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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

C Name of organization
Hillcrest Baptist Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
100 HILLCREST MEDICAL BLVD

City or town, state or country, and ZIP + 4
Waco, TX 76712

D Employer identification number
74-1161944

E Telephone number
(254) 202-9448

G Gross receipts $ 236,452,639

F Name and address of principal officer
GLENN ROBINSON
100 HILLCREST MEDICAL BLVD
WACO, TX 76712

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 hillcrest net

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1916 | **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
HILLCREST BAPTIST MEDICAL CENTER IS ORGANIZED EXCLUSIVELY TO PROVIDE MEDICAL CARE WITHOUT REGARD TO THE BENEFICIARIES' ABILITY TO PAY, THROUGH ERECTING, EQUIPING, CONDUCTING, AND MAINTAINING A HOSPITAL

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**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	2,171
6	Total number of volunteers (estimate if necessary)	**6**	190
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	2,725,469	1,901,845
9	Program service revenue (Part VIII, line 2g)	233,132,373	229,101,515
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,130,601	1,717,481
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,770,513	3,704,437
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	243,758,956	236,425,278
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,000	3,634,464
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)	81,784,142	80,802,640
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶161,841		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	149,914,657	147,666,590
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	231,699,799	232,103,694
19	Revenue less expenses Subtract line 18 from line 12	12,059,157	4,321,584

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	274,880,847	268,864,206
21	Total liabilities (Part X, line 26)	234,292,741	223,596,488
22	Net assets or fund balances Subtract line 21 from line 20	40,588,106	45,267,718

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

****** | 2012-07-15
Signature of officer | Date

RICHARD PERKINS CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
M Paige Gerich	M Paige Gerich			

Firm's name ▶ BKD LLP | Firm's EIN ▶

Firm's address ▶ 2800 Post Oak Blvd Ste 3200
HOUSTON, TX 77056 | Phone no ▶ (713) 499-4600

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

HILLCREST BAPTIST MEDICAL CENTER IS ORGANIZED EXCLUSIVELY TO PROVIDE MEDICAL CARE WITHOUT REGARD TO THE BENEFICIARIES' ABILITY TO PAY, THROUGH ERECTING, EQUIPING, CONDUCTING, AND MAINTAINING A HOSPITAL

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 $ 220,797,349 including grants of $ 3,634,464) (Revenue $ 232,781,952)

IN THE FISCAL YEAR END AUGUST 31, 2011, HILLCREST BAPTIST MEDICAL CENTER (HBMC) ADMITTED 12,588 INPATIENTS, 142,221 OUTPATIENTS, AND 53,006 EMERGENCY DEPARTMENT PATIENTS HBMC PROVIDED $46,151,000 IN DIRECT CHARITY CARE AND ADMITTED 4,200 INPATIENTS UNDER THE MEDICAID PROGRAM CONTINUED ON SCHEDULE O

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 220,797,349

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	239		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	2,171		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O		13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .		14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
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	Yes	
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		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

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 ▶

RICHARD W PERKINS
3000 HERRING ST
Waco, TX 76708
(254) 202-9448

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) GLEN COUCHMAN MD DIRECTOR	1 0	X						0	0	0
(2) BILLY H DAVIS JR VICE CHAIRMAN	1 0	X		X				0	0	0
(3) PATRICIA CURRIE DIRECTOR	1 0	X						0	0	0
(4) DAVID G HOFFMAN MD DIRECTOR	1 0	X						0	0	0
(5) TERRY MANESS CHAIRMAN	1 0	X		X				0	0	0
(6) LYNDON L OLSON JR DIRECTOR	1 0	X						0	0	0
(7) MICHAEL D REIS MD SECRETARY	1 0	X		X				0	0	0
(8) G MICHAEL REITMEIER DIRECTOR	1 0	X						0	0	0
(9) J MARK RISTER MD DIRECTOR	1 0	X						0	0	0
(10) GLENN A ROBINSON CHIEF EXECUTIVE OFFICER	30 0	X		X				565,561	0	33,445
(11) JASON JENNINGS CHIEF OPERATING OFFICER	40 0	X		X				293,692	0	34,673
(12) RICHARD W PERKINS CHIEF FINANCIAL OFFICER	30 0	X		X				394,007	0	48,566
(13) CYNDY DUNLAP CHIEF NURSING OFFICER	40 0	X		X				262,109	0	34,050
(14) CAREY HOBBS Treasurer	1 0	X		X				0	0	0
(15) JAMES MORRISON CHIEF MEDICAL OFFICER	35 0	X		X				367,964	0	43,579
(16) JOHN SPECKMIEAR MD DIRECTOR	1 0	X						0	313,410	40,655

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(17) DAVID BLACKWELL CHIEF HUMAN RESOURCE OFFICER	35 0				X			204,255	0	28,169
(18) BRAD CRYE SR VICE-PRES-CLINIC OPERATIONS	12 0				X			231,111	0	34,910
(19) BILL WILLIS VICE-PRESIDENT	40 0					X		212,453	0	31,860
(20) RICHARD WARREN CHIEF INFORMATION OFFICER	35 0					X		175,236	0	26,830
(21) ROBERT W BRACE CHIEF COMPLICANCE OFFICER	40 0					X		150,041	0	24,505
(22) DAVID GENTSCH DIRECTOR OF PHARMACY	40 0					X		153,221	0	20,285
(23) ABRAHAM RASPALDO PATIENT CARE RN	61 5					X		151,212	0	13,645
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								3,160,862	313,410	415,172

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 44

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
TEXAS EM-1 MEDICAL SERVICES 7032 COLLECTION CENTER DR CHICAGO, IL 60693	EMERGENCY PHYSICANS	2,009,033
COMMUNITY HOSPITAL CONSULTING 5801 TENNYSON PARKWAY SUITE 550 PLANO, TX 75024	CONSULTING SERVICES	1,271,747
CMCT LTD 913 FRANKLIN AVE SUITE 207 WACO, TX 76701	Construction Service	2,700,239
HILLCREST SURGICAL ASSOCIATES PA 3000 HERRING WACO, TX 76708	TRAUMA PHYSICAN SVC	1,204,500
Scott White Memorial Hospital 2401 South 31st Street TEMPLE, TX 76508	Physician & Mgmt Sup	2,524,966

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 56

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	1,314,146				
	e Government grants (contributions) 1e	417,484				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	170,215				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		1,901,845			
Program Service Revenue		Business Code				
	2a Net Patient Service Revenue	621990	229,101,515	229,101,515		
	b					
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		229,101,515			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,713,743			1,713,743
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . . ▶		24,000			24,000
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory		31,099			
	b Less cost or other basis and sales expenses		27,361			
	c Gain or (loss)		3,738			
	d Net gain or (loss) . . . . . ▶		3,738			3,738
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶		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 Rental	532000	1,384,035	1,384,035		
	b Food Service	900099	1,661,542	1,661,542		
	c Gift Shop	900099	317,529	317,529		
	d All other revenue		317,331	317,331		
	e **Total.** Add lines 11a–11d . . . . . ▶		3,680,437			
	12 **Total revenue.** See Instructions . . . ▶		236,425,278	232,781,952		1,741,481

