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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
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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 Mississippi Baptist Medical Center Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 1225 North State Street City or town, state or country, and ZIP + 4 Jackson, MS 39202	D Employer identification number 64-0881013 E Telephone number (601) 968-3080 G Gross receipts \$ 348,652,727
	F Name and address of principal officer Russell W York 1225 North State Street Jackson, MS 39202	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.mbhs.org	
	K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶	
L Year of formation 1996		
M State of legal domicile MS		

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities The organization was created to maintain and carry on the acute clinical services of Mississippi Baptist Health Systems, Inc. The organization offers a comprehensive range of services for patients 		
	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	9
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	3,158
	6 Total number of volunteers (estimate if necessary)	6	92
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	10,025,038
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	5,250	32,600
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	325,565,013	330,415,479
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	21,190,680	18,204,648
		346,760,943	348,652,727
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	25,000	234,651
	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)	156,475,487	157,823,479
	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)		
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	177,220,153	180,124,626
	19 Revenue less expenses Subtract line 18 from line 12	333,720,640	338,182,756
Net Assets or Fund Balances		13,040,303	10,469,971
		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	56,570,488	55,019,742
	21 Total liabilities (Part X, line 26)	14,272,045	12,503,150
	22 Net assets or fund balances Subtract line 21 from line 20	42,298,443	42,516,592

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			2012-07-15 Date	
	Russell York CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Penny Wood CPA	Preparer's signature Penny Wood CPA	Date	Check if self-employed ☐	PTIN
	Firm's name ▶ BKD LLP				Firm's EIN ▶
	Firm's address ▶ 190 E Capitol Street Ste 500 Jackson, MS 392012190				Phone no ▶ (601) 948-6700
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 MISSISSIPPI BAPTIST MEDICAL CENTER, INC IS TO SERVE THE COMMUNITY THROUGH CONTINUOUSLY IMPROVING QUALITY MEDICAL CARE AND EFFECTIVE USE OF EDUCATION AND TECHNOLOGY IN A PERSONAL AND COMPASSIONATE ENVIRONMENT

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 \$ 323,807,932 including grants of \$ 234,651) (Revenue \$ 330,415,479)

Mississippi Baptist Medical Center, Inc (MBMC) operates a 638 bed facility in Jackson, Mississippi MBMC focuses on the quality of healthcare including clinical quality of care, credentials, and patient satisfaction MBMC is among the top 10 percent in the nation for Vascular Surgery, Gastrointestinal Surgery and Gastrointestinal Care, according to a comprehensive annual study released by HealthGrades MBMC recorded 207,229 patient visits during its 2011 fiscal year This consisted of 20,264 inpatient admissions, 124,044 outpatient visits and 62,921 emergency room visits 7,670 inpatient surgeries and 5,894 outpatient surgeries were performed The principal medical services available are alcohol and chemical dependency, medical/surgical acute care, pediatric acute care, obstetrics, neonatal intensive care, well baby nursery, cardiac intensive care, medical/surgical intensive care, inpatient and outpatient surgery, inpatient and outpatient oncology services, emergency services, physical medicine and rehabilitation services, CT scanning, diagnostic x-ray, MR imaging, PET scanning, ultrasound, radiation therapy, cardiac catheterization, cardiovascular surgery, hemodialysis, geriatric services and occupational health MBMC is accredited by the Joint Commission on Accreditation of Healthcare Organizations MBMC provides quality medical care regardless of race, creed, sex, national origin, handicap, or age

4b

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

Although equitable payment for services is essential to the organization's financial viability MBMC recognizes that not all individuals possess the resources required to reimburse MBMC for all services provided Keeping its commitment to the community MBMC provides free care and subsidized care within existing resources where the need for such care exists During the fiscal year ending August 31, 2011, MBMC provided \$26,681,000 in charity care and provided discounts of \$12,769,000 to uninsured individuals receiving care All of the foregone charges mentioned above are netted against patient service revenue to arrive at net patient service revenue as reflected as program service revenue on Part VIII of Form 990 in order to be consistent with financial statement reporting and are not reported as functional expenses on the tax return

4c

(Code) (Expenses \$ 1,334,000 including grants of \$) (Revenue \$)

Mississippi Baptist Medical Center, Inc (MBMC) provides benefits to the broader community in the areas of education and research, charitable donations, volunteer hours, and pastoral care The cost of providing these services was approximately \$1,334,000 in fiscal year 2011 Many community benefits are intangible in nature or otherwise not quantifiable

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses

\$ 325,141,932

Form 990 (2010)

Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i>	4	No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>	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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	No
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Parts II and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Parts III and IV.</i>	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
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)? <i>If "Yes," complete Schedule R, Part V, line 2</i> ☐ Yes ☒ No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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	0
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	
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	3,158
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	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	1a9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	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▶
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 ▶ RUSSELL YORK 1225 NORTH STATE STREET Jackson, MS 39202 (601) 968-1132

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Harry M Walker Chairman	1 0	X						0	0	0
(2) Alex Haick Director	1 0	X						0	0	0
(3) James W Hood Director	1 0	X						0	0	0
(4) H Douglas Hederman Director	1 0	X						0	0	0
(5) Bill B Loveless Director	1 0	X						0	0	0
(6) Karlen Turbeville Director	1 0	X						0	0	0
(7) W Everett Wells Jr Director	1 0	X						0	0	0
(8) Van L Lackey Director	1 0	X						0	0	0
(9) Joyce Wade-Hamme Director	1 0	X						0	0	0
(10) Eric A McVey Chief Medical Officer	22 0			X				0	459,637	86,431
(11) Kurt W Metzner President/CEO	15 0			X				0	695,388	24,357
(12) Russell W York Corp VP/CFO	16 0			X				0	379,594	73,438
(13) Bobbie K Ware Chief Nursing Officer	24 0			X				0	300,267	52,424
(14) Mark Slyter Chief Operating Officer	16 0			X				0	469,303	85,281
(15) Kendall T Blake Dir Utilization & Resource	40 0					X		253,089	0	7,952
(16) Jackie Fortenberry Clinical Coordinator	41 0					X		192,686	0	8,550

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	1,007,132	2,733,024	405,425

2

3

Section B. Independent Contractors

1

(A) Name and business address	(B) Description of services	(C) Compensation

2

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	32,600			
	g	Noncash contributions included in lines 1a-1f \$		32,600			
	h	Total. Add lines 1a-1f		32,600			
	Program Service Revenue	2a	Net Patient Service Revenue	Business Code 900099	330,415,479	330,415,479	
b							
c							
d							
e							
f		All other program service revenue					
g		Total. Add lines 2a–2f		330,415,479			
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		0		
		4	Income from investment of tax-exempt bond proceeds . . .		0		
	5	Royalties		0			
	6a	Gross Rents	(i) Real	(ii) Personal			
		b	Less rental expenses				
		c	Rental income or (loss)				
		d	Net rental income or (loss)				
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
		b	Less cost or other basis and sales expenses				
		c	Gain or (loss)				
		d	Net gain or (loss)		0		
	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 . . .		0		
	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 . . .		0		
	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 . . .		0		
Miscellaneous Revenue		Business Code					
11a	LABORATORY REVENUE	621500	6,474,741		6,474,741		
	b	Cafeteria Revenue	722100	3,604,261		3,604,261	
	c	REBATES	900099	1,831,540		1,831,540	
	d	All other revenue		6,294,106	3,550,297	2,743,809	
	e	Total. Add lines 11a–11d		18,204,648			
12		Total revenue. See Instructions		348,652,727	330,415,479	10,025,038	8,179,610

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	234,651	234,651		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	138,218,527	125,755,609	12,462,918	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,056,649	1,054,124	2,525	
9	Other employee benefits	10,720,206	10,578,325	141,881	
10	Payroll taxes	7,828,097	7,698,289	129,808	
a	Fees for services (non-employees)				
	Management	0			
b	Legal	0			
c	Accounting	29,425		29,425	
d	Lobbying	0			
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	0			
12	Advertising and promotion	0			
13	Office expenses	87,269,671	87,196,554	73,117	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	5,236,037	5,236,037		
17	Travel	255,093	251,165	3,928	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	144,802	144,802		
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	19,161,647	19,161,647		
23	Insurance	3,271	3,271		
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	Intercompany Allocations	42,518,069	42,518,069		
b	Bad Debt Expense	16,939,307	16,939,307		
c	Repairs and Maintenance	4,882,895	4,880,448	2,447	
d	Collection Expense	1,170,170	1,170,170		
e	DEFERRED TAXES	1,158,000	1,158,000		
f	All other expenses	1,356,239	1,161,464	194,775	
25	Total functional expenses. Add lines 1 through 24f	338,182,756	325,141,932	13,040,824	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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing				1	
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			42,101,442	4	40,930,487
	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			6,373,526	8	6,479,492
	9	Prepaid expenses and deferred charges			1,064,015	9	1,032,751
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a				
	b	Less: accumulated depreciation	10b			10c	
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11			606,734	12	379,882
	13	Investments—program-related. See Part IV, line 11			3,077,208	13	4,007,130
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			3,347,563	15	2,190,000
16	Total assets. Add lines 1 through 15 (must equal line 34)			56,570,488	16	55,019,742	
Liabilities	17	Accounts payable and accrued expenses			12,904,575	17	11,579,150
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			1,367,470	25	924,000
	26	Total liabilities. Add lines 17 through 25			14,272,045	26	12,503,150
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			42,298,443	27	42,516,592
	28	Temporarily restricted net assets				28	
	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			42,298,443	33	42,516,592
34	Total liabilities and net assets/fund balances			56,570,488	34	55,019,742	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	348,652,727
2	Total expenses (must equal Part IX, column (A), line 25)	2	338,182,756
3	Revenue less expenses Subtract line 2 from line 1	3	10,469,971
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	42,298,443
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-10,251,822
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	42,516,592

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?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ 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?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

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 Mississippi Baptist Medical Center	Employer identification number 64-0881013
--	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

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

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2010

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 IIIPart 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 section 501(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).

