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DLN: 93493185001262

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

Open to Public Inspection

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4e Total program service expenses►\$ 89,763,091

Other program services (Describe in Schedule O)

including grants of \$

4d

(Expenses \$

) (Revenue \$

Part TV	Chec	klist of	Required	Schedules
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			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		No
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^{\bullet}	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 quasiendowments? If "Yes," complete Schedule D, Part V^{\square}	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			
а	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
	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
	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
е	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? <i>If</i> "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? <i>If</i> "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? <i>If</i> "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	

Par	t 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		No
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)			
а	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	Yes	
C	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? 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 \Box			
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	
		F	orm 990	(2010)

Form 990 (2010) Page 5 Statements Regarding Other IRS Filings and Tax Compliance Check if Schedule O contains a response to any question in this Part V . 🔽 No Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable **1**a 0 **b** Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1h 0 c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable **1c** gaming (gambling) winnings to prize winners? 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 0 b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? 2b Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) Did the organization have unrelated business gross income of \$1,000 or more during the За Νo If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O . 3b 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 4a account)? . . . Νo 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 Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . . Νo 5a b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? Νo 5b c If "Yes" to line 5a or 5b, did the organization file Form 8886-T? 5c Does the organization have annual gross receipts that are normally greater than \$100,000, and did the Νo organization solicit any contributions that were not tax deductible? **b** If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts 6b 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 Νo **b** If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to 7c Νo 7d **d** If "Yes," indicate the number of Forms 8282 filed during the year Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit 7e Νo f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?. 7f Νo g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as **7**g If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a 7h 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 8 Sponsoring organizations maintaining donor advised funds. a Did the organization make any taxable distributions under section 4966? **b** Did the organization make a distribution to a donor, donor advisor, or related person? . 9b Section 501(c)(7) organizations. Enter a Initiation fees and capital contributions included on Part VIII, line 12 . 10a Gross receipts, included on Form 990, Part VIII, line 12, for public use of club 10b facilities Section 501(c)(12) organizations. Enter 11a a Gross income from members or shareholders . . Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) 12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? 12a **b** If "Yes," enter the amount of tax-exempt interest received or accrued during the 12b 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

 ${f b}$ 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

c Enter the amount of reserves on hand

13c

13a

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										. 🔽	7
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Se	ction 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			
b	Enter the number of voting members included in line 1a, above, who are independent			
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	3		No
4	supervision of officers, directors or trustees, or key employees to a management company or other person? Did the organization make any significant changes to its governing documents since the prior Form 990 was	4		No No
5	filed? 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			
а	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
	ection B. Policies (This Section B requests information about policies not required by the Internal venue Code.)			
	· · · · · · · · · · · · · · · · · · ·		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		Νo
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	114	103	
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	
С	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?			
а	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		No
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		
	ection 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			

- 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 Dick Dixon

2401 S 31st Street Temple,TX 76508 (254)724-4733

<u>Part VIII</u> Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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 organize	ation nor any re	lated or	ganız	atıo	n co	mpen	sate	d any current office	er, director, or trust	ee
(A) Name and Title	(B) Average hours		((tion (hat a	che		1		(D) Reportable compensation from the	(E) Reportable compensation from related	(F) Estimated amount of other
	per week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	compensation from the organization and related organizations
(1) Alfred B Knight MD Director, System Chief Executive Office	40 00	х		х				0	1,329,511	51,157
(2) Patricia Currie Director,Vice President, System Chief of Hospital	40 00	Х		х				0	577,613	48,517
(3) Ernest Bovio Director, President	40 00	Х		х				0	318,857	51,539
(4) James Mills Director	3 00	х						0	0	0
(5) Ted Hejl Director	3 00	Х						0	0	0
(6) Stuart Whitlow Director, Secretary	3 00	Х		Х				0	0	0
(7) Franklın Chang MD Dırector, Chaırman	40 00	Х		х				0	289,163	47,756
(8) Tom Burdett Director	3 00	Х						0	0	0
(9) Dennis Laraway Director, Treasurer, System Chief Financial Office	40 00	Х		х				0	775,944	48,517
(10) Dick Dixon Director	40 00	Х						0	335,473	49,292
(11) Cynthia Dunlap System Chief Nursing Executive	40 00			Х				0	86,784	14,367
(12) Gail VanZyl System Chief Nursing Executive	40 00			Х				0	300,574	46,718
(13) Glen R Couchman MD System Chief Medical Officer	40 00			х				0	629,993	49,283
(14) Robert Pryor MD System Chief Executive Officer	40 00			Х				0	801,222	48,053
(15) Judith Dolce Chief Nursing Officer	40 00				х			0	149,320	31,229
(16) Clyde Chumbley MD Chief Medical Officer	40 00				Х			0	343,109	12,604

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

	(A) Name and Title	(B) Average hours per		tion (II		(D) Reportable compensation from the	(E) Reportable compensation from related		(F) Estima amount of	ited f other
		week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)		from t organizati relate organiza	:he on and ed
	Bernardine Patterson nacy Director	40 00					х		0	134,3	86		18,842
. ,	Marissa Tomlinson e Nurse	40 00					×		0	127,3	75		25,323
(19) S	Stephanie Paynter nacist	40 00					х		0	126,6	81		11,827
(20) J	lason Cole Financial Officer	40 00					х		0	149,9	65		40,390
	.oп Roark	40 00					х		0	127,0	58		12,022
(22) F	Kenneth A Johnson er Officer	40 00						×	0	206,6	80		36,460
(23) [Oudley P Baker MD	40 00						×	0	503,8	85		43,789
Forme	er Officer												<u> </u>
						-					+		
											+		
						+		\vdash			+		
						+		-			+		
41	Col. Tabel							<u> </u>					
1b c	Sub-Total						· ·				+		
d								>	0	7,164,273	3	6	556,456
2	Total number of individuals (incl \$100,000 in reportable compens	udıng but not lır	nıted to	thos	e lis		above) who	received more tha	n			
										_		Yes	No
3	Did the organization list any form on line 1a? <i>If</i> "Yes," complete Sch					ey e	mploy •	ee, d	or highest compens	ated employee	-		
4	For any individual listed on line 1 organization and related organization	La, is the sum o	f reporta	able	com						3		
5	Individual	rosowoorossr		•		·		• upro		r individual for	4	Yes	
5	services rendered to the organiz									-	5		No
Se	ction B. Independent Con	tractors											
1	Complete this table for your five \$100,000 of compensation from			ndep	end	ent d	ontra	ctors	that received more	e than			
		(A) ne and business ad							Desci	(B)		(C) Compen	
302 K	taffing Corp nights Run Ave a, FL 33602	ne and business du	u1C33						Staffing	ipaion of activities		compen	237,719
Workf	low One x 676496								Printing				188,088

Name and business address	Description of services	Compensation
P2P Staffing Corp 302 Knights Run Ave Tampa, FL 33602	Staffing	237,719
Workflow One PO Box 676496 Dallas, TX 752676496	Printing	188,088
The Blood & Tissue Center PO Box 671743 Dallas, TX 752671743	Medical Supplies	150,084
SCG Partners Ltd 300 W 6th Street Ste 1900 Austin, TX 78701	Real Estate Lease	148,097
2 Total number of independent contractors (including by \$100,000 in compensation from the organization ▶46	who received more than	

Form 99		2010) Statement of Revenue				Pag	e 9
Party		Statement of Revenue		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	
Contributions, gifts, grants and other similar amounts	b c d e f	Federated campaigns					
Program Service Revenue	g	Net Patient Serv Rev All other program service revenue Total. Add lines 2a-2f ▶	621990	100,888,146	100,888,146		
	4 5 6a b	Investment income (including dividends, interest and other similar amounts)	ı) Personal				
	7a b c d	Gross amount from sales of assets other than inventory Less cost or other basis and sales expenses Gain or (loss) Net gain or (loss) Gross income from fundraising events (not including \$ of contributions reported on line 1c)	(II) O ther				
	c 9a b c	Less direct expenses b Net income or (loss) from fundraising events					
	b c 11a b c	returns and allowances . a Less cost of goods sold b Net income or (loss) from sales of inventory	siness Code 722210 453220 713200	350,649 107,325 37,270	37,270		350,64 107,32
		Total revenue. See Instructions		495,244 101,383,390	100,925,416	0 m 990 (20	457,97

Part IX Statement of Functional Expenses
Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

Δ	Section $501(c)(3)$ and $501(c)(4)$ organizations must omplete column (A) but are not required to c			(D)	
Do no	other organizations must complete column (x) but are not required to coop include amounts reported on lines 6b, p, 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				
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				
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	25,130,103	23,933,286	1,196,817	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9	Other employee benefits	5,266,706	5,009,622	257,084	
10	Payroll taxes				
а	Fees for services (non-employees) Management				
b	Legal				
C	Accounting				
d	Lobbying				
е	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	3,949,734	3,912,174	37,560	
12	Advertising and promotion	65,633	26,390	39,243	
13	Office expenses				
14	Information technology	268,821	262,277	6,544	
15	Royalties				
16	Occupancy	1,523,703	1,520,693	1	
17	Travel	109,444	59,922	49,522	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	232,150	214,598	<u> </u>	
20	Interest	93,526	93,526		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	1,580,229	1,578,513	1,716	
23 24	Insurance				_
a	Supplies	22,229,770	22,068,871	160,899	
ь	Institutional Overhead	15,016,084	14,909,013	107,071	
c	Bad Debt	12,553,382	12,553,382		
d	Maintenance	3,609,812	3,590,316	19,496	
e	Community Benefits	74,767	6,574	68,193	
f	All other expenses	94,903	23,934	70,969	
25	Total functional expenses. Add lines 1 through 24f	91,798,767	89,763,091	2,035,676	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 (B) (A) Beginning of year End of year 117.219 120.983 1 1 2 2 Savings and temporary cash investments 3 3 16,098,935 20,984,255 4 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of 5 Schedule L . . . 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) **A**ssets 6 7 8 1,576,251 1,571,255 Prepaid expenses and deferred charges 79,709 9 72,048 10a Land, buildings, and equipment cost or other basis Complete 9.481.756 Part VI of Schedule D 10a 10b 3,402,788 6,815,515 **10c** 6.078.968 b Less accumulated depreciation 11 11 12 12 Investments—other securities See Part IV, line 11 13 13 Investments—program-related See Part IV, line 11 . . 14 14 Intangible assets 15 15 24,687,629 16 **Total assets.** Add lines 1 through 15 (must equal line 34) . . . 16 28,827,509 **17** 86.872 17 185.857 Accounts payable and accrued expenses . 18 18 502.445 303.556 19 19 20 20 Liabilities 21 21 Escrow or custodial account liability $Complete\ Part\ IV\ of\ Schedule\ D$. . 22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified 22 23 23 Secured mortgages and notes payable to unrelated third parties . . 24 24 Unsecured notes and loans payable to unrelated third parties 25 Other liabilities Complete Part X of Schedule D 7.634.103 25 2.289.264 26 8,223,420 26 2,778,677 **Total liabilities.** Add lines 17 through 25 Organizations that follow SFAS 117, check here ▶ 🔽 and complete lines 27 Balances through 29, and lines 33 and 34. 27 Unrestricted net assets 16,464,209 27 26,048,832 Temporarily restricted net assets 28 28 Fund 29 29 Permanently restricted net assets Organizations that do not follow SFAS 117, check here ▶ □ and complete lines 30 through 34. ŏ 30 Capital stock or trust principal, or current funds 30 Assets 31 Paid-in or capital surplus, or land, building or equipment fund 31 32 32 Retained earnings, endowment, accumulated income, or other funds ž 16,464,209 26,048,832 33 33 Total net assets or fund balances 34 Total liabilities and net assets/fund balances 24.687.629 28.827.509

Ра	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		101.3	383,39
2	Total expenses (must equal Part IX, column (A), line 25)	2			798,76
3	Revenue less expenses Subtract line 2 from line 1	3		9,5	584,62
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		16,4	164,20
5	Other changes in net assets or fund balances (explain in Schedule O)	5			,
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		26,0	048,83
Pai	rt XII Financial Statements and Reporting				
	Check if Schedule O contains a response to any question in this Part XII			୮	
				Yes	No
1	Accounting method used to prepare the Form 990				
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 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 its 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	20	163	
u	on a separate basis, consolidated basis, or both	ssueu			
	Separate basis Consolidated basis Both consolidated and separated basis				
За	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?	e	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	required	3b		

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As Filed Data -

DLN: 93493185001262

OMB No 1545-0047

SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury Internal Revenue Service

Name of the organization

Scott & White Hospital Round Rock

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

Public Charity Status and Public Support

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

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

Inspection **Employer identification number**

20-3749695

1	Γ		•	on of churches, or as	,		•	•	•						
2	Γ	A scho	ol described	in section 170(b)(1)(A)(ii). (At	tach Schedu	ıle E)								
3	<u>~</u>	A hosp	ıtal or a coo	perative hospital sei	rvice organiz	atıon descrı	bed in sectio	n 170(b)(1)	(A)(iii).						
4	Γ			n organization operat ty, and state	ed in conjun	ction with a	hospital desc	cribed in se c	ction 170(b)(1	L)(A)(iii)	. Enter the				
5	Г	An orga	anızatıon op	erated for the benefit	for the benefit of a college or university owned or operated by a governmental unit d										
		sect ion	170(b)(1)(A)(iv). (Complete Pa	art II)										
6	Γ	A feder	al, state, or	local government or	government	al unit desc	rıbed ın secti	on 170(b)(1	L)(A)(v).						
7	Γ	describ	ed in	at normally receives (A)(vi) (Complete Pa		I part of its	support from	a governme	ental unit or fr	om the ge	eneral publ	C			
8	Г			described in section		A)(vi) (Com	nplete Part II)							
9	Ġ.			at normally receives					butions, mem	bership fe	es, and an	oss			
	•	_		ities related to its ex							-				
				oss investment incoi	*	_						3			
		-	_	janızatıon after June				-		•					
10	Г			ganızed and operated											
11	Γ	one or the box	more publici	ganized and operated ly supported organiza bes the type of supp b Type II	atıons descrı ortıng organı	ibed in secti ization and c	on 509(a)(1)	or section s 11e throu	509(a)(2) Se gh 11h	e section		. Check			
e f	Γ	other tl section	nan foundatı ı 509(a)(2)	ox, I certify that the on managers and oth received a written de	ner than one	or more pub	licly supporte	ed organiza	tions describe	d in sect	ion 509(a)	(1) or			
g		Since A followir	ng persons?	2006, has the organi							Yes	No			
				governing body of th				50150115 405	eribed iii (ii)	1	1g(i)	+10			
				er of a person describ		_				_	Lg(ii)	+			
				led entity of a persor			bove?				.g(iii)	 			
h				ng information about							<u> </u>				
	(i) Name suppo rganız	e of rted	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see	(iv) Is the organizati col (i) list your gove docume	on in ced in rning	(v) Did you not organizati col (i) of suppor	ion in your	(vi) Is the organizate col (i) organithe U	e ion in anized	A m	(vii) ount of pport			
				instructions))	Yes	No	Yes	No	Yes	No					
Tota						1		1							

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.)

<u> </u>	ection A. Public Support		and to quanty t			out complete	
	endar year (or fiscal year beginning						
Care	in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1	Gifts, grants, contributions, and						
	membership fees received (Do not						
	ınclude 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						
Ū	line 4						
S	ection B. Total Support		<u> </u>	I I.			
	endar year (or fiscal year beginning						
	ın) >	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7	A mounts from line 4						
8	Gross income from interest,						
Ū	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)					<u> </u>	
12	Gross receipts from related activiti	es, etc (See inst	ructions)			12	
13	First Five Years If the Form 990 is t	for the organizati	on's first, second	, thırd, fourth, or	fifth tax year as a	501(c)(3) organı	
	check this box and stop here						►
	-tiC Ct-tiC D-l	L'a Carana at B					
<u> </u>	ection C. Computation of Pub Public Support Percentage for 2010			11 column (f))			
	· ·		•	II Column (1))		14	
15	Public Support Percentage for 2009	Schedule A, Pa	rt II, line 14			15	
16a	33 1/3% support test—2010. If the				line 14 is 33 1/3%	or more, check	
_	and stop here. The organization qua						▶ □
b	33 1/3% support test—2009. If the				5a, and line 15 is 3	33 1/3% or more,	- -
	box and stop here. The organization				45.46		►
1/a	10%-facts-and-circumstances test-						
	is 10% or more, and if the organization made						rt a d
	in Part IV how the organization mee	ts the "racts and	circumstances"	test ine organiz	ration qualifies as	a publicly suppo	
L	organization	_2000 If+ba a	anization did not	chack a hay an l	no 12 165 166 -	r 17a and line	► □
D	10%-facts-and-circumstances test- 15 is 10% or more, and if the organ						
	Explain in Part IV how the organization						V
	supported organization	aon meets the 10	acts and circuilis	tances test file	z organizacion qual	mes as a publici	y ▶[¯
18	Private Foundation If the organizati	on did not check	a box on line 13	. 16a. 16b. 17a o	r 17b, check this	box and see	- 1
	instructions	on ala not check	a box on fine 15	, 100, 100, 1700	I by check tills	SON GING SCC	▶ □

organization

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 (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total ın) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") 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 Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified 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 Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total in) 9 Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include 12 gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage 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 Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f)) 17 **17** Investment income percentage from 2009 Schedule A, Part III, line 17 18 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

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 **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).

