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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 09-01-2010 and ending 08-31-2011

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

C Name of organization
Baptist Healthcare System Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 4007 Kresge Way | Room/suite

City or town, state or country, and ZIP + 4
Louisville, KY 402074604

D Employer identification number
61-0444707

E Telephone number
(502) 896-5000

G Gross receipts $ 7,005,575,498

F Name and address of principal officer
Tommy J Smith
4007 Kresge Way
Louisville, KY 402074604

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www bhsi com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1918 | **M** State of legal domicile KY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provide quality healthcare servcies by enhancing the health of the people/communities we serve

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	23
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	18
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	10,932
6	Total number of volunteers (estimate if necessary)	**6**	1,039
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,008,389
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	247,260

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	1,452,149	1,079,118
9	Program service revenue (Part VIII, line 2g)	1,181,716,883	1,252,332,725
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	31,157,026	44,405,120
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	17,056,616	19,803,870
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,231,382,674	1,317,620,833
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,490,179	1,343,288
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	547,167,625	577,757,045
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	606,963,655	641,766,996
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,155,621,459	1,220,867,329
19	Revenue less expenses Subtract line 18 from line 12	75,761,215	96,753,504

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	1,843,570,658	1,973,372,046
21	Total liabilities (Part X, line 26)	724,630,078	726,972,964
22	Net assets or fund balances Subtract line 21 from line 20	1,118,940,580	1,246,399,082

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2012-04-16

Carl G Herde CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ☐	PTIN
Alicia Janisch	Alicia Janisch			

Firm's name ▶ Deloitte Tax LLP — Firm's EIN ▶

Firm's address ▶ 250 East Fifth Street Suite 1900
Cincinnati, OH 45202

Phone no ▶ (513) 784-7100

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

The mission of Baptist Healthcare System is to exemplify our Christian heritage of providing quality healthcare services by enhancing the health of the people and the communities we serve The vision of Baptist Healthcare System is to be nationally recognized as the healthcare leader in Kentucky Baptist Healthcare System will live out its Christ-centered mission and achieve its vision guided by Integrity, Respect, Stewardship, Excellence and Collaboration

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 1,107,987,682 including grants of $ 1,343,288) (Revenue $ 1,261,632,127)

Baptist Healthcare System, Inc ("Baptist") is dedicated to providing accessible, quality healthcare to all patients regardless of their ability to pay The hospitals owned and operated by Baptist include Baptist Hospital East, Baptist Regional Medical Center, Central Baptist Hospital & Western Baptist Hospital Baptist strives to continue its "Christian heritage of service and to enhance the health of the people and the communities we serve " Baptist is organized and operated exclusively for the benefit of each community and each hospital is considered a valuable community asset Quantifiable benefits provided to the community for FY11 include the following unreimbursed cost of charity care- $33,061,000, unreimbursed cost of Medicaid- $24,129,000, & benefits for the community- $14,784,000

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

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

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

4e **Total program service expenses** ▶ $ 1,107,987,682

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
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**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☑ **Yes** ☐ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	641		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	10,932		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a	No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c	
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b	
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8	
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?			9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b	
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a	No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b	

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	23		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	18		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?			2 Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .			3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?			4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .			5	No
6	Does the organization have members or stockholders?			6	No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?			7a	No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .			7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?			8a Yes	
b	Each committee with authority to act on behalf of the governing body?			8b Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O			9	No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

Carl G Herde
4007 Kresge Way
Louisville, KY 402074604
(502) 896-5000

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								7,816,004	429,361	830,835

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶294

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Central KY Anesthesia 1800 Nicholasville Rd Ste 104 Lexington, KY 40504	Anesthesia Services	2,240,169
Consultants in Blood Disorders & Cancer 4003 Kresge Way Ste 500 Louisville, KY 40207	Practise Purchase	1,787,813
Anesthesiology of Paducah 2507 Broadway Paducah, KY 42001	Anesthesia Services	1,732,335
Executive Health Resources PO Box 822688 Philadelphia, PA 19182	Clinical Compliance	1,693,729
Williams & Wagner PSC 4000 Kresge Way Louisville, KY 40207	Anesthesia Services	1,450,412

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶82

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations 1d	254,450				
	e Government grants (contributions) 1e	44,467				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	780,201				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f		1,079,118			
Program Service Revenue		Business Code				
	2a Ins & Patient Pmts	621300	674,900,992	674,116,704	784,288	
	b Medicare/Medicaid Pmts	621300	555,501,548	555,501,548		
	c Interco Int /MOB Rent	900099	10,747,500	10,747,500		
	d Other Program Svc Rev	900099	7,369,133	7,369,133		
	e Mgmt Fees-Exempt Rev	561000	3,813,552	3,813,552		
	f All other program service revenue					
	g **Total.** Add lines 2a–2f		1,252,332,725			
Other Revenue	3 Investment income (including dividends, interest and other similar amounts)		16,013,915			16,013,915
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	5,716,254,245	91,625			
	b Less cost or other basis and sales expenses	5,687,724,069	230,596			
	c Gain or (loss)	28,530,176	-138,971			
	d Net gain or (loss)		28,391,205			28,391,205
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b Less direct expenses b					
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities See Part IV, line 19 a					
	b Less direct expenses b					
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances a					
	b Less cost of goods sold b					
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a Cafe & Coffee Shops	900099	6,028,994			6,028,994
	b Purchasing Ptrshp Rev	900099	3,832,479	3,824,767	7,712	
	c Day Care Centers	624410	2,297,937			2,297,937
	d All other revenue		7,644,460	6,258,923	216,389	1,169,148
	e **Total.** Add lines 11a–11d		19,803,870			
	12 **Total revenue.** See Instructions		1,317,620,833	1,261,632,127	1,008,389	53,901,199

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	1,343,288	1,343,288		
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	5,636,925		5,636,925	
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	447,385,185	405,106,445	42,278,740	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	20,323,945	18,174,303	2,149,642	
9 Other employee benefits	72,726,641	63,989,278	8,737,363	
10 Payroll taxes	31,684,349	28,333,129	3,351,220	
a Fees for services (non-employees) Management				
b Legal	1,501,855	10,569	1,491,286	
c Accounting	183,244		183,244	
d Lobbying	171,839		171,839	
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	18,483,346	13,193,896	5,289,450	
12 Advertising and promotion	6,135,340	106,358	6,028,982	
13 Office expenses	46,809,368	42,320,108	4,489,260	
14 Information technology	6,778,595		6,778,595	
15 Royalties				
16 Occupancy	20,536,002	19,717,319	818,683	
17 Travel	2,568,550	1,643,461	925,089	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	347,788	202,479	145,309	
20 Interest	13,139,468	13,139,468		
21 Payments to affiliates	2,459,663	2,252,463	207,200	
22 Depreciation, depletion, and amortization	82,358,676	65,348,844	17,009,832	
23 Insurance	8,444,395	8,444,395		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a Medical Supplies	294,875,929	294,160,454	715,475	
b Bad Debts	73,394,618	73,394,618		
c Purchased Svc Non-Med	30,158,891	28,135,138	2,023,753	
d Provider Tax	20,208,938	20,208,938		
e Administrative	8,981,585	6,918,658	2,062,927	
f All other expenses	4,228,906	1,844,073	2,384,833	
25 **Total functional expenses.** Add lines 1 through 24f	1,220,867,329	1,107,987,682	112,879,647	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		47,896	1	38,117
	2	Savings and temporary cash investments		196,711,576	2	197,045,900
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		150,961,803	4	151,528,361
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		23,107,294	8	22,713,527
	9	Prepaid expenses and deferred charges		8,499,284	9	13,990,715
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 1,601,017,323			
	b	Less accumulated depreciation	10b 941,931,954	653,409,173	10c	659,085,369
	11	Investments—publicly traded securities		593,527,885	11	646,175,299
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		92,726,081	13	133,572,539
	14	Intangible assets			14	13,275,904
	15	Other assets See Part IV, line 11		124,579,666	15	135,946,315
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		1,843,570,658	16	1,973,372,046
Liabilities	17	Accounts payable and accrued expenses		133,919,580	17	132,345,796
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		492,724,025	20	483,385,434
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		97,986,473	25	111,241,734
	26	**Total liabilities.** Add lines 17 through 25		724,630,078	26	726,972,964
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		1,116,235,321	27	1,243,827,293
	28	Temporarily restricted net assets		2,705,259	28	2,571,789
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		1,118,940,580	33	1,246,399,082
	34	Total liabilities and net assets/fund balances		1,843,570,658	34	1,973,372,046

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	1,317,620,833
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,220,867,329
3	Revenue less expenses Subtract line 2 from line 1	3	96,753,504
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	1,118,940,580
5	Other changes in net assets or fund balances (explain in Schedule O)	5	30,704,998
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	1,246,399,082

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

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

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

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

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

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

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

_____

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

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

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

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

9 ☐ An organization that normally receives (1) more than 331/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 331/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Baptist Healthcare System Inc	61-0444707

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		83,924
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		87,915
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			171,839
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures **(do not include amounts of political expenses for which the section 527(f) tax was paid).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

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

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

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

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

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

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

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

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

		(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a	Beginning of year balance	596,233,194	556,012,808	638,807,978		
b	Contributions	3,759,866	14,427,582	788,978		
c	Investment earnings or losses	69,420,829	40,798,181	-42,097,691		
d	Grants or scholarships					
e	Other expenditures for facilities and programs	18,794,907	13,347,504	40,094,347		
f	Administrative expenses	1,871,845	1,657,873	1,392,110		
g	End of year balance	648,747,137	596,233,194	556,012,808		

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

- a Board designated or quasi-endowment ▶ 99 000 %
- b Permanent endowment ▶
- c Term endowment ▶ 1 000 %

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		82,985,174		82,985,174
b Buildings		719,930,695	392,907,408	327,023,287
c Leasehold improvements				
d Equipment		761,881,319	549,024,546	212,856,773
e Other		36,220,135		36,220,135
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				659,085,369

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

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

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Investment in BCHS	23,683,747	C
(2) Investment in BMA	33,278,485	C
(3) Investment in WBMV	13,209,958	C
(4) Investment in BPL	39,284,817	C
(5) Investment in AEIX	9,850,892	C
(6) Investment in BPS	5,245,437	C
(7) Other	9,019,203	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	133,572,539	

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

(a) Description	(b) Book value
(1) Other Current Assets	14,953,918
(2) Due from Affiliates	59,235,676
(3) Trustee Funds - Malpractice Agrmts	43,964,824
(4) Trustee Funds - Work Comp Agrmts	12,579,933
(5) Investments in Joint Ventures	1,993,783
(6) Unamortized Issue Costs	3,218,181
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	135,946,315

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Estimated Third Party Settlements	15,004,419
Malpractice Liability	59,069,515
Workers Comp Liability	13,294,753
Accrued Post Retirement/Misc	23,873,047
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	111,241,734

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The endowment funds are used to support & enhance patient care at the hospitals, finance capital improvements and provide educational & financial assistance to hospital employees

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		40,540	42,310,397	9,249,740	33,060,657	2 880 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		79,569	103,358,155	79,229,242	24,128,913	2 100 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		120,109	145,668,552	88,478,982	57,189,570	4 980 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		100,195	3,142,142	442,334	2,699,808	0 240 %
f Health professions education (from Worksheet 5)			387,047		387,047	0 030 %
g Subsidized health services (from Worksheet 6)		43,974	79,703,274	68,785,239	10,918,035	0 950 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			779,690		779,690	0 070 %
j **Total** Other Benefits		144,169	84,012,153	69,227,573	14,784,580	1 290 %
k **Total.** Add lines 7d and 7j		264,278	229,680,705	157,706,555	71,974,150	6 270 %

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

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

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	19,261,891		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	7,289,000		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	370,836,690		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	415,706,766		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-44,870,076		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures**

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 4

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Baptist Hospital East 4000 Kresge Way Louisville, KY 402074604	X	X					X		
2	Baptist Regional Medical Center 1 Trillium Way Corbin, KY 407018420	X	X					X		
3	Central Baptist Hospital 1740 Nicolasville Rd Lexington, KY 405031431	X	X					X		
4	Western Baptist Hospital 2501 Kentucky Ave Paducah, KY 420033813	X	X					X		

