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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047
	<b>The organization may have to use a copy of this return to satisfy state reporting requirements</b>	<div> <div>2011</div> <div>Open to Public Inspection</div> </div>

<b>A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011</b>		<b>D Employer identification number</b> 74-6083124	
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Hill Country Memorial Hospital  Doing Business As  Number and street (or P O box if mail is not delivered to street address) Room/suite PO Box 835  City or town, state or country, and ZIP + 4 Fredericksburg, TX 78624		<b>E Telephone number</b>  (830) 997-4353
	<b>F</b> Name and address of principal officer MARK JONES PO BOX 835 FREDERICKSBURG, TX 78624		<b>G</b> Gross receipts \$ 54,211,211
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>J</b> Website: ▶ WWW.HILLCOUNTRYMEMORIAL.COM			<b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			<b>H(c)</b> Group exemption number ▶
<b>L</b> Year of formation 1966		<b>M</b> State of legal domicile TX	

Part I		Summary	
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities TO PROVIDE REMARKABLE HEALTH CARE SERVICES TO THE RESIDENTS OF HILL COUNTRY AREA THROUGH THE OPERATION AND MAINTENANCE OF A COMMUNITY HOSPITAL    		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	15
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	15
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . . .	<b>5</b>	797
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	288
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	0
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	0
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	1,907,674	1,685
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	44,901,267	53,184,420
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .	231,432	123,892
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	12,577,053	609,742
		59,617,426	53,919,739
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . . . .	0	701,477
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) . . . . .	30,248,922	31,308,242
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .	23,886,078	31,853,715
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) . . . . .	54,135,000	63,863,434
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	5,482,426	-9,943,695
Net Assets or Fund Balances		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16) . . . . .	71,264,830	86,521,352
	<b>21</b> Total liabilities (Part X, line 26) . . . . .	16,655,767	23,446,930
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	54,609,063	63,074,422

**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.

<b>Sign Here</b>	***** Signature of officer			2012-11-15 Date	
	MARK JONES CFO Type or print name and title				
<b>Paid Preparer's Use Only</b>	Preparer's signature	Carol S McIntosh	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4	BKD LLP 7901 Woodway Drive Suite 100 Waco, TX 76712			EIN
					Phone no (254) 776-8244

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 ☐ Yes ☒ No

1

Briefly describe the organization's mission

REMARKABLE CARE FOR OUR FAMILY, FRIENDS AND NEIGHBORS-ALWAYS!

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 organization's program service accomplishments for each of its three largest program services, as measured 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 \$ 49,560,794 including grants of \$ 0 ) (Revenue \$ 49,703,999 )
	MEDICAL CARE SERVICES - PROVIDED HEALTH CARE SERVICES TO LOCAL RESIDENTS DAYS OF CARE INCLUDED ROUTINE AND SWING BED - 9,003, INTENSIVE AND CRITICAL CARE UNITS - 1,266, NURSERY - 832 EMERGENCY ROOM CARE WAS PROVIDED FOR 13,222 VISITS, 151,178 LABORATORY TESTS WERE PERFORMED, 34,605 IMAGING PROCEDURES WERE PERFORMED, 26,054 PHYSICAL/OCCUPATIONAL/SPEECH THERAPY VISITS WERE PROVIDED, 4,119 OPERATIONS WERE PERFORMED, AND 497 BABIES WERE DELIVERED
4b	(Code ) (Expenses \$ 2,047,975 including grants of \$ 0 ) (Revenue \$ 2,013,660 )
	HOME CARE SERVICES - PROVIDE NURSES AND THERAPISTS TO ASSIST PATIENTS IN THEIR HOMES WITH EDUCATION, ASSESSMENT AND OBSERVATION OF WOUNDS, RESPIRATORY STATUS, CARDIAC STATUS AND OTHER BODY SYSTEMS NURSES ALSO ADMINISTER IVS, WOUND CARE, COLOSTOMY CARE, AND CATHETER CARE
4c	(Code ) (Expenses \$ 840,342 including grants of \$ 0 ) (Revenue \$ 968,408 )
	WELLNESS CENTER - PROMOTES HEALTH AND WELLNESS BY PROVIDING PHYSICIAN REHABILITATION FACILITIES AND FITNESS EQUIPMENT, CONDUCTING HEALTH SEMINARS AND CPR/FIRST AID CLASSES, PROVIDING NUTRITION INFORMATION THROUGH EDUCATION CLASSES AND DIETARY CONSULTATIONS, CONDUCTING HEALTH AND FITNESS SCREENINGS, FREE BLOOD PRESSURE CHECKS AND COUNSELING SEMINARS, AND OFFERING BREAST FEEDING SUPPLIES AND BREAST PUMP RENTALS, CHILDCARE AND YOUTH DAY CAMPS AS WELL AS MASSAGE THERAPY DURING 2011 THERE WERE 36,840 PARTICIPANTS IN WELLNESS CENTER PROGRAMS
	(Code ) (Expenses \$ 332,643 including grants of \$ 0 ) (Revenue \$ 369,833 )
	WIC PROGRAM
	(Code ) (Expenses \$ 143,266 including grants of \$ 0 ) (Revenue \$ 128,520 )
	CLINIC RENT INCOME
	(Code ) (Expenses \$ 0 including grants of \$ 0 ) (Revenue \$ 154,095 )
	OTHER RELATED ACTIVITIES
4d	Other program services (Describe in Schedule O )
	(Expenses \$ 475,909 including grants of \$ 0 ) (Revenue \$ 652,448 )
4e	Total program service expenses \$ 52,925,020

Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	2	No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	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? <i>If "Yes," complete Schedule C, Part III.</i>	5	
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements. 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i> . . . . .	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	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	252			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes			
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	797			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>				No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>				
<b>4a</b>	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 or securities account)?	<b>4a</b>				No
<b>b</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.					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<b>6a</b>	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?	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	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?	<b>7a</b>				No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>				
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	<b>13a</b>				
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