Schedule A (Form 990 or 990-EZ) 2010

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DLN: 93493185001262

OMB No 1545-0047

2010

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury

For Organizations Exempt From Income Tax Under section 501(c) and section 527 ► Complete if the organization is described below.

Interna	Revenue Service		Attach to Form 990 or Form 990-	ŁZ. ► See separat	e instructions.	Inspection
If the	e organization answer	ed "Ye	s," to Form 990, Part IV, Line 3, or	Form 990-EZ, Pa	art V, line 46 (Political Car	
ther				. 5		
	, , , , _		·		/ Do not complete Part I P	
	ction 50 f(c) (other than s ction 527 organizations(· · · · · ·	is FA and C below	Do not complete Part FB	
				Form 990-EZ. Pa	art VI. line 47 (Lobbying A	Activities), then
	_				,	· ·
• Se	ction 501(c)(3) organizati	ons that	have NOT filed Form 5768 (election u	inder section 501(h)) Complete Part II-B Do n	ot complete Part II-A
	_		•	oxy Tax) or Forn	n 990-EZ, Part V, line 35a	(Proxy Tax), then
	. , , , , , , , , , , , , , , , , , , ,) organiz	zations Complete Part III		T	
	me of the organization tt & White Hospital Round Roo	ck			Employeriden	tification number
				=0.1.	20-3749695	
Par	Complete if	the or	ganization is exempt under	section 501(c) or is a section 52/	organization.
1	Provide a description o	f the org	ganization's direct and indirect politi	cal campaign acti	vities in Part IV	
2	Political expenditures				▶	\$
3	Volunteer hours					
Par	t I=B Complete if	the or	ganization is exempt under	section 501(c	:)(3).	
1					<u>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</u>	¢
2		-	·		4955	†
3		•	, -		1555	→ Yes □ No
4а	Was a correction made		ection 4555 tax, aid it life from 472	o for this year.		
	If "Yes," describe in Pa					i res i No
b Par	· · · · · · · · · · · · · · · · · · ·		ganization is exempt under	section 501(c) excent section 501	(c)(3)
1	•					¢
2						¥ <u></u>
	exempt funtion activition		. •	.	•	\$
3	Total exempt function	expendit	cures Add lines 1 and 2 Enter here	and on Form 1120	D-POL, line 17b ►	\$
4	Did the filing organizati	on file F	form 1120-POL for this year?			☐ Yes ☐ No
5	organization made payi amount of political con	ments F trıbutıor	or each organization listed, enter thes received that were promptly and d	e amount paıd froi irectly delivered t	m the filing organization's f to a separate political orga	unds Also enter the nızatıon, such as a
	(a) Name		(b) Address	(c) EIN	(d) A mount paid from filing organization's funds If none, enter -0-	(e) A mount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-
			Inspects," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), the Part III A only es," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), the Part III A only es," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), that have flied Form 5768 (election under section 501(h)) Complete Part III-B Do not complete Part III-B at have NOT flied Form 5768 (election under section 501(h)) Complete Part III-B Do not not not part III-B Do not not not part III-B Do not not not not part III-B Do not not not not not not not not not no			
				1		

Р	art II-A Complete if the organization under section 501(h)).	is exempt under section 501(c)(3)	and filed Form 5768	(election
	Check If the filing organization belongs to a Check If the filing organization checked bo	n affiliated group x A and "limited control" provisions apply		
	Limits on Lobbying E (The term "expenditures" means ar		(a) Filing O rganization's Totals	(b) Affiliated Group Totals
1a	Total lobbying expenditures to influence public o	pınıon (grass roots lobbyıng)		
b	Total lobbying expenditures to influence a legisl	ative body (direct lobbying)		
C	Total lobbying expenditures (add lines 1a and 1	o)		
d	O ther exempt purpose expenditures			
е	Total exempt purpose expenditures (add lines 1	c and 1d)		
f	Lobbying nontaxable amount Enter the amount to columns	rom the following table in both		
	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		
	Grassroots nontaxable amount (enter 25% of lir	e 1f)		
h	Subtract line 1g from line 1a If zero or less, ent	er -0 -		
i	Subtract line 1f from line 1c If zero or less, ente	r-0-		
j	If there is an amount other than zero on either lii section 4911 tax for this year?	ne 1h or line 1i, did the organization file Form	4720 reporting	┌ 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 Expendit	ures During 4	4-Year Avera	ging 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 organ	ization is exempt under section 501(c)(3) and has NOT filed Form 576	8
	(election under section	on 501(h)).	

	(election under section so I(II))	(8	1)	(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
а	Volunteers?		Νo	
Ь	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		Νo	
c	Media advertisements?		Νo	
d	Mailings to members, legislators, or the public?		Νo	
е	Publications, or published or broadcast statements?		Νo	
f	Grants to other organizations for lobbying purposes?	Yes		4,72
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		Νo	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		Νo	
j	Total lines 1c through 1i			4,72
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?			
Par	t III-A Complete if the organization is exempt under section 501(c)(4), section	1 501(c)(5), o	r 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".

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).		
а	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	Tayable amount of lobbying and political expenditures (see instructions)		

Part IV Supplemental Information

Dues, assessments and similar amounts from members

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		Part II-B, Line 1(f) Scott & White Hospital Round Rock (SWRR) maintains memberships in the American Hospital Association and the Texas Hospital Association A percentage of the dues paid to those organizations is attributed to lobbying activities and is reported as grants to other organizations for lobbying purposes

| 1 |

DLN: 93493185001262

OMB No 1545-0047

SCHEDULE D (Form 990)

Supplemental Financial Statements Department of the Treasury

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

Open to Public

tema	al Revenue Service	► Attach to Fo	orm 990. ► See separate instructions.		Inspection
	me of the organi			Emp	loyer identification number
Sco	ott & White Hospital I	Round Rock		20-7	3749695
Pa	rt I Organ	izations Maintaining Donor A	dvised Funds or Other Similar F		
	organiz	zation answered "Yes" to Form 99			·
_			(a) Donor advised funds	(b) Funds and other accounts
L	Total number a				
2	33 3	tributions to (during year)			
3		nts from (during year)			
4		le at end of year			
5	-		isors in writing that the assets held in don organization's exclusive legal control?	or advi	sed Yes No
5	used only for c		donor advisors in writing that grant funds efit of the donor or donor advisor, or for a		
Pa			ıf the organization answered "Yes" t	o Forn	n 990. Part IV. line 7.
		conservation easements held by the o			
_		ion of land for public use (e g , recreati		hıstorı	cally importantly land area
	☐ Protection	n of natural habitat	Preservation of a	certified	d historic structure
	┌ Preservati	ion of open space			
2		s 2a–2d if the organization held a quali he last day of the tax year	ified conservation contribution in the form	of a co	nservation
					Held at the End of the Year
а	Total number o	of conservation easements		2a	
b	Total acreage	restricted by conservation easements		2b	
c	Number of con	servation easements on a certified his	toric structure included in (a)	2c	
d	Number of con	servation easements included in (c) a	cquired after 8/17/06	2d	
3		servation easements modified, transfe ar 🛌	erred, released, extinguished, or terminate	ed by th	e organization during
1	Number of stat	tes where property subject to conserva	ation easement is located ►		
5	Does the organ	, ,	g the periodic monitoring, inspection, hand	— dling of	violations, and Yes No
5	Staff and volun	iteer hours devoted to monitoring, insp	pecting and enforcing conservation easem	nents du	uring the year 🗠
7	A mount of exp	enses incurred in monitoring, inspecti	ng, and enforcing conservation easements	s durıng	g the year ► \$
3		nservation easement reported on line 2) and 170(h)(4)(B)(ii)?	2(d) above satisfy the requirements of sec	tion	┌ Yes
9	balance sheet,	, and include, if applicable, the text of t	onservation easements in its revenue and the footnote to the organization's financial		
ar	rt IIII Organ	on's accounting for conservation easen izations Maintaining Collectio ete if the organization answered '	ons of Art, Historical Treasures, "Yes" to Form 990, Part IV, line 8.	or Oth	ner Similar Assets.
La	If the organizations art, historical t	tion elected, as permitted under SFAS treasures, or other similar assets held	116, not to report in its revenue stateme for public exhibition, education or research ancial statements that describes these it	ch in fui	
b	historical treas		116, to report in its revenue statement a public exhibition, education, or research i s		•
	(i) Revenues i	ncluded in Form 990, Part VIII, line 1			▶ \$
		luded in Form 990, Part X			
2	If the organiza	tion received or held works of art, histo	orical treasures, or other similar assets fo	or finan	
	following amou	nts required to be reported under SFA	S 116 relating to these items		
а	Revenues inclu	uded in Form 990, Part VIII, line 1			▶ \$

Assets included in Form 990, Part X

Part	Organizations Maintaining Co	<u>llections of Art</u>	t, His	tori	<u>cal Tr</u>	<u>easu</u>	res, or (<u> Othe</u>	<u>r Similar Ass</u>	ets (c	ontınued)
	Using the organization's accession and other items (check all that apply)	r records, check an	y of th	ne foll	owing	that ar	e a signific	ant u	se of its collecti	on	
а	Public exhibition		d	Γ	Loan	orexc	hange prog	ırams			
b	Scholarly research		e	Γ	Other	r					
c	Preservation for future generations										
4	Provide a description of the organization's co	ollections and expla	ıın hov	w the	y furthe	er the o	organizatio	n's ex	cempt purpose ır	1	
	During the year, did the organization solicit of assets to be sold to raise funds rather than t									- Yes	┌ No
Part	Escrow and Custodial Arrang Part IV, line 9, or reported an an						n answere	ed "Y	es" to Form 99	90,	
	Is the organization an agent, trustee, custod included on Form 990, Part X?	ian or other interme	edıary	forc	ontribu	itions (or other as	sets ı		Yes	┌ No
b	If "Yes," explain the arrangement in Part XI\	/ and complete the	follow	ving t	able		ſ		Δm	ount	
С	Reginning halance						ŀ	1c		June	
d	Beginning balance Additions during the year						ŀ	1d			
e	Distributions during the year						ł	1e			
f	Ending balance						ł	1f			
	Did the organization include an amount on Fo	orm 990 Dart V lin	217 م	,			l	1.	<u>Г</u>	Yes	□ No
	If "Yes," explain the arrangement in Part XIV		- 21'						'	. 63	, 140
Par			n ans	Wer	od "Vo	s" to	Form 990	Par	t IV line 10		
	Endowniene i anabi compiete i	(a)Current Year)Prior `			o Years Back			(e)Four Y	ears 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 yea	r end balance held	as								
а	Board designated or quasi-endowment 🕨										
b	Permanent endowment ▶										
С	Term endowment ►										
За	Are there endowment funds not in the posses organization by	ssion of the organiz	ation	that a	are held	d and a	idministere	d for	the	Yes	No
	(i) unrelated organizations								3a(i		<u> </u>
	(ii) related organizations							•	3a(ii	i)	 _
	If "Yes" to 3a(II), are the related organization Describe in Part XIV the intended uses of the	•						•	3b		<u> </u>
						100 D	art V lina	10			
-cii	Investments—Land, Buildings	, and Equipme	11t. 5						(-) 4	T	
	Description of investment) Cost or is (inves		(b) Cost or basis (oth		(c) Accumulated depreciation	(d) B	ook value
1a L	and		•								
b B	Buildings		•								
c L	easehold improvements		•								
d E	quipment			1			l 948	1,756	3,402,788	3	6,078,968
				-			3,10			+	
e C	Other		•	L			,	,			6,078,968

Investments—Other Securities. See	Form 990, Part X, line 12	
(a) Description of security or category	(b)Book value	(c) Method of valuation
(including name of security)	(2)20011 10100	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.
		(c) Method of valuation
(a) Description of investment type	(b) Book value	Cost or end-of-year market value
		, , , , , , , , , , , , , , , , , , , ,
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)		
Part IX Other Assets. See Form 990, Part X, lin	e 15.	
(a) Descrip		(b) Book value
		(2) 20011 10100
(2) 2 000119		
(-, 2 000)		
(2) 2 666119		
(=) = 55511		
(=) = 50000		
	5.)	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1:		
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X	, line 25.	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1:		
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X	, line 25.	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability	, line 25.	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes Due to Scott & White Memorial Hospital	, line 25. (b) A mount	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1: Part X Other Liabilities. See Form 990, Part X 1 (a) Description of Liability Federal Income Taxes	, line 25. (b) A mount	

Par	t XI Reconciliation of Change in Net Assets from Form 990 to Financial Statemer	nts	
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	Reconciliation of Revenue per Audited Financial Statements With Revenue p	er Re	turn
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		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
c	Recoveries of prior year grants		
d	Other (Describe in Part XIV)		
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		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a		
b	Other (Describe in Part XIV)		
C	Add lines 4a and 4b	4 c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	
	Reconciliation of Expenses per Audited Financial Statements With Expenses	per l	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		
а	Donated services and use of facilities		
b	Prior year adjustments		
c	Other losses]	
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:		
а	Investment expenses not included on Form 990, Part VIII, line 7b 4a		
b	Other (Describe in Part XIV)]	
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	
	t XIV Supplemental Information		
Com	plete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Pa	art IV. I	ines 1b and 2b.