Part V **Facility Information** *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 6a Each hospital within Baptist Healthcare System (61-0444707) prepares a community benefit report In addition, a summary community benefit report is prepared on a consolidated basis for all entities within Baptist Healthcare System, Inc

Identifier	ReturnReference	Explanation
		Part I, Line 7 Baptist Healthcare System utilizes a sophisticated cost accounting system that identifies the cost of delivering care at the individual procedure and item (supply) level for direct costs and a detailed step-down methodology to allocate overhead costs as accurately as possible Costs are determined for each patient based upon the specific procedures performed and items used for each patient Patients are also categorized by - Patient type (inpatient and outpatient),- Payer plan (42 unique categories of payer plans Charity, State-sponsored charity and the Uninsured are among the uniquely identified payer plans), and- Clinical service (53 unique clinical services) The cost of care for uninsured patients who qualify for "full" charity care (under a State-sponsored or BHS sponsored charity program) is determined by calculating the cost of each uninsured charity patient (at the procedure and item level) and accumulating the cost of each patient For insured patients who also qualify for partial charity under the Baptist Healthcare System sponsored charity program, costs are allocated to each portion (insurance, partial charity, patient payments and bad debt) using the patient's payer plan cost-to-charge ratio (CCR) For example, this CCR is multiplied by the charges covered by insurance to determine the cost of insurance, multiplied by charges covered by partial charity to determine the cost of partial charity, multiplied by patient payments to determine the cost of paid services and multiplied by unpaid charges to determine the cost of bad debt The cost of care for uninsured patients who do NOT qualify for charity care (full or partial bad debt accounts) are allocated to each portion (patient paid portion and unpaid portion) using the patient's uninsured payer plan CCR For example, this CCR is multiplied by patient payments to determine the cost of paid services and multiplied by unpaid charges to determine the cost of bad debt Much care is taken to ensure that costs used for community benefit reporting are directly related to exempt-purpose patient care (excluding physician-related costs) and that costs are reported accurately For example, the cost of charity and Medicaid are removed from the calculation of the loss on subsidized services

Identifier	ReturnReference	Explanation
		Part I, Line 7g No physician clinic costs are included in the costs of subsidized health services

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The organization included bad debt expense of $73,394,618 on Form 990, Part IX, Line 25 but subtracted this amount for purposes of calculating the amount reported on Line 7f

Identifier	ReturnReference	Explanation
		Part III, Line 4 A separate footnote for bad debt expense is not included in the audited financial statements Costing methodology of bad debt is outlined in Schedule H, Part VI, Line 1

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare revenues and allowable costs were taken from the "as filed" Medicare cost report Much care is taken to ensure that all adjustments to remove non-allowable costs are taken Due to the fact that Medicare rates are non-negotiable and are established by the government, all of the shortfall for Medicare should be included as a community benefit

Identifier	ReturnReference	Explanation
		Part III, Line 9b Patients and guarantors who qualify for a "full" charity discount will not be billed once the charity determination is made Patients and guarantors who qualify for a "partial" charity discount will be billed only for the non-discounted portion of their account Guarantors who have an ability to pay for services will be billed based on the following guidelines - Patients or guarantors may be asked to pay an estimated patient liability at point of service - BHS facilities will accept and file claims for all insurances assigned to the organization with adequate proof of coverage This assignment does not relieve the guarantor of responsibility for payment if the insurer fails to pay as prescribed by regulation, statute or patient-insurance contract Deductibles, co-payments and non-covered services will be the responsibility of guarantors - Statements will be sent to guarantors once patient liability is determined for insured or uninsured patients and necessary billing follow-up calls will be made by BHS Patient Financial Services and/or a designated external early out vendor over a period of time averaging from 90 to 120 days All statements will contain information regarding the availability of financial assistance If applicable, effort will be made to assist uninsured patients to secure coverage through any governmental or other assistance programs - Patients requesting detailed charge information will be provided with an itemized bill - BHS Patient Financial Services will provide all patients the same information concerning services and charges - Patient accounts not resolved at the end of this cycle will be considered for placement with external collection agencies Collection agencies will continue to pursue patient balances while maintaining compliance with the Fair Debt Collection Practices Act and the ACA International's Code of Ethics and Professional Responsibility

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Baptist Healthcare System (BHS) conducts a tri-annual planning process that is driven by the strategic vision to be the health care leader in Kentucky Key industry and community issues (such as prominent health conditions present within each community, underserved areas and underprovided clinical services) are considered and analyzed for their impact on BHS and the four hospitals Frequently, outside experts reaffirm the assessment and assist in the development of plans to address the community need A course of action, including key strategies and goals, are shared with and approved by the BHS Board and the Hospital's administrative Boards

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Following is a list of various methods/processes used to inform/educate patients on the availability of financial assistance - Financial counselors advise and/or screen uninsured patients before or during hospital services,- A third party vendor advises and/or screens uninsured patients during hospital services,- Financial counselors provide follow-up contact for patients missed during services,- The State-sponsored DSH form is provided to all ER uninsured patients,- Telephone calls and in-person visits are handled by staff trained to discuss financial assistance,- Information regarding financial assistance is included in patient statements - The BHS sponsored charity care program policy is posted in key areas of each hospital - The BHS sponsored charity care program policy is posted on the website of each hospital and the System

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Baptist Healthcare System is comprised of four regional hospitals Each one serves a unique and separate geographic area within Kentucky Baptist Hospital East (BHE) opened in 1975 and is located in St Matthews, approximately five miles east of downtown Louisville area BHE is strategically located near Interstate 64, a main access to downtown, and Interstate 264, a main beltway around Louisville The primary geographic service area for BHE consists of Jefferson, Oldham and Bullitt Kentucky counties BHE serves as a general acute care facility, specializing in services such as cardiovascular services, cancer care and comprehensive rehabilitation services that are much needed in the area In addition, BHE operates one of the busiest emergency rooms in the State of Kentucky Approximately 13 4% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 10 3%, as compared to the national average of 9 3% Approximately 4% of the patients seeking care at BHE are Medicaid and approximately 4% are uninsured Baptist Regional Medical Center (BRMC) opened in 1986 in Corbin, Kentucky It is located one-half mile off of Interstate 75, approximately three miles from downtown Corbin and near U S Highway 25, which is a main access to several of the surrounding communities The primary geographic service area for BRMC consists of the counties of Knox, Laurel and Whitley in Kentucky BRMC serves as a general acute care facility, specializing in services such as psychiatric, substance abuse, comprehensive rehabilitation and emergency care services The psychiatric program at BRMC has grown over the past several years and BRMC has plans to continue its growth Approximately 48% of the psychiatric program serves the Medicaid and uninsured populations Overall, approximately 28% and 11% of the patients seeking care at BRMC are Medicaid and uninsured, respectively Approximately 13 5% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 11 0%, as compared to the national average of 9 3% Central Baptist Hospital (CBH) opened in 1954 in Lexington, the second largest city in Kentucky It is located approximately five miles from Interstate 75 and Interstate 64 which provide access for the immediate Lexington metro area patients as well as patients from other areas of central and eastern Kentucky which the hospital serves The primary geographic service area for CBH consists of the Kentucky counties of Bourbon, Clark, Fayette, Franklin, Jessamine, Madison, Scott and Woodford In addition, Central serves as a regional referral center with approximately 38% of its discharges coming from Kentucky counties outside of the primary service area As such, CBH provides tertiary care services not offered by many hospitals in the surrounding areas including specialty cardiovascular, orthopedic and intensive care services Approximately 9% and 4% of the patients seeking care at CBH are Medicaid and uninsured, respectively Approximately 10 8% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 7 8%, as compared to the national average of 9 3% Western Baptist Hospital (WBH) was opened in 1953 in Paducah, Kentucky, the largest city in Western's service area The hospital is located approximately one and one-half miles from Interstate 24 Western is one of only two hospitals located in Paducah The primary geographic service area for Western consists of Ballard, Carlisle, Graves, Livingston, Lyon, Marshall and McCracken counties in Kentucky and Massac County in Illinois WBH draws nearly 83% of its discharges from the primary service area WBH serves as a general acute care facility, specializing in services such as cardiovascular services, cancer care and skilled nursing that are much needed in the area Approximately 13% and 7% of the patients seeking care at CBH are Medicaid and uninsured, respectively Approximately 16 6% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 8 9%, as compared to the national average of 9 3%

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The BHS Board of Directors is comprised of local representatives who, along with the hospital's management and employees, understand that they are responsible to provide high quality health care services to the communities they serve Operating healthcare facilities in today's environment requires a delicate balance between producing a sufficient margin to allow for adequate staffing and investment in new technologies, while also providing enough resources to absorb the cost of care for those patients who do not have the ability to pay for the services In 2011, because of its ability to produce a modest operating margin, BHS was able to re-invest nearly $89 million into the communities in new technology, construction, renovation and systems improvement BHS hospitals reach out to the community in many ways through - Conducting health fairs for local schools, businesses and churches - Participating in fund-raising and other events to help local agencies such as the American Heart Association, Metro United Way, American Cancer Society, Big Brothers and Big Sisters and the American Red Cross - Donating hospital space for community group meetings - Participating on community health assessment teams that are dedicated to identifying and addressing local health needs in each of the counties we serve - Hosting educational programs, including our pre-natal classes, and Safe Sitter program - Maintaining necessary, but unprofitable services that meet community needs - Helping to recruit physicians to underserved areas - Helping patients coordinate services with other healthcare providers - Providing resources for support groups, such as cancer recovery groups - Promoting and providing preventive care services - Monitoring clinical outcomes in order to ensure quality care - Committing resources to improving safety and processes of care - Providing services conveniently accessible by patients In addition, BHS employees volunteer thousands of hours in community services and leadership BHS's support for community activities underscores its commitment to improving the lives of those served Because BHS and its employees contribute so much of their time, talents and resources to serve others, communities served by BHS are better places to live and work Quantification of many of the community benefits is detailed elsewhere in this schedule However, what the quantifiable amount doesn't measure is the economic benefit derived by the community from BHS being one of the major employers in the area The economic impact of the wages paid to BHS employees is significant considering the dollars they spend on food, housing, services, and other products The Internal Revenue Service Revenue Ruling 69-545 provides that a hospital can demonstrate it has met the community benefit standard by having a full-time emergency room open to the public regardless of ability to pay for services received BHS hospitals operate an Emergency Department that is open 24 hours a day, 365 days a year and treated over 165,336 emergency patients during fiscal year 2011 BHS and its emergency department posts policies stating that patients will be treated regardless of their ability to pay Depending on the severity of a patient's condition, as a service to the patient BHS may verify insurance prior to rendering services in the emergency department Under no circumstances is emergency care delayed by discussions regarding insurance coverage or ability to pay for services In addition, BHS does not convey or intimate in any way to any emergency medical transportation service an unwillingness to treat any particular patient in need of medical attention