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	15	
b	Enter the number of voting members included in line 1a, above, who are independent	1b	15	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete 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 the Form 990			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13		No
14	Did 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," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take 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 made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made 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.	
	JANICE MENKING 822 REUBEN ST FREDERICKSBURG, TX 78624 (830) 997-1339	

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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) DAVE CAMPBELL DIRECTOR	25	X						0	0	0
(2) LAURA COOK DIRECTOR	25	X						0	0	0
(3) MISTY D'AMICO DIRECTOR	25	X						0	0	0
(4) RICHARD ESTENSON DIRECTOR	25	X						0	0	0
(5) BRAD HARDIN DIRECTOR	25	X						0	0	0
(6) THOMAS HUTTON MD PHD DIRECTOR	25	X						0	0	0
(7) JAMES LINDLEY MD DIRECTOR	25	X						0	0	0
(8) PHIL MAPLE MD EX-COM AT LARGE MEMBER	25	X						0	0	0
(9) DAN MITTEL DIRECTOR/SECRETARY	25	X		X				0	0	0
(10) DANIEL ROBERTSON MD DIRECTOR	25	X						0	0	0
(11) ANDY ROCKWOOD MD DIRECTOR	25	X						0	0	0
(12) GORDON SAUER DIRECTOR/VICE CHAIRMAN	25	X		X				0	0	0
(13) CRISTOL SCHOESSOW DIRECTOR	25	X						0	0	0
(14) PAUL URBAN DIRECTOR	25	X						0	0	0
(15) MARC WILLIAMSON DIRECTOR/CHAIRMAN	25	X		X				0	0	0
(16) MICHAEL R WILLIAMS CEO	40 0			X				553,050	0	18,177
(17) MARK JONES CFO	40 0			X				224,146	0	11,832



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 (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) DEBRA WALLACE CSO	40 0				X			233,763	0	12,678
(19) STEVE SOSLAND COO	40 0				X			221,323	0	19,639
(20) LEANN MYERS PHARMACIST	40 0					X		152,122	0	12,821
(21) MONTY MOHON CBO	40 0					X		141,535	0	16,562
(22) ROBIN DUDERSTADT CNO	40 0					X		139,080	0	5,038
(23) RANDAL CARLSON PHARMACIST	40 0					X		138,826	0	28
(24) HOLLY JENNINGS PHARMACIST	40 0					X		134,383	0	5,459
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								1,938,228	0	102,234

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶14

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		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? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>		No

Section B. Independent Contractors

1

Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
RWD TECHNOLOGIES LLC 5521 RESEARCH PARK DE BALTIMORE, MD 21228	CONSULTING	413,261
AMN HEALTHCARE INC FILE 56157 LOS ANGELES, CA 900746157	MEDICAL SERVICES	357,281
RIO GRANDE VALLEY HOSPITAL DEPT 3029 PO BOX 123029 DALLAS, TX 753123029	MEDICAL SERVICES	316,128
ROGERS-O'BRIEN CONSTRUCTION CO 1901 REGAL ROW DALLAS, TX 752352309	CONSTRUCTION	299,760
SOUTHWEST LINEN SERVICE PO BOX 1141 STEPHENVILLE, TX 76401	HOUSEKEEPING	278,044
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶69		

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	1,135				
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d	550				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		1,685				
Program Service Revenue			Business Code					
	2a	NET PATIENT HOSPITAL REVENUE	621110	49,703,999	49,703,999			
	b	HOME HEALTH CARE REVENUE	621610	2,013,660	2,013,660			
	c	WELLNESS CENTER SERVICE REVENUE	624100	968,408	968,408			
	d	WIC PROGRAM REVENUE	624100	369,833	369,833			
	e	CLINIC RENT REVENUE	621110	128,520	128,520			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		53,184,420				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		73,008			73,008	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties . . . . .		0				
	6a	(i) Real		(ii) Personal				
		Gross rents						
		b Less rental expenses						
		c Rental income or (loss)						
	d	Net rental income or (loss) . . . . .						
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory		50,884				
		b Less cost or other basis and sales expenses						
		c Gain or (loss)		50,884				
	d	Net gain or (loss) . . . . .		50,884			50,884	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a	642				
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from fundraising events . .		642			642	
	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	445,567				
	b	Less cost of goods sold . . . . .	b	291,472				
	c	Net income or (loss) from sales of inventory . .		154,095	154,095			
	Miscellaneous Revenue		Business Code					
11a	AUXILIARY REVENUE	453220	18,538			18,538		
b	CAFETERIA REVENUE	722210	217,490			217,490		
c	MEDICAL RECORDS REVENUE	621990	8,635			8,635		
d	All other revenue . . . . .		210,342			210,342		
e	Total. Add lines 11a-11d . . . . .		455,005					
12	Total revenue. See Instructions . . . . .		53,919,739	53,338,515		579,539		

