 2011 and 2010, respectively

Investments

The System has designated all of its investments as trading securities except for those investments held at the Baptist Foundation of Texas (BFT) for the benefit of the Foundation For all trading investments, the interest and dividends, realized and unrealized gains (losses) are included in gains (losses) on investments, net, in the accompanying combined statements of operations and changes in net assets For other than trading investments, interest and dividends and realized gains (losses) are included in gains (loss) on investments, net, unless restricted by donor Unrealized gains (losses) on other than trading investments are included in other changes in unrestricted net assets, unless restricted by donor

Interest and dividends, realized gains (losses) and unrealized gains (losses) for the years ended June 30, 2011 and 2010 consisted of the following

	June 30, 2011			
	Interest and Dividends	Realized gains (losses)	Unrealized gains	Total
	(In thousands)			
Nonoperating gains	$ 37,441	$ 36,908	$ 181,713	$ 256,062
Other changes in unrestricted net assets	-	-	5,907	5,907
Changes in temporarily restricted net assets	14,959	(1)	19,174	34,132
Changes in permanently restricted net assets	1	181	457	639
	$ 52,401	$ 37,088	$ 207,251	$ 296,740

	June 30, 2010			
	Interest and Dividends	Realized gains (losses)	Unrealized gains	Total
	(In thousands)			
Nonoperating gains	$ 30,851	$ 37,914	$ 63,839	$ 132,604
Other changes in unrestricted net assets	-	-	5,787	5,787
Changes in temporarily restricted net assets	5,125	(28)	6,519	11,616
Changes in permanently restricted net assets	(2)	(113)	539	424
	$ 35,974	$ 37,773	$ 76,684	$ 150,431

Patient Accounts Receivable

Patient accounts receivable are stated at estimated net realizable value, and collateral is generally not required Significant concentrations of patient accounts receivable at June 30, 2011 and 2010, include

	2011	2010
Managed care providers, commercial insurers and other payors	52%	53%
Government-related programs	32%	31%
Self-pay patients	16%	16%
	100%	100%

Receivables from government-related programs (i e , Medicare and Medicaid) represent the only concentrated group of payors for the System's receivables, and management does not believe that there is any unusual level of collectability risks associated with these government programs Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated collectability risks to the System

The System maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The System assesses the reasonableness of the allowance account based on historical write-offs, cash collections, and the aging of the accounts Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowances associated with its receivables

Securities Lending Program

The System participates in securities lending transactions with The Northern Trust Company, investment custodian, whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis of 30 to 60 days Collateral provided by brokers is maintained at levels approximating 102 0% of the fair value of the securities on loan and is adjusted for daily market fluctuations Cash collateral received in connection with these loans is invested in a short-term pooled fund maintained by the lending agent As of June 30, 2011 and 2010, the fair value of securities on loan was $107,447,000 and $117,833,000, respectively, and is included in long-term investments in the accompanying combined balance sheets The cash collateral held for loaned securities was $109,626,000 and $120,712,000 as of June 30, 2011 and 2010, respectively, included in invested collateral - securities lending program The System's obligation to repay the collateral upon settlement of the lending transactions is reported as a payable under securities lending program in the accompanying combined balance sheets

Property and Equipment

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution or business acquisition Property and equipment and related accumulated depreciation and amortization are summarized below

	Useful Life	2011	2010
		(In thousands)	
Land	-	$ 120,100	$ 117,264
Buildings and improvements	5-40 Years	1,804,198	1,635,992
Major movable equipment and other	3-20 Years	1,234,725	1,135,572
Construction-in-progress	-	231,051	183,354
		3,390,074	3,072,182
Accumulated depreciation and amortization		(1,448,813)	(1,280,118)
		$ 1,941,261	$ 1,792,064

On July 30, 2004, the System sold twenty medical office buildings to Healthcare Realty Trust Properties of Texas, Ltd (HRT) for approximately $133,000,000 of cash The buildings sold had a net book value of approximately $61,200,000 The transaction included several ground leases with terms of fifty-five years and an estimated economic value of approximately $12,400,000 The System has a remaining deferred gain recorded as part of this transaction, which is being recognized over the related capital and operating lease periods The remaining deferred gain was $9,084,000 and $9,357,000 as of June 30, 2011 and 2010, respectively, of which $273,000 is included in current liabilities and $8,811,000 and $9,084,000, respectively, is included in other long-term liabilities in the accompanying combined balance sheets The System amortized approximately $273,000 of the remaining deferred gain in both years ended June 30, 2011 and 2010

Property and equipment financed under capital leases totaled approximately $429,216,000 and $457,651,000 at June 30, 2011 and 2010, respectively, and related accumulated amortization was approximately $62,348,000 and $45,450,000 at June 30, 2011 and 2010, respectively Amortization expense is included in depreciation and amortization expense in the accompanying combined statements of operations

During fiscal year 2010, the System conducted a comprehensive fixed asset physical inventory count for all entities During fiscal year 2011, the System implemented a new policy to perform the physical inventory counts on a three year rotation The counts resulted in approximately $153,000 and $12,444,000 of disposals recorded in nonoperating gains (losses) in the accompanying combined statements of operations for fiscal year 2011 and 2010, respectively

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less Routine maintenance and repairs are charged to expense as incurred Expenditures that increase capacities or extend useful lives are capitalized

Goodwill and Intangible Assets

Goodwill and intangible assets recorded in connection with acquisitions completed by the System are accounted for under ASC 350, *"Intangibles – Goodwill and Other."* Goodwill consists of costs in excess of tangible and intangible net assets acquired Intangible assets consist of management service contract rights and other intangibles Most of these intangible assets have indefinite lives Goodwill and indefinite lived intangible assets are tested for impairment annually or more frequently if changing circumstances warrant For the purposes of these analyses, the System's reviews the cost, income, and market approaches to fair value in accordance with ASC 820 The System's estimates of fair value are based on a combination of the income approach, which estimates the fair value of the Company based on its future discounted cash flows, and the market approach, which estimates the fair value of the Company based on comparable market prices, and cost approach No impairments were identified for the years ended June 30, 2011 and 2010 Prior to July 1, 2010, the System amortized goodwill over periods estimated to be benefited, with the period not to exceed forty years Beginning July 1, 2010, ASC 958 required the System to cease amortization of goodwill and test for impairment annually The System performed an initial impairment test as of July 1, 2010 in accordance with the guidance No impairments were identified as of this date This guidance made effective ASC 350 for nonprofit subsidiaries, which previously only applied to the System's for-profit subsidiaries The System amortizes intangible assets with definite useful lives over their respective useful lives to the estimated residual values and reviews them for impairment in the same manner as property and equipment discussed below

At June 30, 2011 and 2010, goodwill and intangible assets consisted of the following (in thousands)

	2011		
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Intangible assets			
Finite-lived intangible assets	$ 2,877	$ (303)	$ 2,574
Indefinite-lived intangible assets	7,038	-	7,038
Total intangible assets	9,915	(303)	9,612
Goodwill – Controlling interest	180,932	(3,779)	177,153
Goodwill – Noncontrolling interest	30,926	-	30,926
Total goodwill	211,858	(3,779)	208,079
Total goodwill and other intangibles assets	$ 221,773	$ (4,082)	$ 217,691

	2010		
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Intangible assets			
Finite-lived intangible assets	$ 2,865	$ (261)	$ 2,604
Indefinite-lived intangible assets	4,676	-	4,676
Total intangible assets	7,541	(261)	7,280
Goodwill – Controlling interest	161,819	(3,779)	158,040
Goodwill – Noncontrolling interest	2,010	-	2,010
Total goodwill	163,829	(3,779)	160,050
Total goodwill and other intangibles assets	$ 171,370	$ (4,040)	$ 167,330

The following is a summary of changes in the carrying amount of goodwill for the years ended June 30, 2011 and 2010 (in thousands)