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Baptist Healthcare System, Inc is a nonprofit, tax-exempt organization that owns and operates four hospitals Baptist Healthcare Affiliates, Inc is a nonprofit, tax-exempt affiliate that owns and operates an additional hospital Baptist Community Health Services, Inc is a nonprofit, tax-exempt affiliate that owns and operates urgent care centers, and occupational and physical therapy clinics within the regions surrounding the hospitals Baptist Medical Associates, Inc , Baptist Physicians Lexington, Inc , Baptist Physicians Southeast, Inc and Western Baptist Medical Ventures, Inc are nonprofit, tax-exempt affiliates that own and operate physician practices Baptist Healthcare Foundation, Inc , Baptist Hospital Foundation of Greater Louisville, Inc , Central Baptist Hospital Foundation, Inc , Lexington Cardiac Research Foundation, Inc , and Western Baptist Hospital Foundation, Inc are nonprofit, tax-exempt affiliate corporations Bluegrass Family Health, Inc (BFH) is a nonprofit, tax-exempt affiliate health maintenance organization Baptist Ventures, Inc is a for-profit, affiliate corporation Baptist Physicians' Surgery Center is a for-profit limited liability corporation, of which Baptist Community Health Services, Inc owns 51% PET/CT Management, LLC is a for-profit limited liability corporation, of which Baptist Healthcare System, Inc owns 76% Corbin Long Term Acute Care, LLC is a limited liability corporation of which Baptist Community Health Services, Inc is the sole member Baptist Eastpoint Surgery Center, LLC is a limited liability company which as of August 31, 2010 Baptist Community Health Services, Inc owns 77% All entities are located in the Commonwealth of Kentucky All entities described in Schedule H, Part VI, Line 7 contributed a combined community benefit amount as follows Charity care at cost = $36,224,000Unreimbursed Medicaid = $30,223,000Community health improvement = $2,776,000Health professions education = $387,000Subsidized health services = $12,794,000Cash and in-kind contributions = $849,000Total community benefit = $83,253,000Other items that also contribute to the benefit of the community Bad debt at cost = $24,079,000Unreimbursed Medicare = $67,535,000

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I General Information on Grants and Assistance

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

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

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 34

3 Enter total number of other organizations . . . ▶ 4

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Baptist Healthcare System provides only direct contributions and other general support, therefore, no monitoring of charitable contributions is performed

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Baptist Hospital Foundation of Greater Louisville4000 Kresge Way Louisville, KY 40207	20-0292291	501(c)(3)	268,034				General Support
Paducah Junior CollegePO Box 7380 Paducah, KY 42002	61-6001156	501(c)(3)	100,320				General Support
Western Baptist Hospital Foundation2501 Kentucky Ave Paducah, KY 42003	26-4057759	501(c)(3)	98,297				General Support
University of Kentucky HospitalPO Box 119 Lexington, KY 405010119		501(c)(3)	68,667				General Support
Children's Charity Fund of the Bluegrass Inc2724 Martinique Ln Lexington, KY 40509	31-1078176	501(c)(3)	65,753				General Support
Hope CenterPO Box 6 Lexington, KY 40588	61-1107296	501(c)(3)	50,000				General Support
Kentucky Blood Center3121 Beaumonth Ctr Cir Lexington, KY 40513	61-6058138	501(c)(3)	50,000				General Support
St Nicholas Family Clinic 1733 Broadway Paducah, KY 42001	61-1260945	501(c)(3)	49,300				General Support
Greater Paducah Economic Development CouncilPO Box 1155 Paducah, KY 420021155	61-1181577	501(c)(6)	37,500				General Support
Kentucky Baptist Convention 13420 Eastpoint Ctr Dr Louisville, KY 40223	61-0549873	501(c)(3)	35,570				Conference Co-sponsor
Refuge Ministries IncPO Box 25007 Lexington, KY 40524	37-1547506	501(c)(3)	35,000				General Support
American Cancer Society 1504 College Way Lexington, KY 40502	64-0329009	501(c)(3)	33,430				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
American Heart Assoc240 Whittington Pkwy Louisville, KY 40222	13-5613797	501(c)(3)	32,500				General Support
Lexington Strides ahead Commerce Lexington Inc330 E Main St Ste 205 Lexington, KY 40507	61-1322448	501(c)(6)	20,000				General Support
March of Dimes196 W Lowry Lane Lexington, KY 40503	13-1846366	501(c)(3)	17,000				General Support
Project fit AmericaPO Box 308 Boyes Hot Springs, CA 95416	36-3730823	501(c)(3)	16,350				General Support
American Diabetes AssocPO Box 21903 Lexington, KY 405221903	13-1623888	501(c)(3)	15,500				General Support
Build IncPO Box 21874 Lexington, KY 405221874	61-1401584	501(c)(3)	15,000				General Support
Greater Louisville Inc614 W Main St Ste 600 Louisville, KY 40202	23-7084835	501(c)(4)	15,000				General Support
Metro United Way334 E Broadway Louisville, KY 40202	61-0444680	501(c)(3)	14,000				General Support
Lexington Affiliate of Susan Komen for the curePO Box 998 Lexington, KY 40588	75-2854969	501(c)(3)	13,300				General Support
Fund for the Arts623 W Main St Louisville, KY 40202	61-0479626	501(c)(3)	13,000				General Support
Four Rivers Center for the performing ArtsPO Box 2194 Paducah, KY 420022194	61-1293428	501(c)(3)	12,600				General Support
Leadership Louisville723 W Main St Louisville, KY 40202	31-0958491	501(c)(3)	11,500				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Lexington Cancer Foundation 1504 College Way Lexington, KY 40502	56-2472701	501(c)(3)	10,700				General Support
Mission Lexington1321 Trent Blvd Lexington, KY 40517	20-2824933	501(c)(3)	10,500				General Support
Paca Charity BallPO Box 2108 Richmond, KY 40475	51-0172717	501(c)(3)	10,000				Charity Ball
Homes for Our Troops6 Main St Taunton, MA 02780	54-2143612	501(c)(3)	10,000				Swings for Soldiers Classic
Christian Counseling Center 2840 Jefferson Paducah, KY 42001	61-0607547	501(c)(3)	9,939				General Support
Commerce Lexington330 E Main St Lexington, KY 40507	61-0258800	501(c)(6)	6,000				General Support
Women leading KYPO Box 961 Lexington, KY 40508	86-1120254	501(c)(3)	5,000				General Support
Chrysalis House Inc1589 Hill Rise Dr Lexington, KY 40504	61-1012290	501(c)(3)	5,000				General Support
CKRHPO Box 13155 Lexington, KY 40583	31-1024505	501(c)(3)	5,000				General Support
Leukemia and Lymphoma Society600 E Main St Ste 102 Louisville, KY 402021077	13-5644916	501(c)(3)	5,000				General Support
Lexington Habitat for Humanity1260 Industry Rd Lexington, KY 40505	61-1139529	501(c)(3)	5,000				General Support
Celebration of Hope700 Capitol Ave Ste 102 Frankfort, KY 40601	57-5947683	501(c)(3)	5,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Paducah Symphony2101 Broadway Paducah, KY 42001	61-0965156	501(c)(3)	5,000				General Support
God's Pantry1685 Jaggie Fox Way Lexington, KY 40511	31-0979404	501(c)(3)	5,000				General Support

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☑ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☑ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Tommy J Smith Sch O	(i)	878,347	249,744	36,186	29,534	34,786	1,228,597	0
	(ii)	0	0	0	0	0	0	0
(2) William Sisson Sch O	(i)	476,107	92,667	66,762	59,252	25,824	720,612	35,138
	(ii)	0	0	0	0	0	0	0
(3) Larry Barton Sch O	(i)	446,038	81,006	579,668	50,782	28,114	1,185,608	554,435
	(ii)	0	0	0	0	0	0	0
(4) Susan Stout Tamme Sch O	(i)	472,087	67,183	60,396	55,990	19,885	675,541	28,662
	(ii)	0	0	0	0	0	0	0
(5) John Henson	(i)	331,995	59,659	264,359	36,943	23,431	716,387	242,776
	(ii)	0	0	0	0	0	0	0
(6) Carl G Herde Sch O	(i)	488,643	92,076	25,774	59,450	30,644	696,587	0
	(ii)	0	0	0	0	0	0	0
(7) Janet M Norton Sch O	(i)	345,496	73,869	39,772	21,522	28,897	509,556	0
	(ii)	0	0	0	0	0	0	0
(8) Mary Lou Tipgos	(i)	103,326	25,000	5,450	10,723	16,635	161,134	0
	(ii)	0	0	0	0	0	0	0
(9) David Gray	(i)	0	0	0	0	0	0	0
	(ii)	354,450	61,583	13,328	21,522	29,887	480,770	0
(10) John R Barton	(i)	541,402	0	0	21,522	31,012	593,936	0
	(ii)	0	0	0	0	0	0	0
(11) John M O'Brien	(i)	531,293	0	0	21,522	33,511	586,326	0
	(ii)	0	0	0	0	0	0	0
(12) Douglas A Milligan	(i)	518,723	0	0	20,052	29,424	568,199	0
	(ii)	0	0	0	0	0	0	0
(13) David Rhodes	(i)	318,477	59,283	25,042	24,462	28,811	456,075	0
	(ii)	0	0	0	0	0	0	0
(14) Bernard Tamme	(i)	308,803	75,930	15,441	18,582	18,116	436,872	0
	(ii)	0	0	0	0	0	0	0
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Five officers received gross-up payments which were included in taxable compensation
	Part I, Line 4b	During calendar year 2010, four officers of BHS received a payout from a Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan The Plan is offered to a select group of management as determined by the BHS Executive Benefits Committee The amounts paid during 2010 were previously reported as compensation on the 990 and were included in W-2 wages in 2010, reported in Schedule J, Part II, Column(F) and is a portion of the amount reported in Column B(iii) The following individuals received a payout from a Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan - Larry Barton - $554,435 - William Sisson - $35,138 - Susan Stout Tamme - $28,662 - John Henson - $242,776 In addition, all six officers who participate in the Supplemental Executive Retirement Plan accrued amounts for 2010 which is a portion of the amount reported as deferred compensation in Schedule J, Column C Other retirement and deferred compensation reported in Schedule J, Column C include amounts for the Retirement Accumulation Plan and Thrift Plan The following individuals participated in and accrued amounts from the Supplemental Executive Retirement Plan - Tommy Smith - $3,602 - William Sisson - $33,320 - Susan Stout Tamme - $30,058 - Larry Barton - $29,260 - John Henson - $15,421 - Carl Herde - $34,988

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Ky Economic Development Finance Authority	61-0600439	49126KFM8	02-19-2009	502,227,848	Redeem 1/99, 1/05 & 12/05 issues, acquire, construct & equipt a hospital		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	17,195,000			
2	Amount of bonds legally defeased				
3	Total proceeds of issue	502,247,678			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	4,716,995			
8	Credit enhancement from proceeds	697,784			
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	99,994,925			
11	Other spent proceeds	396,837,974			
12	Other unspent proceeds				
13	Year of substantial completion	2010			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X							
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X							
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		0 100 %						
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5		0 100 %						
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

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

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule K, Part I	Explanation of Difference Between Issue Price	Differences between the issue price shown in Part I and total proceeds shown in Part II is due to investment earnings

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No

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, Part IV	Business Transactions Involving Interested Persons	All transactions reported on Part IV are reported as arms-length for fair market value

Additional Data

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction $	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
Juanita Baker	A Director of BHS has a family member employed by BHS (Bob Baker)	10,389	Wages		No
Nicole Jackson-Gary	A Director of BHS has a family member employed by BHS (Frances Hamilton)	37,926	Wages		No
Family Practice Properties	A Director of BHS is an owner of Family Practice Properties (Jeffrey Foxx)	626,679	Lease Agreement		No
BB&T Insurance Services	A Director of BHS is an officer of BB&T Insurance Services (Danny McMahan)	254,407	Insurance Brokering Services		No
Baptist Physicians Surgery Center	An Officer of BHS is a board member of Baptist Phys Surg Ctr (W Sisson)	1,007,598	Lease Agreement		No
PETCT Management	An Officer of BHS is a board member of PET/CT Management (S Tamme)	1,169,103	Equipment Services		No
Baptist Eastpoint Surgery Center LLC	An Officer of BHS is a board member of Baptist Eastpoint Surg Ctr (S Tamme)	954,892	Management Fees & Lease Agreement		No
Susan D White Consulting	A Director of BHS has a family member who is a vendor of BHS (V Buster)	127,583	Consulting Services		No

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 2		The Board of Directors is made up of executives from related organizations The following individuals have a business relationship in that they serve on the Board of Directors of the organization and are officers and/or directors of a related organization Tommy Smith, Larry Barton, John Henson, William Sisson, Susan Stout Tamme, Carl Herde, Janet Norton, David Gray, Robert Baker, Tom Davis, Robert Hook Jr, Lindsey Ingram Jr, Danny McMahan, Frank Purdy III, Eugene Siler Jr, Victoria Buster, John Logan, Chris Hutson, and Jeff Holland