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

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 United States See Part IV, line 21	701,041	701,041		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	436	436		
3	Grants and other assistance to governments, organizations, and individuals outside the United States 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	807,205		807,205	
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	25,052,275	19,603,633	5,448,642	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	412,804	302,008	110,796	
9	Other employee benefits	3,186,613	2,687,186	499,427	
10	Payroll taxes	1,849,345	1,510,526	338,819	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	813,075		813,075	
c	Accounting	247,343		247,343	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	4,699,648	3,599,655	1,099,993	
12	Advertising and promotion	263,488	4,547	258,941	
13	Office expenses	1,750,666	1,176,587	574,079	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	2,922,643	2,603,756	318,887	
17	Travel	276,253	233,352	42,901	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	310,579	196,671	113,908	
20	Interest	456,348	456,348		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	4,416,833	4,416,833		
23	Insurance	761,258	761,258		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	MEDICAL SUPPLIES	11,506,226	11,506,226		
b	BAD DEBT EXPENSE	2,520,124	2,520,124		
c	OTHER EXPENSES	693,360	546,349	147,011	
d	DUES & SUBSCRIPTIONS	195,091	81,885	113,206	
e					
f	All other expenses	20,780	16,599	4,181	
25	Total functional expenses. Add lines 1 through 24f	63,863,434	52,925,020	10,938,414	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			5,331,909	1	9,951,225
	2	Savings and temporary cash investments . . . . .			8,585,824	2	8,054,136
	3	Pledges and grants receivable, net . . . . .			0	3	0
	4	Accounts receivable, net . . . . .			14,035,050	4	8,623,181
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .			0	6	0
	7	Notes and loans receivable, net . . . . .			0	7	0
	8	Inventories for sale or use . . . . .			1,303,439	8	1,374,218
	9	Prepaid expenses and deferred charges . . . . .			1,781,478	9	18,464,960
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	72,549,171			
	b	Less: accumulated depreciation . . . . .	10b	35,223,224	38,712,086	10c	37,325,947
	11	Investments—publicly traded securities . . . . .			0	11	0
	12	Investments—other securities. See Part IV, line 11 . . . . .			0	12	0
	13	Investments—program-related. See Part IV, line 11 . . . . .			0	13	0
	14	Intangible assets . . . . .			0	14	0
	15	Other assets. See Part IV, line 11 . . . . .			1,515,044	15	2,727,685
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			71,264,830	16	86,521,352
Liabilities	17	Accounts payable and accrued expenses . . . . .			7,126,783	17	14,509,606
	18	Grants payable . . . . .			0	18	0
	19	Deferred revenue . . . . .			0	19	0
	20	Tax-exempt bond liabilities . . . . .			9,228,984	20	8,637,324
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			300,000	25	300,000
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			16,655,767	26	23,446,930
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>						
	27	Unrestricted net assets . . . . .			54,609,063	27	46,471,355
	28	Temporarily restricted net assets . . . . .			0	28	8,468,192
	29	Permanently restricted net assets . . . . .			0	29	8,134,875
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	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	<b>Total net assets or fund balances</b> . . . . .			54,609,063	33	63,074,422
	34	<b>Total liabilities and net assets/fund balances</b> . . . . .			71,264,830	34	86,521,352

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	53,919,739
2	Total expenses (must equal Part IX, column (A), line 25)	2	63,863,434
3	Revenue less expenses Subtract line 2 from line 1	3	-9,943,695
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	54,609,063
5	Other changes in net assets or fund balances (explain in Schedule O)	5	18,409,054
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	63,074,422

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization Hill Country Memorial Hospital	Employer identification number 74-6083124
--	--

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 **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 Se**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 <b>Total.</b> 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 <b>Public Support.</b> Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14	
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15	
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization 		
b	<b>33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization 		
17a	<b>10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization 		
b	<b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization 		
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions 		

Part IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and <b>stop here</b>						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. 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 <b>stop here</b> . The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. 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 <b>stop here</b> . 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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

2011

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, line 35c (Proxy Tax), then

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

Name of the organization Hill Country Memorial Hospital	Employer identification number  74-6083124
--	--

**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 on behalf of or in opposition to candidates for public office 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 <b>Form 1120-POL</b> for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- 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.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		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		
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														
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-														
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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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) 2008	(b) 2009	(c) 2010	(d) 2011	(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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		8,629
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
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			8,629
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
LOBBYING EXPENSES	SCHEDULE C, PART II-B, LINE 1F	HILL COUNTRY MEMORIAL HOSPITAL PAID DUES TO ORGANIZATIONS, A PORTION OF WHICH IS DESIGNATED FOR LOBBYING EXPENSES DUES LOBBYING % LOBBYING \$ AHA DUES \$13,421 24 42% \$3,277 THA DUES \$19,673 24 00% \$4,722 TORCH DUES \$ 6,300 10 00% \$ 630 ----- TOTAL \$39,394 \$8,629

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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Hill Country Memorial Hospital

Employer identification number  
74-6083124

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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
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 <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► \_\_\_\_\_

4

Number of states where property subject to conservation easement is located ► \_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► \_\_\_\_\_

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year  
► \$ \_\_\_\_\_

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

► \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

► \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2011

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

- 3

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

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIV and complete the following table
- |    |        |
|----|--------|
|    | Amount |
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- 2a

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

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIV

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

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

- 2

Provide the estimated percentage of the year end balance held as
- a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶
- 3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		
- 4

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		4,883,393		4,883,393
b Buildings . . . . .		37,130,153	15,830,159	21,299,994
c Leasehold improvements . . . . .		1,174,293		1,174,293
d Equipment . . . . .		28,754,183	19,393,065	9,361,118
e Other . . . . .		607,149		607,149
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				37,325,947



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	53,919,739
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	63,863,434
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-9,943,695
4	Net unrealized gains (losses) on investments	4	-8,555
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	-8,555
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-9,952,250

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	54,191,765
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	-8,555
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	291,472
e	Add lines 2a through 2d . . . . .	2e	282,917
3	Subtract line 2e from line 1 . . . . .	3	53,908,848
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	10,891
c	Add lines 4a and 4b . . . . .	4c	10,891
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	53,919,739

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	64,144,015
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	291,472
e	Add lines 2a through 2d . . . . .	2e	291,472
3	Subtract line 2e from line 1 . . . . .	3	63,852,543
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	10,891
c	Add lines 4a and 4b . . . . .	4c	10,891
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	63,863,434