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 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		FIN 48 Footnote Scott & White evaluates it's income tax positions in accordance with Accounting Standard Codification 740-10, regarding accounting for uncertainty in income taxes (ASC 740-10) ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There are no material unrecorded tax liabilities as of August 31, 2011 and 2010.

efile GRAPHIC print - DO NOT PROCESS | As Filed Data -

DLN: 93493185001262

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Name of the organization

Scott & White Hospital Round Rock

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

Hospitals

Employer identification number

В-	Time main! Assista	d C	Sautain Otla	ar Camananita Ba		3749695			
Pa	rt I Financial Assista	nce and C	ertain Oth	er Community Be	nerits at Cost			Yes	No
1a	Did the organization have a fi	nnancial assi	istance policy	/ during the tax year? :	[f "No," skip to questio	n 6a .	1a	Yes	140
b	If "Yes," is it a written policy?			-			1b	Yes	
2	If the organization has multip assistance policy to its vario	le hospitals,	ındıcate whic	h of the following best		of the financial	10	103	
	Applied uniformly to all ho		acincies durin	Applied uniformly	to most hospitals				
	Generally tailored to indiv	•	als	, Applied almorning	to most nospitals				
3	Answer the following based or organization's patients during			nce eligibility criteria t	hat applied to the large	st number of the			
а	Does the organization use Fe- income individuals? If "Yes,"						3a	Yes	
	Γ _{100%} Γ _{150%}		оо% Г	Other	%	<i>'</i>	<i>3</i> a	165	
b	Does the organization use FP			•		dividuals 2 If			
	"Yes," indicate which of the fo						3b	Yes	
	▽ 200% ┌ 250%	F 30	оо% Г	350% Г 40	0% Γ Other_	<u>%</u>			
С	If the organization does not u determining eligibility for free test or other threshold, regard	or discounte	ed care Inclu	de in the description w	hether the organizatior				
4	Did the organization's financial provide for free or discounted				·	uring the tax year	4	Yes	
5a	Did the organization budget amount			=		x year?	5a	Yes	
b	If "Yes," did the organization'	s financial as	ssistance exp	enses exceed the bud	geted amount?		5b	Yes	
C	If "Yes" to line 5b, as a result care to a patient who was elig	_			•	or discounted	5c		No
6a	Does the organization prepare			ort during the tax			6a		No
6b	If "Yes," did the organization			ublic?			6b		
	Complete the following table worksheets with the Schedule		ksheets prov	ıded ın the Schedule H	instructions Do not s	ubmit these			
7	Financial Assistance and C	ertain Other	· Community I	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 b expense	enefit	(f) Perototal ex	
а	Financial Assistance at cost (from Worksheets 1 and 2)			1,409,497	0	1.40	9,497	1	780 %
b	Unreimbursed Medicaid (from Worksheet 3, column a)			3,449,571		,	9,168		830 %
c	Unreimbursed costs—other means-tested government			3,743,371	2,000,403	1,77	3,100		030 70
	programs (from Worksheet 3, column b)			1,393,316	543,786	84	9,530	1	070 %
a	Total Financial Assistance and Means-Tested Government Programs			6,252,384	2,544,189	3,70	8,195	4	680 %
e	Other Benefits Community health improvement services and community benefit operations (from (Worksheet 4)			0	0				
f	Health professions education (from Worksheet 5)			0	0				
g	Subsidized health services (from Worksheet 6)			0	_				
h	Research (from Worksheet 7)			0					
i	Cash and in-kind contributions to community groups (from Worksheet 8)			20,325	0	,	0,325	0	030 %
j 1	Fotal Other Benefits			20,325			0,325		030 %
k '	Total. Add lines 7d and 7j			6,272,709	2,544,189	3,72	8,520	4	710 %

	edule H (FOIIII 990) 2010									age 2
Pa	community Building activities during the	tax year, an								alth
	of the communities	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) D	rect offse revenue	(e) Net communi building expense		(f) Perce total ex	
1	Physical improvements and housing									
2	Economic development									
3	Community support			3,41	0		3	,410		0 %
4	Environmental improvements			=,						
	Leadership development and training							\neg		
6	for community members Coalition building							\dashv		
7	Community health improvement							\dashv		
	advocacy									
9	Workforce development Other				_			\dashv		
10	Total			3,41	0		3	,410		
Pai	t IIII Bad Debt, Medicar	e, & Collec	tion Practic	<u> </u>				,		
Sect 1	ion A. Bad Debt Expense Did the organization report bases Statement No. 15?	d debt expense	e ın accordance	e with Heathcare Fi	nancıal M	anagem	nent Association	1	Yes Yes	No
2	Enter the amount of the organ	zatıon's bad d	ebt expense (a	t cost)		2	3,383,340			
3	Enter the estimated amount o attributable to patients eligibl				olicy .	3	0			
4	Provide in Part VI the text of the In addition, describe the costinationale for including a portion	ng methodolog	gy used in dete	rmining the amount						
Sect	ion B. Medicare									
5	Enter total revenue received f	rom Medicare	(ıncludıng DSH	and IME)		5	37,674,994			
6	Enter Medicare allowable cost					6	39,247,847			
7	Subtract line 6 from line 5 Th	-				. 7	-1,572,853			
8	Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	ostıng method	ology or source				•			
	Cost accounting system	r c∘	st to charge ra	tio Г	Other					
Sect	ion C. Collection Practices									
9a	Does the organization have a							9a	Yes	
b	If "Yes," does the organization patients who are known to quart IV Management Com	lify for charity	care or financi	al assistance? Des				9b	Yes	
F (*	(a) Name of entity) Description of p		(c) Organi	zation's	(d) Officers, directors,	\top_{ι}	e) Physic	
	(.,,,		activity of entit		profit % c ownersh	r stock	trustees, or key employees' profit % or stock ownership%	pro	ofit % or ownership	stock
L										
2								\top		
3								+		
4							1	+		
- 5							+	+		
5 6								+		
- 7				+				+		
В				+				+		
9										
10										
11										
12								$oxed{\!$		
12		1		1			1	1		

Part	V Facility Information									
Section (list in	on A. Hospital Facilities order of size, measured by total revenue per facility, from t to smallest)	Licensed hospital	General medical	Children's hospital	Teaching hospital	Critical acc	Research facility	ER-24 hours	ER-other	
	nany hospital facilities did the organization operate during k year? 1	ospital	edical & surgical	nospital	ospital	Ortical access hospital	acility	တိ မ		
Name	and address									Other (Describe)
1	Scott & White Hospital-Round Rock 300 University Blvd Round Rock, TX 78665	х	Х					х		
						<u> </u>				
						<u> </u>				
						-				
		-				-				
				l		 				
						 				
						<u> </u>				
	 	†	—	t —	1	t	—	t —	t	1

ow many non-nospital facilities did the organization	on operate during the tax year?
ame and address	Type of Facility (Describe)
-	
0	Schedule H (Form 99

Part V Facility Information (continued)

Schedule H (Form 990) 2010 Page 8

Part VI Supplemental Information

Complete this part to provide the following information

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
- 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
- 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.)
- 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 6a Scott & White Hospital Round Rock (SWRR) did not prepare a community benefit report for the fiscal year ending August 31, 2011 SWRR is located in Williamson county Texas, and Williamson county completed a county needs assessment in January 2011 While SWRR was not actively involved in conducting the assessment, the assessment is being used to reassess the current programs and services to better serve the community

Identifier	ReturnReference	Explanation
		Part I, Line 7 The costing method used for Schedule H is the cost to charge ratio, as calculated in Schedule H, Worksheet 2 This method was applied to the costs reported on lines 7a, 7b, and 7c

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad debt expense subtracted from total expenses on Part IX of the Form 990 to calculate the operating expenses used in calculating the percentage in column (f) is \$12,553,382

Identifier	ReturnReference	Explanation
		Part III, Line 4 In the Scott & White Hospital Round Rock
		(SWRR) accounting system, bad debt is recorded as the cost of
		forgone charges To calculate the cost of bad debt for purposes
		of Schedule H, Part III, line 2, the cost to charge ratio
		calculated in Worksheet 2 of the Schedule H Instructions was
		applied Due to patient screenings which occur prior to
		recording bad debt charges, bad debt expense should not
		contain community benefit expenditures Audited financial
		statement footnote Patient accounts receivable are stated at
		estimated net realizable value Scott & White maintains
		allowances for uncollectible accounts for estimated losses
		resulting from a payor's inability to make payments on
		accounts Scott & White uses a balance sheet approach to value
		the allowance account based on historical write-offs, payor type,
		and the aging of the accounts Accounts are written off when
		collection efforts have been exhausted Management continually
		monitors and adjusts, as necessary, allowances associated with
		its receivables. The majority of uncollectible accounts result
		from uninsured patients and patient co-pays and deductibles

Identifier	ReturnReference	Explanation
		Part III, Line 8 Scott & White Hospital Round Rock (SWRR) is a nonprofit hospital that voluntarily participates in the Medicare program Medicare payments received do not cover the costs incurred to provide services to Medicare patients. In reporting the community benefit portion of the American Hospital Association/Texas Hospital Association survey, the Medicare short-fall is included in community benefit reporting Costing methodology/source. All payments to providers of services must be based on the reasonable cost of services covered under title XVIII of the Social Security. Act Reasonable cost includes all necessary and proper costs incurred in rendering the services. Reasonable cost takes into account both direct and indirect costs of providers of services, including normal standby costs. The general services or overhead cost is stepped down and allocated through statistical data to equitable allocate the expenses to the hospital service departments.

Identifier	ReturnReference	Explanation
		Part III, Line 9b The debt collection policy for the Scott & White Healthcare system identifies charity care and financial assistance as a means to reduce a patient's financial responsibility. It then refers to the charity care policy which states that patients who qualify for charity care do not pay for services and patients who receive financial assistance will not be pursued for collection.

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Scott and White Hospital Round Rock (SWRR) regularly reviews and utilizes reports on current health needs compiled by entities such as the Williamson County Public Health District Scott & White also subscribes to Healthy Communities Institute, which supplies continuously updated community data on between 75 to 200 health and quality of life indicators Data for each hospital in the Scott & White system can be found on the website sworg. In addition medical analysts study inpatient and outpatient records to provide a comprehensive look at health trends in the community so SWRF can appropriately tailor the services offered.

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Scott & White Round Rock (SWRR) educates patients in regards to their eligibility for financial assistance in a number of ways Patient billing statements include phone contact information for patients seeking information regarding financial assistance. Financial counselors are available at each location to assist patients in determining eligibility, assisting with applications for assistance, as well as making payment arrangements. Additionally, SWRR contracts with a 3rd party vendor to routinely screen self-pay patients for eligibility for local, state and federal assistance programs that may be available.

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The Scott & White Healthcare system provides care for patients in 35 counties in the state of Texas covering 29,000+ square miles Eighty-five percent of the patients come from a primary service area including the counties of Bell, Brazos, Coryell, Falls, Lampasas, McLennan, Milam, and Williamson Eight percent of patients come from the secondary service area including Blanco, Bosque, Brown, Burleson, Burnet, Comanche, Grimes, Hamilton, Hays, Hill, Hood, Johnson, Lee, Leon, Limestone, Llano, Madison, Mills, Robertson, San Saba, Somervell, Travis and Washington counties In Scott & White's primary service area, the total population is 1,268,822 and the median household income is \$46,930 Twenty-seven percent of the population is under the age of 17, 42% is between the ages of 18 and 44, 21% is between the ages of 45 and 64, and 10% of the population is over 65 The top three ethnicities in the primary service area are Caucasion Non-Hispanic with 61 08% of the population, 20 67% are Hispanic and 12% are African American Scott & White Hospital Round Rock (SWRR) is located in Williamson County, Texas Between 2000 and 2012, Williamson County was the 9th fastest growing county with over 81% growth Round Rock is the largest and one of the fastest growing cities in the county Over the past decade the cityhas added about 44,000 people and has experienced economic and demographic changes A greater percent of residents have higher educational attainment, the poverty rate has increased,
		and the county has become more racially and ethnically diverse

Identifier	ReturnReference	Explanation
		Part VI, Line 6 All Scott & White Healthcare facilities are
		operated in a manner that furthers the organization's exempt
		purposes Scott & White Healthcare officers and executives
		plan and direct the activities of all facilities under the direction
		and oversight of the Board of Trustees of Scott & White
		Healthcare, sole corporate member of Scott & White Hospital
		Round Rock (SWRR) The SWRR Board of Directors is comprised
		of persons residing in the service area. As explained in
		response to Form 990 Part VI, Section A, Question 7b, the
		SWRR Board of Directors does not consist of a majority of
		independent directors because SWRR relies on the Scott &
		White Healthcare Board of Trustees, which is controlled by a
		majority of community trustees, to meet board control tests
		Surplus funds are reinvested in facilities, equipment and
		programs to further SWRR's exempt purposes

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Scott & White provides personalized,
		comprehensive, high quality care enhanced by medical
		education and research through one of the nation's largest
		multi-specialty group practices Scott & White Hospital Round
		Rock (SWRR), a 501(c)(3) corporation, a subsidiary of Scott &
		White Healthcare (SWHC) (EIN 26-453254), a 501(c)(3) 509
		(a)(3) - Type 1 supporting organization, the parent corporation
		of the Scott & White Healthcare system (the "system") The
		Scott & White Healthcare Foundation (SWF) (EIN 27-
		3513154), a 501(c)(3) Public Charity under 170(b)(1)(A)(vi),
		raises funds for the priority programs and services of the entire
		Scott & White Healthcare system The Scott & White Healthcare
		system includes 12 hospital sites, more than 60 clinics and a
		229,000 + member health plan serving residents in a 29,000 +
		square mile service area spanning 35 counties. The Scott &
		White Healthcare system employs 1,300 primary and specialty
		physicians, scientists and advanced practice providers. The
		Scott & White Healthcare system provided at cost
		approximately \$75,000,000 in unreimbursed charity care,
		\$68,000,000 in unreimbursed Medicaid and other means
		tested government programs, \$53,000,000 in unreimbursed
		health professions education and research, \$28,000,000 in
		subsidized services and incurred a Medicare shortfall of
		\$46,000,000 for the fiscal year ending August 31, 2011 Scott
		& White Memorial Hospital (SWMH), a subsidiary of SWHC
		located in Temple, TX, is the flagship hospital of the system and
		has the only Level I Trauma Center between Dallas and Austin,
		Texas The McLane Children's Hospital at Scott & White,
		operated under the EIN of SWMH is the only stand-alone
		children's hospital between Dallas and Austin, Texas The entire
		Scott & White Healthcare system serves patients qualifying for federal Medicare and state Medicaid programs and other federal
		and state means tested assistance programs. Services for
		indigent patients and uninsured and underinsured patients are
		provided according to provisions of the Scott & White Charity
		Care Policy and Patient Financial Assistance Program Scott &
		White also serves private pay patients and contracts with
		health plans and insurance companies to provide medical
		services for their participants
	I	Betvices for their participants

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

Schedule H (Form 990) 2010

DLN: 93493185001262

OMB No 1545-0047

Schedule J (Form 990)

Department of the Treasury Internal Revenue Service

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

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

Compensation Information

► Attach to Form 990. ► See separate instructions.

Open to Public Inspection

lame	of th	e orgar	nizatio	n
cott &	White	Hospital	Round	Roc

Employer identification number

20-3749695

Pa	rt I Questions Regarding Compensation			
			Yes	Νo
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	First-class or charter travel 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		
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		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the			
	organization's CEO/Executive Director Check all that apply			
	Compensation committee			
	☑ Independent compensation consultant ☑ 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			
а	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a		Νo
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?				Νo
c				
	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			
а	The organization?	5a		Νo
b	Any related organization?	5b		Νo
	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			
а	The organization?	6a		Νo
ь	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			
	ın Part III	8		Νo
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-MI	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base compensation	(ii) Bonus & ıncentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) Alfred B Knight MD	(I) (II)	0 926,711	0 400,000	0 2,800	0 31,850	0 19,307	0 1,380,668	0
(2) Patricia Currie	(1) (11)	0 444,620	0 132,000	0 993	0 31,850	0 16,667	0 626,130	0
(3) Ernest Bovio	(1) (11)	0 269,654	0 48,756	0 44 7	0 31,850	0 19,689	0 370,396	0
(4) Franklin Chang MD	(1) (11)	0 258,826	0 29,740	0 597	0 31,850	0 15,906	0 336,919	0
(5) Dennis Laraway	(I) (II)	0 567,287	0 208,000	0 657	0 31,850	0 16,667	0 824,461	0
(6) Dick Dixon	(I) (II)	0 278,640	0 55,000	0 1,833	0 31,850	0 17,442	0 384,765	0
(7) Gail VanZyl	(1) (11)	0 248,741	0 50,000	0 1,833	0 31,850	0 14,868	0 347,292	0
(8) Glen R Couchman MD	(1) (11)	0 505,605	0 122,555	0 1,833	0 31,850	0 17,433	0 679,276	0
(9) Robert Pryor MD	(1) (11)	0 622,389	0 177,000	0 1,833	0 31,850	0 16,203	0 849,275	0
(10) Clyde Chumbley MD	(ı) (ıı)	0 300,585	0 40,000	0 2,524	0	0 12,604	0 355,713	0
(11) Bernardine Patterson	(ı) (ıı)	0 127,978	0 6,257	0 151	0 13,666	0 5,176	0 153,228	0
(12) Marissa Tomlinson	(1) (11)	0 127,117	0 101	0 157	0 9,516	0 15,807	0 152,698	0
(13) Jason Cole	(ı) (ıı)	0 132,839	0 16,910	0 216	0 26,797	0 13,593	0 190,355	0
(14) Kenneth A Johnson	(ı) (ıı)	0 189,445	0 14,436	0 2,799	0 26,902	0 9,558	0 243,140	0
(15) Dudley P Baker MD	(ı) (ıı)	0 442,150	0 58,000	0 3,735	0 31,850	0 11,939	0 547,674	0
(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

Ident if ier	Return Reference	Explanation
	,	Discretionary bonuses are an element of various Scott & White Healthcare system (the "system") compensation plans. The Scott & White Healthcare Board of Trustees, which is the governing body of the Scott & White Healthcare system and the Board Compensation Committee have approved plans designed to measure performance based on differing job functions. The Board of Trustees approves the bonus pools reserved for the various plans. The Board of Trustees determines and approves the bonus, if any, for the system's Chief Executive Officer and other executive level personnel.