	Controlling Interest	Noncontrolling Interest
Balance, June 30, 2009	$ 154,083	$ -
Additions		
Acquisition of Desoto Surgicare Partners, Ltd	402	-
Acquisition of Physicians Surgical Center of Fort Worth, LLP	2,547	372
Acquisition of Mansfield Surgical Center, LLC	1,705	1,638
Other	(697)	-
Balance, June 30, 2010	158,040	2,010
Additions		
Acquisition of Metrocrest Surgery Center, L P	3,450	1,968
Acquisition of Lone Star Endoscopy Center, LLC	7,142	4,253
Acquisition of Baylor Surgicare at Duncanville, LLC	317	97
Acquisition of Tuscan Surgery Center at Las Colinas, LLC	2,797	1,566
Acquisition of Baylor Surgicare at Ennis, LLC	2,865	1,629
Acquisition of Baylor Surgicare at Plano Parkway, LLC	2,592	1,537
Formation of BIR, JV LLP – Frisco	-	5,367
Formation of BIR, JV LLP – Dallas	-	12,524
Other	(50)	(25)
Balance, June 30, 2011	$ 177,153	$ 30,926

Goodwill additions resulting from business combinations are recorded and assigned to controlling and noncontrolling interest

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or related groups of assets, may not be recoverable from estimated future cash flows In the event of impairment, measurement of the amount of impairment may be based on appraisal, fair values of similar assets or estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset No impairment was identified in 2011 or 2010

Physician Income Guarantees

The System has entered into multiple physician recruiting agreements whereby the hospital provides financial assistance to a physician who is relocating his or her medical practice into the hospital's service area and community under which the System supplements physician income to a minimum amount over a period of time, typically one year, while the physicians establish themselves in the community As part of the agreements, the physicians are required to continue to provide medical services in the community for a period of time after the initial start up year, typically three years

The System records an asset and liability for the estimated fair value of the minimum revenue guarantees The asset and liability represent the maximum amount of all unpaid minimum revenue guarantees, net of physician drawdowns, and is reported in other long-term assets and other long-term liabilities in the accompanying combined balance sheets As of June 30, 2011 and 2010, the System had a liability of approximately $3,175,000 and $3,085,000, respectively

Income Taxes

Due to their organizational structure, certain of the System's entities are taxable under the Internal Revenue Code and some entities are tax exempt but are required to pay income taxes for unrelated business activities The overall impact of federal income taxes to the System's combined financial statements is not significant In addition, certain of the System's entities file partnership income tax returns in the U S federal jurisdiction and franchise tax returns in the State of Texas

The Texas franchise tax applies to certain of the System's entities for any tax reports filed on or after January 1, 2008 The tax is calculated on a margin base and is therefore reflected in the System's combined statements of operations and changes in net assets for the years ended June 30, 2011 and 2010 as income tax expense

The System follows the provisions of ASC 740 *"Income Taxes."* As of June 30, 2011 and 2010, the System had no material gross unrecognized tax benefits

Insurance

BHCS provided for the basic self-insured retention limits for hospital professional liability and general liability coverage for 2011 and 2010 through the Self Insurance Retention Trust (SIRT) Excess policies that covered claims that exceeded $10,000,000 per incident and $50,000,000 in the aggregate for hospital professional liability and claims that exceeded $2,000,000 per incident and $7,000,000 in the aggregate for general liability in both 2011 and 2010 were provided by Health Care Insurance Company of Texas (HCICT), a wholly owned insurance company of BHCS domiciled in the Cayman Islands

The excess policies were reinsured by ACE Limited, Lexington Insurance Company, Beazley Group Plc, Barbican Syndicate, Catlin Group, Chaucer Plc, Alterra Insurance Europe Limited, and Swiss Re in 2011 Although most of these carriers were consistent with 2010, there were slight changes in the layers provided in 2011 and Munich Re America was replaced by the Barbican Syndicate

BHCS provided for the basic self-insured retention limits for professional liability coverage for physicians in HealthTexas Provider Network, a wholly owned subsidiary of BHCS, through the SIRT An excess policy that covered claims for physician liability that exceeded $750,000 per incident and $15,000,000 in the aggregate in 2011 and 2010 was provided by HCICT and reinsured by ACE Limited in both years for limits of $250,000 per medical incident and $7,000,000 in the aggregate

To minimize its exposure to credit risk associated with reinsurance, the System continuously evaluates and monitors the financial condition of its reinsurers At June 30, 2011, the System's reinsurers had an A M Best rating of at least A- ("Excellent") Management does not anticipate any material losses as a result of these concentrations All of the System's insurance business comprises insurance of certain risks of the System and affiliates who are all engaged in the provision of medical and health care services Accordingly, the System's underwriting risks are not diversified

Liabilities for outstanding claims, including estimates for claims incurred but not reported, as well as reported claims pending settlement, are actuarially determined and discounted using an interest rate of 2% in 2011 and 2010 Total undiscounted reserves for losses and loss adjustment expenses were approximately $63,959,000 and $59,262,000 at June 30, 2011 and 2010, respectively Total discounted reserves for losses and loss adjustment expenses at a seventy-percent confidence level were approximately $71,235,000 and $66,364,000 at June 30, 2011 and 2010, respectively

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses represent the SIRT's estimates using case basis evaluations and actuarial analysis, which are based on the SIRT's loss history data and industry loss statistics The reserves for losses and loss adjustment expenses are based upon management's best estimate of the ultimate liability for outstanding losses and loss adjustment expenses determined in comparison with historical loss statistics Management believes that the reserves for losses and loss adjustment expenses are adequate However, because of the extended period of time over which losses are settled and the general uncertainty surrounding the estimates, the ultimate settlement cost of the losses and the related loss adjustment expenses could vary and these differences could be material The estimate is continuously reviewed and, as adjustments to the liability become necessary, they are reflected in current operations

Contributions and Gifts

When received or pledged, unrestricted gifts are reported as contributions to unrestricted net assets, and donor-restricted items are reported as contributions to temporarily or permanently restricted net assets These donor-restricted contributions are restricted as to use and, when applicable, are transferred from temporarily restricted net assets to unrestricted net assets when the restrictions are satisfied and the related funds are appropriated for expenditure by the Board

Appropriations from the Baptist General Convention of Texas of approximately $178,000 and $176,000 in 2011 and 2010, respectively, are included in other operating revenue in the accompanying combined statements of operations and changes in net assets

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of contributions and pledges received and receivable These assets are donor restricted as to use and are transferred from temporarily restricted net assets to unrestricted net assets when the restrictions are satisfied Temporarily restricted net assets are primarily available for patient care, education, and research

Permanently restricted net assets consist of contributions received and receivable with donor restrictions that the principal be invested in perpetuity and only the income from the investments be expended for designated purposes Income on endowment funds restricted for specified purposes is reported in the accompanying combined statements of operations and changes in net assets as temporarily restricted realized and unrealized investment income (loss)

Income on endowment funds which is required by donors to be invested in perpetuity is reported in the accompanying combined statements of operations and changes in net assets as permanently restricted realized investment income and unrealized gain (loss) on investments

Revenue and Gains in Excess of Expenses and Losses

The combined statements of operations and changes in net assets include revenue and gains in excess of expenses and losses Changes in unrestricted net assets which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains (losses) on investments other than trading securities, 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 the purpose of acquiring such assets)

Derivative Financial Instruments

ASC 815, *"Derivative and Hedging"* requires that all derivative financial instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them Changes in the fair value of derivative financial instruments are

recognized periodically either in operations or in other changes in unrestricted net assets depending on whether the investments qualify for hedge accounting The System's policy is to not hold or issue derivatives for trading purposes and to avoid derivatives with leverage features

Use of Estimates

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

Reclassifications

Certain reclassifications were made to the 2010 financial statements to conform to the 2011 presentation

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3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents and other financial instruments

Estimated fair values of the System's cash and cash equivalents, short-term investments, long-term investments, assets whose use is limited and investments of insurance subsidiaries were comprised as follows (in thousands)