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		A copy of the 990 is provided to the board of directors prior to the filing of the return Any questions or comments are addressed by explanation or a change to the form

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Annually the secretary of Baptist Healthcare System, Inc (BHS) sends out a conflict of interest questionnaire to each of the directors serving on the board of BHS After completion, they are returned to the secretary and reviewed by her and the Board or a Board committee for any potential conflicts

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	Annually, the Baptist Healthcare System, Inc Compensation Committee reviews the compensation, including base compensation and incentive compensation for the CEO and all officers and key employees of Baptist Healthcare System, Inc except for the Secretary and Assistant Secretary Compensation for these employees is reviewed and approved by the CEO of Baptist Healthcare System, Inc The Baptist Healthcare System, Inc Compensation Committee is comprised of independent Board Members The Committee retains a Compensation Consultant to advise the Committee and who provides data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated healthcare organizations The Committee reviews this information in approving annual base and incentive compensation and other items of reportable compensation described on Schedule J of the IRS Form 990 The decisions of the Committee regarding compensation are contemporaneously documented in the minutes of the Committee Annually, the Committee Chairperson and the Compensation Consultant provide a report on executive compensation to the full Board of Directors of Baptist Healthcare System, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	In adherence to the Master Trust Indenture among Baptist Healthcare System, Inc , Baptist Healthcare Affiliates, Inc and U S Bank National Association, as Master Trustee, Dated as of February 1, 2009, Baptist Healthcare System, Inc reports its financial results on a quarterly basis to the Master Trustee who in turn makes them available through Electronic Municipal Market Access Additionally, the organization will provide any documents open to public inspection upon request

Identifier	Return Reference	Explanation
Explanation of Hours for Officers	Form 990, Part VII	Officers for Baptist Healthcare System, Inc provide services to Baptist Healthcare System, Inc and its subsidiaries Hours worked are not tracked on an entity by entity basis Therefore, all officers hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors represent aggregate hours worked per week for all entities

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 29,886,988 Capital Distribution - Baptist Community Health Services 700,000 Capital Distribution - PET/CT Management, LLC 351,985 Capital Distribution - Paducah MRI 50,000 Funding for Strategic and Capital Needs -231,271 Post Retirement Change -52,704 Total to Form 990, Part XI, Line 5 30,704,998

Identifier	Return Reference	Explanation
Community Benefit Report	Form 990, Part III	Since its inception in 1924, Baptist Healthcare System, Inc ("Baptist") is dedicated to p roviding accessible, quality healthcare to all patients regardless of their ability to pay The hospitals ow ned and operated by Baptist under tax identification number 61-0444707 i nclude Baptist Hospital East, Louisville, Kentucky Baptist Regional Medical Center, Corbi n, Kentucky Central Baptist Hospital, Lexington, Kentucky Western Baptist Hospital, Paduca h, Kentucky Vision The vision of Baptist is to be the healthcare leader in Kentucky Havi ng earned a reputation of providing high quality patient care and utilizing the latest in medical technology, patients seek out Baptist facilities for their care According to stat e statistics in 2010, Baptist is one of the largest healthcare providers in the state Ken tucky 2010 Hospital Statistics Licensed Beds - 1,548 Beds - Second largest number of beds of any health system in Kentucky Employees - 11,037 Employees - One of the top employers in Kentucky Inpatient Care - 73,607 Admissions/347,566 Days - Largest number of admissions in Kentucky at a system-ow ned or managed hospital - One out of every eight inpatients rec eiving care in Kentucky received care at a system-ow ned or managed hospital Obstetric (Del iveries) - 9,059 Babies - Largest number of babies delivered in Kentucky at a system-ow ned or managed hospital - One in six babies in Kentucky w as delivered at Baptist hospitals at a system-ow ned or managed hospital Cardiology (Open heart surgeries) - 842 Cases - Second largest number of open-heart surgeries performed by any system-ow ned or managed hospital in Kentucky - One in six open-heart surgeries in Kentucky w as performed at a system-ow ned or managed hospital Emergency Visits - 165,336 Registrations - The largest number of emerg ency visits in Kentucky at a system-ow ned or managed hospital - One in thirteen ER patient s w as treated at a system-ow ned or managed hospital Outpatient Visits - 704,535 Hospital V isits - One in tw elve outpatients in Kentucky receiving care in an acute-care setting w as seen at a system-ow ned or managed hospital Mission As indicated by its mission statement, Baptist strives to continue its "Christian heritage of service and to enhance the health of the people and the communities w e serve " Baptist is organized and operated exclusively for the benefit of each community and each hospital is considered a valuable community as set The Baptist Boards of Directors are comprised of local representatives w ho, along w it h the hospitals' management and employees, understand that they are responsible to the com munities for providing high quality health care services Over the years, Baptist has gain ed a reputation for providing compassionate, high quality, cost efficient, patient friendl y care Responsive to Community Need Operating healthcare facilities in today's environme nt requires a delicate balance betw een producing a sufficient margin to allow for adequate staffing and investment in new technologies, w hile also providing enough resources to abs orb the cost of care for those patients w ho do not have the ability to pay for the service s In 2011, because of its ability to produce a modest operating margin, Baptist w as able to re-invest over $89 million into the communities in new technology, construction, renova tion and systems improvement Because of the need to generate a modest margin w hile caring for all patients, Baptist strives to fulfill its community responsibility of collecting a ppropriate reimbursement from all patients w ho have the necessary resources w hile providin g a generous, yet accountable charity care policy to assist those patients w ho do not have the means to pay for the services rendered (See "Charity Care Policy on the next page fo r further discussion) From a broad perspective, Baptist hospitals consistently provide a high level of quality care to every patient and enhance the health of the people it serves through health promotions, health screenings, medical research, and training of health pr ofessionals Other community benefits include - Maintaining necessary, but unprofitable s ervices that meet community needs - Helping to recruit physicians to underserved areas - H elping patients coordinate services w ith other healthcare providers - Providing resources for support groups - Promoting and providing preventive care services - Monitoring clinica l outcomes in order to ensure quality care - Committing resources to improving safety and processes of care - Providing services conveniently accessible by patients In addition, Ba ptist employees volunteer thousands of hours in community services and leadership Baptist 's support for community activities underscores its commitment to improving the lives of t hose served Because Baptist and its employees contribute so much of their time, talents a nd resources to serve others, communities served by Baptist are better places to live and w ork Quantification of many of the community bene

Identifier	Return Reference	Explanation
Community Benefit Report	Form 990, Part III	fits is detailed further in "Statement 8 Part III - Statement of Program Service Accomplishments" However, what the Statement of Program Service Accomplishments doesn't measure is the economic benefit derived by each community from Baptist being one of the largest employers in the state The economic impact of the wages paid to Baptist employees is significant considering the dollars they spend on food, housing, services, and other products Charity Care Policy To further the mission of enhancing the health of the people and communities it serves, Baptist provides medically necessary inpatient and outpatient care to patients regardless of race, religion, sex, national origin, disability, age or their ability to pay Recognizing that not all patients have the ability to pay, Baptist has a charity care policy to accurately evaluate a patient's ability to pay for services received Baptist relies solely on the physician order to determine whether treatment is medically necessary and whether the patient is treated on an inpatient or outpatient basis Neither the patient's financial condition nor their ability to pay for services has any bearing upon whether, or how, the patient is treated in a Baptist facility Patients are transferred only when Baptist does not provide the specialized service that is required, or by specific request of the patient Baptist has notices posted throughout the hospital that clearly communicate Baptist's charity care policy Baptist employees are instructed in the application of the charity care policy and are trained to recognize situations that indicate the financial resources of a patient may be inadequate These employees freely and willingly volunteer information regarding the charity care policy to any patient who may express a concern regarding the ability to pay for services The policy provides that 1 Patients/guarantors with resources of less than 200% of the Poverty Guideline for their family size will receive full charity 2 Patients/guarantors with resources of 200% but less than 400% of the Poverty Guideline for their family size will qualify for partial charity The ratio of resources up to 400% of the Poverty Guideline determines the percentage of the bill that will be the responsibility of the applicant However, the liability is capped at 10% of the resources 3 Patients/guarantors with resources of 400% of the Poverty Guideline for their family size but no more than 1200% of the Poverty Guideline for their family of one will qualify for partial charity if the liability exceeds 20% of their resources In these situations, the patient/guarantor will be responsible for an amount not to exceed 20% of their resources 4 If eligible for a charity discount, a patient will receive the discount regardless of whether they pay the balance on the bill If necessary, payment arrangements may be made on the balance of the patient's bill in accordance with hospital procedures If charity care eligibility cannot be determined, good stewardship requires that the hospital initially begin the collection process However, immediately upon determining that the guarantor is eligible for charity care, collection efforts on the balance eligible for charity will cease and the appropriate balance will be designated as charity Tax-Exempt Status Requirements The Internal Revenue Service Revenue Ruling 69-545 provides that a hospital can demonstrate it has met the community benefit standard by having a full-time emergency room open to the public regardless of ability to pay for services received

Identifier	Return Reference	Explanation
		Baptist operates Emergency Departments that are open 24 hours a day, 365 days a year and t reated 165,336 emergency patients during fiscal year 2011 Baptist facilities and emergenc y departments post policies stating that patients w ill be treated regardless of their abil ity to pay Depending on the severity of a patient's condition, as a service to the patien t Baptist may verify insurance prior to rendering services in the emergency department Un der no circumstances is emergency care delayed by discussions regarding insurance coverage or ability to pay for services In addition, Baptist does not convey or intimate in any w ay to any emergency medical transportation service an unw illingness to treat any particula r patient in need of medical attention Accountability to the Broader Community As previo usly noted, the Baptist Board of Directors embraces its responsibility to represent the br oader community in guiding Baptist in its provision of healthcare services The Board meet s periodically to provide oversight as to how best to continue to serve each community Re gularly scheduled meetings of the full Board and its Committees are described below Board of Directors - Quarterly Audit Committee - Quarterly Executive Committee - Monthly Execut ive Compensation Sub-Committee - As needed Finance Committee - Monthly Governance Effectiv eness Committee - Quarterly Hospital Administrative Boards - Monthly Legal Affairs Committ ee - Quarterly Quality and Mission Effectiveness Committee - Quarterly Physician Transacti on Review Committee - As needed One of the key functions of the Board is to ensure Baptist not only utilizes sound financial management, but also embraces a culture of compliance t hat permeates throughout the healthcare system This is best demonstrated by Baptist's com mitment of resources for compliance activities including the designation of a Compliance O fficer The compliance function reports to the Audit Committee (established in 1994) w hich is comprised of three independent members of the Board w ho are not members of either the Executive or Finance Committees Additionally, at least one member has the expertise to be considered a financial expert in the public sector Another key function of the Board is to ensure that compensation paid to executives is reasonable and meets the guidelines set forth by the Internal Revenue Service Through the Executive Compensation Sub-committee (E CS), the Board ensures that 1 Members of the ECS do not have any conflicts of interest, i e , they are not employed or receive compensation subject to approval by the executives 2 The compensation is approved in advance by the ECS 3 The ECS obtains and relies upon a ppropriate comparability data in making decisions 4 Every form of compensation and benefi t is included in the comparisons 5 The ECS documents the basis for its decision concurren tly w ith making the decision 6 Based upon the data, the compensation is reasonable The f ollow ing is a summary of Baptist's community service for the year ended August 31, 2011, i n terms of services to the poor and indigent and the benefits provided to the communities it serves Quantifiable Community Benefit Baptist is fully committed to its responsibilit y as a charitable organization and commits extensive resources to fulfill that obligation to the community To the extent possible, Baptist has quantified the benefits provided to the communities it serves - Benefits for the Poor and Indigent Unreimbursed Cost of Char ity Care = $33,061,000 Unreimbursed Cost of Medicaid = $24,129,000 Total Benefits for the Poor and Indigent = $57,190,000 - Benefits for the Broader Community Net Loss on Subsidiz ed Health Services = $10,918,000 Community Health Improvement Services = $2,700,000 Health Professions Education = $387,000 Financial & In-Kind Contributions = $779,000 Total Benef its for the Community = $14,784,000 Total Quantifiable Community Benefit = $71,974,000 Glo ssary of Community Benefit Terms - Benefits for the Poor and Indigent Describes services provided to persons w ho cannot afford healthcare because of inadequate resources and/or w ho are uninsured or underinsured This includes those patients that qualify for Charity, M edicaid, Kentucky's Children Health Insurance Program (KCHIP), Kentucky Hospital Care Prog ram (KHCP) and other citizens w hose income is inadequate (based on each patient's individu al circumstances) 1 Unreimbursed cost of charity care describes the services provided to persons w ho cannot afford to pay It also includes the Health Care Provider Tax (Kentucky Revised Statutes 142 303) that is assessed on all hospital patient revenues received for the purpose of funding state Medicaid, KHCP and KCHIP programs The amounts reflect the ne t cost of these services after reducing the costs for contributions and other revenues rec eived by Baptist as direct assistance for the provision of care 2 Unreimbursed cost of M edicaid reflects costs of treating Medicaid benefi