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
AMOUNTS INCLUDED ON LINE 1 BUT NOT ON FORM 990, PART VIII, LINE 12	SCHEDULE D, PART XII, LINE 2D	THRIFT SHOP EXPENSES \$291,472 ----- ----- TOTAL \$291,472
AMOUNTS INCLUDED ON FORM 990, PART VIII, LINE 12, BUT NOT ON LINE 1	SCHEDULE D, PART XII, LINE 4B	RENT REVENUE IN AUDIT EXPENSES \$ 8,505 AUXILARY DONATIONS IN AUDIT REVENUE \$ 2,386 ----- ----- TOTAL \$10,891
AMOUNTS INCLUDED ON LINE 1 BUT NOT ON FORM 990, PART IX, LINE 25	SCHEDULE D, PART XIII, LINE 2D	THRIFT SHOP EXPENSES \$291,472 ----- ----- TOTAL \$291,472
AMOUNTS INCLUDED ON FORM 990, PART IX, LINE 25, BUT NOT ON LINE 1	SCHEDULE D, PART XIII, LINE 4B	AUXILARY DONATIONS IN AUDIT REVENUE \$ 2,386 RENT REVENUE IN AUDIT EXPENSE \$ 8,505 ----- ----- TOTAL \$10,891



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

2011

Open to Public Inspection

**Name of the organization**  
Hill Country Memorial Hospital

**Employer identification number**  
74-6083124

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input checked="" type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did 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 policy provide free or discounted care to the "medically indigent"? . . . . .	3a	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 charity care 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 eligible for free or discounted care? . . . . .	5c		
6a	Did 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

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1) . . . . .			1,381,768		1,381,768	2 250 %
b Medicaid (from Worksheet 3, column a) . . . . .			3,417,483	2,817,621	599,862	0 980 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			402,529	350,647	51,882	0 080 %
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			5,201,780	3,168,268	2,033,512	3 310 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			56,455		56,455	0 100 %
f Health professions education (from Worksheet 5) . . . . .			448,893		448,893	0 730 %
g Subsidized health services (from Worksheet 6) . . . . .			704,517		704,517	1 150 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			2,750		2,750	
j <b>Total</b> Other Benefits . . . . .			1,212,615		1,212,615	1 980 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			6,414,395	3,168,268	3,246,127	5 290 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	1,021,771	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	25,615,229	
6Enter Medicare allowable costs of care relating to payments on line 5	6	28,705,649	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-3,090,420	
8Describe 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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

## Section A. Hospital Facilities

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

## Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

HILL COUNTRY MEMORIAL HOSPITAL

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	No
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input checked="" type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21	No

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 from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions 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, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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
SCHEDULE H, PART I, LINE 7, COLUMN F		THE AMOUNT OF BAD DEBT EXPENSES REMOVED FROM TOTAL EXPENSES FOR CALCULATING THE NET COMMUNITY BENEFIT PERCENTAGE WAS \$2,520,124



Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, SECTION A, LINE 4	ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS. IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE HOSPITAL ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYER SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AND PROVISION FOR UNCOLLECTIBLE ACCOUNTS. MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYER SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS. FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE HOSPITAL ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AND A PROVISION FOR UNCOLLECTIBLE ACCOUNTS, IF NECESSARY (FOR EXAMPLE, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYER HAS NOT YET PAID, OR FOR PAYERS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY). FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS, WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL, THE HOSPITAL RECORDS A SIGNIFICANT PROVISION FOR UNCOLLECTIBLE ACCOUNTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED OR PROVIDED BY POLICY) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS. THE AMOUNT ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS AFTER APPLYING THE COST TO CHARGE RATIO. THE ORGANIZATION IS UNABLE TO ESTIMATE THE AMOUNT FOR LINE 3 AND HAS ELECTED TO LEAVE IT BLANK.

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY	SCHEDULE H, PART III, SECTION B, LINE 8A	THE HOSPITAL USES COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS BASED ON MEDICARE OR MEDICAID DAYS TO TOTAL DAYS AND APPORTIONS ANCILLARY COSTS BASED ON PROGRAM CHARGES TO TOTAL CHARGES THE ORGANIZATION HAD A MEDICARE SHORTFALL IN THE AMOUNT OF \$3,090,420 THE STATE OF TEXAS TREATS MEDICARE SHORTFALL AS COMMUNITY BENEFIT FOR MEETING STATUTORY REQUIREMENTS FOR CHARITY CARE AND COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
PROVISIONS ON COLLECTION PRACTICES FOR QUALIFIED PATIENTS	SCHEDULE H, PART III, SECTION C, LINE 9B	HILL COUNTRY MEMORIAL HOSPITAL'S COLLECTION POLICY EXCLUDES PATIENTS WHO ARE KNOWN TO QUALIFY FOR FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
OTHER FACTORS USED IN DETERMINING AMOUNTS CHARGED TO PATIENTS	SCHEDULE H, PART V, LINE 11H	THE NUMBER OF MEMBERS OF A HOUSEHOLD ARE ALSO CONSIDERED IN CALCULATING AMOUNTS CHARGED TO PATIENTS

Identifier	ReturnReference	Explanation
OTHER MEANS BY WHICH HOSPITAL PUBLICIZED POLICY	SCHEDULE H, PART V, LINE 13G	THE FINANCIAL ASSISTANCE POLICY IS ALSO PUBLICIZED THROUGH AREA PHYSICIAN PRACTICES

Identifier	ReturnReference	Explanation
OTHER ACTIONS TOOK BEFORE ANY COLLECTION ACTIONS	SCHEDULE H, PART V, LINE 17E	PATIENT ACCOUNT REPRESENTATIVES CONTACT PATIENTS BY PHONE BEFORE INITIATING COLLECTION ACTIONS