	2011	2010
Cash and cash equivalents	$ 218,263	$ 157,062
Restricted cash	$ 157,290	$ 39,074
Mutual funds	49,795	38,068
Equity securities	562,486	417,467
Fixed income securities	435,293	437,819
Common funds, net of alternative investments, held at Baptist Foundation of Texas (BFT)	208,250	171,468
Alternative investments		
Held at BFT	2,099	5,582
Other	453,437	325,617
Real estate and oil and gas interests		
Held at BFT*	95	95
Other*	38	38
U S government securities	62,186	70,776
Mortgage-backed securities	39,970	33,891
Other restricted assets	6,663	5,994
Other	4,572	3,183
	$ 1,982,174	$ 1,549,072

* Real estate and oil and gas interests are carried at lower of cost or market

Fair value measurements

As defined in ASC 820, fair value is based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy for disclosure of fair value measurements The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

- Level 3 - Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability are unobservable and developed based on the best information available in the circumstances

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement

The carrying values of cash and cash equivalents, THVG funds due from United Surgical Partners, Inc , patient accounts receivable, other receivables, assets held as collateral – securities lending program, investments of insurance subsidiaries, accounts payable, accrued liabilities, and estimated third-party payer settlements payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments

Fair values of short-term investments and long-term investments are generally based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets Inputs are obtained from various sources including market participants, dealers, and brokers This applies to investments such as domestic equities, U S treasuries, exchange-traded mutual funds, and agency securities

In conjunction with the acquisition of TMC, BHCS purchased $46,000,000 of Metrocrest Hospital Authority (MHA) bonds The bonds mature five years after issuance and bear an interest rate of 12 0% payable monthly Payments will be interest only for the first five years and the bonds are collateralized by a first and prior liens on unencumbered assets owned by MHA having an aggregate value of $46,000,000 The bonds are reported in unrestricted long-term investments in the accompanying combined balance sheets

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Alternative Investments

Investments held consist of marketable securities as well as securities that do not have readily determinable fair values Private equity investments, real estate investments and hedge funds are collectively referred to as "alternative investments" These are included in unrestricted long-term investments in the accompanying combined balance sheets, other than those held at BFT The investments in alternative investments are valued by management at fair value utilizing the net asset value (NAV) provided by the underlying investment companies unless management determines some other valuation is more appropriate Such fair value estimates do not reflect early redemption penalties as the System does not intend to sell such investments before the expiration of the early redemption periods The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate As this valuation methodology is based primarily on unobservable inputs These investments represent Level 3 assets

Included in collective investment funds held at BFT for the BHCS Foundation are alternative investment interests in private equity funds and oil and gas interests These interests are included in restricted long-term investments in the accompanying combined balance sheets These alternative investments are in limited partnership interests and are carried at the NAV provided by the underlying investment companies unless management determines some other valuation is more appropriate As this valuation methodology is based primarily on unobservable inputs, these investments represent Level 3 assets Also included in Level 3 assets for the BHCS Foundation are other real estate and oil and gas interests which are carried at lower of cost or market

Beneficial Interest

The BHCS Foundation records charitable remainder trusts for which it is not the trustee at the discounted present value of the estimated future cash flows These trusts are reported in contributions receivable, net, in the accompanying combined balance sheets When a third-party serves as trustee, the beneficial interest is required to be measured at fair value on a recurring basis As beneficial interests utilize multiple unobservable inputs, including no active markets, and are measured using management's assumption about risk inherent in the valuation technique, beneficial interests in split-interest agreements represent Level 3 assets

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values Furthermore, while the System

believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date

The tables below set forth, by level, the financial assets and liabilities that were measured at fair value on a recurring basis as of June 30, 2011 and 2010 (in thousands)

	June 30, 2011			
Assets	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 218,263	$ 218,263	$ -	$ -
Short-term and long-term investment assets limited as to use and investments of insurance subsidiaries	1,525,702	775,750	749,952	-
Long-term investments - alternative investments	456,472	-	136,447	320,025
Beneficial interests in split-interest agreements	14,282	-	-	14,282
Invested collateral - securities lending program	109,626	109,626	-	-
Total assets at fair value	$ 2,324,345	$1,103,639	$ 886,399	$ 334,307
Liabilities				
Interest rate swap agreements	$ 66,604	$ -	$ 66,604	$ -

	June 30, 2010			
Assets	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 157,062	$ 157,062	$ -	$ -
Short-term and long-term investment assets limited as to use and investments of insurance subsidiaries	1,217,873	547,123	670,750	-
Long-term investments - alternative investments	331,199	-	108,134	223,065
Beneficial interests in split-interest agreements	14,570	-	-	14,570
Invested collateral - securities lending program	120,712	120,712	-	-
Total assets at fair value	$ 1,841,416	$ 824,897	$ 778,884	$ 237,635
Liabilities				
Interest rate swap agreements	$ 89,300	$ -	$ 89,300	$ -

The following tables are a roll forward of the combined balance sheet amounts for financial instruments classified by the System within Level 3 of the valuation hierarchy defined above for fiscal years 2011 and 2010 (in thousands)

	June 30, 2011					
	Private Equity	Real Estate	Hedge Funds	Split Interest Agreements	Common Investment Funds	Total
Beginning balance at July 1	$ 116,752	$ 19,030	$ 81,570	$ 14,570	$ 5,713	$ 237,635
Realized gains (losses), net	14,296	357	(1,666)	(2,480)	-	10,507
Unrealized gains (losses), net	8,104	5,492	26,758	2,192	(1,627)	40,919
Purchases, issuances and settlements, net	(2,494)	16,953	60,017	-	(918)	73,558
Transfers to level 2	-	-	(28,312)	-	-	(28,312)
Balance at June 30, 2011	$ 136,658	$ 41,832	$ 138,367	$ 14,282	$ 3,168	$ 334,307

	June 30, 2010					
	Private Equity	Real Estate	Hedge Funds	Split Interest Agreements	Common Investment Funds	Total
Beginning balance at July 1	$ 92,346	$ 18,889	$ 45,250	$ 11,686	$ 5,800	$173,971
Realized gains (losses), net	3,724	43	(4,721)	1,860	-	906
Unrealized gains (losses), net	8,788	(3,356)	24,122	2,074	(506)	31,122
Purchases, issuances and settlements, net	11,894	3,454	72,366	(1,050)	419	87,083
Transfers to level 2	-	-	(55,447)	-	-	(55,447)
Balance at June 30, 2010	$ 116,752	$ 19,030	$ 81,570	$ 14,570	$ 5,713	$ 237,635

As a result of adopting the new guidance for estimating fair value of investments, certain investments have been reclassified as Level 2 assets subject to criteria described above based upon the year end recorded amounts

Alternative investments recorded at net asset value at June 30, 2011 and 2010, consisted of the following (in thousands)

	Fair Value		Redemption Frequency If Currently Eligible	Redemption Notice Hedge Funds*
	2011	2010		
Hedge Funds*	$ 264,622	$ 180,333	Monthly to annually	30-90 days
Collective investment funds held at BFT for BHCS Foundation	1,475	3,784	Twice a month	N/A
	$ 266,097	$ 184,117		

*This category includes all investments in hedge funds, except for $10,379,000 and $9,371,000 at June 30, 2011 and 2010, respectively, which are valued at total market value The other hedge

funds are actively managed commingled investment vehicles that include strategies such as distressed debt, merger arbitrage, relative value, and long-short equity strategies The fair values of the investments in this category have been estimated using the net asset value per share of the investments Investments in this category often have initial "lock-up" restrictions that do not allow investors to seek redemption ranging from one to three years Following the initial lock-up period, liquidity is generally available monthly, quarterly, or annually following a redemption request which requires 30 to 90 days written notice

Long-term Debt

The System's long-term debt obligations, excluding capital leases, are reported in the accompanying combined balance sheets at carrying value which totaled approximately $901,925,000 and $701,236,000 at June 30, 2011 and 2010, respectively The fair value of these obligations at June 30, 2011 and 2010, as estimated based primarily on quoted market prices for related bonds, totaled $931,093,000 and $795,490,000, respectively

4. ENDOWMENTS

The System's endowments consist of donor restricted and management-designated endowment funds for a variety of purposes The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions