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
Mississippi Baptist Medical Center

Employer identification number
64-0881013

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

► \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

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

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment				
e Other				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				

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
Part X, Line 2		Management has evaluated the company's income tax positions under the guidance included in ASC 740 Based on their review, management has not identified any material uncertain tax positions to be recorded or disclosed in the financial statements

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
Mississippi Baptist Medical Center

Employer identification number
64-0881013

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	Yes	
b	If "Yes," is it a written policy?	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 <i>free</i> 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 _____ % b Does the organization use FPG to determine eligibility for providing <i>discounted</i> 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 _____ % 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"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public?		No
	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)			11,694,947	6,984,042	4,710,905	1 470 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			31,286,383	31,609,426	-323,043	0 100 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			42,981,330	38,593,468	4,387,862	1 370 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			665,323	245,355	419,968	0 130 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			358,793	0	358,793	0 110 %
j Total Other Benefits			1,024,116	245,355	778,761	0 240 %
k Total. Add lines 7d and 7j			44,005,446	38,838,823	5,166,623	1 610 %

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
1Physical improvements and housing			18,012		18,012	0.010 %
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			18,012		18,012	0.010 %

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	4,854,805
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	29,614
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	118,015,218
6	Enter Medicare allowable costs of care relating to payments on line 5	6	137,304,230
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-19,289,012
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
9b	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				

Section A. Hospital Facilities

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

Schedule H (Form 990) 2010

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 3c		Mississippi Baptist Medical Center, Inc (MBMC) uses the Federal Poverty Guidelines to determine eligibility for free or discounted care If the patient's income level is 0-200% of the federal poverty level, an adjustment of 100% of the hospital's stated charges will be made If the patient's income level is 201-400% of the federal poverty level, an adjustment of 75% will be made Finally, if a patient is uninsured and the patient's income level is above 400% of the federal poverty level, an adjustment of 50% will be made

Identifier	ReturnReference	Explanation
Part I, Line 4		The financial assistance and charity care policy of MBMC does not specifically provide for free or discounted care to the "medically indigent " However, the hospital reserves the right to provide additional assistance to any patient determined to be in financial need

Identifier	ReturnReference	Explanation
Part I, Line 6a		A description of the organization's programs and services that promote the health of the community served is included in the footnotes to the organization's audited financial statements MBMC is part of a consolidated financial statement, which includes the activities of its parent company, Mississippi Baptist Health Systems, and subsidiaries

Identifier	ReturnReference	Explanation
Part I, Line 7g		N/A

Identifier	ReturnReference	Explanation
Part I, Line 7, column (f)		Bad debt expense of \$16,939,307 was included in total expense on Form 990, Part IX, Line 25, column (A) but was subtracted from total expense for purposes of calculating the percentage of total expense in column (f)

Identifier	ReturnReference	Explanation
Part I, Line 7		The Medicaid Cost Report was used to determine the amounts reported on Part I, Lines 7b & 7f The amounts reported on Part I, Line 7a were determined by using a cost to charge ratio, which was calculated using information from the Medicaid Cost Report as adjusted for amounts included elsewhere on Lines 7b & 7f

Identifier	ReturnReference	Explanation
Part II, Line 1		Mississippi Baptist Medical Center, Inc provides for its employees to participate on paid time in the construction of housing for underprivileged residents of the community The amount reported in Part II, Line 1 reflects the cost of providing these volunteers

Identifier	ReturnReference	Explanation
Part III, Line 4		The bad debt expense at cost in Part III, line 2 was calculated using the same cost to charge ratio used for Part I, Line 7a To estimate the amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy for line 3, a collection agency report was used showing bad debts or accounts that had a credit score in the range used for charity consideration 61% of the accounts met this criteria However, bad debt amounts have not been included in community benefit MBMC's audited financial statements do not include a footnote specifically discussing bad debt expense, accounts receivable, or allowance for doubtful accounts However, MBMC reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others MBMC provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluations and specific circumstances of the account

Identifier	ReturnReference	Explanation
Part III, Line 8		The ratio of cost to charges used in the calculation of costs for Medicare was taken from the Medicare cost report. Charity care arises from a deliberate policy by a health care organization to forego payment for certain services provided to low income patients. Hospital participation in Medicare is voluntary. Medicare shortfalls occur when the payments received by Medicare are less than the costs of providing care to Medicare patients. Payment rates for Medicare are currently set below the cost of providing care resulting in underpayment. The organization must bridge the gap created by government underpayments. A majority of MBMC's patients are Medicare patients. The organization feels that providing care for the elderly and poor is an essential part of the community benefit standard and as such, any Medicare underpayments represent the real cost of serving its community and should count as quantifiable community benefit for tax compliance purposes.

Identifier	ReturnReference	Explanation
Part III, Line 9b		Patients may apply for financial assistance to cover all or part of their hospital bills. MBMC does not pursue collection of amounts determined to qualify as charity care. However, the collection policy is the same for all patients once the charity or financial discount has been applied.

Identifier	ReturnReference	Explanation
Part VI, Line 2	Needs Assessment	Mississippi Baptist Health Systems, Inc , the parent company of Mississippi Baptist Medical Center, assesses the health care needs of the community it serves primarily by performing consumer surveys each month. The surveys are conducted on a random selection of consumers from the 17 counties in the Baptist Health Systems service area and measure Baptist Health Systems' performance against other major hospitals in the area, as well as provide information on utilization of health services, satisfaction with health care services, and public perception of Baptist Health Systems as a whole. Baptist Health Systems engages New South Research to conduct the surveys via telephone and also conducts surveys of participants following community seminars and educational classes.

Identifier	ReturnReference	Explanation
Part VI, Line 3	Patient education of eligibility for assistance	MBMC has financial counselors on campus and utilizes a company called Healthcare Resource Services (HCR) to assist with obtaining payment for disability, Medicaid, Medicare, or Social Security. They look at all uninsured and self-pay patients to determine if they qualify for charity or financial assistance. Also, there are general customer service personnel available. Additionally, information containing a financial assistance statement is given to each patient upon admission or during pre-admission, is posted at each registration booth, and is also available online. If at any time during the admission, discharge, billing, or collection process a patient informs a hospital representative that they are unable to pay their bill and need financial assistance, then the patient is referred to a payment coordinator who informs the patient of the availability of financial assistance/charity care for those who qualify and offers the patient the opportunity to complete an application.

Identifier	ReturnReference	Explanation
Part VI, Line 4	Community Information	MBMC's Primary Service Area consists of the Jackson Metropolitan area, which is located in the Central portion of Mississippi. The Jackson Metropolitan Area is made up of Hinds, Madison, and Rankin counties and consists of approximately 485,000 people, with six other hospitals serving the area. The Health Systems' Regional Market spans a ten-county region that reaches as far north as Winston County and as far south as Pike County and includes approximately 350,000 people. The Regional market consists of areas in Mississippi that historically provide strong referral sources for acute care and specialty services at the Medical Center. Age demographics for the area show that approximately 27% of the population is under 18 years of age, approximately 62% is between 18 and 64 years of age and that 11% is 65 or older. Median household income of \$36,751 for Hinds County is below the overall average for Mississippi and significantly less than the nationwide average. Madison and Rankin Counties have average median household incomes between \$52,600 and \$55,500, exceeding the overall average for Mississippi as well as the nationwide average. Insurance coverage is lacking for much of the population with between 20-25% estimated to be uninsured.

Identifier	ReturnReference	Explanation
Part VI, Line 5	Promotion of community health	Mississippi Baptist Health Systems (MBHS) is the parent company of an affiliated healthcare group (Baptist) MBMC is part of that group Baptist is committed to involvement in the community and organizes various programs and activities which are offered to the public in order to promote community health Baptist offers a multitude of low or no cost screenings to the community including heart, lung, and mammogram screenings These low-cost screening packages help people determine if their health is headed in the right direction and provides the information necessary to make important lifestyle decisions at an affordable price In addition, MBHS operates Baptist Health Line, which offers physician referrals, hospital services referrals, scheduling of classes for hospital services, and the health information library Baptist Health Line professionals also offer Baptist's risk assessment tools, including the heart test, the health test, the women's health check, the diabetes test, and the cancer test A number of educational classes on a wide variety of health topics are also offered to the community at no cost In keeping with MBHS's foundation and tradition in the Christian healing ministry, Baptist offers pastoral care for patients and visitors Baptist has a team of chaplains, each assigned to a different area of the hospital, to minister and bring comfort and care to patients The Pastoral Care Department offers many services including patient visitation, chapel services, memorial services, counseling sessions, prayer, scripture reading, and answering emergency calls In addition to the programs and services offered, Baptist also supports its local community through financial donations MBHS operates the Carry the Mission program through a committee of employees of the hospital willing to volunteer their time to serve Carry the Mission is funded by employee donations, which are matched by Baptist at 50 cents for every dollar raised MBHS splits the funds raised through Carry the Mission to support different areas in the community 40% goes to local nonprofits and groups that meet the established criteria, 40% goes to Baptist employees experiencing unexpected financial difficulties, and 20% goes to support the Baptist Health Foundation Through this program, MBHS is able to support a wide range of groups in the community

Identifier	ReturnReference	Explanation
Part VI, Line 6	Affiliated health care system	Mississippi Baptist Medical Center (MBMC) is part of an affiliated health care system. Mississippi Baptist Health Systems (MBHS) is the holding company for several nonprofit entities to which it provides various management and support services. In addition to MBMC, MBHS is the parent company to Mississippi Hospital for Restorative Care, a 25 bed long term acute care hospital, and the Medical Foundation of Central Mississippi, a network of primary care and specialty physicians. Through various partnership relationships, MBHS also provides home health care and adult day care services.

Identifier	ReturnReference	Explanation
Part VI, Line 7	State filing of community benefit report	Mississippi Baptist Medical Center, Inc does not file a community benefit report with the state of Mississippi as there is no requirement to do so

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Mississippi Baptist Medical Center

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Employer identification number
64-0881013

Part I

General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Brickell Foundation of Yazoo Inc823 Grand Avenue Yazoo,MS 39194	64-0754559	501(c)(3)	25,000				See Part IV
(2) Hinds Community CollegePO Box 1100 Raymond,MS 39154	64-6025312	501(c)(3)		61,218	FMV	Med Supplies	See Part IV
(3) Virginia College4795 Interstate 55 North Jackson,MS 39206	36-4278052	501(c)(3)		61,218	FMV	Med Supplies	See Part IV

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

3 Enter total number of other organizations 0

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
Part I, Line 2		Each calendar year, Mississippi Baptist Medical Center, Inc (MBMC) makes a contribution of \$25,000 to the Brickell Foundation of Yazoo, Inc (Foundation) to be used solely in furtherance of the Foundation's exempt purpose MBMC donates medical supplies to area colleges for use in their nursing programs These donations are based on the needs of the college
Part II, Column (h)		Brickell Foundation of Yazoo, Inc - To support the mission of the organization Hinds Community College - Provided medical supplies for the use of the college's nursing program Virginia College - Provided medical supplies for the use of the college's nursing program

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Mississippi Baptist Medical Center