Schedule J (Form 990) 2010

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493185001262

OMB No 1545-0047

Transactions with Interested Persons

Schedule L (Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

► Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V lines 38a or 40b.

2010

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Open to Public Inspection

	f the organization /hite Hospital Round Rock							E	mployer i	dent if ica	ition numb	er
									0-37496			
Part I	Excess Benefit Tran Complete If the organizat										ıne 40b	
1	(a) Name of disq				(b) Description of transaction				,		(c) rected?	
											Yes	No
												+-
												+
												+
	er the amount of tax impos		_		-	disqualified pers		-		r • ¢		
	er the amount of tax, if any									• \$ ——		
			·									
Part II	Loans to and/or if Complete if the organize					Dart IV June 26	or For	m 000-	E7 Dartl	/ line 29	3	
	Complete if the organiz			1 163 0111	OIIII 990	T, Fait IV, line 20		111 9 9 0 -	(f)			
(a) Nam	e of interested person and	(b) Loan to or from the (c)Orig		ıınal	(1)	(e) In default?					(g)Written	
	purpose	organı	zatıon?	principal a		(d)Balance due	delault		committee?		agreement?	
		То	From				Yes	No	Yes	No	Yes	No
												—
								+	+			+
								+				+
												
Total .	<u> </u>				▶ \$							
Part II	Grants or Assistar Complete if the orga						/, line 2	27.				
(a) Name of interested pers			b) Relationsh	iip betwe	een interested per ganization			nount of g	rant or ty	ype of assi	stance
				all	u tile of	gamzation	+					

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c

(a) Name of interested person	(b) Relationship between interested person and the	(c) A mount of transaction	(d) Description of transaction	organı	arıng of zatıon's nues?
	organization			Yes	No
(1) Julie Couchman	Family of Officer		Employee of the Scott & White Healthcare system		No
(2) Jarrod Pryor	Family of Officer	35,561	Employee of the Scott & White Healthcare system		No

Part V Supplemental Information

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

Identifier Return Reference Explanation

Schedule L (Form 990 or 990-EZ) 2010

efile GRAPHIC print - DO NOT PROCESS

SCHEDULE O

As Filed Data -

DLN: 93493185001262

OMB No 1545-0047

2010

Department of the Treasury
Internal Revenue Service

(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.

Supplemental Information to Form 990 or 990-EZ

Open to Public Inspection

	Employer identification number
Scott & White Hospital Round Rock	
	20-3749695

Identifier	Return Reference	Explanation
		Form 990, Part V, Line 1a Scott & White Hospital Round Rock does not file Forms 1096 or 1099 All expenditures for goods and services are made by Scott & White Memorial Hospital, which has filed all required reporting forms

Identifier	Return Reference	Explanation
		Form 990, Part V, Line 2a Employees of the Scott & White Healthcare system are employed by Scott & White Memorial Hospital (EIN 74-1166904) or Scott & White Clinic (EIN 74-2958277) This is done to achieve parity and consistency in compensation and benefits offered to employees and to reduce administration costs. Consistent with this practice, employee Form W-2's are filed by Scott & White Memorial Hospital or Scott & White Clinic. For financial reporting purposes, compensation, benefits and other employee costs are assigned to the Scott & White affiliate for which services are rendered. Oversight of and responsibility for the activities of employees are vested in the board of directors and management of the Scott & White Healthcare subsidiary to which such employees are assigned. All required employment forms have been filed by Scott & White Memorial Hospital and Scott & White Clinic.

ldentifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		Scott & White Hospital Round Rock's (SWRR) sole member is Scott & White Healthcare (EIN 26-4532547), an organization exempt from tax under IRC section 501(c)(3) and a public charity under IRC section 509(a)(3)

ldentifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		Scott & White Hospital Round Rock's (SWRR) sole member is Scott & White Healthcare (EIN 26-4532547), an organization exempt from tax under IRC section 501(c)(3) and a public charity under IRC section 509(a)(3) Election of the SWRR Board of Directors requires the approval of the Scott & White Healthcare Board of Trustees, by majority vote The majority of the Scott & White Healthcare Board of Trustees is comprised of individuals who are representative of the community

ldentifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Scott & White Hospital Round Rock's (SWRR) sole member is Scott & White Healthcare (EIN 26-4532547), an organization exempt from tax under IRC section 501(c)(3) and a public charity under IRC section 509(a)(3) Actions taken by the SWRR Board of Directors are subject to oversight and approval of the Scott & White Healthcare Board of Trustees The majority of the Scott & White Healthcare Board of Trustees is comprised of individuals who are representative of the community

ldentifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The Scott & White Hospital Round Rock (SWRR) Directors were each provided a copy of Form 990 prior to filing with the IRS. A meeting was held to allow the Directors to ask questions and provide feedback with respect to the information presented in the Form 990.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, Iine 12c	Annually, a written questionnaire is provided to all persons identified as being subject to the Scott & White Healthcare system Conflict of Interest Policy, requesting responses to questions designed to identify potential conflicts. Responses are monitored and reviewed by system personnel and follow-ups are initiated as required. The Conflict of Interest Policy is reviewed before each board meeting or board committee meeting. Board members or persons having business with the Board are asked to identify conflicts which may arise with respect to business conducted by the Board or committee during the meeting.

Identifier	Return Reference	Explanation
		The compensation review process is performed annually. All staff including officers, key employees and highly compensated individuals are included in the review. The process utilizes various comparative data with respect to similar organizations. The procedures, rationale and results of the process are documented and retained. Recommended salaries and total compensation are reviewed by independent compensation consultants and approved by the Compensation Committee of the Scott & White Healthcare (SWHC) Board of Trustees. The entire SWHC Board reviews and approves the recommendations of the Compensation Committee.

Identifier	Return Reference	Explanation
		The Scott & White Hospital Round Rock (SWRR) governing documents and Conflict of Interest Policy are available to the public upon request. SWRR does not have separately audited financial statements, but the audited financial statements of the Scott & White Healthcare system are available at http://www.dacbond.com.and.upon.request

Identifier	Return Reference	Explanation
		Form 990, Part VII Average hours per week recorded in column B for the Officers, Directors, Key Employees and Highly Compensated Employees represent total hours worked for the entire Scott & White Healthcare system

Identifier	Return Reference	Explanation
	Form 5471	Disclosure Statement Related to Forms 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, Filed on Behalf of the Taxpayer Under the constructive ownership rules of IRC Sections 958(a) and (b) The taxpayer is required to file Forms 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, as a Category 5 filer with respect to certain controlled foreign corporations (CFCs). These filing requirements are or will be satisfied through the filing of Forms 5471 for these CFCs by other U.S. taxpayers identified below who have the same filing requirement. Taxpayer Name. Scott & White memorial Hospital Taxpayer Address. 2401 S. 31st Street Temple, TX 76508 Taxpayer Identification Number of U.S. tax return with which the Forms 5471 were or will be filed. 74-1166904 IRS Service Center where U.S. tax return was or will be filed.

efile GRAPHIC print - DO NOT PROCESS | As Filed Data -

DLN: 93493185001262

2010

OMB No 1545-0047

Open to Public Inspection

Employer identification number

20-3749695

SCHEDULE R (Form 990)

Name of the organization

Scott & White Hospital Round Rock

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.

Department of the Treasury Internal Revenue Service

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(b) Primary activity		(c) Legal domicile (state			(e) End-of-year assets		(f) Direct controlling			
			or foreign count	try)					entity			
(1) Scott & White Properties Opportunities LLC 2401 S 31st Street Temple, TX 76508 45-2920812	Investment	Investment			0			O N/A				
(2) Scott & White Properties Management LLC 2401 S 31st Street Temple, TX 76508 45-2920980	Investment	Investment			(O N/A				
Part II Identification of Related Tax-Exempt Organ or more related tax-exempt organizations during	izations (Complete the tax year.)	e if th	e organizatioi	n ans	wered "Yes"	on	Form 990, Part	IV, lın	e 34 becau	se it had	l one	
(a) Name, address, and EIN of related organization	(b) Primary activity	(b)		Exem	(d) npt Code section	Pu (ıf	(e) iblic charity status section 501(c)(3))	Dire	(f) ct controlling entity	(g) Section 512(b)(1 controlled organization		
										Yes	No	
See Additional Data Table										+		
For Privacy Act and Paperwork Reduction Act Notice, see the Instruct			Cat No 5						Schedule R (1		

				ble as a Partner reated as a partne					answe	ered "\	es" on Fo	rm 990,	Part	IV, lıı	ne 34
(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 Disprop allocat	rtionate	(i) Code V– amount in be Schedule (Form 16	ox 20 of K-1	(j) General or managing partner?		(k) Percentage ownership
									Yes	No			Yes	No	
Part IV Identif	ication of Relat pecause it had on	ed Orga e or mo	anizations Taxa re related organız	ble as a Corpora ations treated as a	tion or a corpora	Trust (Co	omplete ust dur	e if the org ing the tax	anıza year	tion ar .)	nswered "\	es" on	Form	990,	Part IV,
Name, address, ar	(a) nd EIN of related organiz	ation	(b) Primary activity	(c) Legal domicile (state or foreign country)		(d) (e) Direct controlling Type of e entity (C corp, S or trus		corp,		(f) f total income	(g) e Share of end-of-year assets		(h) Percentage ownership		
See Additional Data Table				,,											

chedule R (Form 990) 2010		Рa	age 3
Part V Transactions With Related Organizations (Complete of 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		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1 c		No
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)	1 g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1 i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1 j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	11		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
• Reimbursement paid to other organization for expenses	10	Yes	
p Reimbursement paid by other organization for expenses	1р		No
q Other transfer of cash or property to other organization(s)	1 q	Yes	
r Other transfer of cash or property from other organization(s)	1r		No

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

		· ·	
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Scott & White Memorial Hospital	0	83,051,483	Cost
(2) Scott & White Memorial Hospital	Q	5,344,839	Cost
(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 parti sect 501(d organiz	ners :ion :)(3) :ations?	(e) Share of end-of-year assets		r) ortionate tions?	(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	mana part	h) eral or laging tner?
			Yes	No		Yes	No		Yes	No
			+						+	-
			-				\vdash		+	╁
									+	-
										+
										┢
			+							
			<u> </u>							

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule R (Form 990) 2010

Software ID: **Software Version:**

EIN: 20-3749695

Name: Scott & White Hospital Round Rock

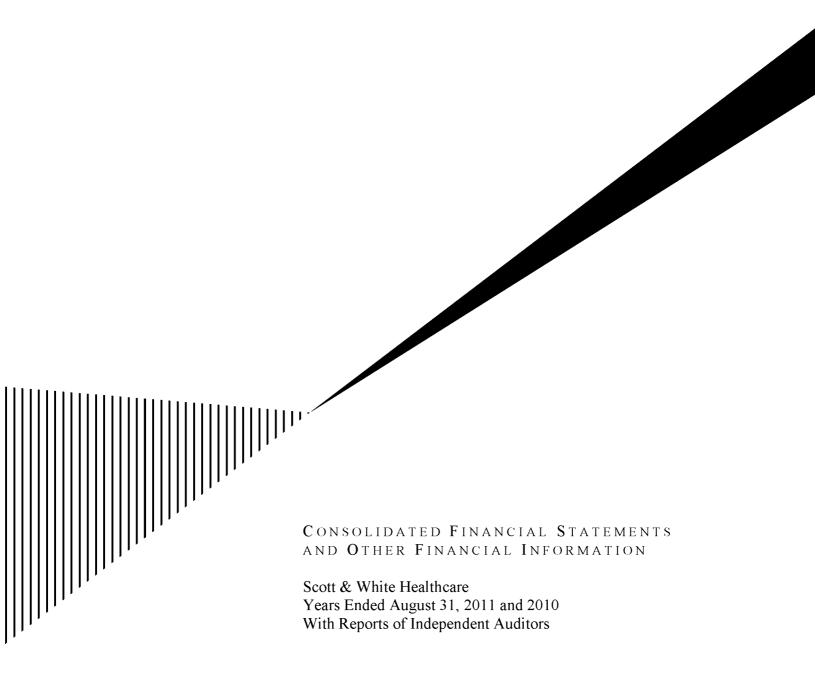
Form 990, Schedule R, Part II - Identification of Re	lated Tax-Exempt Org	anizations					
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	Section (b)(1 contro organiz	n 512 13) olled
						Yes	No
Scott & White Healthcare							
2401 S 31st Street Temple, TX76508 26-4532547	O perational Support	тх	501 (c)(3)	Line 11a, I	N/A		No
Scott & White Memorial Hospital					Scott & White		
2401 S 31st Street Temple, TX76508 74-1166904	Hospital Services	ТХ	501 (c) (3)	Line 3	Healthcare	Yes	
Scott & White Clinic					Scott & White		
2401 S 31st Street Temple, TX76508 74-2958277	Physician Services	ТХ	501 (c)(3)	Line 9	Healthcare	Yes	
Scott & White Continuing Care Hospital					Scott & White		
2401 S 31st Street Temple, TX76508 20-2850920	Hospital Services	тх	501 (c)(3)	Line 3	Healthcare	Yes	
Scott & White EMS Inc					Scott & White		
2401 S 31st Street Temple, TX76508 75-3242749	Emergency Transportation	тх	501 (c) (3)	Line 9	Memorial Hospital	Yes	
Hillcrest Baptist Medical Center					Scott & White		
100 Hillcrest Medical Blvd Waco, TX76712 74-1161944	Hospital Services	тх	501 (c) (3)	Line 3	Memorial Hospital	Yes	
Scott & White Hospital-Brenham					Scott & White		
2401 S 31st Street Temple, TX76508 74-2519752	Hospital Services	тх	501 (c)(3)	Line 3		Yes	
Scott & White Healthcare Foundation					Scott & White		
2401 S 31st Street Temple, TX76508 27-3513154	Fundraising	TX	501 (c) (3)	Line 7	Healthcare	Yes	
Scott & White Healthplan					Scott & White		
2401 S 31st Street Temple, TX76508 74-2052197	HMO/Insurance	TX	501 (c) (4)		Healthcare	Yes	
Scott & White Hospital-Taylor					Scott & White		
2401 S 31st Street Temple, TX76508 74-1595711	Hospital services	ТХ	501 (c)(3)	Line 3	Healthcare	Yes	
Scott & White Hospital-Llano					Scott & White		
2401 S 31st Street Temple, TX76508 27-3026151	Hospital Services	ТХ	501 (c)(3)	Line 3	Healthcare	Yes	
Scott & White Hospital-College Station					C th O Milester		
2401 S 31st Street Temple, TX76508 27-4434451	Hospital Services	ТХ	501 (c) (3)	Line 3	Scott & White Healthcare	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 (b)(1 contro organiz	n 512 13) olled
						Yes	No
Brenham Hospital Services Corporation 2401 S 31st Street Temple, TX76508 74-2605157	O perational Support	тх	501 (c)(3)	Line 11a, I	Scott & White Healthcare	Yes	
Scott & White Foundation-Brenham							
2401 S 31st Street Temple, TX76508 74-2460815	Fundraising	тх	501 (c)(3)	Line 7	Scott & White Hospital-Brenham	Yes	
Brenham Care Center							
2401 S 31st Street Temple, TX76508 74-2663229	Healthcare	тх	501 (c)(3)	Line 9	Scott & White Hospital-Brenham	Yes	
Hillcrest Family Health Center							
100 Hillcrest Medical Blvd Waco, TX76712 74-2730350	Healthcare	ТХ	501 (c)(3)	Line 11c, III-FI	Hillcrest Baptist Medical Center	Yes	
Hillcrest Physician Services							
100 Hillcrest Medical Blvd Waco, TX76712 74-2967081	Physician Services	ТХ	501 (c)(3)	Line 11c, III-FI	Hillcrest Baptist Medical Center	Yes	
Scott & White Lake of the Hills Regional Medical Center 2401 S 31st Street Temple, TX76508 45-1608264	Hospital Services	ТХ	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	