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

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

Endowment net asset composition by type of fund as of June 30, 2011 and 2010 follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Donor-restricted endowment funds	$ (1,846)	$ 53,185	$ 165,202	$ 216,541
Board-designated endowment funds	1,116	-	-	1,116
Total endowment funds	$ (730)	$ 53,185	$ 165,202	$ 217,657

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Donor-restricted endowment funds	$ (6,609)	$ 35,539	$ 137,519	$ 166,449
Board-designated endowment funds	1,116	-	-	1,116
Total endowment funds	$ (5,493)	$ 35,539	$ 137,519	$ 167,565

Changes in endowment net assets for the years ended June 30, 2011 and 2010 follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Endowment net assets, beginning of year	$ (5,493)	$ 35,539	$137,519	$ 167,565
Investment income and realized gains	1	10,519	121	10,641
Net appreciation and unrealized gains	5,046	14,347	-	19,393
Gifts	-	57	26,493	26,550
Appropriation of endowment assets for expenditure	(287)	(7,535)	-	(7,822)
Additions to endowments related to matured trusts	-	-	863	863
Other	3	258	206	467
Endowment net assets, end of year	$ (730)	$ 53,185	$165,202	$ 217,657

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Endowment net assets, beginning of year	$ (10,050)	$ 30,164	$117,132	$ 137,246
Investment income (loss) and realized gains	1	4,947	(276)	4,672
Net appreciation and unrealized gains	5,415	2,197	481	8,093
Gifts	2	46	7,545	7,593
Appropriation of endowment assets for expenditure	(343)	(3,816)	-	(4,159)
Additions to endowments related to matured trusts	-	-	955	955
Other	(518)	2,001	11,682*	13,165
Endowment net assets, end of year	$ (5,493)	$ 35,539	$137,519	$ 167,565

* Other consists primarily of contributions received by the System in the prior year that were redesignated by the donor as an endowment

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by State of Texas UPMIFA follows (in thousands)

	2011	2010
Restricted for education	$ 34,275	$ 32,830
Restricted for patient care	85,882	60,246
Restricted for research	45,045	44,443
Total endowment assets classified as permanently restricted net assets	$ 165,202	$ 137,519

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit) When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets Deficits of this nature reported in unrestricted net assets were approximately $390,000 and $5,456,000 as of June 30, 2011 and 2010, respectively These deficits resulted from unfavorable market fluctuations and authorized appropriation that was deemed prudent

Return Objectives and Risk Parameters

The System follows an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets Under this policy, the return objective for the endowment assets, measured

over a full market cycle, shall be to maximize the return against various indices, based on the endowment's target allocation applied to the appropriate individual benchmarks

The System expects its endowment funds over time, to provide an average rate of return of approximately 5 0% annually Actual returns in any given year may vary from this amount To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends) The System targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints

Relationship of Endowment Spending Practices to Investment Objectives

The System primarily determines the appropriation of endowment funds for expenditure through an annual budgeting A distribution policy for primarily all of the endowments governs the amount of endowment funds that may be appropriated during this process In establishing this policy, the System considered the long-term expected return on primarily all of its endowments Accordingly, over the long-term, the System expects the current distribution policy to allow its endowments to grow at an average of the long-term rate of inflation and maintain its purchasing power In order to maintain the purchasing power of endowment assets, expenditures are based on investment performance and spending is curbed in response to deficit situations The budgeted and approved allocations are distributed at the end of each month from the current net total or accumulated net total investment returns for individual endowment funds Over the long term, the System expects its endowment to grow consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts

5. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations as of June 30, 2011 and 2010 consist of the following

	2011	2010
	(In thousands)	
Baylor Health Care System -		
Series 2000 Taxable Notes (Auction Rate Securities) -		
Serial Notes, variable interest (0 37% at June 30, 2011), payable monthly, principal payable 2019 through 2025	$ 19,700	$ 19,700
Series 2001A Revenue Bonds -		
Serial Bonds, fixed interest rate (5 125%, at June 30, 2011), payable semi-annually, principal payable 2020 through 2025	50,000	50,000

	2011	2010
	(In thousands)	
Series 2002 Serial Bonds, fixed interest rate of 5 50%, payable semiannually, principal payable through 2011	$ -	$ 295
Series 2002A Revenue Bonds - Serial Bonds, fixed interest rate ranging from 5 00% to 5 75%, payable semiannually, principal payable through 2023	65,815	67,615
Series 2006A Revenue Bonds - Serial Bonds, variable interest (09% at June 30, 2011), payable weekly, principal payable through 2014	38,835	50,230
Series 2006B Revenue Bonds - Serial Bonds, variable interest payable weekly, principal payable 2015 through 2031	-	75,000
Series 2006C Revenue Bonds - Serial Bonds, variable interest payable weekly, principal payable 2015 through 2031	-	75,000
Series 2009 Revenue Bonds - Serial Bonds, fixed interest rate of 5 00%, payable semi-annually, principal payable through 2019	17,385	19,110
Series 2009 Revenue Bonds - Term Bonds, fixed interest rate of 5 75%, payable semi-annually, principal payable 2020 through 2024	52,555	52,555
Series 2009 Revenue Bonds - Term Bonds, fixed interest rate of 6 25%, payable semi-annually, principal payable 2025 through 2029	140,290	140,290
Series 2011A Revenue Bonds - Term Bonds, fixed interest rate ranging from 2 00% to 5 00%, payable semi-annually, principal payable 2025 through 2029	98,865	-

	2011	2010
	(In thousands)	
Series 2011B Revenue Bonds -		
Windows variable rate demand bonds, variable interest (0 22% at June 30, 2011) payable monthly, principal payable 2032 through 2050	$ 50,000	$ -
Series 2011C, D & E Revenue Bonds -		
Windows variable rate demand bonds, variable interest (0 07% at June 30, 2011) payable weekly, principal payable 2032 through 2050	135,355	-
Series 2011F & G Revenue Bonds -		
Floating Rate Note, variable interest rates ranging from (0 74% to 0 79% at June 30, 2011) payable monthly, principal payable 2032 through 2040	75,000	-
Taxable Bank Line of Credit -		
Revolving bank line of credit, variable interest priced at LIBOR plus 0 60% - 0 79% at June 30, 2011	15,000	-
Promissory Note – Baxley Property		
Fixed interest rate at 6 00% payable monthly, principle payable through 2020	2,110	-
Building Lease - Crutcher Annex		
Interest at 2 85% payable monthly, principal and interest payments through May 2025	15,032	15,730
HRT Properties of Texas, Ltd , Building Leases -		
Interest at 4 88%, payable monthly, principal and interest payments through September 2017	12,642	13,825
Baylor University Medical Center -		
Series 1998 Revenue and Refunding Bonds -		
Serial Bonds, fixed interest rate ranging from 5 00% to 5 38%, payable semiannually, principal payable through 2017	49,715	53,695
Term Bonds, fixed interest at 5 00%, payable semi-annually, principal payable 2018 through 2019	41,940	41,940

	2011	2010
	(In thousands)	
Baylor Medical Center at Irving - Capital Lease		
Building Lease - interest at 3 70% payable monthly, principal and interest payments through March 2045	$ 172,299	$ 172,987
The Heart Hospital Baylor Plano -		
Term Loan - Interest at 5 42%, payable quarterly, principal payable quarterly to 2013	3,571	5,000
BMCC -		
Building Lease - Interest at 9 50%, payable monthly, principal and interest payments through December 2033	61,208	61,954
Revolving bank line of credit up to $15,000,000 Variable interest rate at 3 09%, principal due 2012	-	5,625
Texas Health Ventures Group (THVG) -		
Equipment Notes Payable -		
Interest ranging from 4 9% to 12 7%, payable monthly, principal and interest payments through December 2011	40,334	28,698
Progress Payment Payable -		
Promissory note of up to $12,475,000, variable Interest (6 57% at June 30, 2011), payable monthly, note payable through 2015	3,101	12,475
Irving-Coppell Surgical Hospital -		
Equipment Notes Payable -		
Interest ranging from 4 88% to 8 32%, payable monthly, principal and interest payments through January 2015	2,276	3,500
THVG Capital Leases -		
Frisco Medical Center, LLP, Building Lease -		
Interest at 11 52%, payable monthly, principal and interest payments 2013 through June 2027	56,786	56,786