Employer identification number

64-0881013

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	☐ First-class or charter travel ☐ 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 or provision of all the expenses described above? If "No," complete Part III to explain	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	☒ Compensation committee ☐ 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	Yes
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 accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use 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) C Gerald Cotton	(i)	0	0	0	0	0	0	
	(ii)	223,727	138,833	66,275	0	17,382	446,217	
(2) Eric A McVey	(i)	0	0	0	0	0	0	
	(ii)	310,927	148,710	0	55,517	30,914	546,068	
(3) Kurt W Metzner	(i)	0	0	0	0	0	0	
	(ii)	503,387	182,918	9,083	0	24,357	719,745	
(4) Russell W York	(i)	0	0	0	0	0	0	
	(ii)	263,240	99,854	16,500	49,193	24,245	453,032	
(5) Bobbie K Ware	(i)	0	0	0	0	0	0	
	(ii)	218,780	81,487	0	37,275	15,149	352,691	
(6) Kendall T Blake	(i)	137,579	47,162	68,348	0	7,952	261,041	
	(ii)	0	0	0	0	0	0	
(7) Jackie Fortenberry	(i)	185,686	7,000	0	0	8,550	201,236	
	(ii)	0	0	0	0	0	0	
(8) George P Ayers	(i)	172,460	7,977	5,098	0	22,568	208,103	
	(ii)	0	0	0	0	0	0	
(9) Mark Slyter	(i)	0	0	0	0	0	0	
	(ii)	301,469	120,693	47,141	60,000	25,281	554,584	
(10) Michael C Roberson	(i)	157,620	11,680	0	0	8,131	177,431	
	(ii)	0	0	0	0	0	0	
(11) Jeffrey A Garrett	(i)	190,741	15,781	0	0	18,911	225,433	
	(ii)	0	0	0	0	0	0	
(12)								
(13)								
(14)								
(15)								
(16)								

Part IIISupplemental 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 4a		Gerald Cotton, former Chief Operating Officer, received \$25,663 in severance payments during fiscal year ended 8/31/2011. Kendall Blake, highest compensated employee, received \$53,306 in severance payments during fiscal year ended 8/31/2011.
Part I, Line 4b		Participants: Russell W York \$49,193; Eric McVey \$55,517; Mark Slyter \$60,000; Bobbie Ware \$37,275. Terms and Conditions: Baptist Health Systems, Inc. established the Baptist Health Systems, Inc. Supplemental Executive Retirement Plan, a nonqualified, unfunded deferred compensation plan effective July 1, 2010, for the benefit of certain management or highly-compensated employees of Baptist Health Systems, Inc. Participants are chosen by the Chairman's Council of the Board (the Council) of Baptist Health Systems, Inc. The purpose of the plan is to enhance the ability of Baptist Health Systems, Inc. to attract and retain qualified management personnel with a market-competitive supplemental retirement benefit for a select group of management or highly compensated employees on a tax-deferred basis. Baptist Health Systems, Inc. will contribute to each participant's plan an annual amount equal to a percentage of the participant's base salary commencing in 2010 and continuing each year thereafter until the year in which the participant separates from employment. An applicable percentage of either 17.5% or 15% of base salary will be contributed to each participant's plan (or such other percentage as the Council determines). The vested accrued balance or employer contribution (plus earnings or losses) will be paid for any event requiring such payment other than death, as soon as administratively feasible but no later than the last day of the calendar year in which the event occurs. If the event that results in the payment of the benefit is death, the balance will be paid as soon as the Board obtains satisfactory proof of death, but no later than the 15th day of the third month following the end of the calendar year in which the Participant dies. Certain participants who remain in continuous employment have a non-forfeitable right to receive the employer contribution made in a plan year as of the first day of the plan year that is five years from the first day of the Plan year in which such contribution was made. However, if such participant has attained a specified age, the participant shall have a non-forfeitable right to receive any future employer contributions along with earnings or losses that have not vested and an immediate non-forfeitable right to receive any future employer contributions as of the date such contributions are made. New participants other than those specifically identified in the Plan have a non-forfeitable right to receive their accrued balance based on a vesting schedule as described in the Plan document. Otherwise, a participant shall have a non-forfeitable right to receive his accrued balance upon his separation from service on account of death, disability, or upon involuntary separation from service without cause if such separation occurs prior to the completion of the five year period described above, prior to attaining the age specified above, or prior to the applicable vesting schedule described above.

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
Mississippi Baptist Medical Center

Employer identification number

64-0881013

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	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?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	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
(1) Trustmark National Bank	See Part V	120,198	Interest Payments		No
(2) Medical Practice Solutions	See Part V	231,432	A/R Mgmt/Billing/Cash Posting		No
(3) Healthcare Financial Services Inc	See Part V	1,477,811	Bad Debt Collection		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
Part IV, Column (b)		Trustmark National Bank - Entity which director Harry Walker serves as an officer Medical Practice Solutions - related entity which officers Russell York and Eric McVey also serve as officers Healthcare Financial Services, Inc - related entity which officer Russell York also serves as an officer

SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

►Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Mississippi Baptist Medical Center

Employer identification number
64-0881013

Part I Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles .				
7 Boats and planes				
8 Intellectual property . .				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests .				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other . .				
15 Real estate—Residential .				
16 Real estate—Commercial				
17 Real estate—Other . .				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies	X	4	32,600	FMV
21 Taxidermy				
22 Historical artifacts . .				
23 Scientific specimens . .				
24 Archeological artifacts .				
25 Other ► (_____)				
26 Other ► (_____)				
27 Other ► (_____)				
28 Other ► (_____)				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement			29	

30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	Yes	No
b	If "Yes," describe the arrangement in Part II		No
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?		No
b	If "Yes," describe in Part II		
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II		

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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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 Mississippi Baptist Medical Center	Employer identification number 64-0881013
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Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section A, Line 6		Mississippi Baptist Medical Center, Inc is a not-for-profit, nonstock, membership corporation of which Mississippi Baptist Health Systems, Inc is the sole member and has sole voting control

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section A, Line 7a		The Board of Mississippi Baptist Medical Center, Inc is appointed by Mississippi Baptist Health Systems, Inc

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section A, Line 7b		The Board of Mississippi Baptist Health Systems approves all major capital expenditures

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section B, Line 11b		An electronic copy of the Form 990 is distributed through the Director's Desk, a web based document distribution service. All outside board members /directors have the opportunity to review the form prior to filing with the IRS.

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section B, Line 12c		The Compliance Committee of the governing body meets quarterly to review all compliance issues Any persons with conflicts of interest are prohibited from participating in the Board's deliberations and decisions in the transaction in which the conflict exists

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section B, Line 15 a&b		An independent compensation consulting firm, The Hay Group, conducts annual surveys to help establish the compensation of the organization's top management officials, officers and key employees. The Chairman's Council functions as the compensation committee of the Board. The Hay Group presents their findings and recommendations to the Council for their consideration and action. The Council approves the salaries and benefit package for all senior management. The Hay Group maintains minutes of the Chairman's Council meetings where compensation and benefits are discussed and approvals made.

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section C, Line 19		The organization's governing documents, conflict of interest policy and financial statements are available to the public upon request

Identifier	Return Reference	Explanation
Form 990, Page 12, Part XI, Line 5		Transfer to Mississippi Baptist Health Systems, Inc <9,309,398> Mississippi Homecare of Jackson II, LLC Book/Tax Difference <909,824> Donated Medical Products and supplies <32,600> Total other changes in net assets or fund balance = <10,251,822>

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Eric A McVey TITLE Chief Medical Officer HOURS 18

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Kurt W Metzner TITLE President/CEO HOURS 25

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Russell W York TITLE:Corp VP/CFO HOURS 24

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Bobbie K Ware TITLE:Chief Nursing Officer HOURS 16

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mark Slyter TITLE Chief Operating Officer HOURS 24

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
Mississippi Baptist Medical Center

Employer identification number
64-0881013

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) MS Hospital for Restorative Care Inc 1225 North State Street Jackson, MS 39202 64-0833383	Hospital	MS	501(c)(3)	3			No
(2) Medical Foundation of Central MS 1225 North State Street Jackson, MS 39202 75-3068151	Clinics	MS	501(c)(3)	3			No
(3) MS Baptist Health Systems Inc 1225 North State Street Jackson, MS 39202 64-0306253	Holding Co	MS	501(c)(3)	3			No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Hlthcare Financial Services Inc Flowood, MS39232 64-0847789	Financial Svc	MS	NA					No			No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) MS Baptist Medical Enterprises Inc 1225 North State Street Jackson, MS39202 64-0776164	Investments	MS	NA	C Corp			
(2) Medical Practice Solutions 1225 North State Street Jackson, MS39202 64-0833731	Med Consulting	MS	NA	C Corp			
(3) MS Real Estate Enterprises Inc 1225 North State Street Jackson, MS39202 64-0746856	Investments	MS	NA	C Corp			

Part V

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

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

1

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

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to other organization(s)

c

Gift, grant, or capital contribution from other organization(s)

d

Loans or loan guarantees to or for other organization(s)

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

Lease of facilities, equipment, or other assets to other organization(s)

j

Lease of facilities, equipment, or other assets from other organization(s)

k

Performance of services or membership or fundraising solicitations for other organization(s)

l

Performance of services or membership or fundraising solicitations by other organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

Other transfer of cash or property to other organization(s)

r

Other transfer of cash or property from other organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

Yes

Yes

Yes

No

No

No

No

No

No

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

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

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Financial Statements and Schedules

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201-2127

Independent Auditors' Report

The Board of Trustees
Mississippi Baptist Health Systems, Inc.:

We have audited the accompanying combined balance sheets of Mississippi Baptist Health Systems, Inc. and subsidiaries (the System) as of August 31, 2011 and 2010, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these combined 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Baptist Health Systems, Inc. and subsidiaries as of August 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in Schedules 1 and 2 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations. The combining information has been subjected to the auditing procedures applied in the audit of the 2011 combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 combined financial statements taken as a whole.

KPMG LLP

November 11, 2011

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Balance Sheets

August 31, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 13,161,146	6,242,818
Assets limited as to use – required for current liabilities	302,843	2,033,206
Patient accounts receivable, less allowance for uncollectible accounts of \$20,126,000 and \$16,939,000 in 2011 and 2010, respectively	44,354,125	45,312,301
Other receivables	3,759,869	3,188,596
Inventories	6,479,492	6,373,526
Deferred tax asset – current	1,096,000	1,071,928
Prepaid expenses	5,755,342	4,574,144
Total current assets	74,908,817	68,796,519
Assets limited as to use	267,406,686	266,416,673
Property and equipment, net	251,441,352	247,826,594
Other assets	13,941,679	14,723,801
Total assets	\$ 607,698,534	597,763,587
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 4,862,997	4,549,940
Accounts payable	8,877,314	7,815,856
Accrued payroll costs and withholdings	13,947,320	13,706,212
Due to third-party payors	1,330,000	1,773,000
Other accrued expenses	12,743,717	11,754,780
Total current liabilities	41,761,348	39,599,788
Long-term debt, excluding current installments	205,077,975	210,327,308
Estimated professional and general liability costs	8,000,000	8,000,000
Other noncurrent liabilities	19,994,525	23,627,040
Total liabilities	274,833,848	281,554,136
Net assets:		
Unrestricted	319,555,815	304,201,417
Temporarily restricted	11,006,827	7,973,138
Permanently restricted	2,302,044	4,034,896
Total net assets	332,864,686	316,209,451
Commitments and contingencies		
Total liabilities and net assets	\$ 607,698,534	597,763,587