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

Form 990, Schedule R, Part IV - Ident	inication of R	erateu Organiza	tions raxable 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
Scott & White Properties Holdings Inc 2401 S 31st Street Temple, TX76508 45-2920596	Investment	TX	N/A	С			
Scott & White Properties Inc 2401 S 31st Street Temple, TX76508 74-2497061	Hotel Services	ТХ	N/A	С			
Scott & White Assurance Ltd 23 Lime Tree Bay Grand Cayman, Grand Cayman CJ 98-0589956	Captive Insurance company	CJ	N/A	С			
Hillcrest Holdings Inc 3000 Herring St Waco, TX76708 74-2793367	O perational Support	ТХ	N/A	С			
Atumida 2401 S 31st Street Temple, TX76508 27-0583030	Research	ТХ	N/A	С			
Insurance Company of Scott & White 2401 S 31st Street Temple, TX76508 74-3092083	Insurance	ТХ	N/A	С			
Charitable Remainder Trust #1 PO Box 6101 Temple, TX765036101 52-6854329	Investment Trust	ТХ	N/A	Т			
Charitable Remainder Trust #2 PO Box 6101 Temple, TX765036101 20-6463694	Investment Trust	ТХ	N/A	Т			
Charitable Remainder Trust #3 PO Box 6101 Temple, TX765036101 41-6504860	Investment Trust	ТХ	N/A	Т			
Charitable Remainder Trust #4 PO Box 6101 Temple, TX765036101 74-2751167	Investment Trust	ТХ	N/A	Т			
Charitable Remainder Trust #5 PO Box 6101 Temple, TX765036101 74-6391353	Investment Trust	ТХ	N/A	Т			
Charitable Remainder Trust #6 PO Box 6101 Temple, TX765036101 74-6397360	Investment Trust	тх	N/A	Т			
Charitable Remainder Trust #7 PO Box 6101 Temple, TX765036101 74-2751168	Investment Trust	тх	N/A	Т			
Charitable Remainder Trust #8 PO Box 6101 Temple, TX765036101 74-6423552	Investment Trust	ТХ	N/A	т			



Ernst & Young LLP



Scott & White Healthcare

Consolidated Financial Statements and Other Financial Information

Years Ended August 31, 2011 and 2010

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Report of Independent Auditors

The Board of Trustees Scott & White Healthcare

We have audited the accompanying consolidated balance sheets of Scott & White Healthcare as of August 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of Scott & White Healthcare's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Scott & White Healthcare's internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Scott & White Healthcare's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scott & White Healthcare at August 31, 2011 and 2010, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

December 16, 2011

1108-1281479

Ernst + Young LLP



Scott & White Healthcare

Consolidated Balance Sheets

	August 31				
	20			2010	
	(In Thousands)				
Assets					
Current assets					
Cash and cash equivalents		2,848	\$	171,733	
Assets limited as to use, current portion	2	4,464		40,258	
Accounts receivable					
Patient, less allowance for doubtful accounts (\$124,878					
in 2011 and \$87,773 in 2010)	19	4,039		171,968	
Premiums, less allowance for doubtful accounts (\$228					
in 2011 and \$206 in 2010)		0,092		75,046	
Other		2,928		36,421	
Inventory		2,658		20,864	
Total current assets	46	7,029		516,290	
Assets limited as to use					
For restricted purposes	12	7,684		114,835	
Internally designated for specific purposes	48	9,105		440,529	
Held by trustees under bond agreements	28	2,484		352,984	
	89	9,273		908,348	
Less current portion	(2	4,464)		(40,258)	
	87	4,809		868,090	
Property and equipment, net	90	8,265		786,755	
Investment in unconsolidated entity	3	9,797		38,596	
Interest in net assets of supporting foundations		6,171		9,553	
Other assets	3	7,338		36,936	
Total assets	\$ 2,33	3,409	\$ 2	2,256,220	

1108-1281479

	August 31			
	2011		2010	
	(In Thousands)			
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 70,66	60	\$ 61,319	
Accrued expenses and other liabilities	99,59	9 5	104,250	
Medical claims payable	21,70	7	19,786	
Due to third- party payers	11,23	66	16,851	
Current portion of long-term debt	103,25	54	60,226	
Long-term obligations subject to remarketing agreements		_	27,026	
Total current liabilities	306,45	52	289,458	
Long-term debt, less current portion	977,80		997,048	
Contingent professional liabilities	32,70		35,456	
Interest rate swap agreements	106,93		123,282	
Pension and other post-employment benefit liabilities	29,17		29,499	
Other liabilities	40,69		45,385	
Total liabilities	1,493,81	8	1,520,128	
Commitments and contingencies		_	_	
Net assets				
Attributable to noncontrolling interests in consolidated entities	9,58	80	8,649	
Attributable to Scott & White Healthcare	,		,	
Unrestricted	734,23	80	643,459	
Temporarily restricted	58,10	9	49,399	
Permanently restricted	37,67		34,585	
Total net assets	839,59		736,092	
Total liabilities and net assets	\$ 2,333,40	9	\$ 2,256,220	

See accompanying notes.

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Scott & White Healthcare

Consolidated Statements of Operations

	Y	ear Endec 2011	d August 3 2010	1
		usands)		
Unrestricted revenues and other support				
Net patient service and premium revenue	\$ 1,	,996,144	\$ 1,840,1	
Other operating revenue		91,887	85,9	
Total operating revenue	2,	,088,031	1,926,0	99
Operating expenses				
Salaries and wages		819,881	719,1	41
Employee benefits		164,848	153,1	74
Supplies		315,751	296,7	00
Purchased services		256,595	240,0	02
Staff enrichment		18,864	16,69	97
Medical claims		182,777	180,9	78
Depreciation		81,240	71,9	28
Interest		26,727	25,10	68
Provision for bad debts		169,303	126,3	23
Total operating expenses	2.	,035,986	1,830,1	11
Net operating income		52,045	95,9	88
Nonoperating gains (losses)				
Contributions, gifts, and bequests		1,202	1,0	69
Investment income		40,882	20,7	00
Interest rate swap and put activity		3,924	(67,8)	03)
Research, education, and other nonoperating activity		(5,947)	(8,8)	42)
		40,061	(54,8)	76)
Excess of revenues and gains over expenses and losses		92,106	41,1	12
Less excess of revenues and gains over expenses and losses				
attributable to noncontrolling interests in consolidated entities		(829)	(1,2	81)
Excess of revenues and gains over expenses and losses attributable to Scott & White Healthcare	\$	91,277	\$ 39,83	31

See accompanying notes.

Scott & White Healthcare

Consolidated Statements of Changes in Net Assets

		Year Ended A 2011	ugust 31 2010
		nds)	
Unrestricted net assets			
Excess of revenues and gains over expenses and losses	_	0.1. 5==	
	\$	91,277 \$	39,831
Net assets released from restriction for capital expenditures		3,293	3,136
Change in pension and other post-employment benefit liabilities Other		(226)	(6,103)
		(3,573)	3,450
Change in unrestricted net assets attributable to Scott & White Healthcare		90,771	40,314
		,	,
Temporarily restricted net assets			
Contributions, gifts, and bequests		29,621	16,864
Investment income		6,307	5,604
Net assets released from restrictions for expenditures		(23,842)	(15,172)
Other		(3,376)	491
Change in temporarily restricted net assets attributable to Scott &			
White Healthcare		8,710	7,787
Permanently restricted net assets			
Contributions, gifts, and bequests		2,614	466
Other		473	566
Change in permanently restricted net assets attributable to Scott &			
White Healthcare		3,087	1,032
Change in net assets attributable to Scott & White Healthcare		102,568	49,133
Change in net assets attributable to noncontrolling interests in		,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
consolidated entities		931	1,312
Total change in net assets		103,499	50,445
Net assets at beginning of year		736,092	685,647
	\$	839,591 \$	736,092

See accompanying notes.

Consolidated Statements of Cash Flows

	Year Ended August 31 2011 2010			_
	(In Thousands)			nds)
Operating activities				
Increase in net assets	\$	103,499	\$	50,445
Adjustments to reconcile increase in net assets to net cash				
provided by operating activities				
Unrealized gains on investment securities		(17,422)		(6,091)
Depreciation expense		81,240		71,928
Amortization of bond discounts		624		614
Gain on sale or disposal of assets, net		(87)		(2,512)
Recognition of deferred gains		(6,270)		(5,884)
Provision for bad debts		169,303		126,323
Contribution from acquisitions		(14,463)		_
Change in value of interest rate swap and put agreements		(16,343)		57,839
Change in investment in unconsolidated entities		(1,201)		(2,005)
Change in interest in net assets of supporting foundations		3,382		(305)
Change in pension and other post-employment liabilities		(328)		5,928
Changes in operating assets and liabilities, net of				
acquisitions				
Assets limited as to use		(25,278)		(53,915)
Accounts receivable		(196,204)		(155,268)
Other assets		648		(3,224)
Inventory		(826)		(1,087)
Accounts payable		7,573		8,393
Accrued expenses and other liabilities		(5,588)		(1,791)
Medical claims payable		1,921		(4,788)
Due to third-party payers		(5,739)		7,039
Contingent professional liabilities		(2,755)		(9,124)
Net cash provided by operating activities		75,686		82,515
Investing activities				
Decrease (increase) in assets limited as to use		52,233		(328,003)
Property and equipment acquired		(193,086)		(96,864)
Proceeds from sale of property and equipment		473		3,314
Cash obtained in acquisitions		1,498		8,676
Net cash used in investing activities		(138,882)		(412,877)

Consolidated Statements of Cash Flows (continued)

	Year Ended August 31			
		2011	2010	
		(In Thous	ands)	
Financing activities				
Proceeds from borrowings	\$	66,848 \$	368,240	
Repayment of long-term debt		(72,537)	(56,969)	
Net cash (used in) provided by financing activities		(5,689)	311,271	
Net decrease in cash and cash equivalents		(68,885)	(19,091)	
Cash and cash equivalents at beginning of year		171,733	190,824	
Cash and cash equivalents at end of year	\$	102,848 \$	5 171,733	

See accompanying notes.

1108-1281479 7

Notes to Consolidated Financial Statements

August 31, 2011

1. Organization

Scott & White Healthcare (SWH) is a non-profit corporation exempt from federal taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC Scott & White Healthcare controlled entities and noncontrolled affiliate entities include over 1,700 licensed hospital beds, over 60 clinic locations, and a health maintenance organization primarily serving the central and eastern regions of Texas

Scott & White Healthcare and subsidiaries are collectively referred to herein as Scott & White

2. Organizational Changes

Scott & White has adopted a strategic plan to expand both hospital and clinic operations for the purpose of enhancing Scott & White's relative importance to managed care networks, expanding and capturing market share, and broadening the integrated delivery system to capture a higher number of complex cases Consistent with Scott & White's strategic plan, two acquisitions were executed in fiscal year 2011

Effective September 1, 2010, Scott & White consummated a Membership Interest Agreement to become the sole member of Johns Community Hospital (JCH) located in Taylor, Texas Simultaneous with this agreement, the corporate name of JCH was changed to Scott & White Hospital – Taylor (SWHT) SWHT is included in the accompanying consolidated financial statements beginning September 1, 2010

Effective January 1, 2011, Scott & White consummated an Asset Purchase Agreement with the Llano County Hospital Authority, dba Llano Memorial Healthcare System (LMHS), located in Llano, Texas Under the terms of the Asset Purchase Agreement, substantially all assets and liabilities of the LMHS were transferred to Scott & White Hospital – Llano (SWHL), an entity formed by Scott & White to complete this transaction Scott & White is sole member of SWHL SWHL is included in the accompanying consolidated financial statements beginning January 1, 2011

Assets acquired and liabilities assumed in the aforementioned transactions were \$20,735,000 and \$6,272,000, respectively These transactions required nominal consideration from Scott & White and were accounted for as acquisitions under Accounting Standards Codification (ASC) 958-805 As such, a contribution equal to the fair value of net assets acquired less consideration paid

Notes to Consolidated Financial Statements (continued)

2. Organizational Changes (continued)

was recognized by Scott & White at each date of acquisition Total contributions recognized as a result of these transactions were \$14,463,000 and are included in research, education and other nonoperating activity in the consolidated statement of operations and statement of changes in net assets

Consistent with Scott & White's strategic plan, one acquisition was executed in fiscal year 2010 Effective July 1, 2010, Scott & White acquired Trinity Health Services Corporation, Trinity Community Medical Center of Brenham, Trinity Health Services Foundation, and Trinity Care Center, which are collectively referred to herein as the Brenham Entities Subsequent to this acquisition, Scott & White changed the corporate name of each acquired entity

Assets acquired and liabilities assumed in the aforementioned transaction were \$45,682,000 and \$45,682,000, respectively, after the application of a purchase price adjustment to the value of assets acquired

The following table presents total operating revenue, net operating income, and the total change in net assets of the entities acquired in 2011 and 2010 discussed in this note that are included in the consolidated statements of operations and statements of changes in net assets of Scott & White

	Year Ended August 31			
		2011		
	(In Thousands)			
Total operating revenue	\$	77,391	\$	7,755
Net operating income		1,932		818
Total change in net assets		17,483		(324)

The following table is a pro forma presentation of total operating revenue, net operating income, and total change in net assets of Scott & White as if the acquired entities discussed in this note had occurred on September 1, 2009 This pro forma presentation was prepared using the historical financial statements of JCH, LMHS, the Brenham Entities, and Scott & White The pro forma presentation is not necessarily indicative of the results that would have occurred had JCH, LMHS, and the Brenham Entities been acquired on September 1, 2009

Notes to Consolidated Financial Statements (continued)

2. Organizational Changes (continued)

		ıdited d August 31
	2011	2010
	(In Th	ousands)
Total operating revenue	\$ 2,098,158	\$ 2,008,375
Net operating income	52,533	99,859
Total change in net assets	88,632	64,336

3. Significant Accounting Policies

Principles of Consolidation

The equity method of accounting is used for investments in entities in which Scott & White has significant influence but not control Entities in which Scott & White has control but not sole membership are included in the consolidated financial statements, with a noncontrolling interest recorded in the excess or deficit of revenues and gains over expenses and losses All entities in which Scott & White has sole membership are consolidated in the accompanying consolidated financial statements All significant intercompany accounts and transactions among entities included in the consolidated financial statements have been eliminated in consolidation

Cash Equivalents

Scott & White considers all undesignated highly liquid investments with maturities of three months or less when purchased to be cash equivalents

Inventory

Inventory is stated at cost (first-in, first-out method), which is not in excess of market value

Accounts Receivable

Patient accounts receivable are stated at estimated net realizable value Scott & White maintains allowances for uncollectible accounts for estimated losses resulting from a payer's inability to make payments on accounts Scott & White uses a balance sheet approach to value the allowance account based on historical write-offs, payer type, and the aging of the accounts Accounts are

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

written off when collection efforts have been exhausted Management continually monitors and adjusts, as necessary, allowances associated with its receivables. The majority of uncollectible accounts are from uninsured patients and patient co-pays and deductibles.

Significant concentrations of patient accounts receivable were 30% and 27% at August 31, 2011 and 2010, respectively, from state and federal government-related programs

Premiums receivable are established for medical premium revenue and generally are not collateralized Premiums receivable also include receivables generated through the cost contract established between Scott & White's health maintenance organization and the Centers for Medicare and Medicaid Services (CMS) At August 31, 2011 and 2010, the amount receivable under this contract was \$62,062,000 and \$54,971,000, respectively Subsequent to August 31, 2011, \$40,489,000 has been received from CMS

Significant concentrations of premiums receivable were 99% and 98% at August 31, 2011 and 2010, respectively, from state and federal government-related programs

Assets Limited as to Use

Assets limited as to use include assets held for donor or other restricted purposes, assets designated by the Scott & White Board of Trustees for specific purposes such as facility replacement and initiatives that promote the Scott & White mission, and assets held in trust under bond agreements

Assets limited as to use primarily consist of cash, cash equivalents, debt securities, equity securities, and alternative investments Assets limited as to use are classified as trading or other than trading based on the manner in which Scott & White manages its investment portfolio Investments in cash equivalents, debt securities, and equity securities are stated at fair value

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or estimated fair value at the date of donation Depreciation is computed on the straight-line method using the estimated economic lives of the depreciable assets, generally ranging from two to forty years. The amortization related to assets recorded under capital leases is included within depreciation expense.