Part IX Statement of Functional Expenses

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

	Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	3,625,000	3,625,000		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	9,464	9,464		
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	2,576,092		2,576,092	
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	64,730,068	64,730,068		
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,860,923	2,860,923		
9	Other employee benefits	4,952,841	4,952,841		
10	Payroll taxes	5,682,716	5,436,483	244,117	2,116
a	Fees for services (non-employees) Management	11,120	94	11,026	
b	Legal	66,537		66,537	
c	Accounting	270,398		270,398	
d	Lobbying	0			
e	Professional fundraising services *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	22,963,580	20,642,836	2,317,795	2,949
12	Advertising and promotion	790,042	783,973	6,069	
13	Office expenses	1,935,580	1,562,858	367,804	4,918
14	Information technology	1,503,285	1,277,899	225,386	
15	Royalties . .	0			
16	Occupancy	11,417,701	9,320,961	2,096,740	
17	Travel	303,063	228,242	66,140	8,681
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	13,443,097	12,381,092	1,062,005	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	11,910,101	11,368,559	541,542	
23	Insurance	1,584,597	1,481,447	103,150	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Bad Debt Expense	43,406,654	43,311,214	95,440	
b	Medical Supplies	31,368,536	31,368,536		
c	Recruitment	1,352,842	1,116,261	236,581	
d	RAW FOODS	1,778,824	1,778,824		
e	Equipment Expense	1,216,815	1,199,572	11,615	5,628
f	All other expenses	2,343,818	1,360,202	846,067	137,549
25	**Total functional expenses.** Add lines 1 through 24f	232,103,694	220,797,349	11,144,504	161,841
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		8,954,194	1	13,928,877
	2	Savings and temporary cash investments		13,991,814	2	500,000
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		25,632,805	4	21,683,349
	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		149,119	7	120,862
	8	Inventories for sale or use		3,560,157	8	3,805,568
	9	Prepaid expenses and deferred charges		4,002,313	9	3,618,885
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 170,037,481			
	b	Less accumulated depreciation	10b 27,397,080	151,406,449	10c	142,640,401
	11	Investments—publicly traded securities		60,380,756	11	73,969,625
	12	Investments—other securities See Part IV, line 11		5,595,967	12	6,243,988
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,207,273	15	2,352,651
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		274,880,847	16	268,864,206
Liabilities	17	Accounts payable and accrued expenses		24,800,743	17	20,592,587
	18	Grants payable			18	
	19	Deferred revenue		130,958	19	250,441
	20	Tax-exempt bond liabilities		176,818,175	20	176,746,555
	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		24,005,693	23	19,962,712
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		8,537,172	25	6,044,193
	26	**Total liabilities.** Add lines 17 through 25		234,292,741	26	223,596,488
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		35,049,140	27	39,080,732
	28	Temporarily restricted net assets		3,977,781	28	4,616,875
	29	Permanently restricted net assets		1,561,185	29	1,570,111
		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		40,588,106	33	45,267,718
	34	Total liabilities and net assets/fund balances		274,880,847	34	268,864,206

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	236,425,278
2	Total expenses (must equal Part IX, column (A), line 25)	2	232,103,694
3	Revenue less expenses Subtract line 2 from line 1	3	4,321,584
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	40,588,106
5	Other changes in net assets or fund balances (explain in Schedule O)	5	358,028
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	45,267,718

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Hillcrest Baptist Medical Center	74-1161944

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		1,000
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			1,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES EXPLANATION	SCHEDULE C PART II-B QUESTION 1G	PERIODICALLY, OFFICERS OR EMPLOYEES OF THE ORGANIZATION MAKE CONTACT WITH LEGISLATORS OR GOVERNMENT OFFICALS THESE CONTACTS ARE GENERALLY BY LETTER, WITH OCCASIONAL CONTACT IN PERSON OR BY PHONE THE CONTACTS ARE FOR THE PURPOSE OF INFORMING THE LEGISLATOR OR OFFICIAL OF THE IMPACT OF PROPOSED LEGISLATION OR REGULATIONS ON THE ORGANIZATION AND ITS ABILITY TO CARRY OUT ITS PURPOSE EXPENSES ARE MINIMAL (I E COST OF PREPARING AND MAILING LETTERS, LONG DISTANCE TELEPHONE CALLS, ETC)

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	1,561,185	1,546,959	1,542,197		
b Contributions	8,926	12,438	4,738		
c Investment earnings or losses		1,788	24		
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	1,570,111	1,561,185	1,546,959		

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- 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)		No
(ii) related organizations	3a(ii)	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes	

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

Part VI 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		14,673,820		14,673,820
b Buildings		109,734,854	12,951,935	96,782,919
c Leasehold improvements		967,433	156,688	810,745
d Equipment		41,791,173	13,824,392	27,966,781
e Other		2,870,201	464,064	2,406,137
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				142,640,402

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

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

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
Name License Fee	500,000
Asset Retirement Obligation	2,861,323
Capital Lease Obligation	932,194
Due to Govt & 3rd Party Payors	1,750,676
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	6,044,193

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	236,425,278
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	232,103,694
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	4,321,584
4	Net unrealized gains (losses) on investments	4	-289,992
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	648,020
9	Total adjustments (net) Add lines 4 - 8	9	358,028
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,679,612

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	233,158,306
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-289,992		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	648,020		
e	Add lines **2a** through **2d**			2e	358,028
3	Subtract line **2e** from line **1**			3	232,800,278
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	3,625,000		
c	Add lines **4a** and **4b**			4c	3,625,000
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	236,425,278

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

1	Total expenses and losses per audited financial statements			1	228,478,694
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	228,478,694
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	3,625,000		
c	Add lines **4a** and **4b**			4c	3,625,000
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	232,103,694

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
UNCERTAIN TAX POSITIONS UNDER FIN 48	SCHEDULE D PART XIV	THE ORGANIZATION AND MOST OF ITS SUBSIDIARIES HAVE BEEN RECOGNIZED AS EXEMPT FROM FEDERAL INCOME TAX UNDER SECTION 501(A) OF THE INTERNAL REVENUE CODE AS AN ORGANIZATION DESCRIBED IN SECTION 501(C)(3) AND A SIMILAR PROVISION OF STATE LAW HOWEVER, THESE ENTITIES ARE SUBJECT TO FEDERAL INCOME TAX ON ANY UNRELATED BUSINESS TAXABLE INCOME CONSOLIDATED SUBSIDIARIES THAT ARE NOT EXEMPT FROM INCOME TAXES HAD NO TAX LIABILITY HHH HAS A NET OPERATING LOSS (NOL) CARRYFORWARD OF APPROXIMATELY $15 MILLION, WHICH RESULTS IN A POTENTIAL DEFERRED TAX ASSET OF APPROXIMATELY $5 MILLION THE DEFERRED TAX ASSET IS SUBJECT TO A FULL VALUATION ALLOWANCE GIVEN HHH'S DORMANT STATUS, THEREFORE, IT HAS NOT BEEN REFLECTED IN THE FINANCIAL STATEMENTS OF THE ORGANIZATION THE ORGANIZATION ACCOUNTS FOR INCOME TAXES PURSUANT TO ACCOUNTING STANDARDS CODIFICATION (ASC) 740, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES - AN INTERPRETATION OF ASC TOPIC 740, WHICH PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT ATTRIBUTE FOR FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF A TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN THERE WERE NO MATERIAL UNCERTAIN TAX POSITIONS AT AUGUST 31, 2011 AND 2010
INTENDED USE OF ORGANIZATION'S ENDOWMENT FUNDS	SCH D, PART V, QUESTION 4	ENDOWMENT FUNDS ARE HELD AND EARNINGS USED TO FUND CHARITY CARE & EDUCATIONAL PROGRAMS AT HILLCREST BAPTIST MEDICAL CENTER
OTHER CHANGE IN NET ASSETS	SCHEDULE D, PART XI, LINE 8	INCREASE IN NET ASSETS OF HILLCREST HEALTH FOUNDATION $648,020
OTHER (DESCRIBE IN PART XIV)	SCHEDULE D, PART XII, LINE 2D	INCREASE IN NET ASSETS OF HILLCREST HEALTH FOUNDATION $648,020
OTHER (DESCRIBE IN PART XIV)	SCHEDULE D, PART XII, LINE 4B	Expense Included in income on audit $3,625,000
OTHER (DESCRIBE IN PART XIV)	SCHEDULE D, PART XIII, LINE 4B	TRANSFER TO HFHC &HPS INCLUDED IN INCOME ON AUDIT $3,625,000

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			11,273,455	541,408	10,732,047	5 690 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			26,909,625	25,680,508	1,229,117	0 650 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			868,522	1,246,743	-378,221	
d **Total** Financial Assistance and Means-Tested Government Programs			39,051,602	27,468,659	11,582,943	6 340 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			321,307	0	321,307	0 170 %
f Health professions education (from Worksheet 5)			2,227,761	496,213	1,731,548	0 920 %
g Subsidized health services (from Worksheet 6)			15,917,918	15,826,871	91,047	0 050 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			3,625,000	0	3,625,000	1 920 %
j **Total** Other Benefits			22,091,986	16,323,084	5,768,902	3 060 %
k **Total.** Add lines 7d and 7j			61,143,588	43,791,743	17,351,845	9 400 %

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

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

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense (at cost)	2	10,989,182		
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	5,494,591		
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	48,099,520		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	53,207,875		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-5,108,355		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures**

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

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	HILLCREST BAPTIST MEDICAL CENTER 100 HILLCREST MEDICAL BLVD WACO,TX 76712	X	X		X			X		