See accompanying notes to combined financial statements.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Statements of Operations
Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenue and other support:		
Net patient service revenue	\$ 375,021,567	365,336,774
Other revenue	11,446,858	13,115,304
Net assets released from restrictions used for operations	211,003	260,222
Total unrestricted revenue and other support	<u>386,679,428</u>	<u>378,712,300</u>
Expenses:		
Salaries, wages, and fees	188,650,199	181,403,241
Employee benefits	27,396,492	26,706,869
Supplies and other	125,669,197	122,693,723
Interest	10,192,391	10,826,112
Depreciation and amortization	22,793,046	22,039,438
Provision for uncollectible accounts	18,588,191	19,117,780
Total expenses	<u>393,289,516</u>	<u>382,787,163</u>
Loss from operations	<u>(6,610,088)</u>	<u>(4,074,863)</u>
Nonoperating gains (losses):		
Investment income, net	16,980,129	12,283,362
Change in fair value of interest rate swap	3,192,642	(8,552,865)
Interest in net assets of equity investee	—	2,990,545
Loss on sale of investment in equity investee	—	(408,949)
Equity in net income of equity investees	3,232,163	3,839,093
Income tax expense	(1,151,000)	(585,876)
Other, net	(709,527)	(1,953,423)
Total nonoperating gains, net	<u>21,544,407</u>	<u>7,611,887</u>
Revenue, gains, and other support in excess of expenses and losses	14,934,319	3,537,024
Net assets released from restrictions and used for purchase of property and equipment	<u>420,079</u>	<u>456,162</u>
Increase in unrestricted net assets	<u>\$ 15,354,398</u>	<u>3,993,186</u>

See accompanying notes to combined financial statements.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Statements of Changes in Net Assets

Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenue, gains, and other support in excess of expenses and losses	\$ 14,934,319	3,537,024
Net assets released from restrictions and used for purchase of property and equipment	<u>420,079</u>	<u>456,162</u>
Increase in unrestricted net assets	<u>15,354,398</u>	<u>3,993,186</u>
Temporarily restricted net assets:		
Investment income, net	716,298	718,123
Temporarily restricted contributions	1,572,343	773,994
Net assets released from restrictions	(731,412)	(716,384)
Provision for uncollectible pledges	—	(65,000)
Reclassification due to change in donor restriction	<u>1,476,460</u>	<u>70,000</u>
Increase in temporarily restricted net assets	<u>3,033,689</u>	<u>780,733</u>
Permanently restricted net assets:		
Reclassification due to change in donor restriction	(1,476,460)	(70,000)
Other	<u>(256,392)</u>	<u>—</u>
Decrease in permanently restricted net assets	<u>(1,732,852)</u>	<u>(70,000)</u>
Increase in net assets	16,655,235	4,703,919
Net assets, beginning of year	<u>316,209,451</u>	<u>311,505,532</u>
Net assets, end of year	<u>\$ 332,864,686</u>	<u>316,209,451</u>

See accompanying notes to combined financial statements.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Statements of Cash Flows
Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 16,655,235	4,703,919
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,004,707	27,211,497
Loss on sale of property and equipment	108,415	94,718
Realized and unrealized gains on trading securities, net	(12,179,413)	(8,067,435)
Change in fair value of interest rate swap	(3,192,642)	8,552,865
Interest in net assets of equity investee	—	(2,990,545)
Loss on sale of investment in equity investee	—	408,949
Equity in net income of equity investees	(3,232,163)	(3,839,093)
Distributions from equity investees	2,991,297	4,014,184
Deferred income taxes	1,133,000	181,579
Restricted contributions and investment income received	(304,361)	(362,496)
Changes in operating assets and liabilities:		
Patient and other accounts receivable, net	386,903	(3,191,979)
Inventories and prepaid expenses	(1,287,164)	(1,466,174)
Accounts payable and accrued expenses	4,018,866	2,764,669
Third-party payors	(443,000)	(1,636,000)
Estimated professional and general liability costs, and other noncurrent liabilities	(391,873)	1,254,435
Net cash provided by operating activities	<u>32,267,807</u>	<u>27,633,093</u>
Cash flows from investing activities:		
Capital expenditures	(33,691,985)	(27,016,353)
(Increase) decrease in assets limited as to use, net	12,919,763	(10,897,116)
Proceeds from sale of property and equipment	3,245	198,869
Proceeds from sale of investment in equity investee	—	500,000
Investment in equity investees	(262,500)	(20,500)
Other assets	(72,422)	346,797
Net cash used in investing activities	<u>(21,103,899)</u>	<u>(36,888,303)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	2,422,798
Repayment of long-term debt	(4,549,941)	(6,468,107)
Restricted contributions and investment income received	304,361	362,496
Net cash used in financing activities	<u>(4,245,580)</u>	<u>(3,682,813)</u>
Net increase (decrease) in cash and cash equivalents	6,918,328	(12,938,023)
Cash and cash equivalents, beginning of year	<u>6,242,818</u>	<u>19,180,841</u>
Cash and cash equivalents, end of year	<u>\$ 13,161,146</u>	<u>6,242,818</u>

See accompanying notes to combined financial statements.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(1) Organization and Summary of Significant Accounting Policies

(a) *Description of Business*

Mississippi Baptist Health Systems, Inc. and subsidiaries (the System) is a multidimensional provider of healthcare services headquartered in Jackson, Mississippi. The System is comprised of its Jackson-based hospital complex, Mississippi Baptist Medical Center (MBMC), a long-term acute care facility, medical office buildings, and other operations related to the provision of healthcare in a comprehensive system. The significant accounting policies used by the System in preparing and presenting the combined financial statements follow:

(b) *Principles of Combination*

The combined financial statements include the accounts of the System and its controlled subsidiaries. All material intercompany accounts and transactions are eliminated in combination.

(c) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the valuation of certain alternative investment vehicles, the useful lives of property and equipment, the allowances for uncollectible accounts and contractual adjustments, reserves for professional and general liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, the valuation of derivatives, deferred tax assets, estimated third-party payor settlements and other contingencies. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term. The current economic environment has increased the degree of uncertainty inherent in the estimates and assumptions.

(d) *Cash Equivalents*

The System considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) *Inventories*

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market.

(f) *Assets Limited As To Use*

Assets limited as to use primarily include assets held by trustees under indenture agreements, assets held by trustees for self-insurance funding, designated assets set aside by the System's board of

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

trustees for future capital improvements, and amounts restricted by donors. Amounts required to satisfy current requirements for related liabilities have been classified as current assets in the combined balance sheets.

(g) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investments in alternative investment vehicles structured as limited liability corporations or partnerships, are recorded at net asset value as a practical expedient to fair value. The estimated fair value of these alternative investment vehicles is based on the most recent valuations provided by external investment managers. The System reviews and evaluates the values provided by the managers and agrees with the valuation methods and assumptions used to determine those values. Therefore, the System believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because these assets are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Unrealized gains and losses on investments recorded at fair value and net asset value are included in the combined statements of operations as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in unrestricted net assets unless the use is restricted by donor. Donated investments are recorded at fair value at the date of receipt. Investment income from assets held by trustees is reported as other revenue.

The System accounts for investments organized as limited partnerships using the equity method, which generally approximates fair value. The change in carrying amount is included in revenue, gains, and other support in excess of expenses and losses in the accompanying combined statements of operations.

(h) *Long-lived Assets*

Property and equipment are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from revenue, gains, and other support in excess of expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted to the purchase of property and equipment with restrictions that are met within the same year as received are reported as increases in unrestricted net assets in the accompanying combined financial statements.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Assets to be disposed of are separately presented in the combined balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the combined balance sheet.

(i) *Guarantees*

The System applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 860, *Guarantees*, ("Topic 860") which clarifies the accounting and disclosure requirements relating to a guarantor's issuance of certain types of guarantees. Topic 860 requires entities to disclose additional information about certain guarantees, or groups of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote. For certain guarantees, the interpretation also requires that guarantors recognize a liability equal to the fair value of the guarantee upon its issuance. The System has complied with the additional disclosure requirements of Topic 860 in these accompanying combined financial statements.

(j) *Other Assets*

The System has entered into agreements with a variety of healthcare professionals specifically to benefit the System's community service area. These agreements include loans, scholarships, and other advances, all of which are generally conditioned upon a service commitment to the community. Amounts paid under income guarantee arrangements are generally expensed as incurred, unless repayment is expected under the terms of the related agreements. Loans are generally due within two to five years. Advances under some agreements are forgiven upon fulfillment of the professional's contractual service commitment, but are due in full if such commitment is not fulfilled. Advances under such arrangements are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as a current asset in the accompanying combined balance sheets.

The System has ownership interests in the following joint ventures, all of which are accounted for by the equity method (see note 4):

- Madison Radiological Group, LLC (50% owned),
- Mississippi Health Partners, Inc. (25% owned),
- Senior Care Centers of Mississippi, LLC (50% owned),
- PhysiciansPlus Baptist and St. Dominic, Inc. (50% owned),
- Mississippi HomeCare of Jackson II (33% owned),

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

- Continuum RX of Central Mississippi, LLC (49% owned), and
- Baptist Home Medical Services, LLC (50% owned and sold in fiscal 2010) (note 4).

(k) *Costs of Borrowing*

Bond issue costs and bond premiums are amortized using the effective interest method over the term of the related bond issue. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of related investment income. Approximately \$361,000 and \$207,000 of net interest cost was capitalized in fiscal 2011 and 2010, respectively.

(l) *Estimated Professional and General Liability Costs*

The provision for estimated professional and general liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(m) *Derivative Financial Instruments*

The System includes the accrued differential payable or receivable on its derivative financial instruments in loss from operations. Estimated gains or losses arising from fair value changes in derivatives are included as nonoperating items in determination of revenue, gains, and other support in excess of expenses and losses. The System does not apply hedge accounting with respect to any of its derivatives.

(n) *Asset Retirement Obligations*

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the combined statement of operations.

(o) *Temporarily and Permanently Restricted Net Assets*

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

(p) *Donor-restricted Gifts*

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

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 as net assets released from restrictions. To the extent that restricted resources from multiple donors are available for the same purpose, the System expends such gifts on a "first-in, first-out" basis. Donor-restricted contributions which restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

(q) Combined Statement of Operations

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Net assets released from restrictions and used for purchase of property and equipment are reported after revenue, gains, and other support in excess of expenses and losses.

(r) Net Patient Service Revenue

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

(s) Charity Care

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

(t) Functional Expense Classification

All expenses in the accompanying combined statements of operations were incurred for or related to the provision of healthcare services by the System.

(u) Income Taxes

The System is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), whereby only unrelated income is taxable. One of the System's subsidiaries is subject to Federal and state income taxes, provision for which has been made in the accompanying combined financial statements. The amount of such provision is reported in nonoperating gains and losses in the combined statements of operations.