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

Expenditures which materially increase values, change capacities, or extend useful lives are capitalized Routine maintenance and repair items are charged to operating expenses. The estimated useful lives of the classes of depreciable assets are as follows

Land improvements	2 to 25 years
Buildings and improvements	5 to 40 years
Fixed and movable equipment	3 to 20 years

Scott & White evaluates whether events and circumstances have occurred that would require a revision to the remaining estimated useful life of long-lived assets or would indicate that the remaining balance of an asset is not recoverable. The assessment of possible impairment is based on whether the carrying amount of an asset exceeds the expected total undiscounted value of cash flows expected to result from the use of the asset and its eventual disposition. No impairment charges were recorded in 2011 or 2010

Property and equipment and related accumulated depreciation are as follows

	August 31			
	 2011 201			
	(In Thouse	ands)		
Land and improvements	\$ 70,825 \$	50,366		
Buildings and improvements	732,602	695,810		
Fixed and movable equipment	713,947	621,631		
Construction-in-progress	 123,590	80,163		
	1,640,964	1,447,970		
Less accumulated depreciation	 (732,699)	(661,215)		
	\$ 908,265 \$	786,755		

Scott & White accounts for asset retirement obligations under the provisions of ASC 410-20, regarding accounting for conditional asset retirement obligations. The asset retirement obligation as of August 31, 2011 and 2010, was \$9,115,000 and \$8,946,000, respectively, which is recorded in other liabilities in the consolidated balance sheets and relates to required future asbestos remediation

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

Derivative Financial Instruments

Scott & White accounts for its derivatives under ASC 815-10, *Derivatives and Hedging*, regarding accounting for derivative instruments and hedging activities. Scott & White utilizes interest rate swap and put agreements (derivative agreements) to mitigate interest rate exposures. Scott & White's derivative agreements are measured at fair value and are reflected in the consolidated balance sheets as either a long-term asset or long-term liability. None of Scott & White's derivative financial instruments qualify for hedge accounting at August 31, 2011 or 2010. Changes in the fair value of the derivative agreements and the expense, representing the net of the payments made or received under the derivative agreements, are recorded as a component of nonoperating gain (losses) in the consolidated statements of operations.

Interest in Net Assets of Supporting Foundations

Scott & White accounts for its interest in the net assets of supporting foundations under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, regarding transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others

At August 31, 2011 and 2010, Scott & White's interest in the net assets of supporting foundations not eliminated upon consolidation was approximately \$6,171,000 and \$9,553,000, respectively

Medical Claims Payable

Medical claims payable represent management's best estimate of the ultimate net cost of all reported and unreported claims and claim adjustment expenses incurred through August 31, 2011 and 2010 Reserves for unpaid claims are actuarially estimated using individual case-basis valuations and statistical analysis These estimates are subject to the effects of trends in claim severity and frequency Although considerable variability is inherent in such estimates, management believes that reserves for unpaid claims are adequate The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known Such adjustments are included in operations when determined

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

Contributions, Gifts and Bequests

Scott & White records contributions, gifts, and bequests of cash or other assets at estimated fair value on the date of receipt. If a contribution, gift, or bequest of cash or other assets is received by Scott & White with a time or purpose restriction, Scott & White records the contribution, gift, or bequest as a temporarily or permanently restricted contribution.

When a time or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restrictions

Scott & White's temporarily restricted net assets are primarily restricted for research, education, capital projects, and medical care programs

Scott & White's permanently restricted net assets are primarily restricted for endowment purposes Unless explicitly restricted by donors, income from permanently restricted net assets is recorded as temporarily restricted until appropriated for expenditure

Net Patient Service and Premium Revenue

Revenue is recognized in the period in which services are performed. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations

Premium revenue is recognized as revenue during the period in which members are entitled to receive health care Unearned premiums are determined on a daily pro rata basis. For the years ended August 31, 2011 and 2010, net patient service and premium revenue included premium revenue of \$546,559,000 and \$563,971,000, respectively

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

Charity Care

Scott & White provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity policy Because Scott & White does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue In 2011, prior to application of disproportionate share funds of approximately \$17,898,000 received from the state of Texas, charges forgone for charity care, based on established rates, were approximately \$239,875,000 In 2010, prior to application of disproportionate share funds of approximately \$14,159,000 received from the state of Texas, Scott & White charges forgone for charity care, based on established rates, were approximately \$183,578,000

Health Insurance Program Reimbursement

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 6%, respectively, of Scott & White's net patient service and premium revenue for the year ended August 31, 2011, and 30% and 5%, respectively, for the year ended August 31, 2010 Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation 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 As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term The 2011 and 2010 net patient service revenue increased approximately \$1,364,000 and \$12,409,000, respectively, due to changes in allowances previously estimated as a result of the final settlements for years that are no longer subject to audits, reviews, and investigations Scott & White believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing

Medicare cost reports filed by Scott & White for all years before 2006 have been audited and settled as of August 31, 2011 Subsequent to August 31, 2011, \$40,489,000 was received from CMS, settling the 2006, 2007, and certain 2008 cost reports outstanding at August 31, 2011

Amounts due to the Medicare and Medicaid programs totaled approximately \$11,236,000 and \$16,851,000 at August 31, 2011 and 2010, respectively, and are included in due to third-party payers in the accompanying consolidated balance sheets

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

Nonoperating Gains and Losses

Nonoperating gains and losses include unrestricted contributions, gifts and bequests, investment income, research and education expenditures net of assets released from restrictions for research and education expenditures, interest rate swap and put activity, income from investment in unconsolidated entity, contributions recorded as a result of acquisitions and other income, gains, and losses unrelated to Scott & White's primary operations

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses in the accompanying consolidated statements of operations, which includes all changes in unrestricted net assets other than net assets released from restrictions for capital expenditures, changes in unrestricted net assets due to acquisitions, change in pension and other post-employment benefit liabilities, unrealized gains and losses on other-than-trading investment securities, and includes noncontrolling interests

Income Tax

Scott & White evaluates its income tax positions in accordance with ASC 740-10, regarding accounting for uncertainty in income taxes ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There are no material unrecorded tax liabilities as of August 31, 2011 and 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of Scott & White to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any Scott & White considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following recognition of net patient revenues, including contractual allowances, provisions for bad debt, reserves for losses and expenses related to health care professional and general liabilities, determination of fair values of certain financial instruments, and risks and assumptions for measurement of

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

medical claims incurred but not reported, and defined benefit liabilities Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates Actual results could differ materially from these estimates

New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued ASC 810-10, *Consolidation*, regarding noncontrolling interests in consolidated financial statements ASC 810-10 became effective for Scott & White on September 1, 2010 ASC 810-10 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary ASC 810-10 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests Adoption of ASC 810-10 did not have a material effect on the consolidated financial statements, other than reclassifying Scott & White's noncontrolling interests (previously shown as minority interest) to a component of net assets on the consolidated balance sheets

In April 2009, the FASB issued ASC 958-805, *Business Combinations [Not-for-Profit Entities]*, which governs the accounting for mergers and acquisitions of not-for-profit entities Certain provisions of ASC 958-805 became effective for Scott & White on December 15, 2009, while certain other provisions became effective for Scott & White on September 1, 2010 ASC 958-805 establishes principles and requirements for how a not-for-profit entity

- Determines whether a combination is a merger or an acquisition,
- Applies the carryover method in accounting for a merger,
- Applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and
- Determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition

Adoption of ASC 958-805 resulted in the recognition of a contribution pursuant to the acquisitions of LMHS and JCH during the fiscal year ended August 31, 2011 See Note 2

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements* ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements are required to be presented separately This ASU was effective for Scott & White beginning September 1, 2010 for all disclosures except those pertaining to Level 3 activity, which will become effective for Scott & White beginning September 1, 2011 Adoption of ASU 2010-6 did not have a material effect on the consolidated financial statements

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, which is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. This update requires that cost be used as the measurement basis for charity care. Cost can be defined as the direct and indirect cost of providing care. Disclosure of the method used for determining this cost is also required. Scott & White has elected to adopt the provisions of ASU 2010-23 at August 31, 2011, as permitted by this standard. Adoption of ASU 2010-23 did not have a material effect on the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which is intended to reduce the diversity in practice regarding the accounting for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. This update clarifies that health care entities should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. This update will be effective for Scott & White beginning September 1, 2011. Management is evaluating the potential effect of adopting ASU 2010-24.

In July 2011, the FASB issued ASU 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities, which is intended to increase transparency about a health care entity's net patient service revenue and related allowance for doubtful accounts. This update 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. Additionally, these health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. This update will be effective for Scott & White beginning September 1, 2012. Management is evaluating the potential effect of adopting ASU 2011-07

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

Reclassification

Certain assets limited as to use which are held for payment of insurance liabilities have been reclassified from internally designated for specific purposes to for restricted purposes on the consolidated balance sheet at August 31, 2010 to conform to the presentation in the consolidated balance sheet at August 31, 2011 The reclassification resulted in a decrease in internally designated for specific purposes and an increase in for restricted purposes in the amount of \$37,000,000 for the year ended August 31, 2010 Assets held for payment of insurance liabilities included in for restricted purposes at August 31, 2011 totaled \$34,639,000

In the current year management identified additional intercompany revenues and expenses that were not eliminated in prior years Scott & White has eliminated the additional intercompany revenues and expenses in the accompanying consolidated statements of operations for the fiscal years ended August 31, 2011 and 2010 This elimination resulted in a decrease in operating revenue and a decrease operating expense in the amount of \$34,887,000 and \$37,603,000 for fiscal years ended August 31, 2011 and 2010, respectively

Out of Period Adjustments

In the current fiscal year, management identified certain accounting errors related to prior fiscal periods' financial statements Management determined the impact of these misstatements to be immaterial to Scott & White's consolidated financial position and results of operations for each of the fiscal periods affected, and recorded out of period adjustments to correct these misstatements in the fiscal year ended August 31, 2011 These out of period adjustments resulted in a decrease in operating income and a decrease in net assets of \$8,097,000 and \$11,315,000, respectively, for the fiscal year ended August 31, 2011

The out of period adjustments recorded by management were related to an overstatement of receivables associated with the cost contract between Scott & White's health maintenance organization and CMS (See Note 3), the elimination of a deferred tax benefit at one of Scott & White's for-profit subsidiaries recorded in error, and cutoff issues of certain expenses

Notes to Consolidated Financial Statements (continued)

4. Investment in Unconsolidated Entity

In fiscal year 2008, Scott & White acquired a 32% membership interest in Metroplex Adventist Hospital (MAH), a Texas nonprofit corporation, located in Killeen, Texas Prior to execution of the membership interest agreement, Adventist Health System Sunbelt Healthcare Corporation was the sole member of MAH Scott & White accounts for its interest in MAH under the equity method of accounting

The initial investment in MAH was recorded at cost of \$36,489,000. The cost of the investment in MAH included cash disbursed, the fair value of other assets distributed, and the direct costs associated with acquiring the interest. Other assets provided by Scott & White as consideration in the transaction consisted of various agreements of benefit to MAH whose values were unrecorded in Scott & White's consolidated financial statements at the time the membership interest agreement was consummated. A number of these agreements are effective until termination of the membership interest agreement. A deferred gain equal to the independently appraised fair value of the other assets exchanged in the amount of \$26,640,000 was recorded and is included in other liabilities in the accompanying consolidated balance sheet, of which \$4,061,000 and \$3,428,000 were recognized during fiscal years 2011 and 2010, respectively. The deferred gain yet to be recognized was \$13,683,000 and \$17,744,000 at August 31, 2011 and 2010, respectively. The deferred gain will be recognized as Scott & White's obligation under each agreement is satisfied or in ten years, which is the period of time from the consummation of the membership interest agreement to the point at which the membership interest agreement may be terminated without cause, whichever is less

At August 31, 2011 and 2010, the difference between the amount at which the investment in MAH was carried and Scott & White's interest in the underlying net assets of MAH was \$9,972,000 and \$11,278,000, respectively. The excess cost over interest in the underlying net assets of MAH is being amortized over ten years, which was determined to be the lesser of the approximate remaining life of the assets to which the excess cost over carrying value relates or the period of time from the consummation of the membership interest agreement to the point at which the membership interest agreement may be terminated without cause

Notes to Consolidated Financial Statements (continued)

5. Contingent Professional Liabilities

Scott & White self-insures substantially all of its professional liability risk through a wholly owned insurance subsidiary Commercial insurance policies are maintained to insure claims exceeding \$7,000,000 individually or \$35,000,000 in the aggregate during 2011 on a claims-made basis Contingent professional liabilities are recorded for incurred but not reported claims and reported claims based on estimates by independent actuaries Assets have been designated to satisfy professional and general liabilities and are reported in the consolidated balance sheets as assets limited as to use

6. Reinsurance

Scott & White's health maintenance organization cedes certain premium revenues and medical claims under a reinsurance agreement. The ceded reinsurance agreement provides Scott & White with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. Scott & White maintains a reinsurance contract under which it is reimbursed for a percentage of claim expenses incurred in excess of a deductible and up to a maximum benefit per member per year.

Under the contract, Scott & White is not relieved of its primary obligation to provide health care coverage to members. For the years ended August 31, 2011 and 2010, the annual deductible was \$600,000 and \$500,000 per member, respectively and the maximum benefit per member was \$10,000,000 Coinsurance benefits for the years ended August 31, 2011 and 2010 vary by type of service

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt

	August 31			3 1
		2011		2010
		(In The	าแรสห	nds)
Revenue bonds, Series 2010, interest at 5 36%, payable semiannually, principal payable through 2045 (principal payments begin in 2011)	\$	344,325	\$	345,775
Revenue bonds. Series 2008-1, variable rate interest payable monthly (0 19% at August 31, 2011), principal payable		ŕ		
annually through 2041 (principal payments begin in 2030) Revenue bonds. Series 2008-2, variable rate interest payable monthly (0 17% at August 31, 2011), principal payable		85,775		85,775
annually through 2046 (principal payments begin in 2030) Revenue bonds, Series 2008-3, refunded through tax-exempt		94,395		94,395
note payable Revenue bonds, Series 2008A, interest at 5 31%, payable		-		56,225
semiannually, principal payable annually through 2031 FHA Revenue bonds. Series 2006, interest at 4 60%, payable		159,600		164,625
semiannually, principal payable annually through 2035 Revenue bonds, Series 1999, interest at 5 75%, payable		231,910		236,666
semiannually, principal payable annually through 2024 Revenue bonds, Series 2004, interest at 4 06%, payable		6,310		6,805
semiannually, principal payable annually through 2014 Note payable, fixed rate interest and principal payable quarterly		4,392		4,566
beginning in 2011 through 2012 Tax-exempt note payable, variable interest rate, payable		19,933		20,532
monthly, matures 2017		56,225		_
Note payable, variable interest rate payable quarterly, matures 2012		30,000		30,000
Note payable, fixed interest payable monthly, matures 2012		20,000		20,000
Interim financing and lines of credit		50,300		44,300
Capital lease and other obligations		12,458		9,765
		1,115,623		1,119,429
Less long-term obligations subject to reimbursement		, , -		-
agreements		_		(27,026)
Net unamortized discount		(34,505)		(35,129)
Less current maturities		(103,254)		(60,226)
Long-term portion of debt	\$	977,864	\$	997,048

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

Scott & White's Series 2008 Revenue Bonds were issued as variable rate demand bonds in June 2008 They were originally issued in three subseries with a total par amount of \$236,395,000 In October 2010, the Series 2008-3 Bonds were refunded with a tax-exempt note in the amount of \$56,225,000 as part of a strategy to manage maturities of the irrevocable direct-pay letters of credit used to support the payment of principal and interest on the Series 2008 Bonds The direct-pay letter of credit associated with the Series 2008-3 Bonds was terminated at the time of refunding The irrevocable direct-pay letters of credit associated with the Series 2008-1 and Series 2008-2 Bonds were replaced in April 2011 in advance of their stated expirations Unless either remaining direct pay letters of credit is extended, terminated early, or replaced, the letters of credit supporting the Series 2008-1 and Series 2008-2 Bonds will expire April 11, 2015 and April 11, 2014, respectively