Identifier	ReturnReference	Explanation
OTHER BILLING DETERMINATION OF THOSE ELIGIBLE FOR FINANCIAL ASSISTANCE	SCHEDULE H, PART V, LINE 19D	THE HOSPITAL CHARGE MASTER BILLS A STANDARD AMOUNT FOR ALL PATIENTS, THEREBY INSURING THAT THOSE THAT QUALIFY FOR FINANCIAL ASSISTANCE AND THE INSURED ARE BILLED THE SAME AMOUNT ADDITIONALLY, PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE ARE OFFERED DISCOUNTS BASED ON THEIR INCOME LEVELS COMPARED TO FEDERAL POVERTY GUIDELINES (FPG) PATIENTS WITH INCOME AT OR BELOW 200% FPG HAVE 100% OF THE BALANCE ADJUSTED PATIENTS WITH ABOVE 200% AND UNDER 225% OF FPG HAVE 80% OF THE BALANCE ADJUSTED PATIENTS WITH INCOME OVER 225% AND UNDER 250% OF FPG HAVE 60% OF THE BALANCE ADJUSTED PATIENTS WITH INCOME OVER 250% AND UNDER 275% OF FPG HAVE 40% OF THE BALANCE ADJUSTED PATIENTS WITH INCOME OVER 275% AND UNDER 300% OF FPG HAVE 20% OF THE BALANCE ADJUSTED THOSE WITH INCOME OVER 300% OF FPG DO NOT QUALIFY AS FINANCIALLY INDIGENT

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	HILL COUNTRY MEMORIAL ASSESSES THE NEEDS OF THE COMMUNITY THROUGH PATIENT SURVEYS PATIENTS RECEIVING CARE IN THE FOLLOWING SERVICE LINES ARE RANDOMLY SURVEYED BY PRESS GANEY, AN INDEPENDENT HOSPITAL AUDITING FIRM WHICH AUDITS 1800 HOSPITALS IN THE UNITED STATES IN-PATIENT CARE, OUT-PATIENT CARE, ER, AND HOME HEALTH THE FOLLOWING SERVICE LINES ARE SURVEYED IN AN HCM PAPER-GENERATED SURVEY DISSEMINATED AT THE POINT OF DISMISSAL HILL COUNTRY MEMORIAL BREAST CENTER, HILL COUNTRY MEMORIAL COMMUNITY CLINIC, AND HILL COUNTRY MEMORIAL SLEEP LAB THE HILL COUNTRY MEMORIAL COMMUNITY CLINIC SERVES THE INDIGENT POPULATION AND THE SURVEYS ARE A KEY CONTRIBUTOR IN DETERMINING IF INDIGENT COMMUNITY NEEDS ARE BEING MET



Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	HILL COUNTRY MEMORIAL PATIENTS SPEAK WITH A HILL COUNTRY MEMORIAL BUSINESS OFFICE REPRESENTATIVE BEFORE CARE TO DETERMINE IF THEY ARE ELIGIBLE FOR ASSITANCE UNDER THE FEDERAL, STATE AND LOCAL GOVERNMENT PROGRAMS OR THE ORGANIZATION'S CHARITY CARE POLICY THE PATIENT'S ELIGIBILITY IS ASSESSED AND CAREFULLY MANAGED, SO THAT IF HE/SHE OVERPAYS, HE/SHE IS REIMBURSED THE RECONCILING AMOUNT

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	THE ORGANIZATION SERVES EIGHT COUNTIES IN THE HILL COUNTRY GILLESPIE, BLANCO, BURNET, KENDALL, KERR, MCCULLOCH, MASON, AND LLANO THE PRIMARY SERVICE AREA OF GILLESPIE COUNTY (POP 25,114) ACCOUNTS FOR ABOUT 50% OF HILL COUNTRY MEMORIAL PATIENTS THE TOTAL SERVICE AREA POPULATION IS 194,850, AND THE AVERAGE PATIENT AGE IS 65 YEARS OLD

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	THE ORGANIZATION FURTHERS ITS EXEMPT PURPOSE THROUGH UP TO 40 PUBLIC HEALTH EVENTS AND SCREENINGS A YEAR WHICH ARE ADVERTISED AND WELL ATTENDED THE HILL COUNTRY MEMORIAL WELLNESS CENTER OFFERS REMOTE IMMUNIZATION "DRIVE-THRUS" TO INCREASE IMMUNIZATION VOLUMES EMPLOYEES DEVOTE TIME AND MONEY TO THE COMMUNITY NEEDS COUNCIL TO FURNISH SCHOOL SUPPLIES TO ELIGIBLE CHILDREN, TO THE AREA FOOD BANK FOR THE HUNGRY, AND TO THE LOCAL BOYS AND GIRLS CLUB FOR COMMUNITY CHILDREN ACTIVITIES THE AUXILLARY, HOSPITAL VOLUNTEER ORGANIZATION, RAISES FUNDS TO FURTHER EMPLOYEE HEALTH CARE EDUCATION, WHICH NURTURES THE AVAILABLE WORKFORCE THE ORGANIZATION HAS THE LARGEST VOLUNTEER BASE IN FREDERICKSBURG ALSO, FUNDS WERE DONATED TO RELAY FOR LIFE, HEALTH OCCUPATION STUDENT ASSOCIATION (HOSA), AND EISHBAHN EMPLOYEES ALSO SERVED IN LEADERSHIP ROLES FOR COMMUNITY ORGANIZATIONS HILL COUNTRY MEMORIAL ALSO COLLABORATES WITH CITY AND COUNTY OFFICIALS TO PREPARE FOR EMERGENCY SCENARIOS HILL COUNTRY MEMORIAL INVITES CITY AND COUNTY EMERGENCY OFFICIALS TO PARTICIPATE IN MOCK EMERGENCY SITUATIONS TO PREPARE FOR AN ACTUAL, LIKELY EMERGENCY BASED ON THE GEOGRAPHIC PROXIMITY OF THE HOSPITAL, SUCH AS A TORNADO OR MAJOR CHEMICAL SPILL IN ADDITION, HILL COUNTRY MEMORIAL EMBARKED ON A PROJECT TO BUILD A HEALTH AND WELLNESS COMMUNITY CENTER IN 2009 AND 2010 COLLABORATING WITH THE CITY OF FREDERICKSBURG, PHYSICIANS AND THE FREDERICKSBURG CHAMBER OF COMMERCE, HILL COUNTRY MEMORIAL FUNDED THE CREATION OF AN ARCHITECTURAL PLAN FOR THE CENTER