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

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

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

	Name and address	Type of Facility (Describe)
1	HILLCREST BAPTIST MEDICAL CENTER 3000 HERRING AVENUE WACO,TX 76708	INPATIENT REHABILITATION SKILLED NURSING UNIT OP ONCOLOGY RADIATION
2	HILLCREST BAPTIST MEDICAL CENTER 3000 HERRING AVENUE WACO,TX 76708	INPATIENT REHABILITATION SKILLED NURSING UNIT OP ONCOLOGY RADIATION
3	HILLCREST BAPTIST MEDICAL CENTER 3000 HERRING AVENUE WACO,TX 76708	INPATIENT REHABILITATION SKILLED NURSING UNIT OP ONCOLOGY RADIATION
4	HILLCREST BAPTIST MEDICAL CENTER 3000 HERRING AVENUE WACO,TX 76708	INPATIENT REHABILITATION SKILLED NURSING UNIT OP ONCOLOGY RADIATION
5	HILLCREST BAPTIST MEDICAL CENTER 3000 HERRING AVENUE WACO,TX 76708	INPATIENT REHABILITATION SKILLED NURSING UNIT OP ONCOLOGY RADIATION
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		HILLCREST BAPTIST MEDICAL CENTER USES FPG TO DETERMINE ELIGIBILITY FOR FREE AND DISCOUNTED CARE

Identifier	ReturnReference	Explanation
PART I, LINE 7G		NOT APPLICABLE

Identifier	ReturnReference	Explanation
PART I, LINE 7, COLUMN F		BAD DEBT EXPENSE OF $43,406,654 WAS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT WAS SUBTRACTED FROM TOTAL EXPENSE FOR THE CALCULATION OF "PERCENT OF TOTAL EXPENSE" IN THIS COLUMN

Identifier	ReturnReference	Explanation
PART I, LINE 7		COSTS FOR LINE 7 WERE CALCULATED USING AN OVERALL COST TO CHARGE RATIO

Identifier	ReturnReference	Explanation
PART III, LINE 4		FOOTNOTE DISCLOSURE REGARDING THE TREATMENT OF BAD DEBTS IS AS FOLLOWS PATIENT ACCOUNTS RECEIVABLE ARE STATED AT ESTIMATED NET REALIZABLE VALUE SIGNIFICANT CONCENTRATIONS OF PATIENT ACCOUNTS RECEIVABLE FROM GOVERNMENT-RELATED PROGRAMS WERE 35 0% AND 38 5% AT AUGUST 31, 2011 AND 2010, RESPECTIVELY THE ORGANIZATION MAINTAINS ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS FOR ESTIMATED LOSSES RESULTING FROM A PAYOR'S INABILITY TO MAKE PAYMENTS ON ACCOUNTS THE ORGANIZATION USES A BALANCE SHEET APPROACH TO VALUE THE ALLOWANCE BASED ON HISTORICAL WRITE-OFFS, PAYOR TYPE, AND THE AGING OF THE ACCOUNTS ACCOUNTS ARE WRITTEN OFF WHEN COLLECTION EFFORTS HAVE BEEN EXHAUSTED MANAGEMENT CONTINUALLY MONITORS AND ADJUSTS, AS NECESSARY, ALLOWANCES ASSOCIATED WITH ITS RECEIVABLES THE MAJORITY OF UNCOLLECTIBLE ACCOUNTS ARE FROM UNINSURED PATIENTS AND PATIENT CO-PAYS AND DEDUCTIBLES

Identifier	ReturnReference	Explanation
PART III, LINE 4		AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS AFTER APPLYING THE COST TO CHARGE RATIO

Identifier	ReturnReference	Explanation
PART III, LINE 8		AS PART OF ITS COMMUNITY BENEFIT, HILLCREST BAPTIST MEDICAL CENTER PROVIDES CARE TO MEDICARE PATIENTS DESPITE THE FACT THAT REIMBURSEMENT FROM MEDICARE IS LESS THAN THE COST OF PROVIDING THE CARE THE RATIO OF COST TO CHARGES USED IN THE CALCULATION OF COSTS FOR MEDICARE WAS TAKEN FROM THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
PART III, LINE 9B		NO ATTEMPTS ARE MADE TO COLLECT FROM PATIENTS KNOWN TO QUALIFY FOR CHARITY CARE

Identifier	ReturnReference	Explanation
PART II	COMMUNITY BUILDING ACTIVITIES	JOB CREATION IMPROVES ABILITY TO HAVE ADEQUATE NUTRITION AND HEALTH CARE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		HBMC UTILIZES MULTIPLE SOURCES IN ORDER TO IDENTIFY, DEFINE, DEVELOP AND PROVIDE SERVICES TO OUR COMMUNITY BASED ON THE DEMOGRAPHIC, ECONOMIC STATUS AND HEALTH OF THOSE LIVING WITHIN HBMC'S SERVICE AREA ONCE EVERY THREE YEARS HBMC IN COOPERATION WITH MCLENNAN COUNTY'S HEALTH DISTRICT AND OTHER PROMINENT HEALTH CARE PROVIDER ORGANIZATIONS CONDUCT A COMMUNITY NEEDS ASSESSMENT IN ANALYZING THE RESULTS, HBMC IS ABLE TO GLEAN THE COMMUNITY'S OVERALL HEALTH STATUS AS WELL AS IDENTIFY COMMUNITY MEMBERS WHO ARE MEDICALLY UNDERSERVED AS A RESULT OF ECONOMIC CONDITIONS, LIMITED ACCESS OR UNATTENDED CHRONIC HEALTH PROBLEMS FROM THE ANALYSIS A LISTING OF PRIORITIZED HEALTH NEEDS IS DEVELOPED ALONG WITH AN IMPLEMENTATION STRATEGY THAT DESCRIBES HBMC PLANS TO MEET THE HEALTH NEEDS DURING THE PERIOD BETWEEN ASSESSMENTS, HBMC MONITORS THE PLAN'S EFFECTIVENESS AND SEEKS INPUT FROM MEMBERS OF THE COMMUNITY, PHYSICIANS, PUBLIC HEALTH LEADERS AND OUR PATIENTS RECOMMENDATIONS TO CONTINUE, MODIFY OR ALTER THE PLAN ARE GENERATED FROM THIS INPUT AND AS WELL AS OTHER CONTRIBUTING FACTORS SUCH AS A CHANGING POPULATION WITH RESPECT TO HEALTH RISK FACTORS, INCIDENCE OF HEALTH ISSUES, PROVIDER ACCESS, AND SERVICE AVAILABILITY

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		HOSPITAL EMPLOYS ELIGIBILITY STAFF AND UTILIZES AN ELIGIBILITY DETERMINATION SERVICE TO WORK WITH PATIENTS AND FAMILIES REGARDING ELIGIBILITY FOR ASSISTANCE PROGRAMS OR CHARITY CARE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		AS A NON PROFIT HOSPITAL, PART OF THE MISSION IS TO ENGAGE IN COMMUNITY BENEFIT ACTIVITIES TO IMPROVE THE HEALTH STATUS OF THE COMMUNITY WE SERVE THE PRIMARY SERVICE AREA FOR HBMC IS MCLENNAN COUNTY, TEXAS FOR TRAUMA PATIENTS THE AREA INCLUDES MCLENNAN, HILL, BOSQUE, LIMESTONE, AND FALLS COUNTY

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		HILLCREST BAPTIST MEDICAL CENTER HAS AN OPEN MEDICAL STAFF AND A COMMUNITY BOARD OF DIRECTORS

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		HILLCREST BAPTIST MEDICAL CENTER (HBMC), AN ACUTE CARE HOSPITAL WITH A REHAB UNIT AND A SKILLED NURSING UNIT, IS PART OF AN AFFILIATED HEALTHCARE SYSTEM THAT PROVIDES MEDICAL AND OTHER HEALTH CARE RELATED SERVICES TO A MULTI-COUNTY AREA HBMC INCLUDES A FULLY ACCREDITED 284-BED ACCUTE CARE HOSPITAL, A 73-BED POST-ACUTE CARE CAMPUS, AND EIGHT CLINICS LOCATED IN CENTRAL TEXAS AFFILIATES INCLUDE HILLCREST HEALTH SYSTEM, HILLCREST HEALTH FOUNDATION, HILLCREST PHYSICIAN NETWORK, HILLCREST FAMILY HEALTH CENTER, AND HILLCREST HEALTH HOLDINGS

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT		TEXAS

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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) HILLCREST PHYSICIAN SERVICES100 HILLCREST MEDICAL BLVD WACO,TX 76712	74-2967081	501(c)(3)	2,800,000				GRANT
(2) HILLCREST FAMILY HEALTH CENTER100 HILLCREST MEDICAL BLVD WACO,TX 76712	74-2730350	501(c)(3)	825,000				GRANT