Identifier	Return Reference	Explanation
		ciaries not reimbursed by government programs - Benefits for the Broader Community Descr ibes services provided to other needy populations that may not qualify as indigent but tha t need special services and support The benefits include the cost of health promotion and education, health clinics and screenings, and medical research that benefits the communit y 1 Net loss on subsidized health services reflects the loss from services that w ould be discontinued if the decision w ere based on profit motives only 2 Other community benefi t includes costs incurred by Baptist in providing support and coordination of health educa tion and aw areness events as w ell as the cost of employees paid time to attend, staff, and coordinate these activities 3 Baptist makes cash and in-kind donations on behalf of the poor and needy to community agencies and to special funds used for charitable purposes

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

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

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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Baptist EastMilestone LLC 750 Cypress Station Dr Louisville, KY40207 61-1355065	Fitness Center	KY	N/A									
(2) Baptist Physicians' Surgery Center LLC 1720 Nicholasville Rd 101 Lexington, KY405031404 04-3665929	Ambulatory Surgery Center	KY	N/A									
(3) Baptist Eastpoint Surgery Center LLC 4000 Kresge Way Louisville, KY40207 26-0834852	Ambulatory Surgery Center	KY	N/A									
(4) Medical Associates of Middletown LLC 4000 Kresge Way Louisville, KY40207 20-0399400	Medical Office Building	KY	Baptist Healthcare System Inc	Related	25,328	1,266,153		No			No	35 000 %
(5) PETCT Management LLC 7807 Shelbyville Rd Ste 201 Louisville, KY40222 20-0154982	Mgmt & Equipment Services	KY	Baptist Healthcare System Inc	Related	330,915	625,786		No			No	76 130 %

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Baptist Ventures Inc 4007 Kresge Way Louisville, KY402074604 61-1217018	Management Company	KY	Baptist Healthcare System Inc	C	458,470	3,788,645	100 000 %
(2) Baptist East Medical Pavilion Association Inc 4000 Kresge Way Louisville, KY402074604 61-1423391	Condo Mgmt Association	KY	Baptist Healthcare System Inc	C			
(3) BRMC Condominium Association Inc 1 Trillium Way Corbin, KY40701 61-1364766	Condo Mgmt Association	KY	Baptist Healthcare System Inc	C			
(4) Baptist Health Network Inc 4007 Kresge Way Louisville, KY402074604 27-2939694	Accountable Care Organization	KY	Baptist Healthcare System Inc	C			

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

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

			Yes	No
1	During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a	Yes	
b	Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c	Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d	Loans or loan guarantees to or for other organization(s)	1d	Yes	
e	Loans or loan guarantees by other organization(s)	1e		No
f	Sale of assets to other organization(s)	1f		No
g	Purchase of assets from other organization(s)	1g		No
h	Exchange of assets	1h		No
i	Lease of facilities, equipment, or other assets to other organization(s)	1i	Yes	
j	Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes	
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l	Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m	Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n	Sharing of paid employees	1n		No
o	Reimbursement paid to other organization for expenses	1o	Yes	
p	Reimbursement paid by other organization for expenses	1p	Yes	
q	Other transfer of cash or property to other organization(s)	1q	Yes	
r	Other transfer of cash or property from other organization(s)	1r	Yes	

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

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

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
Baptist Healthcare Affiliates Inc 4007 Kresge Way Louisville, KY402074604 61-1226399	Hospital	KY	Section 501(c)(3)	Schedule A, Line 3	Baptist Healthcare System Inc	Yes	
Baptist Community Health Services Inc 4007 Kresge Way Louisville, KY402074604 61-1141242	Medical Services	KY	Section 501(c)(3)	Scehdule A, Line 11a	Baptist Healthcare System Inc	Yes	
Baptist Medical Associates Inc 4007 Kresge Way Louisville, KY402074604 20-5497203	Physician Services	KY	Section 501(c)(3)	Schedule A, Line 3	Baptist Healthcare System Inc	Yes	
Baptist Physicians Lexington Inc 4007 Kresge Way Louisville, KY402074604 20-5494939	Physician Services	KY	Section 501(c)(3)	Schedule A, Line 3	Baptist Healthcare System Inc	Yes	
Baptist Physicians Southeast Inc 4007 Kresge Way Louisville, KY402074604 26-0766344	Physician Services	KY	Section 501(c)(3)	Schedule A, Line 3	Baptist Healthcare System Inc	Yes	
Western Baptist Medical Ventures Inc 4007 Kresge Way Louisville, KY402074604 61-1194899	Physician Services	KY	Section 501(c)(3)	Schedule A, Line 3	Baptist Healthcare System Inc	Yes	
Baptist Healthcare Foundation Inc 4007 Kresge Way Louisville, KY402074604 31-1122867	Fundraising	KY	Section 501(c)(3)	Scehdule A, Line 11a	Baptist Healthcare System Inc	Yes	
Baptist Hospital Foundation of Greater Louisville Inc 4000 Kresge Way Louisville, KY402074604 20-0292291	Fundraising	KY	Section 501(c)(3)	Scehdule A, Line 11a	Baptist Healthcare System Inc	Yes	
Central Baptist Hospital Foundation Inc 1740 Nicholasville Rd Lexington, KY40503 61-1480774	Fundraising	KY	Section 501(c)(3)	Scehdule A, Line 11a	Baptist Healthcare System Inc	Yes	
Lexington Cardiac Research Foundation Inc 1740 Nicholasville Rd Lexington, KY40503 20-4242792	Medical Research	KY	Section 501(c)(3)	Schedule A, Line 11a	Baptist Healthcare System Inc	Yes	
Western Baptist Hospital Foundation Inc 2501 Kentucky Ave Paducah, KY42003 26-4057759	Fundraising	KY	Section 501(c)(3)	Scehdule A, Line 11a	Baptist Healthcare System Inc	Yes	
Bluegrass Family Health Inc 651 Perimeter Park Ste 300 Lexington, KY40517 61-1241101	Insurance	KY	Section 501(c)(4)		Baptist Healthcare System Inc	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
Mercy Regional Emergency Medical System LLC 126 Lone Oak Rd Paducah, KY42001 61-1310466	Ambulance Services	KY	Section 501(c)(3)	Scehdule A, Line 11a	Baptist Healthcare System Inc	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Baptist Ventures Inc	A	66,026	Cost
(2)	Baptist Hospital Foundation of Greater Louisville	B	269,034	Cost
(3)	PETCT Management LLC	B	41,426	Cost
(4)	Baptist Health Network	B	328,551	Cost
(5)	Western Baptist Hospital Foundation	C	13,940	Cost
(6)	Baptist Hospital Foundation of Greater Louisville	C	240,510	Cost
(7)	Baptist Ventures Inc	D	84,273	Cost
(8)	Baptist Community Health Services Inc	I	2,266,494	Cost
(9)	Baptist Physicians Lexington Inc	I	603,823	Cost
(10)	Baptist Physicians Lexington Inc	J	179,330	Cost
(11)	PETCT Management LLC	O	1,169,103	Cost
(12)	Baptist Medical Associates Inc	O	5,916,254	Cost
(13)	Baptist Health Network	P	24,750	Cost
(14)	Baptist Healthcare Affiliates Inc	P	5,048,093	Cost
(15)	Baptist Community Health Services Inc	P	3,090,606	Cost
(16)	Baptist Physicians Lexington Inc	P	3,406,239	Cost
(17)	Western Baptist Medical Ventures Inc	P	78,633	Cost
(18)	Lexington Cardiac Research Foundation Inc	P	10,000	Cost
(19)	Baptist Healthcare Affiliates Inc	Q	343,482	Cost
(20)	Baptist Community Health Services Inc	Q	5,843,151	Cost
(21)	Western Baptist Medical Ventures Inc	Q	2,008,326	Cost
(22)	Baptist Medical Associates Inc	Q	9,258,288	Cost
(23)	Baptist Physicians Lexington Inc	Q	16,277,943	Cost
(24)	Baptist Physicians Southeast Inc	Q	3,235,153	Cost
(25)	Baptist Healthcare Affiliates Inc	R	3,593,367	Cost
(26)	Baptist Community Health Services Inc	R	700,000	Cost
(27)	Baptist Hospital Foundation of Greater Louisville	R	61,395	Cost
(28)	Baptist Ventures Inc	R	282,419	Cost
(29)	PETCT Management LLC	R	351,985	Cost
(30)	Lexington Cardiac Research Foundation Inc	R	120,492	Cost

Baptist Healthcare System, Inc. and Affiliates

Independent Accountants' Report and
Consolidated Financial Statements
and Supplemental Consolidating Schedules
August 31, 2011 and 2010

BKD LLP
CPAs & Advisors

Baptist Healthcare System, Inc. and Affiliates

August 31, 2011 and 2010

Contents

BKD LLP
CPAs & Advisors

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Independent Accountants' Report

Board of Directors, Audit Committee and Management
Baptist Healthcare System, Inc and Affiliates
Louisville, Kentucky

We have audited the accompanying consolidated balance sheets of Baptist Healthcare System, Inc and Affiliates (Baptist) 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 Baptist'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 of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

As discussed in Note 1, in 2011 Baptist changed its method of accounting for noncontrolling interests in its consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Baptist as of August 31, 2011 and 2010, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

BKD, LLP

November 21, 2011

Baptist Healthcare System, Inc. and Affiliates

Consolidated Balance Sheets

August 31, 2011 and 2010

Assets	2011	2010 (Restated – Note 1)
	(In Thousands)	
Current assets		
Cash and cash equivalents	$ 157,289	$ 208,851
Investments	118,881	68,598
Assets limited as to use – required for current obligations	9,000	9,000
Patient accounts receivable, net of contractual allowances and doubtful accounts, 2011-$341,632, 2010-$313,857	170,901	167,439
Inventories	24,249	24,485
Other	34,746	42,859
Total current assets	515,066	521,232
Assets limited as to use		
Designated by Board for capital improvements	652,355	598,050
Held by trustee		
Under medical malpractice self-insurance	43,965	33,071
Under workers compensation self-insurance	12,580	11,462
Total assets limited as to use	708,900	642,583
Less amount required to meet current obligations	9,000	9,000
Assets limited as to use – noncurrent portion	699,900	633,583
Property and equipment, net	702,498	697,067
Other assets	42,758	32,339
Total assets	$ 1,960,222	$ 1,884,221

Liabilities and Net Assets		
Current liabilities		
Current installments of long term debt	$ 9,145	$ 8,755
Accounts payable	63,394	59,773
Accrued expenses	91,479	78,872
Estimated third-party payer settlements	16,454	12,919
Accrued interest payable	477	529
Current portion of liability for medical malpractice	9,000	9,000
Other	28,672	59,821
Total current liabilities	218,621	229,669
Long-term debt	474,240	483,969
Other liabilities	87,237	76,666
Net assets		
Unrestricted net assets attributable to Baptist	1,170,363	1,085,119
Unrestricted net assets attributable to noncontrolling interest	1,141	1,218
Total unrestricted net assets	1,171,504	1,086,337
Temporarily restricted	8,620	7,580
Total net assets	1,180,124	1,093,917
Total liabilities and net assets	$ 1,960,222	$ 1,884,221