	2011	2010
	(In thousands)	
Arlington Ortho Building Lease - Interest at 8 61%, payable monthly, principal and interest payments through January 2030	$ 23,678	$ 23,823
Dallas Uptown Building Lease – Interest Rate at 9 30%, payable monthly, principal and interest payments through January 2031	23,672	-
Fort Worth Surgical Partners Building Lease - Interest at 10 89%, payable monthly, principal and interest payments through November 2027	9,814	9,908
Lewisville Surgicare Building Lease - Interest at 11 39%, payable monthly, principal and interest payments through December 2022	5,462	5,640
Grapevine Surgicare Partners Building Lease - Interest at 12 66%, payable monthly, principal and interest payments through October 2021	4,207	4,327
Other –		
Interest ranging from 1 69% to 13 89%, payable monthly, principal and interest payments through January 2021	14,032	13,939
Other System Capital Leases	5,439	7,792
	1,306,118	1,087,439
Unamortized original issue premium (discount)	1,700	(5,075)
Current maturities	(43,955)	(46,542)
Long-term debt subject to short-term remarketing arrangements	(50,000)	-
	$ 1,213,863	$ 1,035,822

The Revenue Bonds issued by BHCS and the Medical Center, the Series 2000 Taxable Notes issued by BHCS, and the Taxable Bank Line of Credit issued by BHCS, are entitled to the benefit of a Master Indenture of Trust and Security Agreement (MIT) dated May 1, 1998, under which the BHCS Obligated Group, which includes BHCS, the Medical Center, Baylor All Saints Medical Center (BASMC), the Baylor Medical Centers at Garland, Waxahachie, and the Baylor Regional Medical Centers at Grapevine and Plano, is obligated for payment BASMC, the Baylor Medical Centers at Garland, Waxahachie, and Baylor Regional Medical Centers at Grapevine and Plano became members of the BHCS Obligated Group in January 2008

In March 2008, BHCS entered into a three-year taxable revolving line of credit with Bank of America, N A and JP Morgan Chase Bank, N A In June 2011, this facility was expanded to $275,000,000 with the addition of two new banks Under this line of credit, BHCS may borrow at variable rates through June 13, 2014 As of June 30, 2011 there was $15,000,000 borrowed under this line of credit

In June 2011, BHCS issued $359,220,000 Hospital Revenue Bonds through the Tarrant County Cultural Education Facilities Finance Corporation Proceeds net of underwriter's discount, totaling approximately $364,815,000 were used to repay $75,000,000 in borrowings under the taxable revolving line of credit and refund $150,000,000 of Series 2006B and 2006C Revenue Bonds Bond proceeds were also used for capital projects totaling approximately $19,707,000 The remaining bond proceeds were deposited into the proceeds fund's general account for costs of issuance and future project expenditures

Included in the 2011 issuance were windows variable rate demand bonds These bonds are subject to long-term amortization periods and may be put to the System at the option of the bondholders in connection with certain remarketing arrangements To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2011, the principal amount of such bonds has been classified as a current obligation in the accompanying combined balance sheets Management believes the likelihood of a material amount of bonds being put to the System to be remote However, to address this likelihood, management has taken steps to provide various sources of liquidity in the event any bonds would be put

Future maturities of long-term debt and capital lease obligations, net of unamortized original issue discount, as of June 30, 2011, are shown below (in thousands)

	Long-Term Debt	Capital Lease Obligations	Total
2012	$ 81,113	$ 38,483	$ 119,596
2013	27,885	38,188	66,073
2014	42,203	37,734	79,937
2015	26,460	38,025	64,485
2016	28,609	38,072	66,681
Thereafter	697,652	650,647	1,348,299
	903,922	841,149	1,745,071
Less imputed interest	-	437,253	437,253
	$ 903,922	$ 403,896	$ 1,307,818

BHCS has entered into interest rate swap agreements to manage interest rate risk All of BHCS's swaps were entered into in order to convert existing or planned future variable rate debt to a fixed rate mode Dislocations in the credit markets have caused management to reconsider its debt management plans, and as a result, management believes that some of the BHCS swaps no longer meet their planned purpose As a result, some of these swaps may be terminated or restructured in the future as market conditions evolve

In conjunction with the refunding of the Series 2006B and 2006C Revenue Bonds, BHCS paid $11,250,000 to terminate two interest rate swaps with a notional value of $100 million Prior to its termination, the swap was in an unrealized loss position with all changes in value flowing through unrealized gains or losses in the non-operating section of the statement of operations and changes in net assets Upon termination, the unrealized loss associated with the swap was reclassified as a realized loss in the non-operating section of the statement of activities Since the underlying debt was discharged, the entire loss was recognized in the current year versus being deferred through interest expense as prescribed by ASC 815 – *Derivatives and Hedging*

None of BHCS's swaps are designated as hedging instruments Net cash payments during the years ended June 30, 2011 and 2010 totaled $16,666,000 and $14,037,000, respectively The mark to market increase in value of the swap portfolio for the fiscal year ended June 30, 2011 was $9,239,788 including the swaps terminated in June 2011 The increase in net cash payments during fiscal year 2011 was due to the impact of forward starting swaps put in place during fiscal year 2008 that only became effective starting in May 2011 and a low short term variable rate environment Additional forward swaps will become effective in November 2012 unless they are restructured

The following table summarizes the fair value of interest rate swaps as of June 30, 2011 and 2010 (in thousands)

	Interest Rate Agreements	Notional Amount	Fair Value 2011	Fair Value 2010	Change in Fair Value 2011	Change in Fair Value 2010
Fixed Payer Swaps	12	$ 460,420	$(66,773)	$(89,505)	$ 22,732	$(28,210)
Variable Basis Swaps	1	38,585	169	205	(36)	48
Total		$ 499,005	$(66,604)	$(89,300)	$ 22,696	$(28,162)

BHCS's swaps were originally executed with two counterparties, Goldman Sachs Mitsui Marine Derivative Products, L P (Goldman) and Merrill Lynch Capital Services, Inc (MLCS) During fiscal year 2011, MLCS novated four of their five swaps to an affiliate, Bank of America, National Association (BANA) BHCS has no collateral posting requirements with Goldman However, BHCS is required to post collateral with MLCS and BANA in the event the negative fair value of the swaps exceeds $25,000,000 As of June 30, 2011, BHCS had no posting requirements with MLCS or BANA

The following table summarizes the fair value of interest rate swap, by counterparty as of June 30, 2011 and 2010 (in thousands)

	Notional Amount	2011 Fair Value	2010 Fair Value
Goldman	$ 308,863	$ (40,735)	$ (60,130)
MLCS	43,980	(3,689)	(29,170)
BANA	146,162	(22,180)	-
Total	$ 499,005	$ (66,604)	$ (89,300)

6. NONCONTROLLING INTERESTS

The System controls and therefore consolidates certain investees of its subsidiaries The System regularly engages in the purchase and sale of noncontrolling interests in these investees that do not result in a change of control These transactions are accounted for as equity transactions as they are undertaken among the System, its consolidated subsidiaries, and noncontrolling interests, and their cash flow effect is classified within financing activities The System now reflects noncontrolling interests in subsidiaries as either noncontrolling interests – redeemable in the mezzanine section of the combined balance sheets, or noncontrolling interests – nonredeemable in net assets in the combined balance sheets, according to ASC 810

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The activity for unrestricted net assets presented as controlling and noncontrolling interest for the years ended June 30, 2011 and 2010 are summarized below (in thousands)