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

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
(1) SCHOLARSHIPS	8	9,464			

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
PROCEDURES FOR MONITORING USE OF GRANT FUNDS	SCHEDULE I, PART I, QUESTION 2	THE ORGANIZATION EVALUATES AND MONITORS DONEES BASED ON PUBLIC AND PRIVATE DATA

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) GLENN A ROBINSON	(i)	418,898	82,920	63,743	18,050	15,395	599,006	0
	(ii)	0	0	0	0	0	0	0
(2) JASON JENNINGS	(i)	229,166	37,939	26,587	27,641	7,032	328,365	0
	(ii)	0	0	0	0	0	0	0
(3) RICHARD W PERKINS	(i)	266,053	32,040	95,914	35,029	13,537	442,573	0
	(ii)	0	0	0	0	0	0	0
(4) CYNDY DUNLAP	(i)	183,933	23,395	54,781	23,755	10,294	296,158	0
	(ii)	0	0	0	0	0	0	0
(5) JAMES MORRISON	(i)	318,557	48,750	657	20,847	22,732	411,543	0
	(ii)	0	0	0	0	0	0	0
(6) DAVID BLACKWELL	(i)	159,989	15,990	28,276	15,821	12,348	232,424	0
	(ii)	0	0	0	0	0	0	0
(7) BRAD CRYE	(i)	189,558	18,500	23,053	20,726	14,184	266,021	0
	(ii)	0	0	0	0	0	0	0
(8) BILL WILLIS	(i)	176,842	25,899	9,712	16,462	15,398	244,313	0
	(ii)	0	0	0	0	0	0	0
(9) RICHARD WARREN	(i)	157,917	16,501	818	12,811	14,018	202,065	0
	(ii)	0	0	0	0	0	0	0
(10) JOHN SPECKMIEAR MD	(i)	0	0	0	0	0	0	0
	(ii)	260,487	30,270	22,653	30,956	9,699	354,065	31,699
(11) ROBERT W BRACE	(i)	136,361	7,145	6,535	10,214	14,290	174,545	0
	(ii)	0	0	0	0	0	0	0
(12) DAVID GENTSCH	(i)	141,629	8,677	2,915	10,217	10,068	173,506	
	(ii)	0	0	0	0	0	0	
(13) ABRAHAM RASPALDO	(i)	131,247	19,000	965	9,160	4,485	164,857	
	(ii)	0	0	0	0	0	0	
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
BENEFITS PROVIDED BY ORGANIZATION	SCH J, PART I, QUESTION 1A	HEALTH CLUB DUES ARE PAID FOR SOME OFFICERS AND ARE REPORTED AS COMPENSATION TO THE OFFICER ANY PERSONAL EXPENSES ARE REQUIRED TO BE REIMBURSED TO THE ORGANIZATION
COMPENSATION PAID BY THE ORGANIZATION		HBMC PAID COMMUNITY HOSPITAL CORPORATION $599,006 FOR THE SERVICES OF THE CHIEF EXECUTIVE OFFICER, GLENN ROBINSON THE ORGANIZATION REPORTED AMOUNTS ON SCHEDULE J BASED ON INFORMATION OBTAINED HBMC PAID SCOTT & WHITE MEMORIAL HOSPITAL $411,543 FOR THE SERVICES OF JAMES MORRISON, CHIEF MEDICAL OFFICER THE ORGANIZATION REPORTED AMOUNTS ON SCHEDULE J BASED ON INFORMATION OBTAINED

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WACO HEALTH FACILITIES DEVELOPMENT CORPORATION	74-2267504	929836AN4	12-28-2006	215,015,134	CONSTRUCT REPLACEMENT CAMPUS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0			
2	Amount of bonds legally defeased	0			
3	Total proceeds of issue	215,015,134			
4	Gross proceeds in reserve funds	15,343,934			
5	Capitalized interest from proceeds	11,565,969			
6	Proceeds in refunding escrow	0			
7	Issuance costs from proceeds	3,540,558			
8	Credit enhancement from proceeds	5,977,757			
9	Working capital expenditures from proceeds	0			
10	Capital expenditures from proceeds	178,586,916			
11	Other spent proceeds	0			
12	Other unspent proceeds	0			
13	Year of substantial completion	2009			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X							
b	Name of provider	NATIXIS FUNDING CORP							
c	Term of GIC	28 6							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?	X							
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) 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) MIDWAY MOB LTD	DIR B DAVIS IS AN OWNER	297,360	LEASE SPACE		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

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACTIVITY CONTINUED	FORM 990 PART III QUESTION 4A	HBMC ALSO PROVIDED $1,300,809 IN DIRECT SUPPORT TO A FAMILY MEDICINE RESIDENCY PROGRAM WITH 37 RESIDENT PHYSICIANS ALSO, BECAUSE OF THE SIGNIFICANT AMOUNTS OF INDIGENT CARE PROVIDED, HBMC IS DEEMED A DISPROPORTIONATE SHARE HOSPITAL UNDER BOTH THE MEDICAID AND MEDICARE PROGRAMS HBMC PROVIDED NEONATAL INTENSIVE CARE SERVICES, THE ONLY SUCH UNIT IN A MULTI-COUNTY AREA HBMC IS ALSO THE LEAD TRAUMA FACILITY FOR A FIVE COUNTY REGION HBMC ALSO PROVIDED MANY MEDICAL SCREENING AND MEDICAL EDUCATION OPPORTUNITIES

Identifier	Return Reference	Explanation
ORGANIZATION MEMBERS	FORM 990 PART VI QUESTION 6	HILLCREST HEALTH SYSTEM, INC AND SCOTT & WHITE HEALTHCARE ARE THE TWO MEMBERS OF THE CORPORATION

Identifier	Return Reference	Explanation
MEMBER ELECTION ABILITIES	FORM 990 PART VI, QUESTION 7A	HALF OF THE DIRECTORS WILL BE ELECTED BY SCOTT & WHITE HEALTHCARE AND THE OTHER HALF WILL BE ELECTED BY HILLCREST HEALTH SYSTEM, INC

Identifier	Return Reference	Explanation
MONITORING & ENFORCEMENT OF WRITTEN CONFLICT OF INTEREST POLICY	FORM 990 PART VI QUESTION 12C	THE BOARD REVIEWS AND RESOLVES, IF NECESSARY, ANY TRANSACTION AS THEY ARISE THROUGHOUT THE YEAR IN ACCORDANCE WITH POLICY STANDARDS

Identifier	Return Reference	Explanation
DOCUMENT AVAILABILITY TO THE PUBLIC	FORM 990 PART VI QUESTION 19	THE ORGANIZATIONS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
REVIEW PROCESS FOR FORM 990	FORM 990 PART VI, QUESTION 11B	THE ORGANIZATION ENGAGES AN OUTSIDE ACCOUNTING FIRM TO PREPARE FORM 990 ONCE PREPARED, THE FORM IS REVIEWED BY MANAGEMENT AND INTERNAL ACCOUNTANTS AND EMAILED TO THE BOARD

Identifier	Return Reference	Explanation
REVIEW & APPROVAL OF COMPENSATION	FORM 990 PART VI QUESTION 15A & 15B	THE FOLLOWING PROCESS IS USED TO DETERMINE COMPENSATION FOR THE FOLLOWING OFFICERS PRESIDENT & CEO, CHIEF OPERATING OFFICER, CHIEF FINANCIAL OFFICER, CHIEF NURSING OFFICER, CHIEF MEDICAL OFFICER, AND VP OF CLINIC OPERATIONS AN INDEPENDENT HEALTHCARE CONSULTING COMPANY IS ENGAGED BY THE BOARD TO REVIEW SALARY SURVEY DATA FOR SIMILAR ENTITIES AND MAKE RECOMMENDATIONS TO THE COMPENSATION COMMITTEE OF THE BOARD REGARDING SALARY RANGE AND BENEFIT PACKAGES FOR THE RESPECTIVE OFFICES THE COMPENSATION COMMITTEE THEN MAKES THE FINAL DETERMINATION OF COMPENSATION AND BENEFITS FOR THE RESPECTIVE OFFICERS