Baptist Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets

Years Ended August 31, 2011 and 2010

	2011	2010 (Restated – Note 1)
	(In Thousands)	
Unrestricted revenues, gains and other support		
Net patient service revenue	$ 1,382,920	$ 1,286,774
Premium revenue	181,453	183,778
Other	55,212	47,973
Net assets released from restrictions used for operations	1,070	1,221
Total revenues, gains and other support	1,620,655	1,519,746
Expenses		
Health care services	977,858	908,694
General and administrative	428,581	400,000
Depreciation and amortization	89,568	89,484
Interest	13,933	15,455
Provision for uncollectible accounts	81,894	70,789
Provider tax	21,258	21,270
Total expenses	1,613,092	1,505,692
Operating income	7,563	14,054
Other gains (losses)		
Investment return	77,165	44,339
Other	(192)	(1,934)
Total other gains (losses)	76,973	42,405
Excess of revenues, gains and other support over expenses before provision (benefit) for income tax	84,536	56,459
Provision (benefit) for income tax	(761)	(2,077)
Excess of revenues, gains and other support over expenses	85,297	58,536

Continued on next page

Baptist Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets

Years Ended August 31, 2011 and 2010

	2011	2010 (Restated –Note 1)
	(In Thousands)	
Post retirement benefit plan		
Net loss arising during period	$ (758)	$ (1,035)
Plus amortization of prior service cost, transition obligation and loss included in net periodic pension cost	705	425
Change in post retirement benefit plan	(53)	(610)
Increase in unrestricted net assets attributable to Baptist	85,244	57,926
Unrestricted net assets attributable to noncontrolling interest		
Excess of revenues over expenses	542	403
Contributions from noncontrolling interest	65	66
Distributions to noncontrolling interest	(684)	(1,039)
Increase (decrease) in unrestricted net assets attributable to noncontrolling interest	(77)	(570)
Increase in unrestricted net assets	85,167	57,356
Temporarily restricted net assets		
Contributions, interest income and other	2,110	1,456
Net assets released from restrictions used for operations	(1,070)	(1,221)
Increase in temporarily restricted net assets	1,040	235
Change in net assets	86,207	57,591
Net assets – beginning of year	1,093,917	1,036,326
Net assets – end of year	$ 1,180,124	$ 1,093,917

Baptist Healthcare System, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended August 31, 2011 and 2010

	2011	2010 (Restated – Note 1)
	(In Thousands)	
Operating activities		
Change in net assets	$ 86,207	$ 57,591
Change in net assets attributable to noncontrolling interest	77	570
Change in net assets attributable to Baptist	86,284	58,161
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	89,568	89,484
Net realized and unrealized gains on investments and assets limited as to use	(60,999)	(28,720)
Equity in the net earnings of joint ventures	(4,729)	(4,747)
Loss on sale or disposition of property and equipment	213	43
Changes in		
Noncontrolling interest	542	403
Patient accounts receivable, net	(3,462)	(12,955)
Investments and assets limited as to use	(55,601)	(10,232)
Inventories and other current assets	8,349	11,015
Other assets	(10,509)	2,208
Accounts payable, accrued expenses and accrued interest payable	16,176	(738)
Estimated third-party payer settlements	3,535	7,450
Other current liabilities	(31,149)	8,675
Other liabilities	10,571	11,691
Net cash provided by operating activities	48,789	131,738
Investing activities		
Purchases of property and equipment	(95,540)	(114,494)
Proceeds from sale of property and equipment	54	552
Contributions from noncontolling interest	65	66
Investment in joint ventures	(20)	(100)
Distributions to noncontrolling interest	(685)	(1,040)
Distributions from joint ventures	4,530	4,511
Net cash used in investing activities	(91,596)	(110,505)
Financing activities		
Principal payments on long-term debt	(8,755)	(8,440)
Net cash used in financing activities	(8,755)	(8,440)
Increase (decrease) in cash and cash equivalents	(51,562)	12,793
Cash and cash equivalents, beginning of year	208,851	196,058
Cash and cash equivalents, end of year	$ 157,289	$ 208,851
Supplemental Cash Flow Information		
Interest paid (net of capitalized amount of $0 in 2011 and $258 in 2010)	$ 13,985	$ 15,445
Income taxes paid	$ 216	$ 173

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2011 and 2010

Note 1: Description of Organization and Summary of Significant Accounting Policies

Organization

Baptist Healthcare System, Inc (Baptist) is a nonprofit, tax-exempt organization that owns and operates four hospitals Baptist Healthcare Affiliates, Inc is a nonprofit, tax-exempt affiliate that owns and operates an additional hospital

Baptist Community Health Services, Inc is a nonprofit, tax-exempt affiliate that owns and operates rehabilitation centers, urgent care centers and occupational and physical therapy clinics within the regions surrounding the hospitals Baptist Community Health Services, Inc also owns Oak Tree Hospital at Baptist Regional Medical Center, an accredited long-term care hospital, owns 53% of Baptist Physicians' Surgery Center, a for-profit limited liability corporation and owns 77% of Baptist Eastpoint Surgery Center, LLC

Baptist Medical Associates, Inc , Baptist Physicians Lexington, Inc , Baptist Physicians Southeast and Western Baptist Medical Ventures, Inc are nonprofit, tax-exempt affiliates that own and operate physician practices

Baptist Healthcare Foundation, Inc , Baptist Hospital Foundation of Greater Louisville, Inc , Central Baptist Hospital Foundation, Inc , Cardiac Research Foundation, Inc and Western Baptist Hospital Foundation, Inc are nonprofit, tax-exempt affiliate corporations

Bluegrass Family Health, Inc (BFH) is a nonprofit, taxable affiliate health maintenance organization Baptist Ventures, Inc is a for-profit, affiliate corporation that provides hospital management services Baptist Health Network, Inc is a nonprofit affiliate corporation that operates a network of health care providers, hospitals and physicians PET/CT Management, LLC is a for-profit limited liability corporation, of which Baptist owns 81%

All entities are located in the Commonwealth of Kentucky

Basis of presentation

The accompanying consolidated financial statements represent the consolidated operations of Baptist, the affiliates in which it has sole ownership or membership and the entities in which it has greater than 50% equity interest with commensurate control (collectively, Baptist) All significant intercompany accounts and transactions are eliminated in consolidation

Effective September 1, 2010, Baptist adopted FASB Accounting Standards Update (ASU) No 2010-07 (Topic 958), *Not-for-Profit Entities Mergers and Acquisitions*, which included the provisions of Accounting Standards Codification (ASC) 810 *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No 51 Upon adoption, minority interest previously presented in the liability section of the consolidated balance sheets has been retrospectively reclassified as noncontrolling interest within net assets In addition, the consolidated excess of revenues over expenses presented in the consolidated statements of operations and changes in net assets have been retrospectively revised to include the excess of revenues over expenses attributable to the noncontrolling interest The effect on beginning net assets as of September 1, 2009, was an increase of approximately $1,789,000 Beginning

September 1, 2010, losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero. Any changes in ownership after September 1, 2010, that do not result in a loss of control will be prospectively accounted for as equity transactions in accordance with ASC 810.

Mission and vision statement

Baptist's mission is to continue the Christian heritage of service and to enhance the health of the people and communities it serves. Baptist is guided by the vision to be the health care leader in Kentucky. Baptist will live out its Christ-centered mission and achieve its vision guided by Integrity, Respect, Stewardship, Excellence and Collaboration.

Cash equivalents

Baptist considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At August 31, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments and investment return

Investments in equity securities with readily determinable fair values and in all debt securities are considered trading securities and are carried at fair value in the consolidated balance sheets. Investments in an equity investee are reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Investment income or loss (including realized gains and losses on investments, dividends, interest and unrealized gains and losses on trading investments) is included in the excess of revenues, gains and other support over expenses unless donor or law restricts the income or loss.

Patient accounts receivable

Baptist reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. Baptist provides an allowance for third-party payers based on reimbursement agreements and for doubtful accounts based upon a review of outstanding receivables, historical collection information, existing economic conditions and applicable law.

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis.

Assets limited as to use

Assets limited as to use are recorded at fair value and include (1) assets set aside by the board for capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes, (2) assets held by trustee under bond indenture and (3) assets held by trustee for the medical malpractice and workers' compensation self-insurance funding arrangements Amounts required to meet current liabilities are reported as current assets in the consolidated balance sheets

Baptist invests in various securities including money market funds, U S Government securities, corporate debt instruments, corporate stocks and mutual funds and these are classified as trading The unrealized gains and losses of these securities are recognized as net investment return in the consolidated statements of operations and changes in net assets Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets

Property and equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets, unless the donor restricts use of the assets Monetary gifts that must be used to acquire property and equipment are reported as donor-restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

Baptist capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing for the project, net of interest earned on investments acquired with the proceeds of the borrowing or based on the weighted-average rates paid for long-term borrowing Total interest capitalized and incurred was

	2011	2010
	(In Thousands)	
Interest expense capitalized on borrowings for project	$ -	$ 258
Interest income capitalized from investment of proceeds on borrowings for project	-	-
Net interest capitalized	$ -	$ 258
Net interest capitalized	$ -	$ 258
Interest charged to expense	13,933	15,455
Total interest incurred	$ 13,933	$ 15,713

Long-lived asset impairment

Baptist evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable If a long-lived asset is tested for recoverability and the undiscounted estimate of future cash flows is expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value No asset impairment was recognized during the years ended August 31, 2011 and 2010

Deferred financing costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt and are amortized over the term of the respective debt using the effective-interest method Deferred financing costs are reported in the consolidated balance sheets in other assets

Temporarily restricted net assets

Temporarily restricted net assets are those whose use by Baptist has been limited by donors to a specific time period or purpose Investment income from restricted funds is included in temporarily restricted net assets when earned

Charity care

Baptist provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates Baptist also provides discounts from established rates to all uninsured patients Because Baptist does not pursue collection of charity or uninsured discounts, such amounts are not reported as revenue Total unreimbursed costs of charity and discounts to the uninsured were approximately $47,048,000 and $37,128,000 for the years ended August 31, 2011 and 2010, respectively

Net patient service revenue

Baptist has agreements with third-party payers that may provide for payments at amounts different from its established rates Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive adjustments Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods, as final settlements are determined

Premium revenue

Baptist, through BFH, enters into membership contracts with employer groups The contracts contain varying terms subject to cancellation by the employer group or BFH upon 60 days' written notice Premiums are due at the beginning of each month and are recognized as revenue during the period in which BFH is obligated to provide services to members

Premiums billed and collected in advance recorded as unearned premiums are included in the consolidated balance sheets in other current liabilities

Estimated medical claims incurred but not reported are included in the consolidated balance sheets in accounts payable

Donor-restricted gifts

Contributions are reported at fair value in the period received or unconditionally pledged Donor-restricted stipulations that limit the use of contributions are initially reported as temporarily restricted net assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restriction

Estimated malpractice costs

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and is reported in the consolidated statements of operations and changes in net assets as a general and administrative expense The liability for self-insured malpractice claims includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported and is reported in the consolidated balance sheets in other liabilities

Income taxes

The Baptist nonprofit, tax-exempt entities are recognized as exempt from income taxes under Section 501 of the Internal Revenue Code (Code) However, these entities are subject to federal income tax on income earned through unrelated business activities In addition, the Baptist nonprofit, taxable and for-profit entities are subject to federal and state income taxes The net tax liability is recorded in the consolidated balance sheets in other current liabilities

The Internal Revenue Service (IRS) issued a determination letter dated June 9, 2008, determining BFH to be an organization described in Section 501c(4) of the Code and therefore exempt from federal income tax under Section 501(a) The IRS National Office has taken exception to that determination and is currently reviewing the application BFH is recorded as a taxable entity in the consolidated financial statements