	Controlling Interests	Noncontrolling Interests Nonredeemable	Unrestricted Net Assets Total
Balances as of June 30, 2009	$ 1,748,418	$ 15,012	$ 1,763,430
Revenue and gains in excess of expenses and losses	351,792	4,444	356,236
Unrealized gains on investments, net	5,787	-	5,787
Net assets released from restrictions for capital expenditures	3,243	-	3,243
Distributions to noncontrolling interests	-	(4,157)	(4,157)
Purchases of noncontrolling interests	-	(721)	(721)
Sales of noncontrolling interests	-	686	686
Noncontrolling interest acquired through business combinations	-	281	281
Other changes in controlling interest	(4,970)	-	(4,970)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(57,640)	-	(57,640)
Net assets acquired	8,237	-	8,237
Other	(7,317)	-	(7,317)
Change in unrestricted net assets	299,132	533	299,665
Balances as of June 30, 2010	2,047,550	15,545	2,063,095
Change in unrestricted net assets to initially apply non-profit guidance related to noncontrolling interest	-	97,238	97,238
Revenue and gains in excess of expenses and losses	490,032	39,547	529,579
Unrealized gains on investments, net	5,907	-	5,907
Net assets released from restrictions for capital expenditures	9,990	-	9,990
Distributions to noncontrolling interests	-	(36,412)	(36,412)
Purchases of noncontrolling interests	-	(293)	(293)
Sales of noncontrolling interests	-	10,152	10,152
Other changes in controlling interest	(22,521)	(11,365)	(33,886)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(106,146)	-	(106,146)
Net assets acquired	16,612	-	16,612
Other	2,309	-	2,309
Change in unrestricted net assets	396,183	98,867	495,050
Balances as of June 30, 2011	$ 2,443,733	$ 114,412	$ 2,558,145

The activity for noncontrolling interests-redeemable for the years ended June 30, 2011 and 2010 is summarized below (in thousands)

Balance as of June 30, 2009	$ 27,792
Net income attributable to noncontrolling interests	57,639
Distributions to noncontrolling interests	(57,204)
Purchases of noncontrolling interests	(1,854)
Sales of noncontrolling interests	4,471
Purchase accounting of opening balance sheet	2,654
Balance as of June 30, 2010	33,498
Change in unrestricted net assets to initially apply non-profit guidance related to noncontrolling interests	46,315
Net income attributable to noncontrolling interests	106,146
Distributions to noncontrolling interests	(99,051)
Purchases of noncontrolling interests	(7,544)
Sales of noncontrolling interests	5,415
Purchase accounting of opening balance sheet	36,051
Balance as of June 30, 2011	$ 120,830

7. NET PATIENT CARE REVENUE

BHCS has agreements with third-party payors that provide for payments to BHCS at amounts different from its established rates Payment arrangements include prospectively determined rates per case, reimbursed costs, discounted charges, and per diem payments Net patient care revenue (exclusive of charity care – see Note 8) is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third-party payors

Contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined These contractual adjustments are related to the Medicare and Medicaid programs and managed care contracts The System offers a 35 0% discount to uninsured patients

Net patient care revenue from the Medicare and Medicaid programs accounted for approximately 30 0% and 29 0% of total net patient care revenue in 2011 and 2010, respectively Net patient care revenue from managed care contracts accounted for approximately 64 0% and 64 0% of total net patient care revenue in 2011 and 2010, respectively

Federal Regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified and cost reports are settled

These initial estimates are revised as needed until the final cost report is settled Net patient care revenue from the Medicare and Medicaid programs increased approximately $10,151,000 and $20,033,000 in 2011 and 2010, respectively, due to changes in allowances previously estimated for amounts due to Medicare and Medicaid, as a result of changes in regulations and final settlement of numerous cost reports

Texas Medicaid State Plan Amendment 05-011, effective November 12, 2005, authorized implementation of the State Medicaid Private Hospital Upper Payment Limit Program (UPL Program) The UPL Program provides for supplemental inpatient and outpatient hospital Medicaid payments to hospitals that enter into an indigent care affiliation agreement with a hospital district or other local government entity and that satisfy certain other requirements The goal of the UPL Program is to support local public officials' efforts to improve access to health care for needy persons in their communities and to enable local governments to support increased Medicaid payments to hospitals that provide services to a substantial number of Medicaid recipients in their communities As of June 30, 2011, BHCS and BHCS entities participate in three indigent care affiliation agreements under the UPL Program, the Dallas and Neighboring Counties Indigent Care Affiliation Agreement, the Tarrant County Affiliation Agreement, and the Somervell County Indigent Care Affiliation Agreement

BHCS (on behalf of Baylor University Medical Center, Baylor Medical Center at Irving, Baylor Medical Centers at Garland and McKinney d/b/a Baylor Medical Center at Garland, Baylor Institute for Rehabilitation (removed from the affiliation effective April 1, 2011), Baylor Specialty Health Centers d/b/a Our Children's House at Baylor, Baylor Specialty Health Centers d/b/a Baylor Specialty Hospital, Baylor Regional Medical Center at Plano, and Baylor Medical Center at Waxahachie), and Baylor Heart and Vascular Center, L L P (BHVC) are parties to the Dallas and Neighboring Counties Indigent Care Affiliation Agreement (Dallas Affiliation Agreement or Dallas Affiliation) Other parties to the Dallas Affiliation Agreement are certain other private hospitals and the Dallas County Hospital District, dba Parkland Health & Hospital System (Parkland) Any party may withdraw from the Dallas Affiliation Agreement without penalty as of the expiration of the then-current term by providing at least seven days prior notice to all other parties So long as Parkland does not withdraw from the Dallas Affiliation Agreement, its provisions shall remain for all remaining parties upon the withdrawal of any individual private hospital

The private hospitals formed the Dallas County Indigent Care Corporation (DCICC), a Texas not-for-profit corporation DCICC entered into a Master Services Agreement with The University of Texas Southwestern Medical Center at Dallas (UT Southwestern) and also entered into certain other agreements with UT Southwestern and with Parkland In addition, the private hospitals entered into a certain contractual arrangement amongst themselves All of these arrangements are intended to further the purpose of the Dallas Affiliation and facilitate participation by the private hospitals in the UPL Program

As parties to the Dallas Affiliation Agreement and underlying agreements, BHCS and BHVC are subject to extensive federal and state laws, regulations, conditions of participation and certification requirements The Dallas Affiliation Agreement and the underlying agreements were structured considering these laws, regulations, and conditions of participation and certification requirements

For the fiscal years ended June 30, 2011 and 2010, BHCS and BHVC have received approximately $78,801,000 and $88,868,000 respectively in UPL Program supplemental payments BHCS and BHVC have accrued additional estimated supplemental payments under the UPL Program totaling approximately $8,870,000 and $12,983,000, respectively at June 30, 2011 and 2010 Under the Master Services Agreement between DCICC and UT Southwestern, DCICC is obligated to pay UT Southwestern for services furnished to indigent patients irrespective of UPL Program supplemental payments made or not made to the private hospitals, including BHCS and BHVC The aggregate compensation to be paid by DCICC to UT Southwestern under this Master Services Agreement is not set in advance but must be consistent with the fair market value for the services provided by UT Southwestern For the fiscal years ending June 30, 2011 and 2010, BHCS and BHVC (through DCICC) paid UT Southwestern approximately $18,457,000 and $30,336,000, respectively for services performed under the Master Services Agreements In addition, BHCS and BHVC have paid or accrued certain other expenses of approximately $3,499,000 and $4,128,000 respectively, at June 30, 2011 and 2010 and are recorded as other operating expenses in the combined statements of operations and changes in net assets

Effective May 31, 2009, Baylor All Saints Medical Center, dba Baylor All Saints Medical Center at Fort Worth and Baylor Medical Center at Southwest Fort Worth (BASMC), and Baylor Regional Medical Center at Grapevine (BRMCG), along with certain other private hospitals and the Tarrant County Hospital District, dba JPS Health Network (JPS), entered into the Tarrant County Indigent Care Affiliation Agreement (Tarrant Affiliation Agreement or Tarrant Affiliation) Any party may withdraw from the Tarrant Affiliation Agreement without penalty as of the expiration of the then-current term by providing at least thirty days prior notice to all other parties So long as JPS does not withdraw from the Tarrant Affiliation Agreement, its provisions shall remain for all remaining parties upon the withdrawal of any individual private hospital