Deferred tax assets and liabilities, when significant, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(v) Current Economic Environment

The U.S. economy appears to be slowly recovering from the downturn of the past several years. System management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While the System was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of the federal healthcare reform legislation which was passed in the spring of 2010. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT);
- Continuing volatility in the state and federal government reimbursement programs;
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system;
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10;
- Significant potential business model changes throughout the healthcare ecosystem, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on System's financial position and operating results.

(w) Fair Value Measurements

The System applies ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes an enhanced framework for measuring fair value and expands disclosures about fair value measurements, including those required for certain investments in funds that do not have

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

readily determinable fair values including private equity investments, hedge funds, real estate, and other funds. ASC Topic 820 permits, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value in many instances may not equal fair value that would be calculated pursuant to ASC Topic 820.

The System also follows FASB ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which amended Topic 820. ASU 2010-06 requires that the System provide additional enhanced disclosures related to its fair value measurements.

The System's valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The System determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(x) *Endowment Accounting*

The System follows the provisions of ASC Topic 958, *Classification of Donor-Restricted Endowment Funds, Subject to UPMIFA* ("Topic 958"). Topic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA and also requires disclosures about endowment funds (both donor-restricted and board-designated).

(y) *New Accounting Pronouncements*

Recently Adopted

In April 2009, the FASB issued ASC Topic 958, *Not-for-Profits Entities*. ASC Topic 958 is effective for periods beginning on or after December 15, 2009 (the System's fiscal 2011), and earlier adoption is prohibited. ASC Topic 958 establishes principles and requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, applies the carryover method in accounting for a merger, applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

merger or an acquisition. ASC Topic 958 also amends ASC Topic 350, *Intangibles – Goodwill and Other*, to be fully applicable to not-for-profit entities. Under ASC Topic 350, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life continue to be amortized over their useful lives. The System's adoption of ASC Topic 958 in fiscal 2011 did not have a material impact on its combined financial statements.

Recently Issued

The FASB issued ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* in August 2010. ASU 2010-23 amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition* to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided should also be disclosed. The System expects to adopt this ASU in fiscal year 2012.

The FASB issued ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* August 2010. ASU 2010 – 24 amends ASC Subtopic 954-450, *Health Care Entities – Contingencies*, to clarify that a health care entity should not net insurance recoveries against a related liability and the claim liability should be determined without consideration of insurance recoveries. The ASU is effective for the System's fiscal year 2012 and is not expected to have a significant impact on the System's combined financial statements.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU will change the System's presentation of provision for uncollectible accounts in the combined statements of operations from operating expenses to a deduction from net patient service revenue. It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for uncollectible accounts. The System expects to adopt this ASU in fiscal year 2013.

In late 2010, the FASB issued for comment *Proposed Accounting Standards Update – Leases (Topic 840)*. After receiving and considering significant feedback, the FASB intends to issue a related final ASU in calendar year 2012. This new guidance is expected to require the System to recognize virtually all of its leases on the combined balance sheet. Assuming the ASU is in fact issued, adoption will cause considerable changes in the presentation of the System's debt and interest expense in its combined financial statements (among other things). Management is reviewing the implications of the proposed ASU for the System, including potential implications for many complex agreements and arrangements which might be impacted by this potential major accounting change. While that work is ongoing, management is optimistic that there will not be material issues associated with important related matters, such as overall System credit ratings or future debt covenant compliance.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(z) *Reclassifications*

Certain reclassifications have been made in the 2010 combined financial statements to conform to the 2011 presentation.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(2) Assets Limited As To Use

The composition of assets limited as to use follows:

	<u>2011</u>	<u>2010</u>
Designated by the board for capital improvements:		
Cash and cash equivalents	\$ 1,620,336	17,318,105
Bond mutual funds	54,667,429	67,574,801
Equity mutual funds	156,943,789	121,687,877
Alternative investment vehicles	13,248,105	5,597,219
Accrued interest receivable	36	56
	<u>226,479,695</u>	<u>212,178,058</u>
Held by trustee under indenture agreements:		
Cash and cash equivalents	8,259,033	10,158,359
Fixed income investments, principally obligations of the U.S. Government and its agencies	<u>1,216,370</u>	<u>16,738,598</u>
	<u>9,475,403</u>	<u>26,896,957</u>
Held by trustee for self-insurance funding:		
Cash and cash equivalents	29,543	14,422
Bond mutual funds	13,969,754	13,707,560
Alternative investment vehicles	<u>3,417,800</u>	<u>3,373,889</u>
	<u>17,417,097</u>	<u>17,095,871</u>
By donors:		
Cash and cash equivalents	1,186,134	4,263,252
Bond mutual funds	3,287,558	749,231
Equity mutual funds	4,763,722	3,034,039
Equity securities	1,439,906	1,228,864
Corporate debt securities	352,488	406,708
Fixed income investments, principally obligations of the U.S. Government and its agencies	<u>1,849,505</u>	<u>1,678,737</u>
Real estate	690,000	690,000
Other investments	<u>768,021</u>	<u>228,162</u>
	<u>14,337,334</u>	<u>12,278,993</u>
Total assets limited as to use	267,709,529	268,449,879
Less amounts classified as current assets	<u>302,843</u>	<u>2,033,206</u>
Noncurrent assets limited as to use	<u>\$ 267,406,686</u>	<u>266,416,673</u>

When available, the System generally uses quoted market prices to determine fair value, and classifies such items as Level 1. The System's Level 2 securities are bonds whose fair values are determined by independent vendors, or nontraded funds whose underlying securities would otherwise be considered

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

Level 1. The vendors compile prices from various sources and may apply matrix pricing for similar bonds on loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued.

The System's Level 3 securities are comprised of alternative investments and bonds that have less liquidity, a stale quoted price, or varying prices from independent sources. The Level 3 bonds are priced using cash flow models, remittance data, and the investment manager's best estimate based on the likelihood of any cash flows. The System's Level 3 alternative investments' prices are obtained from the fund manager. For the System's fund of funds, the manager receives account statements directly from independent administrators or the underlying hedge funds managers, who are responsible for the pricing of these funds. Before reliance on these valuations, the managers evaluate the investee fund's fair value estimation processes and control environment, the investee fund's policies and procedures for estimating fair value of underlying investments, the investee fund's use of independent third party valuation experts, the portion of the underlying securities traded on active markets, and the professional reputation and standing of the investee fund's auditor.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

The fair value hierarchy of assets limited as to use at August 31, 2011 and 2010 follows:

	2011			Total
	Level 1	Level 2	Level 3	
Designated by board for capital improvements:				
Cash and cash equivalents	\$ 1,620,336	—	—	1,620,336
Bond mutual funds	54,667,429	—	—	54,667,429
Equity mutual funds	126,614,493	—	30,329,296	156,943,789
Alternative investment vehicles	321,031	110,115	12,816,959	13,248,105
Accrued interest receivable	36	—	—	36
	<u>183,223,325</u>	<u>110,115</u>	<u>43,146,255</u>	<u>226,479,695</u>
Held by trustee under indenture agreements:				
Cash and cash equivalents	8,259,033	—	—	8,259,033
Fixed income investments, principally obligations of the U.S. government its agencies	—	1,216,370	—	1,216,370
	<u>8,259,033</u>	<u>1,216,370</u>	<u>—</u>	<u>9,475,403</u>
Held by trustee for self-insurance funding:				
Cash and cash equivalents	29,543	—	—	29,543
Bond mutual funds	13,969,754	—	—	13,969,754
Alternative investment vehicles	—	—	3,417,800	3,417,800
	<u>13,999,297</u>	<u>—</u>	<u>3,417,800</u>	<u>17,417,097</u>
By donors:				
Cash and cash equivalents	1,186,134	—	—	1,186,134
Bond mutual funds	3,287,558	—	—	3,287,558
Equity mutual funds	4,189,552	—	574,170	4,763,722
Equity securities:				
Oil and gas	152,444	—	—	152,444
Consumer goods	127,336	—	—	127,336
Financial services	184,316	—	—	184,316
Healthcare	192,764	—	—	192,764
Industrial goods	82,738	—	—	82,738
Services	300,313	—	—	300,313
Technology	294,388	—	—	294,388
Materials	17,233	—	—	17,233
Utilities	26,519	—	—	26,519
Other	61,855	—	—	61,855

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

	2011			
	Level 1	Level 2	Level 3	Total
Corporate debt securities:				
Oil and gas	—	34,040	—	34,040
Consumer goods	—	18,132	—	18,132
Financial services	—	134,494	—	134,494
Healthcare	—	8,918	—	8,918
Industrial goods	—	26,766	—	26,766
Services	—	53,548	—	53,548
Technology	—	52,258	—	52,258
Other	—	24,332	—	24,332
Fixed income investments, principally obligations of the U.S. government and its agencies	—	1,849,505	—	1,849,505
Real estate	—	—	690,000	690,000
Other investments	768,021	—	—	768,021
	<u>10,871,171</u>	<u>2,201,993</u>	<u>1,264,170</u>	<u>14,337,334</u>
Total	\$ <u>216,352,826</u>	<u>3,528,478</u>	<u>47,828,225</u>	<u>267,709,529</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

	2010			
	Level 1	Level 2	Level 3	Total
Designated by board for capital improvements:				
Cash and cash equivalents	\$ 17,318,105	—	—	17,318,105
Bond mutual funds	67,574,801	—	—	67,574,801
Equity mutual funds	98,352,912	—	23,334,965	121,687,877
Alternative investment vehicles	395,545	104,593	5,097,081	5,597,219
Accrued interest receivable	56	—	—	56
	<u>183,641,419</u>	<u>104,593</u>	<u>28,432,046</u>	<u>212,178,058</u>
Held by trustee under indenture agreements:				
Cash and cash equivalents	10,158,359	—	—	10,158,359
Fixed income investments, principally obligations of the U.S. Government and its agencies	—	16,738,598	—	16,738,598
	<u>10,158,359</u>	<u>16,738,598</u>	<u>—</u>	<u>26,896,957</u>
Held by trustee for self-insurance funding:				
Cash and cash equivalents	14,422	—	—	14,422
Bond mutual funds	13,707,560	—	—	13,707,560
Alternative investment vehicles	—	—	3,373,889	3,373,889
	<u>13,721,982</u>	<u>—</u>	<u>3,373,889</u>	<u>17,095,871</u>
By donors:				
Cash and cash equivalents	4,263,252	—	—	4,263,252
Bond mutual funds	749,231	—	—	749,231
Equity mutual funds	2,467,245	—	566,794	3,034,039
Equity securities:				
Oil and gas	111,712	—	—	111,712
Consumer goods	105,489	—	—	105,489
Financial services	183,131	—	—	183,131
Healthcare	169,403	—	—	169,403
Industrial goods	65,612	—	—	65,612
Services	241,679	—	—	241,679
Technology	257,352	—	—	257,352
Materials	13,162	—	—	13,162
Utilities	25,043	—	—	25,043
Other	56,281	—	—	56,281