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6	THE HOSPITAL IS PART OF A SYSTEM WHICH INCLUDES TEN ORGANIZATIONS HILL COUNTRY MEMORIAL HOSPITAL PROVIDES HEALTHCARE, HILL COUNTRY MEMORIAL FOUNDATION PROVIDES FUNDRAISING, HILL COUNTRY PHYSICIAN ASSOCIATES PROVIDES HEALTHCARE, HILL COUNTRY PRIMARY CARE PHYSICIANS PROVIDES HEALTHCARE, AND GREATER HILL COUNTRY HOSPICE PROVIDES HOSPICE SERVICE ALSO, THE HOSPITAL IS A MEMBER OF A SERVICE ORGANIZATION WHICH WAS FORMED TO ACCESS SUPPLEMENTAL MEDICAID FUNDING IN ADDITION, THE AFFILIATED HEALTH CARE SYSTEM INCLUDES THE FOLLOWING INACTIVE ENTITIES HILL COUNTRY MEMORIAL HEALTH SYSTEM, HILL COUNTRY COMMUNITY SERVICES, HILL COUNTRY MEMORIAL OFFICE BUILDING, AND HILL COUNTRY WELLNESS CENTER

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, LINE 7	TEXAS

Schedule I  
(Form 990)

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Department of the Treasury  
Internal Revenue Service

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

Name of the organization  
Hill Country Memorial Hospital

Employer identification number  
74-6083124

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. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ☐

(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) HEALTHCARE PARTNERSHIP OF GREATER SAN ANTONIO 551 HILL COUNTRY DRIVE KERRVILLE, TX 78028	45-0599888	501(C)(3)	698,604		FMV		CHARITABLE SUPPORT

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . 1

3 Enter total number of other organizations listed in the line 1 table . . . . .

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
USE OF GRANT FUNDS	SCHEDULE I, PART I, LINE 2	THE ORGANIZATION MADE A GRANT TO A RELATED ORGANIZATION AND IS ABLE TO MONITOR THROUGH THE RELATIONSHIP WITH THAT ORGANIZATION

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
Hill Country Memorial Hospital

Employer identification number  
74-6083124

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>1b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</div></div>		
<div><div>2</div><div>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?</div></div>		
<div><div>3</div><div>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</div><div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>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</div></div>		
<div><div>4a</div><div>Receive a severance payment or change-of-control payment?</div></div>	Yes	
<div><div>4b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>		No
<div><div>4c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		No
<div><div>7</div><div>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</div></div>		No
<div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</div></div>		No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>		



**Part II** **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) MICHAEL R WILLIAMS	(i) (ii)	342,949 0	210,101 0	0 0	1,615 0	16,562 0	571,227 0	
(2) DEBRA WALLACE	(i) (ii)	207,662 0	26,101 0	0 0	6,809 0	5,869 0	246,441 0	
(3) MARK JONES	(i) (ii)	198,045 0	26,101 0	0 0	5,963 0	5,869 0	235,978 0	
(4) STEVE SOSLAND	(i) (ii)	195,222 0	26,101 0	0 0	3,077 0	16,562 0	240,962 0	
(5) LEANN MYERS	(i) (ii)	152,122 0	0 0	0 0	6,232 0	6,589 0	164,943 0	
(6) MONTY MOHON	(i) (ii)	135,434 0	6,101 0	0 0	0 0	16,562 0	158,097 0	

**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
SEVERANCE PAYMENTS	SCHEDULE J, PART I, LINE 4A	ROBIN DUDERSTADT RECEIVED \$60,008 IN 2011, AND \$60,008 THAT WAS ACCRUED IN 2011 AND ACTUALLY PAID IN 2012
BONUS AND INCENTIVE COMPENSATION	SCHEDULE J, PART II, LINE 1	THE BONUS LISTED FOR DR. WILLIAMS, WHILE PAID IN 2011, IS AN ACCUMULATION OF THREE YEARS OF INCENTIVE PAYMENTS

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Hill Country Memorial Hospital

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

2011

Open to Public Inspection

Employer identification number

74-6083124

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 FREDERICKSBURG HEALTH FACILTY	74-2944882	NONE00000	07-22-2005	7,000,000	HOSPITAL EXPANSION		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0							
2	Amount of bonds defeased	0							
3	Total proceeds of issue	7,000,000							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrow	0							
7	Issuance costs from proceeds	140,000							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	6,860,000							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2006							
		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	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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								
6	Total of lines 4 and 5								
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	0							
c	Term of hedge								
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

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 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