Identifier	Return Reference	Explanation
DECISION OF GOVERNING BODY SUBJECT TO APPROVAL	FORM 990 PART VI, QUESTION 7B	A NUMBER OF DECISIONS OF THE ORGANIZATION ARE SUBJECT TO APPROVAL OF BOTH MEMBERS OF THE ORGANIZATION THESE RESERVED POWERS ARE STATED BELOW A) AMENDMENT OR RESTATEMENT OF THE ORGANIZATION'S ARTICLES OF INCORPORATION OR BYLAWS, B) CHANGE IN THE TAX-EXEMPT STATUS OR CHARITABLE MISSION AND PURPOSE OF THE ORGANIZATION, C) ADMISSION OF ANY NEW MEMBER TO THE ORGANIZATION, D) SALE, MERGER, CONSOLIDATION, OR DISSOLUTION OF THE ORGANIZATION, E) TRANSFER BY EITHER MEMBER OF ITS MEMBERSHIP INTEREST IN THE ORGANIZATION, F) CAPITAL CONTRIBUTION TO THE ORGANIZATION OR ASSUMPTION OR GUARANTEE OF DEBT OF THE ORGANIZATION BY EITHER MEMBER (EXCEPT AS REQUIRED BY THE MEMBERS AGREEMENT), G) CONTRIBUTIONS BY THE ORGANIZATION TO MEMBERS, EXCEPT AS PERMITTED IN THE MEMBERS AGREEMENT, H) SELECTION OF THE ORGANIZATION'S MANAGEMENT COMPANY (IF ANY), I) REPLACEMENT OF COMMUNITY HOSPITAL CORPORATION ("CHC") AS THE INITIAL MANAGER OF THE ORGANIZATION (UNLESS CHC EITHER TERMINATES OR BREACHES THE MANAGEMENT AGREEMENT OR THE TERM OF THE MANAGEMENT AGREEMENT EXPIRES), J) SELECTION AND APPOINTMENT OF THE PRESIDENT/CHIEF EXECUTIVE OFFICER OF THE ORGANIZATION (WHO SHALL ALSO BE THE CHIEF EXECUTIVE OFFICER OF THE GENERAL ACUTE HOSPITAL THAT IS OWNED AND OPERATED BY THE ORGANIZATION), K) EXECUTION OR AMENDMENT OF ANY AGREEMENT BETWEEN THE ORGANIZATION AND A MEMBER OR ANY OF SUCH MEMBER'S AFFILIATES, L) CLOSURE OR MATERIAL REDUCTION IN SCOPE OF ANY HOSPITAL SERVICE OFFERED AT THE HOSPITAL ON THE DATE IMMEDIATELY PRIOR TO THE EFFECTIVE DATE OF THE MEMBERS AGREEMENT, M) CLOSURE OF THE MEDICAL STAFF OF THE HOSPITAL, N) CHANGE OF THE NAME OF THE HOSPITAL, O) CLOSURE OR TERMINATION OR MATERIAL REDUCTION IN THE SCOPE OF THE CHAPLAINCY PROGRAM AT THE HOSPITAL

Identifier	Return Reference	Explanation
DELEGATE DUTIES TO MANAGEMENT COMPANY	FORM 990, PART VI, QUESTION 3	THE ORGANIZATION UTILIZES A MANAGEMENT COMPANY TO PAY THE CHIEF EXECUTIVE OFFICER'S SALARY

Identifier	Return Reference	Explanation
COMPENSATION PAID BY THE ORGANIZATION	FORM 990, PART VII	HBMC PAID COMMUNITY HOSPITAL CORPORATION $599,006 FOR THE SERVICES OF THE CHIEF EXECUTIVE OFFICER, GLENN ROBINSON THE ORGANIZATION REPORTED AMOUNTS ON SCHEDULE J BASED ON INFORMATION OBTAINED HBMC PAID SCOTT & WHITE MEMORIAL HOSPITAL $411,543 FOR THE SERVICES OF JAMES MORRISON, CHIEF MEDICAL OFFICER THE ORGANIZATION REPORTED AMOUNTS ON SCHEDULE J BASED ON INFORMATION OBTAINED

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	UNREALIZED GAINS & LOSSES $ 289,992 INCREASE IN NET ASSETS OF HILLCREST HEALTH FOUNDATION (648,020) ---------- TOTAL $(358,028)

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME BILLY H DAVIS JR TITLE VICE CHAIRMAN HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DAVID G HOFFMAN MD TITLE DIRECTOR HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME GLENN A ROBINSON TITLE CHIEF EXECUTIVE OFFICER HOURS 15

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME RICHARD W PERKINS TITLE CHIEF FINANCIAL OFFICER HOURS 15

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JAMES MORRISON TITLE CHIEF MEDICAL OFFICER HOURS 15

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOHN SPECKMIEAR, MD TITLE DIRECTOR HOURS 40

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DAVID BLACKWELL TITLE CHIEF HUMAN RESOURCE OFFICER HOURS 5

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME BRAD CRYE TITLE SR VICE-PRES-CLINIC OPERATIONS HOURS 35

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME RICHARD WARREN TITLE CHIEF INFORMATION OFFICER HOURS 5

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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) HILLCREST PHYSICIAN SERVICES 100 HILLCREST MEDICAL BLVD WACO, TX 76712 74-2967081	PHYSICIAN SVC	TX	501(c)(3)	11C	NA		
(2) HILLCREST HEALTH FOUNDATION 100 HILLCREST MEDICAL BLVD WACO, TX 76712 31-1804708	FUNDRAISING	TX	501(c)(3)	11A	NA		
(3) HILLCREST FAMILY HEALTH CENTER 100 HILLCREST MEDICAL BLVD WACO, TX 76712 74-2730350	HEALTHCARE	TX	501(c)(3)	11C	NA		
(4) HILLCREST HEALTH SYSTEM INC 100 HILLCREST MEDICAL BLVD WACO, TX 76712 74-2924512	HLTHCARE SPT	TX	501(c)(3)	11A	NA		

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

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) HILLCREST HEALTH HOLDINGS INC 3000 HERRING ST WACO, TX76708 74-2793367	HEALTHCARE SV	TX	NA	C-CORP	627	250,990	100 000 %

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

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

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

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

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

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest Baptist Medical Center

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	HILLCREST FAMILY HEALTH CENTER	A	7,494	
(2)	HILLCREST PHYSICIAN SERVICES	B	2,800,000	
(3)	HILLCREST FAMILY HEALTH CENTER	B	825,000	
(4)	HILLCREST PHYSICIAN SERVICES	I	368,820	
(5)	HILLCREST FAMILY HEALTH CENTER	I	831,380	
(6)	HILLCREST PHYSICIAN SERVICES	N	1,332,993	
(7)	HILLCREST FAMILY HEALTH CENTER	N	5,623,431	
(8)	HILLCREST FAMILY HEALTH CENTER	P	242,660	

CONSOLIDATED FINANCIAL STATEMENTS

Hillcrest Baptist Medical Center
Years Ended August 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Hillcrest Baptist Medical Center

Consolidated Financial Statements

Years Ended August 31, 2011 and 2010

Contents

Ernst & Young LLP

Report of Independent Auditors

The Board of Directors
Hillcrest Baptist Medical Center

We have audited the accompanying consolidated balance sheets of Hillcrest Baptist Medical Center (the Organization) as of August 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our 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 Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Ernst & Young LLP

December 15, 2011

Hillcrest Baptist Medical Center

Consolidated Balance Sheets

(In Thousands)

	August 31	
	2011	**2010**
Assets		
Current assets		
Cash and cash equivalents	**$ 13,182**	$ 21,566
Assets limited as to use, current portion	**5,962**	5,728
Accounts receivable		
Patients, less allowance for doubtful accounts ($29,409 in 2011 and $25,561 in 2010)	**23,562**	27,564
Other	**2,605**	1,310
Supplies	**3,806**	3,567
Total current assets	**49,117**	59,735
Assets limited as to use		
For restricted purposes	**17**	17
Internally designated for specific purposes	**11,562**	11,448
Held by trustees under bond agreements	**35,842**	30,123
	47,421	41,588
Less current portion	**(5,962)**	(5,728)
	41,459	35,860
Long-term investments	**29,839**	22,058
Property and equipment, net	**142,679**	151,461
Interest in net assets of Hillcrest Health Foundation	**6,170**	5,522
Other assets	**4,079**	4,537
Total assets	**$ 273,343**	$ 279,173
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 9,471**	$ 12,458
Accrued expenses and other liabilities	**13,494**	13,906
Due to third-party payors	**1,751**	2,214
Current portion of long-term debt	**5,426**	5,144
Total current liabilities	**30,142**	33,722
Long-term debt, less current portion	**192,262**	197,128
Due to Hillcrest Health System	**500**	2,250
Other liabilities	**3,134**	2,827
Total liabilities	**226,038**	235,927
Net assets		
Unrestricted	**41,118**	37,707
Temporarily restricted	**4,617**	3,978
Permanently restricted	**1,570**	1,561
Total net assets	**47,305**	43,246
Total liabilities and net assets	**$ 273,343**	$ 279,173