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

	2010			
	Level 1	Level 2	Level 3	Total
Corporate debt securities:				
Oil and gas	—	39,610	—	39,610
Consumer goods	—	18,456	—	18,456
Financial services	—	170,057	—	170,057
Healthcare	—	9,888	—	9,888
Industrial goods	—	55,515	—	55,515
Services	—	47,947	—	47,947
Technology	—	38,152	—	38,152
Other	—	27,083	—	27,083
Fixed income investments, principally obligations of the U.S. Government and its agencies	—	1,678,737	—	1,678,737
Real estate	—	—	690,000	690,000
Other investments	228,162	—	—	228,162
	<u>8,936,754</u>	<u>2,085,445</u>	<u>1,256,794</u>	<u>12,278,993</u>
Total	<u>\$ 216,458,514</u>	<u>18,928,636</u>	<u>33,062,729</u>	<u>268,449,879</u>

The rollforward of Level 3 investments follows:

	2011	2010
Beginning of year	\$ 33,062,729	41,991,275
Net unrealized gains, net	7,528,351	687,980
Purchases	8,240,918	—
Withdrawals	(1,671,375)	(10,228,970)
Net income	586,142	155,308
Realized gains	81,460	457,136
End of year	<u>\$ 47,828,225</u>	<u>33,062,729</u>

Investment income is comprised of the following:

	Unrestricted	Temporarily Restricted	Total
2011:			
Interest and dividend income	\$ 5,405,651	111,363	5,517,014
Realized and unrealized gains on trading securities, net	<u>11,574,478</u>	<u>604,935</u>	<u>12,179,413</u>
	<u>\$ 16,980,129</u>	<u>716,298</u>	<u>17,696,427</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
2010:			
Interest and dividend income	\$ 4,798,977	135,073	4,934,050
Realized and unrealized gains on trading securities, net	<u>7,484,385</u>	<u>583,050</u>	<u>8,067,435</u>
	<u>\$ 12,283,362</u>	<u>718,123</u>	<u>13,001,485</u>

(3) Property and Equipment

A summary of property and equipment follows:

	<u>2011</u>	<u>2010</u>
Land, buildings, and building improvements	\$ 354,582,940	346,094,099
Equipment	184,958,791	171,401,672
Construction in progress	<u>12,963,362</u>	<u>7,804,779</u>
	552,505,093	525,300,550
Less accumulated depreciation	<u>301,063,741</u>	<u>277,473,956</u>
	<u>\$ 251,441,352</u>	<u>247,826,594</u>

Construction in progress at August 31, 2011 principally consists of expenditures related to various hospital renovations on the main campus. These projects are planned for completion at various dates through August 2014, with the most significant portion anticipated to be placed in service in fiscal 2012. The estimated total remaining cost to complete these projects is approximately \$44,000,000.

(4) Other Assets

The composition of other assets follows:

	<u>2011</u>	<u>2010</u>
Notes receivable	\$ 1,381,104	765,896
Investments in equity investees	6,128,087	5,624,721
Other investees	1,321,643	1,415,435
Bond issue costs, net	1,164,504	1,320,342
Investments supporting deferred compensation agreements (note 12)	2,849,341	3,298,532
Deferred tax assets, net of current portion	<u>1,097,000</u>	<u>2,298,875</u>
	<u>\$ 13,941,679</u>	<u>14,723,801</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

The following is an unaudited combined summary of the balance sheets of the System's equity investees:

	<u>2011</u>	<u>2010</u>
Current assets	\$ 29,817,061	24,456,060
Property and equipment	4,684,272	3,971,524
Other assets	2,716,916	2,442,475
Current liabilities	(4,048,790)	(2,856,579)
Long-term debt	(362,055)	(355,039)
	<u>32,807,404</u>	<u>27,658,441</u>
Equity	\$	

The System's equity in the combined net income of these equity investees was \$3,232,163 and \$3,839,093 for the years ended August 31, 2011 and 2010, respectively, and is included in other nonoperating gains (losses) in the combined statements of operations.

During 2010, the System sold its 50% interest in Baptist Home Medical Services, LLC for \$500,000 and recognized a loss of approximately \$409,000 on the sale, which is included in other nonoperating gains (losses) in the combined statement of operations for the year ended August 31, 2010.

On October 1, 2009 the System executed an agreement with King's Daughters Hospital of Yazoo City (the Hospital). The major provisions of the agreement are:

- The System acquired a 51% reversionary interest in the assets of the Hospital in the event of the liquidation of the Hospital and the distribution of the assets, after payment of all liabilities. At October 1, 2009, the reversionary interest in the assets of the Hospital was approximately \$3,000,000 which is included in nonoperating gain (losses) in the combined statement of operations for the year ended August 31, 2010.
- The System entered into a management agreement with the Hospital in which the System provides management services for the day-to-day operations of the Hospital consistent with the directives dictated by Hospital's board of trustees. The initial term of the management agreement is for twenty years and can be terminated by mutual agreement of the System and the Hospital's board of trustees. Management fees from the agreement were \$500,000 in fiscal 2011 and \$458,000 in fiscal 2010 and are included in other operating revenue in the combined statements of operations for the years ended August 31, 2011 and 2010.
- The System has the right to appoint four of the nine trustees of the board of trustees of the Hospital. The Hospital's board of trustees will continue to exercise ultimate authority for the supervision, direction, and control over the business, policies, and assets of the Hospital.

The 51% reversionary interest in the assets of the Hospital is accounted for by the equity method.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(5) Other Accrued Expenses

The composition of other accrued expenses follows:

	<u>2011</u>	<u>2010</u>
Routine operating accruals	\$ 2,821,845	1,939,192
Employee health costs	1,800,000	1,738,000
Estimated workers' compensation costs	2,200,000	2,700,000
Ad valorem taxes	1,376,320	1,463,776
Interest	574,199	611,338
Accrued termination costs (note 12)	1,505,701	1,641,944
Other	2,465,652	1,660,530
	<u>\$ 12,743,717</u>	<u>11,754,780</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(6) Long-term Debt

A summary of long-term debt follows:

	<u>2011</u>	<u>2010</u>
Mississippi Hospital Equipment and Facilities Authority Revenue Bonds, Series 2007A	\$ 106,165,000	110,345,000
Unamortized bond premium	3,100,885	3,487,220
	<u>109,265,885</u>	<u>113,832,220</u>
Mississippi Hospital Equipment and Facilities Authority Revenue and Refunding Bond, Series 2009	80,000,000	80,000,000
Mississippi Hospital Equipment and Facilities Authority Variable Demand Rate Revenue Bonds, Series 2006	14,400,000	14,400,000
Note payable to bank, at variable interest rate adjusted monthly through October 2005 and every five years thereafter (3.02% at August 31, 2011 and 5.86% at August 31, 2010), with monthly principal and interest payments through October 2020, secured by real estate	1,441,796	1,599,082
Note payable to bank, at variable interest rate adjusted monthly through April 2005 and every five years thereafter (4.3% at August 31, 2011 and 2010), with monthly principal and interest payments through April 2020, secured by real estate	1,419,672	1,583,480
Other	3,413,619	3,462,466
	<u>209,940,972</u>	<u>214,877,248</u>
Less current installments	4,862,997	4,549,940
	<u>\$ 205,077,975</u>	<u>210,327,308</u>

In March 2007, the System issued \$200,905,000 in Mississippi Hospital Equipment and Facilities Authority (MHEFA) Series 2007A (fixed rate) and 2007B (variable rate) revenue bonds (the Series 2007 Bonds). The proceeds of the Series 2007 Bonds were used to (1) extinguish the remaining MHEFA Series 1995 and 1990B revenue bonds, (2) establish a project fund to finance the costs of various System capital projects, primarily the West Tower expansion, (3) establish various debt service and reserve funds required by the related indenture, and (4) pay certain costs of issuance.

The System synthetically converted the \$80 million (the notional amount) Series 2007B Bonds from variable rate to fixed rate obligations through an interest rate swap agreement with a financial institution counterparty. In general, this swap obligates the System to periodically pay interest on the notional amount at a fixed rate of approximately 3.58% and receive interest at 67% of LIBOR. The notional amount amortizes in the same fashion, and the swap matures at the same date, as the related Series 2007B Bonds

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(August 15, 2036). Under certain circumstances typical of such agreements, the swap is subject to termination prior to the scheduled termination date. In such case, either the System or the counterparty may owe a termination payment to each other depending on the prevailing market conditions at any such early termination date. The fair value of the swap of approximately \$15,894,000 and \$19,087,000 at August 31, 2011 and 2010, respectively, is included in other noncurrent liabilities in the accompanying combined balance sheets. The net interest settlement under the swap, which is recognized as interest expense in the combined statements of operations, for the years ended August 31, 2011 and 2010 totaled approximately \$2,739,000 and \$2,720,000, respectively.

In accordance with U.S. generally accepted accounting principles the System has categorized the interest rate swap as a Level II in the fair value hierarchy. The interest rate swap that has been entered into by the System is executed over the counter and is valued using the net present value of cash flow streams as no quoted market prices exist for such an instrument. The System also employs an independent third party to perform a mark to market valuation assessment on the swap to assess the valuations otherwise received by the System.

The Obligated Group (as defined) guarantees payment of all Series 2007 Bonds to MHEFA in the form of a Master Note Agreement, which terms require the System's payment of principal and interest on the Series 2007 Bonds as issued. As security for the obligation of the Obligated Group under the Master Note, the Obligated Group has granted a security interest in its gross revenue (as defined) and agreed to certain financial and other covenants typical of such agreements. Additionally, the Series 2007 Bonds are covered under the terms of a municipal bond insurance policy, which under certain conditions also covers to an extent the potential swap termination payments discussed above.

The Series 2007A Bonds pay a fixed rate of interest of 5% through final maturity.

Under the terms of the Master Trust indenture, the System is required to maintain certain deposits with a trustee. Such deposits are included in assets limited as to use.

During fiscal 2008 the System experienced so-called "failed auctions" in remarketing the Series 2007B Bonds. After a review of current market conditions with its financial advisors, the System concluded that a refinancing of the Series 2007B Bonds was the most prudent course of action. Therefore, in April 2008 the System consummated a transaction with a bank, whereby an \$80,000,000 line of credit was made available for the extinguishment of the Series 2007B Bonds.

During fiscal 2009 the System issued \$80,000,000 MHEFA Series 2009 variable rate revenue and refunding bond to payoff the line of credit executed in fiscal 2008 described above. The Series 2009 bond bears interest at a variable rate based on 67% of LIBOR plus a spread as defined in the loan agreement. Interest (2.83% at August 31, 2011 and 3.20% at August 31, 2010) is payable monthly and the principal balance is due May 19, 2014. The loan agreement contains certain financial and other covenants typical of such agreements.