The private hospitals formed the Tarrant County Indigent Care Corporation (TCICC), a Texas not-for-profit corporation As of June 30, 2011, TCICC had fifteen effective professional medical service agreements with physician groups and other providers to furnish physician and other health care services to indigent patients at JPS health care facilities TCICC also entered into a certain administrative support agreement with JPS and the private hospitals entered into a contractual arrangement amongst themselves All of these are intended to further the purpose of the Tarrant Affiliation and facilitate participation by the private hospitals in the UPL Program

As parties to the Tarrant Affiliation Agreement and underlying agreements, BASMC and BRMCG are subject to extensive federal and State laws, regulations, and conditions of participation and certification requirements The Tarrant County Affiliation Agreement and underlying agreements were structured considering these laws, regulations, and conditions of participation and certification requirements

For the fiscal years ended June 30, 2011 and 2010, BASMC and BRMCG have received approximately $14,966,000 and $12,007,000, respectively, in UPL Program supplemental payments BASMC and BRMCG have accrued additional estimated supplemental payments under the UPL Program totaling approximately $1,162,000 and $5,458,000 in 2011 and 2010, respectively Under the various professional medical services agreements between TCICC and the physician groups and other providers, TCICC is obligated to pay for services furnished to indigent patients irrespective of UPL Program supplemental payments made or not made to the private hospitals, including BASMC and BRMCG The aggregate compensation to be paid by TCICC to the physician groups and other providers under these professional medical services agreements is not set in advance but must be consistent with the fair market value for the services provided by the physician groups For the fiscal year ended June 30, 2011, BASMC and BRMCG (through TCICC) paid the physician groups and other providers $10,896,000 and $10,829,000 in 2011 and 2010, respectively In addition, BASMC and BRMCG have paid or accrued certain other expenses of approximately $79,000, at June 30, 2011, included in other operating expenses in the combined statements of operations and changes in net assets

Effective June 30, 2011, Baylor University Medical Center (BUMC) entered into the Somervell County Indigent Care Affiliation Agreement with the Somervell County Hospital Authority, d/b/a Glen Rose Medical Center (Medical Center), and Somervell County, Texas (Somerville Affiliation Agreement or Somerville Affiliation) As of such date, BUMC had not yet entered into professional services agreements with other providers to furnish professional or medical services at the Medical Center in furtherance of the Somerville Affiliation As a party to the Somerville Affiliation Agreement, BUMC is subject to extensive federal and state laws, regulations, and conditions of participation and certification requirements The Somerville Affiliation Agreement was structured considering these laws, regulations, and conditions of participation and certification requirements

8. CHARITY CARE

The System provides care to patients who lack financial resources and are deemed medically or financially indigent Because the System does not pursue collection of amounts determined to qualify as charity care, these amounts have been removed from net patient care revenue as described in Note 7 above The charges related to this care along with estimates for possible future charity care write-offs related to current accounts receivable totaled approximately $307,802,000 and $264,819,000 in 2011 and 2010, respectively The estimated direct and indirect cost of providing these services, calculated using the ratio of patient care cost to charges, was $120,236,000 and $108,373,000 in 2011 and 2010, respectively In addition, the System provides services through government-sponsored indigent health care programs (such as Medicaid) to other indigent patients

The System also commits time and resources to endeavors and critical services which meet otherwise unfulfilled community needs Many of these activities are entered into with the understanding that they will not be self-supporting or financially viable The expenditures for medical research activities and direct medical education are reported in Note 10

9. RETIREMENT BENEFITS

Effective January 1, 2002, a 401(k) defined contribution plan that was administered by ING was made available to all eligible employees Effective January 1, 2011, AON Hewitt became the net administrator of the 401(k) defined contribution plan Employees are eligible to contribute to the plan immediately with no minimum service or age requirement The System matches amounts contributed by employees, up to 5 0% of the employee's base compensation Employees vest in the System's matching contribution over five years Retirement benefits equal the amounts accumulated to the employee's individual credit at the date of retirement

The System's contributions to the 401(k) plan totaled approximately $38,163,000 and $35,784,000 for 2011 and 2010, respectively, which are included in salaries, wages, and employee benefits expenses in the accompanying combined statements of operations and changes in net assets

Two defined contribution retirement plans administered by MetLife were provided for employees of All Saints Health System prior to the purchase by BHCS These plans were frozen to employee and employer future contributions as of January 1, 2002, with the purchase by BHCS and all accounts were immediately vested All Saints Health System employees now participate in the plans offered through the System

ASC 715, *"Compensation – Retirement Benefits,"* requires the System to recognize the funded status (i e , the difference between the fair value of plan assets and the benefit obligation) of its defined benefit pension and other postretirement benefit plans in the combined balance sheets with a corresponding adjustment to unrestricted net assets The net unrecognized actuarial losses and unrecognized prior service benefits are recognized as a component of future net periodic cost pursuant to the System's policy for amortizing such amounts Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods are recognized as other changes in unrestricted net assets Those amounts are recognized as a component of net periodic cost

The System and six of its affiliated hospitals provided a defined benefit plan, the Baylor Health Care System Retirement Security Plan (the "BEST Plan"), for employees, which was discontinued on January 1, 1984

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The following table sets forth the changes in benefit obligations, changes in plan assets and components of net periodic benefit cost for the BEST Plan (in thousands)

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	$ 17,467	$ 19,724
Interest cost	1,061	1,144
Actuarial loss (gain), including change in discount rate	1,350	(2,090)
Benefits paid	(1,416)	(1,311)
Benefit obligation at end of year	18,462	17,467
Change in plan assets		
Fair value of plan assets at beginning of year	406	194
Actual return on plan assets (net of expenses)	(55)	(37)
Employer contributions	1,440	1,560
Benefits paid	(1,416)	(1,311)
Fair value of plan assets at end of year	375	406
Reconciliation of funded status		
Funded status	(18,086)	(17,061)
Unrecognized actuarial loss	3,384	2,832
Unrecognized prior service cost	290	580
Net amount recognized	$ (14,412)	$ (13,649)
Components of net periodic benefit cost		
Interest cost	$ 1,061	$ 1,144
Expected return on plan assets	(32)	(26)
Amortization of prior service cost	290	290
Amortization of net loss	886	463
Net periodic benefit cost	$ 2,205	$ 1,871
Weighted-average assumptions as of June 30		
Discount rate	5 00%	6 00%
Expected return on plan assets	8 00%	8 00%
Compensation increase	-	-

All BEST Plan assets were invested in cash and cash equivalents at June 30, 2011 and 2010 All Saints Health System provided a defined benefit plan, the All Saints Health System Pension Plan (the "All Saints Plan"), for employees of All Saints, which was frozen to future benefit accruals as of January 1, 2002, with the All Saints Health System purchase by BHCS

The following table sets forth the changes in benefit obligations, changes in plan assets and components of net periodic benefit cost for the All Saints Plan (in thousands)

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	$ 23,274	$ 20,943
Interest cost	1,188	1,267
Actuarial loss, (gain) including change in discount rate	(70)	2,420
Benefits paid	(1,306)	(1,356)
Benefit obligation at end of year	23,086	23,274
Change in plan assets		
Fair value of plan assets at beginning of year	15,256	15,261
Actual return on plan assets (net of expenses)	2,732	949
Employer contributions	894	402
Benefits paid	(1,306)	(1,356)
Fair value of plan assets at end of year	17,576	15,256
Reconciliation of funded status		
Funded status	(5,510)	(8,018)
Unrecognized actuarial loss	10,548	13,454
Net amount recognized	$ 5,038	$ 5,436
Components of net periodic benefit cost		
Interest cost	$ 1,188	$ 1,267
Expected return on plan assets	(1,211)	(1,167)
Recognized actuarial loss	1,315	985
Net periodic benefit cost	$ 1,292	$ 1,085
Weighted-average assumptions as of June 30		
Discount rate	5 25%	6 25%
Expected return on plan assets	8 00%	8 00%
Compensation increase	-	-