See accompanying notes

Hillcrest Baptist Medical Center

Consolidated Statements of Operations

(In Thousands)

	Year Ended August 31	
	2011	**2010**
Unrestricted revenue and other support:		
Net patient service revenue	**$ 254,562**	$ 260,511
Other operating revenue	**4,649**	5,623
Total unrestricted revenue and other support	**259,211**	266,134
Operating expenses:		
Salaries and wages	**86,769**	89,298
Employee benefits	**17,675**	21,648
Supplies	**37,184**	41,097
Purchased services	**44,098**	36,103
Staff enrichment	**1,472**	1,717
Depreciation	**12,212**	10,823
Interest expense	**13,448**	13,760
Provision for bad debts	**44,196**	49,746
Total operating expenses	**257,054**	264,192
Operating income	**2,157**	1,942
Nonoperating gains:		
Contributions, gifts, and bequests	**2**	327
Other nonoperating (loss) revenue	**(225)**	3,098
Investment income	**1,717**	1,036
	1,494	4,461
Excess of revenues and gains over expenses and losses	**$ 3,651**	$ 6,403

See accompanying notes

Hillcrest Baptist Medical Center

Consolidated Statements of Changes in Net Assets

(In Thousands)

	Year Ended August 31	
	2011	**2010**
Unrestricted net assets:		
Excess of revenues and gains over expenses and losses	**$ 3,651**	$ 6,403
Unrealized loss on other-than-trading securities	**(290)**	(50)
Net assets released from restriction for the purchase of property, plant, and equipment	**50**	–
Increase in unrestricted net assets	**3,411**	6,353
Temporarily restricted net assets:		
Changes in net assets of supporting foundation	**639**	196
Increase in temporarily restricted net assets	**639**	196
Permanently restricted net assets:		
Changes in net assets of supporting foundation	**9**	14
Increase in permanently restricted net assets	**9**	14
Increase in net assets	**4,059**	6,563
Net assets at beginning of period	**43,246**	36,683
Net assets at end of period	**$ 47,305**	$ 43,246

See accompanying notes

Hillcrest Baptist Medical Center

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended August 31	
	2011	**2010**
Operating activities		
Increase in net assets	**$ 4,059**	$ 6,563
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in net unrealized losses on other-than-trading securities	**290**	50
Change in interest in net assets of related foundation	**(648)**	(210)
Depreciation	**12,212**	10,823
Amortization of bond discount	**641**	598
Gain on sale or disposal of assets, net	**(5)**	(3,098)
Provision for bad debts	**44,196**	49,746
Changes in operating assets and liabilities:		
Accounts receivable	**(40,194)**	(50,851)
Other assets	**(837)**	15,710
Supplies	**(239)**	307
Accounts payable	**(2,987)**	859
Accrued expenses and other liabilities	**(2,026)**	(505)
Due to third-party payors	**(463)**	773
Contingent professional liabilities	**–**	(10,260)
Net cash provided by operating activities	**13,999**	20,505
Investing activities		
(Increase) decrease in assets limited as to use – other-than-trading	**(6,005)**	2,111
Purchases of long-term investments	**(7,899)**	(20,664)
Property and equipment acquired, net	**(3,284)**	(10,274)
Proceeds from sale of property and equipment	**29**	3,311
Net cash used in investing activities	**(17,159)**	(25,516)
Financing activities		
Repayment of long-term debt	**(5,224)**	(4,200)
Net cash used in financing activities	**(5,224)**	(4,200)
Net decrease in cash and cash equivalents	**(8,384)**	(9,211)
Cash and cash equivalents at beginning of period	**21,566**	30,777
Cash and cash equivalents at end of period	**$ 13,182**	$ 21,566

See accompanying notes

Hillcrest Baptist Medical Center

Notes to Consolidated Financial Statements

August 31, 2011

1. Organization

The consolidated financial statements of Hillcrest Baptist Medical Center (the Organization) include the accounts of Hillcrest Baptist Medical Center and its wholly owned subsidiaries. Entities included in the consolidated financial statements include the following:

Entity	Description	Tax Status
Hillcrest Baptist Medical Center (HBMC)	Acute care hospital with a rehab unit and a skilled nursing unit	Tax-exempt
Hillcrest Family Health Center (HFHC)	Physician clinics	Tax-exempt
Hillcrest Physician Services (HPS)	Specialty physician services	Tax-exempt
Hillcrest Health Holdings, Inc. (HHH)	Dormant entity	Taxable

HBMC is the sole corporate member of HFHC and HPS and the sole shareholder of HHH.

The Organization primarily earns revenues by providing inpatient, outpatient, emergency care, and physician services to patients in Waco, Texas, and surrounding areas in central Texas.

The Organization includes a fully accredited 284-bed acute care hospital, a 73-bed post-acute care campus, and eight clinics located in central Texas. The Organization includes a relatively new replacement hospital, opened for service on April 4, 2009, financed by FHA Insured Revenue Bonds.

HBMC has two corporate members. Scott & White Healthcare (SWHC), a Texas nonprofit corporation, has an 80% membership interest in HBMC, and Hillcrest Health System, Inc. (HHS), a Texas nonprofit corporation, has a 20% membership interest in HBMC (SWHC and HHS are collectively referred to as the Members). SWHC's interest in the Organization is a controlling, but not sole, interest. HBMC is governed by a volunteer, 12-member Board of Directors, to which HHS and SWHC each appoint six members.

The Membership Interest Agreement between SWHC and HHS stipulates that in the event the HBMC Board of Directors determines that additional capital contributions are required from the Members, SWHC will be required to make 100% of the required contributions approved by the Board of Directors, up to an additional $30 million, without having the effect of diluting HHS's

1. Organization (continued)

interest in the Organization or increasing SWHC's interest in the Organization, unless such contribution is made after the Organization's FHA Insured Revenue Bonds are refinanced.

Principles of Consolidation

All entities in which the Organization has sole membership or shareholder interest are consolidated in the accompanying consolidated financial statements. All significant intercompany accounts and transactions among entities included in the consolidated financial statements have been eliminated in consolidation.

2. Significant Accounting Policies

Cash Equivalents

The Organization considers all undesignated, highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents on the consolidated balance sheets at August 31, 2011 and 2010, include $500,000 in certificates of deposit.

Supplies

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

Patient Accounts Receivable

Patient accounts receivable are stated at estimated net realizable value. Significant concentrations of patient accounts receivable from government-related programs were 35.0% and 38.5% at August 31, 2011 and 2010, respectively.

The Organization maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts. The Organization uses a balance sheet approach to value the allowance based on historical write-offs, payor type, and the aging of the accounts.

2. Significant Accounting Policies (continued)

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

Investments

Approximately 52% and 48% of investments at August 31, 2011, and 50% and 50% of investments at August 31, 2010, are held under master trust agreements with Wells Fargo and Bank of New York, respectively. The investments held under the master trust agreements are diversified among fixed-income securities and money market instruments and are reported at estimated fair value. The fair value of these investments is generally based on quoted market prices on national exchanges for identical or similar assets.

All investments held by the Organization have been classified as other-than-trading. Investments in other-than-trading fixed-income securities with stated maturities are presented in the table below by their contractual maturity (in thousands):

Less than 1 year	$ 21,108
1–5 years	27,287
6–10 years	25,592
	$ 73,987

2. Significant Accounting Policies (continued)

All interest and dividends and all realized gains and losses on investments are included in investment income in the accompanying consolidated statements of operations. Unrealized losses on investments were $290,000 and $50,000 for the years ended August 31, 2011 and 2010, respectively, and are shown as a change in unrestricted net assets in the accompanying consolidated statements of changes in net assets. Investment income included in the accompanying consolidated statements of operations consists of the following for the years ended August 31, 2011 and 2010 (in thousands):

	Year Ended August 31	
	2011	**2010**
Realized (losses) gains, net	**$ (28)**	$ 40
Dividends and interest	**1,745**	996
	$ 1,717	$ 1,036

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or estimated fair value at the date of donation. Depreciation is computed on the straight-line method using the estimated economic lives of the depreciable assets, generally ranging from two to 40 years.