2011

Open to Public Inspection

Name of the organization  
Hill Country Memorial Hospital

Employer identification number  
74-6083124

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990, PART III, LINE 1	HILL COUNTRY MEMORIAL'S HOSPITAL'S VISION IS TO BE THE BEST COMMUNITY HOSPITAL ANYWHERE. THE HOSPITAL'S VALUES ARE: OTHERS FIRST, COMPASSION, INNOVATION, ACCOUNTABILITY, AND STEWARDSHIP.
OTHER PROGRAM SERVICES	FORM 990, PART III, LINE 4D	WIC PROGRAM - PROVIDE NUTRITIONAL EDUCATION, BREAST FEEDING SUPPORT, WIC FOODS AND SOCIAL SERVICE REFERRALS FOR WOMEN AND CHILDREN MEETING WIC ELIGIBILITY REQUIREMENTS, AND COMMUNITY HEALTH PROGRAMS SUCH AS IMMUNIZATIONS FOR CHILDREN. CLINIC RENTAL INCOME - PROVIDE OFFICE SPACE FOR PHYSICIANS.
FORM 990 REVIEW PROCESS	FORM 990, PART VI, SECTION B, LINE 11B	THE HOSPITAL BOARD HAS GIVEN THE AUDIT COMMITTEE THE RESPONSIBILITY TO REVIEW THE FORM 990. THE CFO DISCUSSES EACH SECTION WITH THE COMMITTEE AND DISCUSSES ANY ISSUES TO BE ADDRESSED FOR FUTURE YEARS. ALL BOARD MEMBERS ARE ALSO PROVIDED A LINK TO ACCESS THE 990 FOR REVIEW BEFORE FILING.
CONFLICT OF INTEREST	FORM 990, PART VI, SECTION B, LINE 12C	CONFLICT OF INTEREST FORMS ARE COMPLETED BY BOARD MEMBERS ON AN ANNUAL BASIS. ALL DISCLOSURES ARE REVIEWED BY THE BOARD GOVERNANCE COMMITTEE AND REPORTED TO THE HOSPITAL BOARD. BOARD MEMBERS MUST RECUSE THEMSELVES FROM VOTING ON ISSUES RELATED TO THEIR CONFLICT.
COMPENSATION REVIEW & APPROVAL PROCESS FOR OFFICERS & KEY EMPLOYEES	FORM 990, PART VI, SECTION B, LINE 15A & 15B	THE EXECUTIVE COMMITTEE OF THE BOARD REVIEWS RELEVANT WAGE SURVEY AND DATA TO DETERMINE CEO COMPENSATION. FOR OTHER OFFICERS, THE CEO REVIEWS WAGE DATA AND SURVEYS SUPPLIED BY THE HUMAN RESOURCE DIRECTOR.
AVAILABILITY OF DOCUMENTS	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICIES AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST.
CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	THE HILL COUNTRY MEMORIAL HOSPITAL'S 2010 AUDITED FINANCIAL STATEMENTS WERE RESTATED TO REFLECT THE HOSPITAL'S INTEREST IN THE NET ASSETS OF HCMH FOUNDATION AND GREATER HILL COUNTRY HOSPICE. THE RESTATEMENT RESULTED IN THE FOLLOWING ADJUSTMENTS TO THE ASSETS: UNRESTRICTED NET ASSETS PRIOR YEAR ADJUSTMENT \$16,803,652; TEMPORARILY RESTRICTED ASSETS PRIOR YEAR ADJUSTMENT \$1,278,390; PERMANENTLY RESTRICTED ASSETS PRIOR YEAR ADJUSTMENT \$335,567. ----- TOTAL \$18,417,609

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

2011

Open to Public Inspection

Name of the organization  
Hill Country Memorial Hospital

Employer identification number  
74-6083124

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
(1) HILL COUNTRY MEMORIAL AUXILIARY 1020 KERRVILLE HWY FREDERICKSBURG, TX 78624	SUPPORT	TX	2,542	110,539	HCMH

Part II

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

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

Part III

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

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

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

Part V

Transactions With Related Organizations

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

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

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

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

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

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

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

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

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

m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

q Other transfer of cash or property to related organization(s)

r Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

Yes

No

No

Yes

Yes

Yes

Yes

No

Yes

No

No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds			
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) GREATER HILL COUNTRY HOSPICE	P	3,312,250	FMV
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011



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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 74-6083124

Name: Hill Country Memorial Hospital

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
HILL COUNTRY MEMORIAL HEALTH SYSTEM  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 74-2858904	SUPPORT	TX	501(C)(3)	11A, I	HCMH	Yes	
HILL COUNTRY MEMORIAL FOUNDATION  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 74-2557105	FUNDRAISING	TX	501(C)(3)	11C, III-FI	NA		No
HILL COUNTRY MEMORIAL COMMUNITY SVCES  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 74-2858907	HOME CARE SVC	TX	501(C)(3)	11C, III-FI	HCMH	Yes	
HILL COUNTRY MEM MEDICAL OFFICE BLDG  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 74-2858909	OFFICE BLDG	TX	501(C)(3)	11C, III-FI	HCMH	Yes	
HILL COUNTRY WELLNESS CENTER  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 74-2858905	HEALTH ED	TX	501(C)(3)	11C, III-FI	HCMH	Yes	
HILL COUNTRY PHYSICIAN ASSOCIATES  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 26-2553196	HEALTHCARE	TX	501(c)(3)	11a, I	HCMH	Yes	
HILL COUNTRY PRIMARY CARE PHYSICIANS  1020 KERRVILLE HWY FREDERICKSBURG, TX 78624 27-2860109	HEALTHCARE	TX	APPLIED		HCMH	Yes	
GREATER HILL COUNTRY HOSPICE  PO BOX 835 FREDERICKSBURG, TX 78624 74-2912643	HOSPICE	TX	501(C)(3)	3	HCMH	Yes	
HEALTHCARE PARTNERSHIP OF GREATER SAN AN  551 HILL COUNTRY DRIVE KERRVILLE, TX 78028 45-0599888	HEALTHCARE	TX	501(C)(3)	7	NA		No

# **Hill Country Memorial Hospital**

## **Accountants' Report and Consolidated Financial Statements**

December 31, 2011 and 2010



# Hill Country Memorial Hospital

## December 31, 2011 and 2010

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## Independent Accountants' Report

Board of Trustees  
Hill Country Memorial Hospital  
Fredericksburg, Texas

We have audited the accompanying consolidated balance sheet of Hill Country Memorial Hospital (the Hospital) as of December 31, 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Hospital as of and for the year ended December 31, 2010, before they were restated for the matters discussed in *Note 12*, were audited by other accountants whose report dated April 19, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hill Country Memorial Hospital as of December 31, 2011, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 12*, in 2011 the Hospital changed its method of accounting for its interest in two entities by retroactively restating prior years' financial statements.