Baptist is no longer subject to U S Federal income tax examinations by tax authorities prior to fiscal year 2008

Use of estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include net patient service revenue, malpractice, workers' compensation, litigation matters, postretirement benefits and medical service claims incurred but not yet reported

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

Litigation

During the normal course of business, Baptist may be subject to allegations that result in litigation Some of these allegations are in areas not covered by Baptist's self-insurance program or by commercial insurance Based on the advice and assistance from professional and legal counsel, Baptist assesses the probable outcome of unresolved litigation and records an estimate of the ultimate expected loss Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Subsequent events

Subsequent events have been evaluated through the date of the Independent Accountants' Report which is the date the consolidated financial statements were available to be issued

Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 consolidated financial statement presentation These reclassifications had no effect on the change in net assets

Note 2: Net Patient Service Revenue

Net patient service revenues are derived from services provided to patients who are directly responsible for payment or are covered by various insurance programs including the Medicare and Medicaid programs Baptist has agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to Baptist under these agreements includes prospectively determined rates per discharge and/or per day, discounts from established charges, fee schedules and other methods

Laws and regulations governing the Medicare, Medicaid, managed care and indemnity payment programs are extremely complex and subject to interpretation and change As a result, it is reasonably possible that recorded estimates will change materially in the near term The following table indicates net revenue by payer for the years ended August 31, 2011 and 2010

	Years Ended August 31, 2011	2010
Net patient service revenue (a)		
Medicare	32 0%	33 4%
Medicare advantage	5 0	4 7
Total Medicare	37 0	38 1
Medicaid	5 2	5 4
Medicaid managed care	1 1	0 9
Total Medicaid	6 3	6 3
Blue Cross	6 9	6 5
HMO	22 2	21 5
PPO	2 1	2 4
Commercial and other	5 9	5 5
Total other insurance	37 1	35 9
Total insured	80 4	80 3
Total patient liability (b)	18 2	17 5
Total uninsured	1 4	2 2
Total	100 0%	100 0%

(a) For this chart, net patient service revenue is reduced by the provision for uncollectible accounts
(b) Total patient liability represents revenue from insured patients for coinsurance, patient deductibles and other services for which the patient's insurance has deemed the responsibility of the patient

Note 3: Concentration of Credit Risk

Accounts receivable

Baptist grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements The percentages of receivables from patients and third-party payers at August 31, 2011 and 2010, were as follows

	Years Ended August 31, 2011	2010
Net patient accounts receivable		
Medicare	29 1%	28 1%
Medicare advantage	5 6	5 1
Total Medicare	34 7	33 2
Medicaid	4 4	6 5
Medicaid managed care	1 3	0 7
Total Medicaid	5 7	7 2
Blue Cross	6 3	6 4
HMO	20 5	19 8
PPO	3 5	4 3
Commercial and other	11 0	10 8
Total other insurance	41 3	41 3
Total insured	81 7	81 7
Total patient liability (a)	17 3	17 2
Total uninsured	1 0	1 1
Total	100 0%	100 0%

(a) Total patient liability represents the portion due from insured patients for co-insurance, patient deductibles and other services for which the patient's insurance has deemed the responsibility of the patient

Bank balances

Baptist considers all liquid investments with original maturities of three months or less to be cash equivalents At August 31, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit

The financial institutions holding Baptist's cash accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program Under that program, through December 31, 2010, all noninterest-bearing transaction accounts were fully guaranteed by the FDIC for the entire amount in the account Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC insured institutions

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000. At August 31, 2011, Baptist's interest-bearing cash accounts exceeded federally insured limits by approximately $103,293,000. Baptist also has repurchase agreements of approximately $39,180,000 that are not covered under FDIC insurance included in cash and cash equivalents.

Note 4: Investments, Assets Limited as to use and Investment Return

Investments

	2011	2010
	(In Thousands)	
Cash	$ 5,347	$ 4,766
Money market funds	447	3,790
Mutual funds	31,850	26,232
U.S. Treasury and agency obligations	32,679	25,739
U.S. and foreign common and preferred stocks	190	169
U.S. and foreign corporate bonds	48,368	7,902
Investments	$ 118,881	$ 68,598

Assets limited as to use

	2011	2010
	(In Thousands)	
Designated by Board for capital improvements		
Cash	$ 317	$ 15,335
Money market funds	5,855	10,462
Mutual funds	292,699	233,535
U.S. Treasury and agency obligations	60,973	73,232
U.S. common and preferred stocks	115,989	91,638
Foreign common and preferred stocks	13,831	12,533
U.S. corporate bonds	130,070	125,919
Foreign corporate bonds	32,621	35,396
Total designated by Board for capital improvements	652,355	598,050
Held by trustee		
Under medical malpractice self-insurance funding arrangement – money market funds	43,965	33,071
Under workers' compensation self-insurance funding arrangement – (a)	12,580	11,462
Total assets limited as to use	$ 708,900	$ 642,583

(a) Assets under workers' compensation self-insurance funding arrangement are invested in securities in the same proportion as assets designated by Board for capital improvements.

Investment return

Total investment return for assets whose use is limited and investments are reflected in the consolidated statements of operations and changes in net assets and are comprised of the following for the years ended August 31, 2011 and 2010

	2011	2010
	(In Thousands)	
Excess of revenues, gains and other support over expenses		
Interest and dividend income	$ 16,166	$ 15,619
Realized gains on sale of securities	28,731	15,756
Change in net unrealized gains on trading securities	32,268	12,964
Total investment income	$ 77,165	$ 44,339

Certain investments in debt and marketable equity securities are reported in the consolidated financial statements at an amount less than their historical cost Total fair value of these investments at August 31, 2011 and 2010, was $387,623,000 and $299,963,000, which is approximately 47% and 42%, respectively, of the investment portfolio

Baptist's investments are exposed to various risks, such as interest rate, market and credit Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in these risks in the near term could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets

Note 5: Fair Value of Assets and Liabilities

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements* (Topic 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value The standard describes three levels of inputs that may be used to measure fair value

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy

Cash and cash equivalents, investments and assets limited as to use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy Level 1 securities include money market funds, common stocks, preferred stocks and mutual funds

Where quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy Level 2 securities include U S Treasury obligations, municipal bonds, corporate bonds, corporate short term obligations and mutual funds

For these Level 2 securities, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference to data market research publications For the index mutual fund, included in Level 2, that has sufficient activity or liquidity within the fund, fair value is determined using the net asset value (or its equivalent) provided by the fund

Where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the valuation hierarchy Baptist does not hold Level 3 securities

	2011				
	Investments subject to ASC Topic 820			Investments not subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash and cash equivalents					
Cash and cash equivalents	$ 1,277	$ -	$ -	$ 156,012	$ 157,289
Investments					
Cash	$ -	$ -	$ -	$ 5,347	$ 5,347
Money market funds	-	-	-	447	447
Mutual funds	31,850	-	-	-	31,850
U S Treasury and agency obligations	-	32,679	-	-	32,679
U S and foreign common and preferred stocks	190				190
U S and foreign corporate bonds	-	48,368	-	-	48,368
Investments	$ 32,040	$ 81,047	$ -	$ 5,794	$ 118,881

	2011				
	Investments subject to ASC Topic 820			Investments not subject to ASC	
	Level 1	Level 2	Level 3	Topic 820	Total
			(In Thousands)		
Assets limited as to use					
Cash	$ -	$ -	$ -	$ 322	$ 322
Money market funds	50,641	-	-	-	50,641
Mutual funds	110,382	187,638	-	-	298,020
U S Treasury and agency obligations	-	62,083	-	-	62,083
U S common and preferred stocks	118,099	-	-	-	118,099
Foreign common and preferred stocks	14,083	-	-	-	14,083
U S corporate bonds	-	132,437	-	-	132,437
Foreign corporate bonds	-	33,215	-	-	33,215
Assets limited as to use	$ 293,205	$ 415,373	$ -	$ 322	$ 708,900

Investments reported in assets limited as to use are diversified among many industries However, at August 31, 2011, approximately $95,672,000 of the total $132,437,000 U S corporate bonds is invested in the finance and insurance industry and approximately $32,867,000 of the total $33,215,000 foreign corporate bonds is invested in the finance and insurance industry

	2010				
	Investments subject to ASC Topic 820			Investments not subject to ASC	
	Level 1	Level 2	Level 3	Topic 820	Total
			(In Thousands)		
Cash and cash equivalents					
Cash and cash equivalents	$ 1,423	$ -	$ -	$ 207,428	$ 208,851
Investments					
Cash	$ -	$ -	$ -	$ 4,766	$ 4,766
Money market funds	3,790	-	-	-	3,790
Mutual funds	26,232	-	-	-	26,232
U S Treasury and agency obligations	-	25,739	-	-	25,739
U S and foreign common and preferred stocks	169	-	-	-	169
U S and foreign corporate bonds	-	7,902	-	-	7,902
Investments	$ 30,191	$ 33,641	$ -	$ 4,766	$ 68,598

	2010				
	Investments subject to ASC Topic 820			Investments not subject to ASC	
	Level 1	Level 2	Level 3	Topic 820	Total
			(In Thousands)		
Assets limited as to use					
Cash	$ -	$ -	$ -	$ 15,614	$ 15,614
Money market funds	44,316	-	-	-	44,316
Mutual funds	76,202	161,576	-	-	237,778
U S Treasury and agency obligations	-	74,563	-	-	74,563
U S common and preferred stocks	93,303	-	-	-	93,303
Foreign common and preferred stocks	12,761	-	-	-	12,761
U S corporate bonds	-	128,209	-	-	128,209
Foreign corporate bonds	-	36,039	-	-	36,039
Assets limited as to use	$ 226,582	$ 400,387	$ -	$ 15,614	$ 642,583

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value

Cash and cash equivalents

The carrying amount approximates fair value

Long-term debt

Fair value is estimated based on the borrowing rates currently available to Baptist for bank loans with similar terms and maturities

The following table presents estimated fair values of Baptist's financial instruments at August 31, 2011 and 2010

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(In Thousands)		
Financial assets				
Cash and cash equivalents	$ 157,289	$ 157,289	$ 208,851	$ 208,851
Investments	$ 118,881	$ 118,881	$ 68,598	$ 68,598
Assets limited as to use	$ 708,900	$ 708,900	$ 642,583	$ 642,583
Financial liabilities				
Revenue bonds, Series 2009A	$ 198,835	$ 217,471	$ 207,590	$ 232,034
Revenue Bonds, Series 2009B	$ 284,435	$ 284,435	$ 284,435	$ 284,435

Note 6: Property and Equipment, Net

	2011	2010
	(In Thousands)	
Land	$ 84,319	$ 84,273
Land and leasehold improvements	31,422	31,186
Buildings	539,211	531,447
Building services equipment	195,637	190,409
Fixed equipment	97,326	97,773
Major moveable equipment	718,336	681,390
Construction in progress	36,413	20,015
Total	1,702,664	1,636,493
Less accumulated depreciation	1,000,166	939,426
Property and equipment, net	$ 702,498	$ 697,067

As of August 31, 2011, Baptist has entered into contractual agreements for the purchase of equipment and the construction of hospital facilities for approximately $18,859,000

Included in the consolidated balance sheets in accounts payable are purchases of property and equipment of $2,374,000 and $2,653,000 at August 31, 2011 and 2010, respectively

Note 7: Medical Malpractice Claims

Baptist is self-insured with respect to medical malpractice risks and has established an irrevocable trust fund for the payment of medical malpractice claim settlements Professional insurance consultants have been retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund

Prior to June 1, 2010, Baptist was self-insured for the first $4,000,000 per occurrence and not to exceed $20,000,000 in the aggregate for all Baptist hospitals combined Effective June 1, 2010, the per occurrence amount was increased to $6,000,000 Baptist participates in the American Excess Insurance Exchange (AEIX), Risk Retention Group, a Vermont-chartered "captive" insurance company organized as a reciprocal for coverage above the self-insurance limits Baptist currently has a 5 2% ownership in AEIX, the value of which is reported using the equity method of accounting