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Routine maintenance and repair items are charged to operating expenses.

The estimated useful lives of the classes of depreciable assets are as follows:

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

2. Significant Accounting Policies (continued)

The Organization evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted value of cash flows expected to result from the use of the assets and their eventual disposition. No impairment charges were recorded during the years ended August 31, 2011 and 2010.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization 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 Organization in perpetuity.

Net Patient Service Revenue

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

Charity Care

The Organization provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Hospital charges forgone for charity care, based on established rates, were approximately $46,151,000 and $38,082,000 for the years ended August 31, 2011 and 2010, respectively, prior to application of disproportionate share funds of approximately $5,988,000 and $5,249,000, respectively, received from the state of Texas.

HPS charges forgone for charity care, based on established rates, were $660,000 and $428,000 for the years ended August 31, 2011 and 2010, respectively.

2. Significant Accounting Policies (continued)

Health Insurance Program Reimbursement

Revenue from the Medicare program accounted for approximately 27%, and 27%, and revenue from the Medicaid program accounted for approximately 10% and 9%, of the Organization's net patient service revenue for the years ended August 31, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. Federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries. Medicare and Medicaid cost report settlements are estimated in the period that services are provided to beneficiaries. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue for the years ended August 31, 2011 and 2010, increased by approximately $1,974,000 and $72,000, respectively, due to changes in allowances previously estimated as a result of the final settlements for years that are no longer subject to audits, reviews, and investigations. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Medicare cost reports filed by the Organization for all years before 2007 have been audited and settled as of August 31, 2011. Amounts due to the Medicare and Medicaid programs totaled approximately $1,751,000 and $2,214,000 at August 31, 2011 and 2010, respectively, and are included in due to third-party payors in the accompanying consolidated balance sheets.

Self-Insured Employee Health Claims

The Organization is self-insured for its exposure to risk of loss from employee health claims. An estimated provision is accrued for employee health claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Income Taxes

The Organization and most of its subsidiaries have been recognized as exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision of state law. However, these entities are subject to federal income tax on any unrelated business taxable income. Consolidated subsidiaries that are not exempt from income taxes had no tax liability.

2. Significant Accounting Policies (continued)

HHH has a net operating loss (NOL) carryforward of approximately $15 million, which results in a potential deferred tax asset of approximately $5 million. The deferred tax asset is subject to a full valuation allowance given HHH's dormant status; therefore, it has not been reflected in the financial statements of the Organization.

The Organization accounts for income taxes pursuant to Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes – an Interpretation of ASC Topic 740,* which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There were no material uncertain tax positions at August 31, 2011 and 2010.

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses in the accompanying consolidated statements of operations, which includes all changes in unrestricted net assets other than unrealized gains and losses on other-than-trading securities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Organization to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Organization considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient revenues, including contractual allowances; provisions for bad debt; reserves for losses and expenses related to health care professional and general liabilities; and determination of fair values of certain financial instruments. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from these estimates.

Subsequent Events

In preparing the accompanying consolidated financial statements, the Organization has reviewed events that have occurred after August 31, 2011 through December 15, 2011, the date the financial statements were available for issuance. As of such date, the Organization was not aware of any subsequent events requiring additional recognition or disclosure.

2. Significant Accounting Policies (continued)

New Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2010-23, *Measuring Charity Care for Disclosure,* which is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. This update requires that cost be used as the measurement basis for charity care. Cost can be defined as the direct and indirect cost of providing care. Disclosure of the method used for determining this cost is also required. This update will be effective for the Organization beginning September 1, 2011. Since ASU 2010-33 only affects charity care disclosures, its adoption will not affect the Organization's financial statements.

In December 2010, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 09-H, *Health Care Entities: Presentation and Disclosure of Net Patient Services Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*. This guidance will require health care organizations to reclassify bad debt expense from an operating expense to a revenue deduction shown on the face of the income statement. This guidance will also require a health care organization to disclose its policy for considering collectibility in the timing and amount of revenue and bad debt recognized, the amount of revenue (i.e., revenue less contractual discounts) recognized by major payor source of revenue, and a tabular reconciliation describing the material activity in the allowance for doubtful accounts for the period by major payor source of revenue. This guidance is effective for the Organization on September 1, 2012. Management is evaluating the potential effect of adopting EITF Issue No. 09-H.

3. Contingent Professional Liabilities

Prior to August 31, 2010, the Organization was self-insured for the first $3,000,000 per occurrence and $9,000,000 in aggregate of medical malpractice claims. The Organization purchased commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the Organization's incident reporting system were accrued based on estimates that incorporate the Organization's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. On August 31, 2010, the Organization transferred its liability of $5,887,000 to Scott & White Assurance. Beginning August 31, 2010, the Organization purchased coverage from SWHC for professional and general liability claims. The costs of professional and general liability coverage are allocated by SWHC to the Organization based on actuarially determined estimates and totaled $2,012,000 for the year ended August 31, 2011. In 2010, the Organization had internally

3. Contingent Professional Liabilities (continued)

designated investments of approximately $14,000,000 for contingent professional liability reserves. Approximately $5,887,000 was transferred to Scott & White Assurance, and the remainder was redesignated by the Board of Directors into other board-designated assets and included in assets limited as to use in the consolidated balance sheets.

4. Property and Equipment

Property and equipment and related accumulated depreciation are as follows (in thousands):

	Year Ended August 31	
	2011	**2010**
Land and improvements	**$ 16,869**	$ 16,869
Buildings and improvements	**110,702**	107,537
Fixed and movable equipment	**41,867**	38,413
Construction-in-progress	**675**	4,052
	170,113	166,871
Less accumulated depreciation	**(27,434)**	(15,410)
	$ 142,679	$ 151,461

The Organization accounts for asset retirement obligations under the provisions of ASC 410, *Asset Retirement and Environmental Obligations*. The asset retirement obligation as of August 31, 2011 and 2010, was $2,861,000 and $2,689,000, respectively. The asset retirement obligation is recorded in other liabilities in the consolidated balance sheets and relates to expected future asbestos remediation.

The Organization also has capital leases that are included in property and equipment, net in the consolidated balance sheets. At August 31, 2011 and 2010, the cost of the assets held under capital leases was approximately $533,000 and $653,000, and the accumulated depreciation of the capital lease assets was approximately $258,000 and $248,000, respectively.

5. Long-Term Debt

Long-term debt at August 31, 2011 and 2010, is as follows (in thousands):

	Year Ended August 31	
	2011	**2010**
FHA Insured Revenue Bonds, Series 2006; interest at rates ranging from 4.25% to 5.27%; interest payable semiannually and principal payable annually through 2035	**$ 231,910**	$ 236,665
Capital lease obligations	**979**	1,448
	232,889	238,113
Unamortized discount	**(35,201)**	(35,841)
Less current maturities	**(5,426)**	(5,144)
Long-term portion of debt	**$ 192,262**	$ 197,128

The Organization holds and is the primary obligor on Series 2006 Waco Health Facilities Development Corporation (Waco) FHA Insured Revenue Bonds with a par value of $240,130,000, consisting of Series A Bonds of $208,375,000 and Series B Bonds of $31,755,000 (the Series 2006 Bonds). The proceeds of the Series A Bonds were used to construct a replacement campus, and the proceeds of the Series B Bonds were used to refund previously held bonds. Through the purchase price allocation at the effective date of the Membership Interest Agreement between SWHC and HHS, a discount in the amount of $36,679,000 was recorded on the Series 2006 Bonds. The discount recorded was based on the difference in the fair value and par value of the Series 2006 Bonds at the date of the Membership Interest Agreement and is being amortized over the term of the Series 2006 Bonds using the effective interest method. The amortization of the discount on the Series 2006 Bonds effectively increases the interest recognized on the Series 2006 Bonds to rates ranging from 4.66% to 6.92%. The Series 2006 Bonds are subject to optional early redemption after August 1, 2016, at par value. Waco issued the bonds on behalf of the Organization. The Series 2006 Bonds are nonrecourse to the Members. As required under the Series 2006 Revenue Bond master indenture, the Organization purchased a guaranteed investment contract held in trust equal to one year of debt service. The guaranteed investment contract has a value of $17,615,000 at August 31, 2011 and 2010, and is included in assets held by trustees under bond agreements on the accompanying consolidated balance sheets.