In May 2006, the System was approved by the State of Mississippi to obtain special tax exempt financing related to a medical office building under construction in Madison County. The special funding (GOZone) was made available through the Federal government in response to Hurricane Katrina. The GOZone financing, totaling \$17,000,000, bears interest at LIBOR minus 1% and matures in 2031. A supporting

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

letter of credit was obtained from a commercial bank at an annual fee of 25 basis points of the outstanding amount. Annual payments are interest only with a balloon payment due at the end of the term.

On September 24, 2009, the System redeemed and paid \$2,600,000 of the Series 2006 bonds (GOZone financing) described above. On October 29, 2009, the System converted the remaining GOZone financing of \$14,400,000 from a variable instrument backed by a letter of credit from a commercial bank to a variable debt instrument held by the commercial bank. The interest on the remaining debt instrument is a variable rate at the "Bank Loan Rate Mode" (based on LIBOR plus a spread as defined in the supplemental trust indenture dated October 1, 2009) until October 31, 2013 (2.77% at August 31, 2011 and 2.68% at August 31, 2010). The transaction will allow the System to maintain the tax exempt status of the bonds and re-enter the market in the future when the variable rate markets are more stable.

The System has a \$7,500,000 unsecured line of credit with a bank (LIBOR plus 2.5%) that expires March 31, 2012. The System also has a \$500,000 unsecured line of credit with a bank (LIBOR plus 2.5%) that expires March 31, 2012 and a \$100,000 unsecured line of credit with a bank (4%) that expires July 5, 2012. There are no outstanding balances on these lines of credit at August 31, 2011 or 2010.

Scheduled future maturities of long-term debt (excluding bond premium) follow:

Year ending August 31:	
2012	\$ 4,862,997
2013	5,114,430
2014	86,008,025
2015	5,623,439
2016	5,844,454
Thereafter	99,386,742
	<u>\$ 206,840,087</u>

The System paid interest of approximately \$11,132,000 in 2011 and \$11,671,000 in 2010.

(7) Other Noncurrent Liabilities

The composition of other noncurrent liabilities follows:

	<u>2011</u>	<u>2010</u>
Interest rate swap	\$ 15,893,950	19,086,592
Asset retirement obligations	1,251,234	1,194,310
Liabilities under deferred compensation agreements	2,849,341	3,298,532
Deferred income tax liabilities	—	47,606
	<u>\$ 19,994,525</u>	<u>23,627,040</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

(8) Asset Retirement Obligations

The following table presents the activity for both the asset retirement obligations (which are included in other noncurrent liabilities in the accompanying combined balance sheets) and the related additional cost basis included in property and equipment for the years ended August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	\$ 1,194,310	1,138,281
Accretion	56,924	56,029
Balance at the end of the year	<u>\$ 1,251,234</u>	<u>1,194,310</u>
	<u>2011</u>	<u>2010</u>
Additional cost basis	\$ 415,010	415,000
Accumulated depreciation	(282,275)	(274,390)
	<u>\$ 132,735</u>	<u>140,610</u>

(9) Net Patient Service Revenue

The System has agreements with governmental and other third-party payors that provide for reimbursement to the System at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the System's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based upon cost reimbursement or other retroactive-determination methodologies. Payments for cost reimbursable items are made at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. The System's cost reports have been audited and settled for all fiscal years through 2008. Revenue from the Medicare program accounted for approximately 41% and 36% of the System's net patient service revenue for the years ended August 31, 2011 and 2010, respectively.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Mississippi. Revenue from the Medicaid program accounted for approximately 11% and 14% of the System's net patient service revenue for the years ended August 31, 2011 and 2010, respectively.

Effective April 2001, the State of Mississippi implemented the Medicare Upper Payment Limit (UPL) program for providers participating in the state Medicaid program. The System's net benefit

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

from the UPL program in fiscal 2011 and 2010 was approximately \$7,021,000 and \$18,906,000, respectively. The gross amounts from the program for fiscal 2011 and 2010 of \$15,707,000 and \$26,803,000, respectively, are recognized as a reduction in related contractual adjustments in the combined statements of operations. The associated fundings to the program for fiscal 2011 and 2010 of \$8,686,000 and \$7,897,000, respectively, are recognized as fees expense in the combined statements of operations.

There can be no assurance that the System will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Blue Cross – All acute care services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates. Revenue from Blue Cross accounted for approximately 21% and 23% of the System's net patient service revenue for the years ended August 31, 2011 and 2010, respectively.

The System has also entered into other reimbursement arrangements providing for payment methodologies which include prospectively determined rates per discharge, per diem amounts, and discounts from established charges.

A summary of amounts comprising net patient service revenue follows:

	<u>2011</u>	<u>2010</u>
Gross patient service revenue	\$ 1,029,141,078	950,721,714
Less provisions for contractual and other adjustments	<u>654,119,511</u>	<u>585,384,940</u>
Net patient service revenue	<u>\$ 375,021,567</u>	<u>365,336,774</u>

Changes in estimates related to prior cost reporting periods resulted in an increase of approximately \$780,000 and \$60,000 in net patient service revenue for the years ended August 31, 2011 and 2010, respectively.

Included in provisions for contractual and other adjustments are amounts related to beneficiaries of public programs, principally Medicare, Medicaid, and Champus, of approximately \$455,000,000 and \$399,000,000 for the years ended August 31, 2011 and 2010, respectively.

In the spring of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law by President Obama. The impact of the Health Care Acts is complicated and difficult to predict, but the System anticipates its reimbursement in the future will be affected by major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative delivery models. Many healthcare reform variables remain unknown and are, among other things, dependent on implementation by federal and state governments and reactions by providers, payors, employers, and individuals. The System continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are encouraged and/or required by the Health Care Acts.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

The Health Information Technology for Economic and Clinical Health (HITECH) Act was enacted as part of the American Recovery and Reinvestment Act of 2009 and signed into law in February 2009. In the context of the HITECH Act, the Authority must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and “meaningful use” of health information technology (HIT). The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adoption of EHR technology. The System anticipates that its current efforts at implementing an enterprise-wide EHR will enable its compliance with the Meaningful Use objectives mandated in the HITECH legislation.

(10) Community Benefit Measurements

The following outlines certain financial measurements of the System’s service commitment to the broader community:

	<u>2011</u>	<u>2010</u>
Benefits to the underserved (as measured by established charges):		
Traditional charity care charges foregone	\$ 27,270,000	28,378,000
Discounts provided to uninsured patients	12,792,000	10,750,000
Amounts due from patients, ultimately determined to be uncollectible	<u>18,588,000</u>	<u>19,118,000</u>
	<u>58,650,000</u>	<u>58,246,000</u>
Benefits for the broader community (as measured by recorded System costs and other records):		
Teleservices	461,000	438,000
Education and research	180,000	145,000
Charitable donations	699,000	495,000
Volunteer hours	142,000	215,000
Pastoral care	<u>313,000</u>	<u>343,000</u>
	<u>1,795,000</u>	<u>1,636,000</u>
	<u>\$ 60,445,000</u>	<u>59,882,000</u>

The amounts presented above relate only to certain measurable benefits that the System provides to its service area. This presentation is not intended to measure all such community benefits, many of which are intangible in nature or otherwise not quantifiable.

(11) Leases

Rental expense, including short-term rentals, was approximately \$7,426,000 and \$6,759,000 in fiscal 2011 and 2010, respectively.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

The following is a schedule by year of future minimum lease payments due under noncancelable operating leases that have initial or remaining lease terms in excess of one year:

Year ending August 31:	
2012	\$ 2,540,961
2013	1,516,876
2014	1,016,585
2015	953,458
2016	849,330
Thereafter	2,699,772
	<u>\$ 9,576,982</u>

(12) Employee Benefit Plans

The System sponsors a contributory retirement income plan providing regular full-time employees retirement benefits normally commencing at age 65. The plan provides 2% of each participating employee's base salary. The plan also provides for gradual vesting over seven years. Expense related to this plan for the years ended August 31, 2011 and 2010 totaled approximately \$1,305,000 and \$638,000, respectively.

The System is self-insured with regard to group hospitalization, workers compensation and unemployment compensation claims.

The System maintains an employee performance bonus for managers and employees. The employee performance bonus is based on the achievement of excelling in job-related competencies and active participation in the core strategic objectives. The System maintains a director performance bonus that is based on the achievement of defined strategic, financial, and operational goals. The System recorded approximately \$900,000 for the employee performance bonus and \$360,000 for the director performance bonus as provision for the plan for the year ended August 31, 2011. These provisions are included in salaries, wages, and fees in the accompanying combined statement of operations for the year ended August 31, 2011. The provisions for year ended August 31, 2010 were \$900,000 for the employee performance bonus and \$375,000 for the director performance bonus.

The System also maintains a benefit plan to provide supplemental retirement benefits for certain key employees.

The System and certain employees have entered into a deferred compensation agreement whereby employees may defer all or a portion of their compensation. The System, directed by the employee, invests the deferred compensation amounts in various types of investments. These investments are reported at fair value in the accompanying combined balance sheets. Also, the System may make discretionary contributions to the accounts under the plan described in the preceding paragraph. The System expensed approximately \$322,000 and \$329,000 for the years ended August 31, 2011 and 2010, respectively, which is included in employee benefits expense in the accompanying combined statements of operations. Investments of deferred compensation amounts are included in other assets and the related liability is included in other noncurrent liabilities in the accompanying combined balance sheets.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

In August 2011, the System approved the merger of their cardiology physicians with a local cardiology group. The System approved severance packages for physicians and employees of the cardiology clinic. Accordingly, the System recorded at August 31, 2011 a provision for this benefit arrangement of \$1,506,000 which is included in salaries, wages and fees in the 2011 combined statement of operations and other accrued expenses in the combined balance sheet at August 31, 2011.

In August 2010, the System approved a one-time termination plan in an effort to provide cost savings to the System. The plan identified employees to be terminated effective August 31, 2010 and established the terms of the benefit arrangement to be paid to the terminated employees. Accordingly, the System recorded at August 31, 2010 a provision for this benefit arrangement of \$1,642,000 which is included in salaries, wages and fees in the 2010 combined statement of operations and other accrued expenses in the combined balance sheet at August 31, 2010.

(13) Business and Credit Concentrations

The System grants credit without collateral to its patients, most of whom are local residents. The System generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, preferred provider arrangements, and commercial insurance policies). The mix of receivables from patients and third-party payors follows:

	<u>2011</u>	<u>2010</u>
Patients	31%	30%
Other third-party payors	27	38
Blue Cross	13	6
Medicare	25	24
Medicaid	4	2
	<u>100%</u>	<u>100%</u>

(14) Liability Coverages

The System is self-insured with respect to professional liability risks in underlying \$1 million/\$6 million (effective October 1, 2002), \$2 million/\$8 million (effective April 1, 2003), \$2 million/\$12 million (effective October 1, 2003), \$4 million/\$16 million (effective October 1, 2005), \$4 million/\$10 million (effective October 1, 2008) and \$5 million/\$12 million (effective October 1, 2011) layers of coverage. The System is also self-insured for general liability risks in underlying \$1 million/\$6 million (effective October 1, 2002), \$3 million/\$12 million (effective October 1, 2003), \$4 million/\$16 million (effective October 1, 2005), \$4 million/\$10 million (effective October 1, 2008) and \$5 million/\$12 million (effective October 1, 2011) layers of coverage. Claims reported but not settled prior to November 1, 2002 are generally covered under the terms of certain prior claims-made policies.