In June 2010, Scott & White issued the Series 2010 Revenue Bonds with a total par amount of \$345,775,000 The majority of the proceeds are being used to fund development and construction costs of various expansion and construction projects The Series 2010 Revenue Bonds mature on various dates through August 2045 Interest is paid semiannually in February and August of each year, beginning on February 15, 2011

Series 2006 Waco Health Facilities Development Corporation (Waco) FHA Insured Revenue Bonds were issued in December 2006 The Series 2006 Bonds were issued in two subseries consisting of Series 2006A bonds (tax-exempt) in the amount of \$208,375,000 and Series 2006B bonds (taxable) in the amount of \$31,755,000, with a total par amount of \$240,130,000 The Series 2006 Bonds are subject to optional early redemption after August 1, 2016 To satisfy a requirement under the Series 2006 Revenue Bonds master indenture, a guaranteed investment contract was purchased and is held in trust in an amount equivalent to one year of debt service The guaranteed investment contract has a value of \$17,615,000 at August 31, 2011 and 2010 The Series 2006 Bonds are secured by trust revenue and FHA Mortgage insurance

As of August 31, 2011 and 2010, Scott & White has \$123,460,000 and \$115,436,000, respectively, in additional long-term debt, which includes capitalized leases, notes payable to others, and lines of credit drawn

The bond indentures and other interim financing agreements, including the revolving lines of credit, each contain certain restrictive covenants, including minimum levels of cash and debt service coverage Management believes Scott & White is in compliance with all financial covenants

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

The maturities of Scott & White's long-term debt as of August 31, 2011, are shown below (in thousands)

2012	\$ 103,254
2013	17,724
2014	20,707
2015	51,811
2016	16,989
Thereafter	905,138
	1,115,623
Less unamortized discount	(34,505)
	1,081,118

Total interest expense incurred during fiscal 2011 and 2010 was approximately \$26,727,000 and \$25,168,000, respectively, net of approximately \$18,605,000 and \$5,101,000 of capitalized interest costs in 2011 and 2010, respectively Interest paid during fiscal 2011 and 2010 was approximately \$46,072,000 and \$25,887,000, respectively, including amounts capitalized

The estimated fair value of Scott & White's debt is \$1,121,168,000 and \$1,136,506,000 at August 31, 2011 and 2010, respectively Fair values were derived from market quotes obtained from an independent financial advisor

8. Interest Rate Swap Agreements

Interest rate swap agreements (derivative agreements) between Scott & White and third parties (counterparties) provide for the periodic exchange of payments between the parties based on changes in a defined index, and a fixed rate Derivative agreements expose Scott & White to market risk and credit risk

Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions Counterparty credit risk is managed by requiring high credit standards for Scott & White's counterparties The counterparties to these contracts are financial institutions that carry investment-grade credit

Notes to Consolidated Financial Statements (continued)

8. Interest Rate Swap Agreements (continued)

ratings The interest rate swap agreements contain certain collateral provisions applicable to both parties to mitigate credit risk Scott & White does not anticipate nonperformance by its counterparties

Market risk is the adverse effect on the value of Scott & White's swap agreements that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. Management also mitigates market risk through periodic reviews of its derivative positions in the context of its blended cost of capital. Scott & White can terminate any of the swap agreements at any time and would make or receive a payment depending on the fair value of the swap agreements on the date of termination.

As of August 2011, Scott & White has interest rate swap agreements with a total notional amount of \$570,375,000, as compared to \$405,365,000 as of August 31, 2010 These include five active fixed payer interest rate swap agreements associated with the Series 2008-1 and 2008-2 variable rate demand bonds and a tax-exempt note executed in October 2010 Additionally, Scott & White has two forward fixed payer interest rate swap agreements originally associated with variable rate demand bonds which were refunded in August 2008 In February 2011, Scott & White entered into two forward fixed receiver interest rate swap agreements with the intent to offset the cash flows of the forward fixed payer swaps

Scott & White has experienced negative mark-to-market valuations in its swap positions resulting in liabilities to the counterparties which exceeded contractually established thresholds To manage the collateral posting requirements, Scott & White amended all swap agreements with the counterparties to allow letters of credit to become a form of eligible collateral for amounts required in excess of stated thresholds. In January 2011, to further manage the impact of future negative mark-to-market valuations on its active swap transactions, Scott & White amended two of the five active fixed payer interest rate swaps to remove collateral posting requirements Additionally, the three unamended active fixed payer swap agreements were novated to new counterparties. The new terms of the novated swap agreements included favorable increase in the minimum threshold above which collateral postings are required. At August 31, 2011, a letter of credit for an amount not to exceed \$50,000,000 was available for collateral support related to the four forward swap agreements outstanding at that date. The counterparty holds the undrawn letter of credit and an actual draw would only be initiated if an event of default or a termination event occurs and is continuing Since Scott & White's credit rating determines the required collateral threshold amount related to each swap, a downgrade in credit rating could have significant impact on collateral posting requirements

Notes to Consolidated Financial Statements (continued)

8. Interest Rate Swap Agreements (continued)

Certain swap agreements and put agreements were terminated in 2010 resulting in a termination payment to the counterparty of \$967,000 and a termination payment from the counterparty of \$3,600,000 No swap agreements were terminated in 2011

Net settlement expense on interest rate swap agreements totaled \$12,419,000 and \$9,964,000 for the years ended August 31, 2011 and 2010, respectively. Net settlement expense and the change in fair value on interest rate swap agreements are reported in the nonoperating section of the consolidated statements of operations. The fair value of interest rate swap agreements is reported in long-term liabilities on the consolidated balance sheets.

The following tables summarize Scott & White's swap transactions, including the fair value of each swap at August 31, 2011 and 2010, and the gain (loss) recorded relative to each agreement, in thousands

			Interest			Fair Value		Fair Value
Counterparty	Description	Termination Date	Rate Agreements	Notional Amount	8/31/2011	8/31/2010	8/31/2011	8/31/2010
Citigroup ¹	Fixed payer	nov ated	-	-	-	(\$37 134)	\$37 134	(\$16,312)
Deutsche Bank	Fixed payer	2041	2	\$85 775	(\$19 ()62)	-	(19.062)	-
Wells Fargo	Fixed payer	2046	1	56 225	(13 517)	-	(13 517)	-
Goldman Sachs	Fixed payer	2041 & 2046	2	94 395	(22.406)	(23 829)	1 423	(10.368)
IP Morgan	Forward fixed payer	2045	2	166 990	(59.396)	(62 319)	2 923	(27 772)
IP Morgan	Forward fixed receiver	2045	2	166 990	7 442	-	7 442	-
™ Morgan²	Put agreements	terminated	-	-	_	-	_	(3 484)
BBVA Compass ³	Fixed payer	terminated	-	-	_	-	-	98
				\$570.375	(\$106 939)	\$463 436	\$16,343	(\$57.839)

¹ Swap agreements were novated to new counterparties (Deutsche Bank and Wells Fargo) in January 2011

9. Employee Benefit Plans

Defined Contribution Plans

Scott & White provides defined contribution plans to eligible employees There are two types of primary contributions to these plans employer automatic contributions and employer matching contributions Employer automatic contributions are based on a percentage of each participant's

² Terminated in May 2010. Scott & White received termination payments from the counterparty of approximately \$3.600,000.

³ Swap agreement was terminated in June 2010

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

compensation and can vary based on years of service Employer matching contributions are based on each participant's contribution to his or her plan account each payroll period Scott & White's contribution expense to its defined contribution plans was approximately \$55,564,000 and \$48,085,000 in 2011 and 2010, respectively

Defined Benefit Plans

Scott & White has two defined benefit retirement plans at August 31, 2011 These two defined benefit retirement plans are collectively referred to herein as the Pension Plans The Pension Plans are currently frozen Benefits under the Pension Plans are based on each employee's years of service and compensation during the years immediately preceding retirement

The following section sets forth a reconciliation of benefit obligations, plan assets, and balance sheet position for the Pension Plans (in thousands)

	August 31			
		2011		2010
Change in benefit obligation				
Benefit obligation at beginning of year	\$	49,111	\$	23,835
Benefit obligations acquired		_		20,066
Interest cost		2,331		1,512
Liability actuarial (gain) loss		(1,024)		4,626
Benefits paid		(1,582)		(928)
Benefit obligation at end of year		48,836		49,111
Change in plan assets				
Fair value of plan assets at beginning of year		29,697		16,216
Fair value of plan assets acquired		_		13,331
Return on plan assets		3,375		560
Employer contributions		1,415		518
Benefits paid		(1,582)		(928)
Fair value of plan assets at end of year		32,905		29,697
Funded status	\$	(15,931)	\$	(19,414)

The amounts recognized as a change in unrestricted net assets totaled \$2,421,000 and (\$5,509,000) for the years ended August 31, 2011 and 2010, respectively

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

Components of net periodic benefit cost for the period were as follows (in thousands)

	August 31			
		2011		2010
Interest cost	\$	2,331	\$	1,512
Expected return on plan assets		(2,372)		(1,443)
Amortization of actuarial loss		395		
Net periodic benefit cost	\$	354	\$	69

Weighted-average assumptions used to determine net periodic benefit cost were as follows

	August 31			
	2011	2010		
Discount rate	4.84%	5 56%		
Expected long-term return on plan assets	8.00%	8 00%		

In determining the expected long-term rate of return on plan assets, a building block approach was used Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run Current market factors such as inflation and interest rates are evaluated before long-term market assumptions are determined The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing Peer data and historical returns are reviewed to check for reasonability and appropriateness

Information for pension plans with accumulated benefit obligations in excess of plan assets is as follows (in thousands)

	August 31				
	 2011 20		2010		
Projected benefit obligation	\$ 48,836	\$	49,111		
Accumulated benefit obligation	48,836		49,111		
Fair value of plan assets	32,905		29,697		

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

The following section sets forth information on the plan assets of the Pension Plans

The weighted-average asset allocations for the Pension Plans by asset category were as follows

	Percent of Plan Assets August 31		
	2011	2010	
Equity securities	86%	67%	
Debt securities	12	28	
Cash	2	5	
Total	100%	100%	

A total return investment approach is used, whereby a mix of equities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

Plan assets are held in the Texas Hospital Association Retirement Trust for member hospitals which invests plan assets for the plans of approximately 30 participating hospitals. The trust includes assets for both defined benefit and defined contribution plans. The investment objectives for the trust reflect two general goals.

- 1 To provide returns which improve the funded status of the participating hospitals' plans over time and reduce pension costs, and
- 2 To receive favorable performance from the pension fund's active managers in exchange for the fees paid to the investment management fund

Based on the Texas Hospital Association Retirement Trust's risk posture, the Trustees developed the following asset mix targets

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

Minimum funding fiscal year 2012

	TargetAllocation
Large cap U S equities Small cap U S equities International equities Fixed income	50% 15% 10% 25%

The following table illustrates the minimum contributions Scott & White must make to the Texas Hospital Association Retirement Trust in fiscal year 2012, as well as the estimated pension benefit payments, which reflect expected future service, as appropriate, that are projected to be paid each fiscal year through 2020 (in thousands)

\$

1.768

	Ψ	1,700
	Pa	yments
Estimated benefit payments		
Fiscal year ending August 31, 2012	\$	1,875
Fiscal year ending August 31, 2013		2,023
Fiscal year ending August 31, 2014		2,148
Fiscal year ending August 31, 2015		2,283
Fiscal year ending August 31, 2016 through August 31, 2020		16,635

At August 31, 2011 48% and 52% of plan assets were measured using Level 1 and Level 2 inputs, respectively At August 31, 2010 45% and 55% of plan assets were measured using Level 1 and Level 2 inputs, respectively

Other Post-Employment Benefits

Certain Scott & White employees participate in Scott & White's post-employment benefit plans that provide medical and dental benefits to retirees who meet specific eligibility requirements upon termination of active service. The plan is unfunded and requires covered retirees to contribute a portion of the cost of benefits. Scott & White uses an incremental cost approach in estimating the annual accrued cost related to post-employment benefit plans, which is based on estimates by independent actuaries. Such an approach is considered appropriate since substantially all of the health care benefits are provided by Scott & White to retirees, using Scott & White's health maintenance organization to manage the care provided

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

The following section sets forth a reconciliation of benefit obligations, plan assets, and balance sheet position for the Post-Employment Benefit Obligation (in thousands)

	August 31			
	2011	2010		
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 10,084 \$	9,314		
Employer service cost	481	61		
Interest cost	566	529		
Liability actuarial loss	1,762	402		
Plan participants' contributions	2,380	1,960		
Benefits paid	(2,769)	(2,098)		
Administrative expenses paid	(102)	(83)		
Plan change	 838	0		
Benefit obligation at end of year	13,240	10,085		
Change in plan assets				
Fair value of plan assets at beginning of year	_	_		
Employer contributions	491	221		
Plan participants' contributions	2,380	1,960		
Benefits paid	(2,769)	(2,098)		
Administrative expenses paid	 (102)	(83)		
Fair value of plan assets at end of year	 _			
Funded status	\$ (13,240) \$	(10,085)		

The amount recognized as a change in unrestricted net assets totaled (\$2,647,000) and (\$594,000) for the period ended August 31, 2011 and 2010, respectively

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

Components of net periodic benefit cost for the period were as follows (in thousands)

		August 31			
	:	2011		2010	
Interest cost	\$	566	\$	529	
Employer service cost		481		60	
Net prior service cost (credit) amortization		(47)		(86)	
Net loss (gain) amortization		_			
Net periodic benefit cost	\$	1,000	\$	503	

Weighted-average assumptions used to determine net periodic benefit cost were as follows

	August 31		
	2011	2010	
Discount rate Expected long-term return on plan assets	5.20% N/A	5 75% N/A	

The following table illustrates Scott & White's expected future net benefit payments (in thousands)

Darimanta

	Payn	nents
Estimated benefit payments by plan year		
Fiscal year ending August 31, 2012	\$	773
Fiscal year ending August 31, 2013		746
Fiscal year ending August 31, 2014		797
Fiscal year ending August 31, 2015		833
Fiscal year ending August 31, 2016 through August 31, 2020		6,655

10. Assets Limited as to Use

Scott & White's investment portfolio includes investments classified as trading and other-than-trading Investments classified as trading were \$796,636,000 and \$810,354,000 at August 31, 2011 and 2010, respectively

Notes to Consolidated Financial Statements (continued)

10. Assets Limited as to Use (continued)

Investments classified as other-than-trading were \$102,637,000 and \$97,994,000 at August 31, 2011 and 2010, respectively The cost basis of investments classified as other-than-trading was \$100,250,000 and \$95,411,000 at August 31, 2011 and 2010, respectively Investments in other-than-trading fixed income securities with stated maturities are presented in the table below by their contractual maturity

	August 31				
		2011		2010	
		(In Thousands)			
Less than 1 year	\$	21,881	\$	18,166	
1–5 years		40,407		40,768	
6–10 years		29,643		23,748	
Greater than 10 years		2,186		2,281	
	\$	94,117	\$	84,963	

All interest and dividends, realized gains and (losses), and unrealized gains and (losses) on investments classified as trading are included in investment income in the accompanying consolidated statements of operations Investment income included in the accompanying consolidated statements of operations consists of the following

	Y	Year ended August 31			
		2011		2010	
		(In Thousands)			
Net realized gains	\$	14,081	\$	6,689	
Net unrealized gains		18,068		2,765	
Dividends and interest		8,733		11,246	
	\$	40,882	\$	20,700	

Unrealized gains and losses on investments classified as other-than-trading were \$689,000 loss and \$1,357,000 gain for the years ended August 31, 2011 and 2010, respectively Unrealized gains and losses on investments classified as other-than-trading are included in other changes in unrestricted net assets in the accompanying consolidated statements of changes in net assets

Notes to Consolidated Financial Statements (continued)

10. Assets Limited as to Use (continued)

Scott & White's assets limited as to use includes

	August 31			
		2011		2010
	(In Thousands)			
Cash and cash equivalents	\$	128,398	\$	361,961
U S government obligations		291,778		112,122
Corporate fixed income investments		157,859		125,549
Mutual funds – fixed income		42,047		67,703
Equity securities		70,160		72,862
Mutual funds - equity		163,416		131,008
Alternative investments		35,128		30,509
Other		10,487		6,634
		899,273		908,348
Less current portion of assets limited as to use		(24,464)		(40,258)
	\$	874,809	\$	868,090

Scott & White's alternative investments are primarily partnership investment trusts and provide Scott & White with a proportionate share of the investment gains and losses Certain alternative investments have liquidity limitations, in some cases over extended periods of time, or may employ leverage, which may lead to additional risk of loss

Notes to Consolidated Financial Statements (continued)

11. Functional Expenses

The functional classification of Scott & White operating expenses is as follows

	Year Ended August 31					
		2011		2010		
		(In Thousands)				
Clinical care	\$	731,195	\$	677,633		
Hospital care		733,382		606,421		
Education and research		39,157		38,424		
Shared services support		213,482		198,890		
Health insurance operations		318,770		308,743		
	\$ 2	2,035,986	\$	1,830,111		

12. Commitments and Contingencies

Operating Leases

Scott & White leases equipment and property space under operating leases These payments are due monthly through August 2012 Rent expense totaled approximately \$30,661,000 and \$28,760,000 in 2011 and 2010, respectively

Future minimum lease commitments under operating leases that have initial or remaining lease terms in excess of one year are as follows as of August 31, 2011 (in thousands)

2012	\$ 26,720
2013	19,006
2014	13,663
2015	10,122
2016	8,080
Thereafter	 25,986
	\$ 103,577

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Other

Scott & White is a defendant in various legal proceedings arising in the ordinary course of business Although the results of litigation cannot be predicted with certainty, management believes the outcome of pending litigation will not have a material adverse effect on Scott & White's consolidated financial statements

13. Fair Values of Financial Instruments

ASC 820-10, Fair Value Measurement, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value 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 three levels of the fair value hierarchy defined by ASC 820-10 are listed below in order of priority

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Money market securities, listed equity securities, mutual funds, and listed corporate debt securities are included in this category

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date U S government agency and sponsored entity debt as well as interest rate swap and put agreements are included in this category

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources Scott & White has one financial asset classified as Level 3 This Level 3 asset is an amount held by a third party bearing interest at a contracted amount

Scott & White estimates the values of its U S government securities and interest rate swap agreements using Level 2 inputs U S government securities are valued primarily using a market approach using inputs such as evaluated bid prices provided by third party pricing services where quoted market values are not available. Interest rate swaps are valued using an income approach that utilizes present value techniques that are affected by inputs such as interest rate curves and credit rating. Valuation of Scott & White's Level 3 asset is based on discounted cash flows.