The total current liability for medical malpractice claims reported and claims incurred but not reported was approximately $9,000,000 and $9,000,000 at August 31, 2011 and 2010, respectively The total long-term liability for medical malpractice claims reported and claims incurred but not reported was approximately $50,070,000 and $41,097,000 at August 31, 2011 and 2010, respectively Net malpractice expense recognized was approximately $9,372,000 and $6,913,000 for the years ended August 31, 2011 and 2010, respectively Earnings on investments of the malpractice self-insurance trust fund amounted to approximately $263,000 and $336,000 for the years ended August 31, 2011 and 2010, respectively

Note 8: Workers' Compensation

Baptist is self-insured with respect to workers' compensation risks and has established an irrevocable trust fund for the payment of workers' compensation claim settlements Professional insurance consultants have been retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund

The total accrued liability for incurred and incurred but not reported workers' compensation claims and related costs of settlement was approximately $13,295,000 and $13,474,000 at August 31, 2011 and 2010, respectively, and is included in long-term liabilities in the consolidated financial statements Net workers' compensation expense recognized was approximately $2,742,000 and $2,579,000 for the years ended August 31, 2011 and 2010, respectively

Note 9: Long-term Debt

The bonds are collateralized by a pledge of revenues The agreements also contain several covenants, the most significant of which places limitations on additional indebtedness and required levels of unrestricted cash Baptist was in compliance with all debt covenants at August 31, 2011

	2011	2010
	(In Thousands)	
Revenue Bonds, Series 2009A (A)	$ 198,835	$ 207,590
Revenue Bonds, Series 2009B (B)	284,435	284,435
Total debt	483,270	492,025
Less current installments of long-term debt	9,145	8,755
Add net premium	115	699
Total long-term debt	$ 474,240	$ 483,969

(A) The Series 2009A Revenue Bonds were issued on February 19, 2009, to redeem the Series 1999A Bonds and to deposit $99,287,000 into the project fund used to reimburse Baptist for the costs of acquiring and constructing hospital facilities and equipment Interest on the bonds is fixed and is payable semi-annually on each February 15 and August 15 commencing August 15, 2009 Interest rates range from 3 000% to 5 625% Principal payments began August 2010 with a maturity date of August 2027

(B) The Series 2009B Variable Rate Demand Hospital Revenue Bonds were issued on February 19, 2009, to provide payment in full for a short-term promissory note to Branch Banking & Trust Co in the amount of $150,975,000, to provide payment in full for a short-term promissory note to JP Morgan Chase Bank in the amount of $129,900,000 and to provide payment for costs related to the issuance of the Series 2009 Bonds Principal payments begin August 2027 through August 2038 The 2009B Bonds are secured by direct letters of credit issued by JP Morgan Chase Bank, N A for $154,906,515 and Branch Banking & Trust Co for $133,619,675, which expire June 30, 2013, and February 19, 2016, respectively If the 2009B Bonds fail to remarket and Baptist draws on the letters of credit, JP Morgan Chase Bank, N A requires Baptist to repay principal and interest over 12 equal quarterly installments commencing 367 days after the Liquidity Drawing and Branch Banking & Trust Co requires monthly interest payments and after 367 days, principal and interest in 24 equal monthly installments Interest for the 2009B-1 and 2009B-2 Bonds ($131,725,000) which are re-priced daily was 0 13% at August 31, 2011 Interest for the 2009B-3 and 2009B-4 Bonds ($152,710,000) which are re-priced weekly was 0 12% to 0 20% at August 31, 2011

The aggregate amount at August 31, 2011, of required funding for principal payments of long-term debt is as follows

	Series 2009A	Series 2009B	Total
2012	$ 9,145	$ -	$ 9,145
2013	9,630	-	9,630
2014	10,095	-	10,095
2015	10,600	-	10,600
2016	11,115	-	11,115
Thereafter	148,250	284,435	432,685
Total	$ 198,835	$ 284,435	$ 483,270

Note 10: Operating Leases

Baptist has certain equipment that is leased under noncancelable operating leases with terms greater than one year Rental expense under operating leases was $14,936,000 and $13,517,000 for the years ended August 31, 2011 and 2010, respectively

As of August 31, 2011, future minimum rental payments are as follows

Year Ending August 31,	Amount
	(In Thousands)
2012	$ 8,668
2013	7,114
2014	6,488
2015	4,521
2016	2,757
Thereafter	2,865
Total	$ 32,413

Note 11: Employee Benefit Plans

Baptist employees who meet eligibility requirements are covered by a Retirement Accumulation Plan (RAP), which includes a defined contribution plan funded entirely by Baptist and a 401(k) Plan to which the employees of BFH are the only participants permitted to make 401(k) deferrals The Finance Committee of the Board of Directors of Baptist controls and manages the operation of the Plan Participants are immediately fully vested in participant contributions and are fully vested in Baptist contributions after five years of service, or after reaching age 65, whichever occurs first Contributions by Baptist were approximately $16,678,000 and $15,219,000 for the years ended August 31, 2011 and 2010, respectively

Baptist offers a Thrift 403(b) Plan to which employees may defer up to 10% of their earnings on a pre-tax basis Baptist matches $ 50 on each dollar for the first 4% of the employees' contributions and $ 25 on each dollar for contributions of 5% to 6% of the employees' contributions Employees are immediately vested in their contributions and earnings Employee vesting in employer contributions is graduated with full vesting after five years

Baptist provides an Executive Severance and Deferred Compensation Plan, a nonqualified plan designed to provide severance benefits for select management or highly compensated employees of Baptist and to provide deferred compensation for those adversely affected by the required compensation limits of qualified retirement plans or Section 403(b) plans The total accrued liability was $401,000 and $281,000 at August 31, 2011 and 2010, respectively

Note 12: Postretirement Benefit Plan

Baptist has a postretirement benefit plan covering all employees who meet the eligibility requirements The plan provides for a continuation of medical benefits at the division from which the employee retires until the retiree reaches the age of 65 and for death benefits that vary with retirement date and position

The postretirement medical benefits plan is contributory, with retiree contributions adjusted annually. Funding by Baptist is on a cash basis as benefits are paid. Baptist contributed approximately $1,020,000 and $838,000 for the years ended August 31, 2011 and 2010, respectively. Baptist expects to contribute approximately $1,026,000 to the plan in 2012.

Baptist uses an August 31 measurement date for the plan. Information about the plan's funded status follows:

Change in accumulated benefit obligation

	2011	2010
	(In Thousands)	
Accumulated benefit obligation – beginning of year	$ 23,077	$ 21,035
Changes recognized in operating income		
Service cost	923	712
Interest cost	1,161	1,133
Amortization of transitional obligation	114	114
Amortization of prior service cost	139	139
Amortization of loss	452	172
Net periodic benefit cost	2,789	2,270
Employer contributions	(1,020)	(838)
Net plan expense	1,769	1,432
Changes recognized in unrestricted net assets		
Amortization of transitional obligation	(114)	(114)
Amortization of prior service cost	(139)	(139)
Amortization of loss	(452)	(172)
Net loss arising during the period	758	1,035
Change in unrestricted net assets	53	610
Accumulated benefit obligation – end of year	24,899	23,077
Fair value of plan assets and funded status		
Fair value – beginning of year	-	-
Employer contributions	(1,020)	(838)
Benefits paid, net	1,020	838
Fair value – end of year	-	-
Funded status at year-end	$ (24,899)	$ (23,077)

Liabilities recognized in the consolidated balance sheets

	2011	2010
	(In Thousands)	
Accrued expenses – current	$ 1,026	$ 965
Other liabilities – noncurrent	23,873	22,112
Total liabilities	$ 24,899	$ 23,077

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost

	2011	2010
	(In Thousands)	
Transition obligation	$ 227	$ 340
Prior service cost	1,023	1,162
Accumulated loss	7,181	6,877
Total	$ 8,431	$ 8,379

The estimated prior service cost, transition obligation and accumulated loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are approximately $139,000, $113,000 and $379,000, respectively

Significant assumptions include

	2011	2010
Weighted-average discount rate to determine benefit obligation	5 02%	4 90%
Weighted-average assumptions used to determine benefit costs	4 90%	6 00%

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for each of the years ended August 31, 2011 and 2010 The rate was assumed to decrease gradually to 5% by the year 2028 and remain at that level thereafter

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plan costs and benefit obligation A one-percentage-point change in assumed health care cost trend rates would have the following effects

	One-percentage-point Increase	One-percentage-point Decrease
	(In Thousands)	
Effect on total of service cost and interest cost	$ 184	$ (159)
Effect on postretirement benefit obligation	$ 1,785	$ (1,569)

As of August 31, 2011, the following future benefit payments are expected to be paid

Year Ending August 31	Amount
	(In Thousands)
2012	$ 1,026
2013	1,075
2014	1,135
2015	1,288
2016	1,362
2017-2021	9,087
Total	$ 14,973

Note 13: Temporarily Restricted Net Assets

	2011	2010
	(In Thousands)	
Health care services		
Capital purchases	$ 4,811	$ 3,734
Indigent care	568	572
Health research and education	1,433	1,574
Other	1,808	1,700
Total	$ 8,620	$ 7,580

Note 14: Significant Estimates and Concentrations

Current economic conditions

The current protracted economic environment continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing The consolidated financial statements have been prepared using values and information currently available

In addition, the current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on Baptist's future operating results Further, the effect of economic conditions on the Commonwealth of Kentucky may have an adverse effect on cash flows related to the Medicaid program

Given the potential volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values, postretirement benefit plan liabilities and allowances for patient accounts receivable that could negatively impact the financial position of Baptist

Additional Data

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Robert Baker Director	1 00	X						3,000	0	0
William H Brigance Director	1 00	X						3,000	0	0
Victoria Buster Director	1 00	X						3,000	0	0
William T Daniel II MD Director	1 00	X						3,000	0	0
W Jeffrey Foxx MD Director	1 00	X						3,000	0	0
Frances V Hamilton Director	1 00	X						3,000	0	0
Brenda Hammons Director	1 00	X						3,000	0	0
Jeff Holland Director	1 00	X						3,000	0	0
Robert L Hook Jr Director	1 00	X						3,000	0	0
Chris Hutson Director	1 00	X						3,000	0	0
Lindsey Ingram Jr Director	1 00	X						0	0	0
Glenn Leveridge Director	1 00	X						0	0	0
John D Logan Director	1 00	X						3,000	0	0
Danny McMahan Director	1 00	X						3,000	0	0
Franks R Purdy III Director	1 00	X						3,000	0	0
Steven S Reed Director	1 00	X						3,000	0	0
James D Rickard Director	1 00	X						3,000	0	0
Edmund C Roberts Jr Director	1 00	X						3,000	0	0
Judge Eugene Siler Jr Director	1 00	X						0	0	0
Don Walker Director	1 00	X						3,000	0	0
Dr Thelma White Director	1 00	X						3,000	0	0
Marcia Milby Ridings Director	1 00	X						3,000	0	0
Tom O Davis Director	1 00	X						3,000	0	0
Tommy J Smith Sch O President	40 00			X				1,164,277	0	64,320
William Sisson Sch O Vice President	40 00			X				635,536	0	85,076

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Larry Barton Sch O Vice President	40 00			X				1,106,712	0	78,896
Susan Stout Tamme Sch O Vice President	40 00			X				599,666	0	75,875
John Henson Vice President	40 00			X				656,013	0	60,374
Carl G Herde Sch O Treasurer	40 00			X				606,493	0	90,094
Janet M Norton Sch O Secretary	40 00			X				459,137	0	50,419
Mary Lou Tipgos Assistant Secretary	40 00			X				133,776	0	27,358
David Gray Vice President	40 00			X				0	429,361	51,409
John R Barton Physician	40 00					X		541,402	0	52,534
John M O'Brien Physician	40 00					X		531,293	0	55,033
Douglas A Milligan Physician	40 00					X		518,723	0	49,476
David Rhodes VP Human Resources	40 00					X		402,802	0	53,273
Bernard Tamme VP Managed Care	40 00					X		400,174	0	36,698