The overall long-term investment objective for the All Saints Plan is to meet plan funding obligations by achieving the annual return targets established for the plan, specifically to earn an annualized rate of return of 7 0% over a full market cycle, defined as three to five years, and outperform customized indices Actual returns in any given year may vary from these amounts To accomplish such objective, a balanced investment approach is employed, with target allocation for plan assets that places greater emphasis on equity-based investments within prudent risk constraints Investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends)

Plan assets are measured at fair value and classified using the fair value hierarchy as previously described in Note 3

The table below presents the financial assets in the All Saints Plan as of June 30, 2011 and 2010 measured at fair value on a recurring basis based on the valuation hierarchy (in thousands)

June 30, 2011	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,091	$ 1,091	$ -	$ -
Equity securities (a)	10,063	10,063	-	-
Fixed income securities (b)				
Corporate bonds	3,671	-	3,671	-
U S Treasuries	2,751	2,751	-	-
Total	$ 17,576	$ 13,905	$ 3,671	$ -

June 30, 2010	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 802	$ 802	$ -	$ -
Equity securities (a)	8,128	8,128	-	-
Fixed income securities (b)				
Corporate bonds	4,035	-	4,035	-
U S Treasuries	2,291	2,291	-	-
Total	$ 15,256	$ 11,221	$ 4,035	$ -

(a) No more than 5 0% of equity assets at cost are invested in any one security within one equity portfolio

(b) No more than 5 0% of the total portfolio assets are invested in the securities of any one issuer, except for debt issued or guaranteed by the United States of America or agencies thereof Foreign fixed income securities, including foreign sovereign debt, will not exceed 10 0% of the assets at market value There were no such foreign securities at June 30, 2011

The composition of the All Saints Plan assets as of June 30 is as follows

	2011	2010
Equity securities	57%	53%
Debt securities	37%	42%
Cash and cash equivalents	6%	5%
	100%	100%

The System provides retiree life insurance and medical benefits to a number of qualifying retirees The accrued benefit cost for the retiree life and medical benefits was approximately $113,000 in both 2011 and 2010 and is included in other liabilities in the accompanying combined balance sheets No advance funding is required for either program

10. FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic area Expenses related to providing these services are as follows for the years ended June 30 (in thousands)

	2011	2010
Patient care	$ 2,556,602	$ 2,476,950
Medical education	28,743	26,038
Research	44,284	38,650
General and administrative	918,345	847,866
Other	194,329	131,661
	$ 3,742,303	$ 3,521,165

Other includes expenses related to BHCS's construction activities, professional office building management, and fundraising

11. COMMITMENTS AND CONTINGENCIES

The System leases various equipment and property under operating leases These payments are due monthly through December 2035 Future minimum lease commitments under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows as of June 30, 2011 (in thousands)

2012	$ 60,059
2013	54,453
2014	50,808
2015	43,897
2016	38,621
Thereafter	224,161
	$ 471,999

The System has incurred rental expense for both cancelable and noncancelable equipment and space leases totaling approximately $77,253,000 and $68,450,000 in 2011 and 2010, respectively

The Irving Hospital Authority ("Authority") entered into a Master Agreement ("Master Agreement") with Irving and BHCS and a Lease Agreement ("Lease Agreement") with Irving

Under the terms of the Lease Agreement, Irving agreed to manage and lease substantially all properties of the Authority over an initial lease term of 20 years, beginning August 1, 1995, with an option to renew the lease for two additional 10 year terms The Lease Agreement has been accounted for as an operating lease with annual base rent payments of $7,000,000 per year An Amended and Restated Lease Agreement ("Revised Lease Agreement") was entered into by the Authority and Irving effective April 1, 2010, to extend the lease thirty five years through March 31, 2045, and to supersede nearly all the obligations of the original Master Agreement and Lease Agreement

The Revised Lease Agreement is accounted for as a capital lease with (a) fixed rent payments of approximately $8,825,000 per year, as adjusted by a September 24, 2010 amendment to the Revised Lease Agreement, plus (b) a contingent rent payment equal to 20 0% of the excess operating cash flow derived from the prior fiscal year's operations, as defined in the Revised Lease Agreement Irving has accrued $5,939,000 at June 30, 2011 for the contingent rent payment due to the Authority on November 1, 2011

BHCS signed a Limited Joinder to evidence its agreement with the BHCS obligations included in the Revised Lease Agreement and to covenant that BHCS will pay the rent and the early termination fee/liquidated damages if Irving fails to pay those obligations During the initial six year term of the Revised Lease Agreement, Irving pays BHCS a management fee, based on a percentage of the excess operating cash flow, as defined in the Revised Lease Agreement BHCS continues to be required to contribute $100,000 per year to Irving, to be matched by the Irving Healthcare Foundation, for community health projects, which are mutually agreed upon by BHCS and Irving BHCS contributed $100,000 directly to Irving in 2011 and 2010, respectively At the end of the lease term the leased facilities will be surrendered to the Authority At June 30, 2011, no liability under the Revised Lease Agreement was recorded as no amount can be reasonably estimated

In November 1998, BHCS renewed the affiliation agreement with Hopkins County Memorial Hospital (HCMH) for an additional term of five years In 2003, BHCS notified HCMH that the renewal would be continued on a year to year basis Under the affiliation agreement, BHCS will provide certain services which include, but are not limited to, physician recruiting, managed care strategies, information systems, facilities development, community needs assessment, financial and tax services, marketing, and public relations for an agreed-upon fee

In February 2009, BHCS signed an affiliation agreement with Wise Regional Health System for an initial term of five years Under the affiliation agreement, the System will provide certain services including continuing education, legal consulting, physician recruiting and group purchasing for an agreed-upon fee

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, physician ownership and self-referral, and Medicare and Medicaid fraud and abuse Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers Violations 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 System is in compliance with applicable fraud and abuse laws and regulations as well as other applicable federal and state laws and regulations

12. SUBSEQUENT EVENTS

On July 15, 2011, the System entered into a term loan agreement with Bank of America and the proceeds were used to redeem the 1998 series bonds totaling approximately $91,655,000 million A loss on extinguishment of debt of approximately $1,314,000 million was recorded upon the redemption of the 1998 series bonds

On September 15, 2011, the System provided notice of redemption on the outstanding 2001A series bonds The bonds were redeemed on October 17, 2011 for a redemption price of $51,100,000 A loss on extinguishment of debt of approximately $1,700,000 was recorded upon the redemption of the 2001A series bonds

The System has performed an evaluation of subsequent events through November 1, 2011, which is the date the financial statements were available to be issued

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REPORT OF INDEPENDENT AUDITORS
ON ACCOMPANYING INFORMATION

To the Board of Trustees
Baylor Health Care System:

The report on our audits of the basic financial statements of Baylor Health Care System and subsidiaries as of June 30, 2011 and 2010 and for the years then ended appears on page one of this document. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other community benefits information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

November 1, 2011

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, TX 75201-2997
T: (214) 999 1400, F: (214) 754 7991, www pwc com/us

OTHER COMMUNITY BENEFITS - UNAUDITED

Nonprofit hospitals are required to report community benefits under the requirements of Texas Health and Safety Code Chapter 311 BHCS reports its required community benefits as a hospital system which includes all BHCS nonprofit hospitals with the exception of Baylor University Medical Center and Our Children's House at Baylor which are reported separately as these hospitals, due to their Medicaid Disproportionate Share status, are excluded and deemed by the State of Texas to be in compliance with the requirements of Chapter 311

For Texas state law purposes, unaudited community benefits include the unreimbursed cost of charity care, the unreimbursed cost of government-sponsored indigent health care (i e , Medicaid), and the unreimbursed cost of government-sponsored health care (i e , Medicare), medical education, and other community benefits and services The amount of community benefits reportable for Texas state law purposes by all BHCS nonprofit hospitals, including Baylor University Medical Center and Our Children's House at Baylor, totaled approximately $473,608,000 and $493,975,000 in 2011 and 2010, respectively