5. Long-Term Debt (continued)

The Series 2006 Bonds are secured by the Organization's gross revenues and FHA mortgage insurance. The Organization's obligations are secured by (1) a deed of trust giving a first lien on the Organization's interest in certain real property to the bond trustee and (2) a security agreement granting a security interest in certain personal property and other assets of the Organization, including the Organization's accounts receivable.

As required under the Regulatory Agreement between the Organization and the Secretary of Housing and Urban Development, the Organization is funding a Mortgage Reserve Fund (MRF). As of August 31, 2011 and 2010, the MRF had a balance of $4,034,000 and $1,169,000, respectively, and is included in assets held by trustees under bond agreements on the accompanying balance sheets.

The bond indenture contains certain restrictive covenants. Management believes the Organization is in compliance with all covenants.

The maturities of long-term debt as of August 31, 2011, are shown below (in thousands):

2012	$ 5,426
2013	5,797
2014	5,651
2015	5,885
2016	6,210
Thereafter	203,920
	232,889
Less unamortized discount	(35,201)
	$ 197,688

Total interest costs incurred during the years ended August 31, 2011 and 2010, were approximately $13,448,000 and $13,760,000, respectively. Interest paid during the years ended August 31, 2011 and 2010, was approximately $12,846,000 and $13,170,000, respectively.

The estimated fair value of the Organization's debt is $228,955,000 and $237,026,372 at August 31, 2011 and 2010, respectively. At August 31, 2011, the fair values were derived from market quotes obtained from an investment banker.

6. Employee Benefit Plans

Defined Contribution Plans

The Organization has a 401(k) defined contribution plan, which covers all employees who have worked at least 1,000 hours during the year. Participants' benefits from Organization contributions become 100% vested after three years of service. The Organization contributes an amount equal to 3% of each participant's base pay, plus another 1% to match contributions by the employee, up to 3%. The Organization's contribution expense to the 401(k) plan for the years ended August 31, 2011 and 2010, was approximately $4,197,000 and $4,411,000, respectively.

7. Investments

Certain cash and investments, whereby their use is limited due to Board designations or other purposes as set forth below, are reported as assets limited as to use. For all of the Organization's investments, carrying values are at estimated fair values and are summarized below (in thousands):

	August 31	
	2011	**2010**
Assets limited as to use:		
For restricted purposes	**$ 17**	$ 17
Internally designated for specific purposes	**11,562**	11,448
Held by trustees under bond agreements	**35,842**	30,123
	$ 47,421	$ 41,588

The Organization's investments at August 31, 2011 and 2010, include (in thousands):

	August 31	
	2011	**2010**
Money market and other	**$ 21,904**	$ 16,111
U.S. Treasury securities	**32,150**	22,953
Corporate debt securities	**5,591**	6,967
Guaranteed investment contract	**17,615**	17,615
	$ 77,260	$ 63,646

7. Investments (continued)

In December 2009, the Organization sold the Hillcrest Medical Tower and adjacent surface parking lots and an adjacent parking garage to the city of Waco for $3,260,000, resulting in a gain of $3,098,000, which is included in other nonoperating revenue in the consolidated statement of operations. The proceeds from the sale are classified as assets limited as to use for internally designated specific purposes at August 31, 2011 and 2010, respectively.

8. Fair Values of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by the guidance are listed below in order of priority:

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

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

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources.

The Organization estimates the value of its U.S. government securities using Level 2 inputs. In addition, the U.S. government securities are valued primarily using a market approach using inputs such as a evaluated bid prices provided by third party pricing services where quoted market values are not available.

8. Fair Values of Financial Instruments (continued)

The Organization currently has one financial asset classified as Level 3, which is held by a third party at a contracted amount, bearing interest at a contracted rate. Valuation of this asset is based on discounted cash flows.

	Financial Assets at Fair Value as of August 31, 2011		
	Level 1	**Level 2**	**Level 3**
	(In Thousands)		
Money market and other	**$ 18,631**	**$ –**	**$ –**
Corporate debt securities	**5,591**	**–**	**–**
U.S. Treasury securities	**–**	**32,150**	**–**
Guaranteed investment contract	**–**	**–**	**17,615**
	$ 24,222	**$ 32,150**	**$ 17,615**

	Financial Assets at Fair Value as of August 31, 2010		
	Level 1	**Level 2**	**Level 3**
	(In Thousands)		
Money market and other	$ 12,849	$ –	$ –
Corporate debt securities	5,338	–	–
U.S. Treasury securities	–	24,582	–
Guaranteed investment contract	–	–	17,615
	$ 18,187	$ 24,582	$ 17,615

Assets limited as to use not included in the tables above include approximately $3,273,000 and $3,262,000 at August 31, 2011 and 2010, respectively, in cash and cash equivalents.

8. Fair Values of Financial Instruments (continued)

The following table presents a reconciliation of the beginning and ending balances of the Organization's Level 3 assets (in thousands):

	Level 3 Assets
Balance as of August 31, 2009	$ 17,615
Interest income	843
Transfers out of Level 3	(843)
Balance as of August 31, 2010	17,615
Interest income	844
Transfers out of Level 3	(844)
Balance as of August 31, 2011	$ 17,615

9. Operating Expenses

The functional classification of the Organization's operating expenses is as follows (in thousands):

	Year Ended August 31	
	2011	**2010**
Clinical care	**$ 31,250**	$ 34,152
Hospital care	**122,612**	124,678
Shared services support	**58,996**	55,616
Provision for bad debts	**44,196**	49,746
	$ 257,054	$ 264,192

10. Related Parties

In connection with the acquisition of the Organization by SWHC on April 1, 2009, the Organization and SWHC entered into a licensing agreement with HHS allowing the Organization to continue to use the Hillcrest name. The Organization agreed to pay $5,000,000 to HHS under this agreement, which is payable over a five-year period. Approximately $1,500,000 was paid in April 2009, $1,250,000 in April 2010, and $1,000,000 in April 2011. At August 31, 2011, $750,000 is recorded as a current payable to HHS on the accompanying balance sheet and the remaining $500,000 is recorded as a long-term liability.

10. Related Parties (continued)

The Scott & White Health Plan (the Health Plan) is a wholly owned subsidiary of SWHC. Through SWHC's interest in the Organization, the Organization and the Health Plan are considered related parties. The Organization and the Health Plan operate under a fee-for-service arrangement. Under this arrangement, the Organization receives fees for actual services rendered to Health Plan participants based on agreed-upon fee schedules. Beginning January 1, 2010, the Organization began paying administrative fees for its self-insured employee health claims to the Health Plan. For the year ended August 31, 2011, fees paid were approximately $483,000 and are included in operating expenses on the consolidated statement of operations.

HHS is the sole corporate member of Hillcrest Health Foundation. During the years ended August 31, 2011 and 2010, Hillcrest Health Foundation distributed approximately $212,000 and $327,000, respectively, to the Organization; these amounts are included in other operating revenue and nonoperating gains on the consolidated statements of operations. Additionally, HHS disbursed approximately $1,100,000 and $1,800,000 to the Organization to provide support for primary care services in the years ended August 31, 2011 and 2010, respectively. These amounts are included in other operating revenue on the consolidated statements of operations.

SWHC provides certain various services to the Organization. During the years ended August 31, 2011 and 2010, the Organization paid SWHC approximately $9,979,000 and $3,210,000, respectively.

11. Commitments and Contingencies

Operating Leases

The Organization leases equipment, property space, and medical office buildings under operating leases. These payments are due monthly and have various end dates, with the latest through August 2020. Rent expense for the years ended August 31, 2011 and 2010, totaled approximately $6,691,000 and $6,421,000, respectively.

11. Commitments and Contingencies (continued)

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

2012	$ 4,712
2013	4,377
2014	3,412
2015	2,018
2016	1,649
Thereafter	5,688
	$ 21,856

Other

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

12. Interest in Net Assets of Hillcrest Health Foundation

The Organization accounts for its interest in Hillcrest Health Foundation (HHF) under ASC 958, *Not-For-Profit Entities*. HHF provides assistance and benefit, financial or otherwise, to the Organization. HHF is a separate legal entity controlled by its own distinct Board of Directors and is not controlled by the Organization, any of the Organization's subsidiaries, or their Boards of Directors.

The Organization has made the determination that HHF controls the timing and the amount of the distributions; therefore, the interest in the net assets of HHF has been classified as temporarily or permanently restricted. At August 31, 2011 and 2010, the Organization's interest in the net assets of HHF was approximately $6,170,000 and $5,522,000, respectively.