The System also maintains substantial liability coverages in excess of self-insurance limits under the terms of certain claims-made insurance policies, which currently expire in October 2012. To the extent that any

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. In any event, management anticipates that the claims-made policies in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

Incurred losses identified through the System's incident reporting system and incurred but unreported losses are accrued based on estimates that incorporate the System's current inventory of reported claims and historical experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors and other advice from consulting actuaries. The System has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts recommended by consulting actuaries.

(15) Fair Values of Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments, except long-term debt, approximate their fair values. The fair value of the System's long-term debt has been estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately \$199,975,000 and \$202,388,000 at August 31, 2011 and 2010, respectively.

(16) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Davenport-Spiva Charitable Educational Trust	\$ 3,858,222	3,687,451
Patient programs	2,566,687	696,220
Cancer services	1,527,769	1,506,053
Cancer center	433,138	433,138
Women's services	852,664	164,075
Health education	489,007	227,771
Heart services	411,957	374,953
Purchase of property and equipment	304,077	348,691
Other	563,306	534,786
	<u>\$ 11,006,827</u>	<u>7,973,138</u>

Permanently restricted net assets are to be held in perpetuity, the income from which is expendable to provide healthcare services to indigent and cancer patients, to purchase property and equipment, and to fund training, research and chaplaincy support.

The System has historically and to-date received a limited amount of donor-restricted endowment funds, and does not maintain any Board-designated endowments. The System's Board requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In all material respects, income from the System's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is therefore accounted for

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

within temporarily restricted net assets until expended in accordance with the donor's wishes. The System oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

(17) Income Taxes

During fiscal 2011, the System's tax-exempt organizations recognized current tax expense of \$11,000 and a deferred tax expense of \$1,158,000 for unrelated income that is taxable and will offset operating loss carryforwards available to the tax-exempt organizations. During fiscal 2010, the System's tax exempt organizations recognized current tax expense of \$397,000 and a deferred tax expense of \$373,000 for unrelated income that is taxable and will offset operating loss carryforwards available to the tax-exempt organizations. At August 31, 2011, the deferred tax assets for the System's tax-exempt organizations for operating loss carryforwards totaled approximately \$2,190,000 (\$1,096,000 included in deferred tax asset-current and \$1,094,000 in other assets in the accompanying 2011 combined balance sheet). At August 31, 2010, the deferred tax assets for the System's tax-exempt organizations for operating loss carryforwards totaled approximately \$3,348,000 (\$1,049,000 included in deferred tax asset-current and \$2,299,000 in other assets in the accompanying 2010 combined balance sheet).

The System's tax-exempt organizations had approximately \$6,200,000 of federal operating loss carryforwards and \$1,500,000 of state operating loss carryforwards at August 31, 2011 related to unrelated business income.

The System's for-profit subsidiary (the Subsidiary) had an income tax benefit of \$18,000 for the year ended August 31, 2011 and an income tax benefit of \$184,000 for the year ended August 31, 2010.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and the net operating loss carryforwards can be utilized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes for the taxable Subsidiary as of August 31, 2011 and 2010 principally are related to net operating loss and contribution carryforwards. These amounts are included in:

	<u>2011</u>	<u>2010</u>
Other assets	\$ 3,000	—
Deferred tax asset - current	—	23,000
Other accrued expenses	3,000	—
Other noncurrent liabilities	—	48,000

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2011 and 2010

At August 31, 2011, the taxable Subsidiary had Federal and state contribution carryforwards of approximately \$257,000. The contribution carryforwards begin to expire in 2011. The federal and state net operating loss carryforwards are approximately \$546,000.

Income taxes paid, net of refunds, were approximately \$9,000 in fiscal 2011 and \$263,000 in fiscal 2010.

(18) Subsequent Events

On November 1, 2011, the System executed an asset purchase agreement (agreement) with Leake County, Mississippi (the County) for the purchase of the operating assets (principally real property and equipment) of Leake County Hospital and Extended Care Facility (Leake facility) for approximately \$1,200,000 million in cash and a promissory note of \$1,780,000. As part of the agreement, the System has agreed to build a new hospital facility in the County or renovate the existing Leake facility by November 1, 2016. If substantial progress has not been made in terms of constructing a new facility or renovation of the existing facility based on a final feasibility study within five years of closing, the System will be required to make a \$500,000 payment to the County on November 1, 2016.

The System has evaluated subsequent events through November 11, 2011, the date the financial statements were issued.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combining Schedule – Balance Sheet Information

August 31, 2011

	Mississippi Baptist Health Systems, Inc.	Mississippi Baptist Medical Center, Inc.	Mississippi Hospital for Restorative Care, Inc.	Mississippi Baptist Medical Enterprises, Inc. and subsidiaries	Medical Foundation of Central Mississippi, Inc.	Eliminations	Combined
Current assets:							
Cash and cash equivalents	\$ 11,582,534	—	—	793,016	785,596	—	13,161,146
Assets limited as to use – required for current liabilities:	302,843	—	—	—	—	—	302,843
Patient accounts receivable, less allowance for uncollectible accounts	—	40,133,797	1,780,334	—	2,439,994	—	44,354,125
Other receivables	2,029,958	796,690	—	933,221	—	—	3,759,869
Inventories	—	6,479,492	—	—	—	—	6,479,492
Deferred tax asset – current	—	1,096,000	—	—	—	—	1,096,000
Prepaid expenses	4,203,538	1,032,751	—	70,879	448,174	—	5,755,342
Total current assets	18,118,873	49,538,730	1,780,334	1,797,116	3,673,764	—	74,908,817
Assets limited as to use	266,711,817	—	—	694,869	—	—	267,406,686
Property and equipment, net	246,730,089	—	—	4,711,263	—	—	251,441,352
Other assets	54,240,872	5,481,012	—	589,564	—	(46,369,769)	13,941,679
Total assets	\$ 585,801,651	55,019,742	1,780,334	7,792,812	3,673,764	(46,369,769)	607,698,534
Current liabilities							
Current installments of long-term debt	\$ 4,731,095	—	—	1,031,902	—	(900,000)	4,862,997
Accounts payable	7,578,744	483,813	—	814,757	—	—	8,877,314
Accrued payroll costs and withholdings	3,226,722	8,409,251	264,253	434,999	1,612,095	—	13,947,320
Due to third-party payors	—	924,000	406,000	—	—	—	1,330,000
Other accrued expenses	8,265,281	2,686,086	1,950	82,304	1,708,096	—	12,743,717
Total current liabilities	23,801,842	12,503,150	672,203	2,363,962	3,320,191	(900,000)	41,761,348
Long-term debt, excluding current installments	201,796,258	—	—	3,281,717	—	—	205,077,975
Estimated professional and general liability costs	7,380,000	—	—	—	620,000	—	8,000,000
Other noncurrent liabilities	19,958,865	—	—	35,660	—	—	19,994,525
Total liabilities	252,936,965	12,503,150	672,203	5,681,339	3,940,191	(900,000)	274,833,848
Net assets:							
Unrestricted	319,555,815	42,516,592	1,108,131	2,111,473	(266,427)	(45,769,769)	319,255,815
Temporarily restricted	11,006,827	—	—	—	—	—	11,006,827
Permanently restricted	2,302,044	—	—	—	—	—	2,302,044
Total net assets	332,864,686	42,516,592	1,108,131	2,111,473	(266,427)	(45,769,769)	332,564,686
Total liabilities and net assets	\$ 585,801,651	55,019,742	1,780,334	7,792,812	3,673,764	(46,669,769)	607,398,534

See accompanying independent auditors' report

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combining Schedule – Statement of Operations Information
Year ended August 31, 2011

	Mississippi Baptist Health Systems, Inc.	Mississippi Baptist Medical Center, Inc.	Mississippi Hospital for Restorative Care, Inc.	Mississippi Baptist Medical Enterprises, Inc. and subsidiaries	Medical Foundation of Central Mississippi, Inc.	Eliminations	Combined
Unrestricted revenue and other support							
Net patient service revenue	\$ —	336,890,220	9,598,077	—	28,533,270	—	375,021,567
Other revenue	21,611,259	6,019,869	—	9,192,658	299,762	(25,676,690)	11,446,858
Net assets released from restrictions used for operations	211,003	—	—	—	—	—	211,003
Total unrestricted revenue and other support	21,822,262	342,910,089	9,598,077	9,192,658	28,833,032	(25,676,690)	386,679,428
Expenses							
Salaries, wages, and fees	15,582,474	138,218,527	4,117,531	5,165,017	31,442,988	(5,876,338)	188,650,199
Employee benefits	3,105,974	19,604,953	567,154	875,378	3,243,033	—	27,396,492
Supplies and other	16,157,276	98,750,713	1,698,110	3,205,906	5,857,192	—	125,669,197
Interest	9,963,939	—	—	239,285	—	(10,833)	10,192,391
Depreciation and amortization	22,341,605	19,161,647	157,632	451,438	481,078	(19,800,354)	22,793,046
Provision for uncollectible accounts	—	16,939,307	3,521	33,625	1,611,738	—	18,588,191
Intercompany allocations	(48,042,000)	42,518,069	5,523,931	—	—	—	—
Total expenses	19,109,268	335,193,216	12,067,879	9,970,649	42,636,029	(25,687,525)	393,289,516
Income (loss) from operations	2,712,994	7,716,873	(2,469,802)	(777,991)	(13,802,997)	10,835	(6,610,088)
Nonoperating gains (losses):							
Investment income, net	16,990,962	—	—	—	—	(10,833)	16,980,129
Change in fair value of interest rate swap	3,192,642	—	—	—	—	—	3,192,642
Equity in net income of equity investees	(7,241,749)	2,968,674	—	283,146	—	7,222,092	3,232,163
Income tax benefit (expense)	(11,000)	(1,158,000)	—	18,000	—	—	(1,151,000)
Other, net	(709,530)	—	—	—	3	—	(709,527)
Total nonoperating gains, net	12,221,325	1,810,674	—	301,146	3	7,211,259	21,544,407
Revenue, gains, and other support in excess of (less than) expenses and losses	14,934,319	9,527,547	(2,469,802)	(476,845)	(13,802,994)	7,222,094	14,934,319
Net assets released from restrictions and used for purchase of property and equipment	420,079	—	—	—	—	—	420,079
Increase (decrease) in unrestricted net assets	\$ 15,354,398	9,527,547	(2,469,802)	(476,845)	(13,802,994)	7,222,094	15,354,398

See accompanying independent auditors' report