Notes to Consolidated Financial Statements (continued)

13. Fair Values of Financial Instruments (continued)

In addition, Scott & White has alternative investments, primarily partnership investment trusts (investment trusts), which provide Scott & White with a proportionate share of the investment gains and losses and take their positions in part through derivative contracts. Investments in investment trusts are accounted for using the equity method of accounting and are therefore excluded from the scope of ASC 820-10.

	Financial Assets and Liabilities at Fair Value as of August 31, 2011						
		Level 1	Level 2			Level 3	
			(In	Thousands))		
Assets							
Cash equivalents	\$	113,117	\$	_	\$	_	
U S government obligations		_		291,778		_	
Corporate fixed income investments		140,244		_		_	
Mutual funds - fixed income		42,047		_		_	
Equity securities		70,160		_		_	
Mutual funds – equity		163,416		_		_	
Guaranteed investment contract		_		_		17,615	
Liabilities							
Interest rate swap agreements		_		106,939		_	

Assets limited as to use not included in the table above include \$15,281,000 in cash, \$35,128,000 of alternative investments, and \$10,487,000 of assets pledged or contributed, which are not financial assets that are marked to fair value on a recurring basis

In accordance with ASC 820-10, the following table presents a reconciliation of the beginning and ending balances of Scott & White's Level 3 assets (in thousands)

	Level 3 Assets				
Beginning balance Interest income Transfers out of Level 3	\$	17,615 844 (844)			
Ending balance	\$	17,615			

Notes to Consolidated Financial Statements (continued)

13. Fair Values of Financial Instruments (continued)

	F	Financial Assets and Liabilities at Fair Value as of August 31, 2010							
		Level 1		Level 2		Level 3			
	(In Thousands)								
Assets									
Cash equivalents	\$	352,035	\$	_	\$	_			
U S government obligations		_		93,212		_			
Corporate fixed income investments		125,549		1,295		_			
Mutual funds - fixed income		67,703		_		_			
Equity securities		72,862		_		_			
Mutual funds – equity		163,416		_		_			
Guaranteed investment contract		_		_		17,615			
Liabilities									
Interest rate swap agreements		_		123,282		_			

Assets limited as to use not included in the table above include \$9,926,000 in cash and cash equivalents, \$30,509,000 of alternative investments, and \$6,634,000 of assets pledged or contributed, which are not financial assets that are marked to fair value on a recurring basis

In accordance with ASC 820-10, the following table presents a reconciliation of the beginning and ending balances of Scott & White's Level 3 assets (in thousands)

	Lev	el 3 Assets
Beginning balance	\$	17,615
Interest income		844
Transfers out of Level 3		(844)
Ending balance	\$	17,615

Notes to Consolidated Financial Statements (continued)

14. Endowments

Scott & White's endowment consists of approximately 100 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

Endowment net asset composition by type of funds as of August 31, 2011, is as follows (in thousands)

	Uni	Unrestricted		Temporarily Permail Restricted Restricted			
Board-designated endowment Donor-restricted endowment	\$	46,395 —	\$	- 7,623	\$	- 35,633	
	\$	46,395	\$	7,623	\$	35,633	

The change in endowment net assets for the fiscal year ended August 31, 2011, is as follows (in thousands)

			Temporarily		Permanent	
	Uni	restricted	Restricted		R	<u>estricted</u>
Endowment assets, beginning of year	\$	40,188	\$	5,544	\$	33,019
Investment income		1,142		1,812		_
Net appreciation Total investment income		5,478		1,320		
Contributions to endowment		6,620 1,450		3,132		2,614
Appropriated for expenditure		(1,863)		(1,053)		_, -, -
Removal from board-designated endowment funds		_		_		_
Endowment assets, end of year	\$	46,395	\$	7,623	\$	35,633

Endowment net asset composition by type of funds as of August 31, 2010, is as follows (in thousands)

Notes to Consolidated Financial Statements (continued)

14. Endowments (continued)

	Unrestricted					Permanently Restricted		
Board-designated endowment Donor-restricted endowment	\$	40,188	\$	- 5,544	\$	- 33,019		
	\$	40,188	\$	5,544	\$	33,019		

The change in endowment net assets for the fiscal year ended August 31, 2010, is as follows (in thousands)

	Unrestricted		Temporarily Restricted		manently estricted
Endowment assets, beginning of year	\$	38,401	\$	2,200 762	\$ 32,004 554
Endowed assets acquired Investment income		1,672		1,000	1
Net appreciation (depreciation) Total investment income (loss)		946 2,618		2,008 3,008	(6)
Contributions to endowment Appropriated for expenditure		1,047 (960)		(426)	466 -
Removal from board-designated endowment funds		(918)		_	
Endowment assets, end of year	\$	40,188	\$	5,544	\$ 33,019

Interpretation of Relevant Law

The Board of Trustees of Scott & White has interpreted the Texas enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Scott & White 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 by Scott & White in a manner consistent with the

Notes to Consolidated Financial Statements (continued)

14. Endowments (continued)

standard of prudence prescribed by Texas law In accordance with Texas law, if relevant, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

- (1) The duration and preservation of the endowment fund,
- (2) The purposes of the institution and the 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 institution, and
- (7) The investment policy of the organization

Return Objectives and Risk Parameters

Scott & White has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets Endowment assets include donor-restricted assets that Scott & White must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested among various asset classes to produce investment returns that exceed the price and yield results of the respective benchmark asset classes and peer groups while assuming a moderate level of investment risk. Actual returns in any given year vary

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Scott & White relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) Scott & White oversees its investment portfolio through an Investment Committee of the Scott & White Board of Trustees, and uses the recommendations of an independent investment consultant to manage the funds within the portfolio and review asset allocations

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Notes to Consolidated Financial Statements (continued)

14. Endowments (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The appropriation for expenditure in any year will not exceed the Board of Trustees' approved appropriation and spending rate. The Board of Trustees' approved appropriation and spending rate takes into account Scott & White's historical long-term rate of return on investments and Scott & White's policy of acting to preserve the purchasing power of the endowment fund. As such, Scott & White's Board of Trustees has resolved that each fiscal year the lesser of 75% of an endowment fund's investment return or 5% of the invested fund balance of an endowment fund (as of the end of the previous fiscal year) may be appropriated for expenditure

In establishing this policy, Scott & White considered the long-term expected return on its endowment Accordingly, over the long-term, Scott & White expects the current spending policy to allow its endowment to grow at a rate comparable to annual inflation. This is consistent with Scott & White's objective to maintain the purchasing power of the endowment assets

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required to be retained perpetually by the donor or the Texas enacted version of UPMIFA In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$1,079,000 and \$366,000 as of August 31, 2011 and 2010, respectively

15. Subsequent Events

On December 15, 2011, Scott & White executed an agreement for a revolving line of credit in the amount of \$200,000,000. The revolving line of credit agreement replaced outstanding lines of credit which totaled \$100,000,000. The existing agreements were cancelled, and the \$35,300,000 drawn under those agreements was refunded with proceeds from the new line of credit. Scott & White plans to use the line of credit as a source of interim financing for construction costs and for other general corporate purposes. Interest is payable quarterly with final maturity in 2014.

Scott & White has evaluated subsequent events through December 16, 2011, which is the date the financial statements were issued

Other Financial Information



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Report of Independent Auditors on Other Financial Information

The Board of Trustees Scott & White Healthcare

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The accompanying consolidating balance sheet as of August 31, 2011, and the related consolidating statement of operations for the year then ended, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole

December 16, 2011

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Scott & White Healthcare Consolidating Balance Sheets (Unaudited) August 31, 2011

(Expressed in thousands)	S&W Obligated Group	SWHP	НВМС	Other Entities 1	Eliminating Entries	SWH Consolidated
Assets						
Current assets						
Cash and cash equivalents	84 349	1.531	13 182	3 786	_	102 848
Assets limited as to use current portion	17 233	-	5 962	1 269	_	24 464
Accounts receivable net		-		-	-	
Patient	180 554	-	23 562	15 102	(25 179)	194 039
Prenuums	-	80 092	-	-		80 092
Other	42 322	3 910	2 605	(3 914)	(1 995)	42 928
Total accounts receivable	222 876	84 002	26 167	11 188	(27 174)	317 059
Inventory	11 095	6 203	3 806	1 554		22 658
Total current assets	335,553	91,736	49,117	17,797	(27,174)	467,029
Assets limited as to use						
For restricted purposes	120 323	2 200	17	5 144	-	127 684
Internally designated for specific purposes	398 290	23 177	41 401	26 237	-	489 105
Held by trustees under bond agreements	244 539		35 842	2 103	-	282 484
	763 152	25 377	77 260	33 484	-	899 273
Less current portion	(17 233)		(5 962)	(1 269)	-	(24 464)
Total assets limited as to use	745,919	25,377	71,298	32,215	-	874,809
Property and equipment net	722 818	18 840	142 680	23 927	-	908 265
Investment in unconsolidated entity	39 663	134	-	-	-	39 797
Interest in net assets of supporting foundations	3 301	-	6 170	-	(3.300)	6 171
Other assets	150 199	3 740	4 ()79	1 333	(122 013)	37 338
Total assets	1,997,453	139,827	273,344	75,272	(152,487)	2,333,409
Liabilities and net assets						
Current liabilities						
Accounts payable	60 227	1 824	9 471	1 133	(1 995)	70 660
Accrued expenses and other habilities	73 859	10 710	13 493	1 533	=	99 595
Medical claims payable	-	46 886	-	-	(25 179)	21 707
Due to third-party payers	9 468	-	1 751	17	-	11 236
Current portion of long-term debt	61 604	15 000	5 426	21 224	-	103 254
Long-term obligations subject to remarketing agreements Total current habilities	205,158	74,420	30,141	23,907	(27,174)	306,452
· · · · · · · · · · · · · · · · · · ·	201,210				(=1,111)	230,112
Long-term debt less current portion	774 126	_	192 263	17 457	(5.982)	977 864
Contingent professional liabilities	32 631	-	_	70	_	32 701
Interest rate swap agreements	106 939	-	-	-	-	106 939
Pension and other postretirement benefit liabilities	22 513	-	-	6 658	-	29 171
Other habilities	26 075	9 790	3 635	1 191	-	40 691
Total habilities	1,167,442	84,210	226,039	49,283	(33,156)	1,493,818
Commitments and contingencies	-	-	-		-	-
Net assets						
Attributable to noncontrolling interests in consolidated entities Attributable to Scott & White Healthcare	-	-	-	-	9 580	9 580
Unrestricted	734 230	55 617	41 118	20 990	(117 725)	734 230
Temporanly restricted	58 109	-	4 617	3 108	(7.725)	58 109
Permanently restricted	37 672		1 570	1 891	(3 461)	37 672
Total net assets	830,011	55,617	47,305	25,989	(119,331)	839,591
Total liabilities and net assets	1,997,453	139,827	273,344	75,272	(152,487)	2,333,409

¹ Scott & White Hospital - Breitham Breitham Care Center and Scott & White Foundation - Breitham were acquired on July 1 2010 Scott & White Hospital-Taylor was acquired September 1 2010 Scott & White - Llano was acquired January 1 2011 All are included within Other Entities

Scott & White Healthcare Consolidating Statements of Operations (Unaudited) Twelve months ended August 31, 2011

	S&W	CH T ID	LIDIL (C	out e.g. l	Eliminating	SWH
(Expressed in thousands)	Obligated	SWHP	HBMC	Other Entities 1	Entnes	Consolidated
Unrestricted revenues and other support						
Net patient service and premium revenue	1 408 738	546 559	254 562	78 531	(292 246)	1 996 144
Other operating revenue	37 756	43 465	4 649	9 683	(3 666)	91 887
Total operating revenue	1,446,494	590,024	259,211	88,214	(295,912)	2,088,031
Operating expenses						
Salaries and wages	667 820	31 599	86 769	33 693	_	819 881
Employee benefits	133 005	6 772	17 675	7 396	-	164 848
Supplies	210 965	56 700	37 184	10 902	-	315 751
Purchased services	158 011	41 277	44 098	16 875	(3 666)	256 595
Staff enrichment	15 628	1 283	1 472	481	-	18 864
Medical claims	-	475 023	-	-	(292 246)	182 777
Depreciation	66 742	404	12 212	1 882	-	81 240
Interest	11 428	158	13 448	1 693	-	26 727
Provision for bad debts	112 718	(55)	44 196	12 444		169 303
Total operating expenses	1,376,317	613,161	257,054	85,366	(295,912)	2,035,986
Net operating income	70,177	(23,137)	2,157	2,848	-	52,045
Nonoperating gains (losses)						
Contributions gifts and bequests	739	0	2	461	_	1,202
Investment income	35 387	2 878	1 717	900	-	40,882
Interest rate swap and put activity	3 924	0	0	0	_	3,924
Research education and other nonoperating activity	(10 896)	(1 155)	(225)	6 329	_	(5,947)
Subsidiary operations losses	(8 054)	-	-	-	8 054	-
	21 100	1 723	1 494	7 690	8 054	40 061
Excess of revenues and gains over expenses and losses	91 277	(21 414)	3 651	10 538	8 054	92 106
Less excess of revenues and gains over expenses and losses					1020	4020
attributable to noncontrolling interests in consolidated entities			-		(829)	(829)
Excess of revenues and gains over expenses and losses						
attributable to Scott & White Healthcare	91,277	(21,414)	3,651	10,538	7,225	91,277
Operating margin	4 9° o	-3 9°°0	0 8° o	3 2°o	-	2 5°o
Excess margin	6 2° o	-3 6° o	1 4°°	11 0°o	_	4 3°o
L seess margin	0.2-0	-3 0-0	1 +-0	11 0-0	-	+ 3 0

¹ Scott & Wlute Hospital - Brenham Brenham Care Center and Scott & Wlute Foundation - Brenham were acquired on July 1 2010 Scott & Wlute Hospital-Taylor was acquired September 1 2010 Scott & Wlute - Llano was acquired January 1 2011 All are included within Other Entites

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