*BKD, LLP*

August 7, 2012

# Hill Country Memorial Hospital

## Consolidated Balance Sheets

### December 31, 2011 and 2010

#### Assets

	2011	2010 (Restated – Note 12)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18,766,508	\$ 8,436,638
Patient accounts receivable, net of allowance. 2011 – \$3,396,000, 2010 – \$4,793,000	8,094,670	11,379,837
Estimated amounts due from third-party payers	1,012,940	2,771,676
Assets limited as to use - current	125,000	-
Supplies	1,374,218	1,303,440
Prepaid expenses and other	819,635	865,701
	<u>30,192,971</u>	<u>24,757,292</u>
<b>Assets Limited As To Use</b>		
Held by trustee for self-insurance	<u>793,780</u>	<u>793,161</u>
	793,780	793,161
Less amounts required to meet current obligations	<u>125,000</u>	<u>-</u>
	<u>668,780</u>	<u>793,161</u>
<b>Investments</b>	<u>-</u>	<u>4,775,866</u>
<b>Property and Equipment, At Cost</b>		
Land and land improvements	6,057,686	6,089,020
Buildings and improvements	37,247,099	38,293,394
Equipment	28,911,610	33,419,095
Construction in progress	607,149	643,991
	<u>72,823,544</u>	<u>78,445,500</u>
Less accumulated depreciation	<u>(35,323,671)</u>	<u>(39,500,683)</u>
	<u>37,499,873</u>	<u>38,944,817</u>
<b>Other Assets</b>		
Interest in net assets of HCMH Foundation	16,603,067	16,812,033
Interest in net assets of Greater Hill Country Hospice	-	1,492,481
Other assets	<u>669,444</u>	<u>921,778</u>
	<u>17,272,511</u>	<u>19,226,292</u>
<b>Total assets</b>	<u><u>\$ 85,634,135</u></u>	<u><u>\$ 88,497,428</u></u>

See Notes to Consolidated Financial Statements

## Liabilities and Net Assets

	2011	2010 (Restated – Note 12)
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 621,088	\$ 591,660
Estimated self-insurance costs, current portion	125,000	-
Estimated amounts due to third-party payers	8,178,853	-
Accounts payable	1,583,504	2,892,897
Accrued expenses	3,452,312	3,379,228
Total current liabilities	13,960,757	6,863,785
<b>Estimated Self-insurance Costs</b>	1,183,510	793,510
<b>Long-term Debt</b>	8,016,236	8,637,324
<b>Refundable Advance</b>	300,000	300,000
Total liabilities	23,460,503	16,594,619
<b>Net Assets</b>		
Unrestricted	45,570,565	55,090,776
Temporarily restricted	8,468,192	9,012,725
Permanently restricted	8,134,875	7,799,308
Total net assets	62,173,632	71,902,809
Total liabilities and net assets	\$ 85,634,135	\$ 88,497,428



**Hill Country Memorial Hospital**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2011 and 2010**

	2011	2010 (Restated – Note 12)
<b>Unrestricted Revenues, Gains and Other Support</b>		
Net patient service revenue (net of contractual discounts and allowances)	\$ 64,095,768	\$ 64,986,148
Provision for uncollectible accounts	2,520,124	2,760,627
Net patient service revenue less provision for uncollectible accounts	61,575,644	62,225,521
Other revenue	2,078,456	2,076,801
Change in interest in Greater Hill Country Hospice	-	822,834
Total unrestricted revenues, gains and other support	63,654,100	65,125,156
<b>Expenses and Losses</b>		
Salaries and wages	29,435,898	26,913,655
Employee benefits	6,052,757	5,804,546
Purchased services and professional fees	7,266,589	5,097,686
Supplies and other	20,035,555	18,484,987
Depreciation	4,460,847	4,474,105
Interest	456,348	485,247
Total expenses and losses	67,707,994	61,260,226
<b>Operating Income (Loss)</b>	(4,053,894)	3,864,930
<b>Other Income (Expense)</b>		
Impact of loss of SCH status pertaining to prior years (Note 2)	(6,357,468)	-
Investment return	68,228	93,068
Total other income (expense)	(6,289,240)	93,068
<b>Excess (Deficiency) of Revenues Over Expenses</b>	\$ (10,343,134)	\$ 3,957,998

**Hill Country Memorial Hospital**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010 (Restated – Note 12)</b>
<b>Unrestricted Net Assets</b>		
Excess (deficiency) of revenues over expenses	\$ (10,343,134)	\$ 3,957,998
Net assets released from restriction used for acquisition of property and equipment	<u>822,923</u>	<u>1,626,637</u>
Increase (decrease) in unrestricted net assets	<u>(9,520,211)</u>	<u>5,584,635</u>
<b>Temporarily Restricted Net Assets</b>		
Change in interest in net assets of HCMH Foundation	278,390	1,786,216
Net assets released from restriction	<u>(822,923)</u>	<u>(1,626,637)</u>
Increase (decrease) in temporarily restricted net assets	<u>(544,533)</u>	<u>159,579</u>
<b>Permanently Restricted Net Assets</b>		
Change in interest in net assets of HCMH Foundation	<u>335,567</u>	<u>63,168</u>
Increase in permanently restricted net assets	<u>335,567</u>	<u>63,168</u>
<b>Change in Net Assets</b>	<u>(9,729,177)</u>	<u>5,807,382</u>
<b>Net Assets, Beginning of Year, As Previously Reported</b>		48,836,495
Adjustments applicable to prior years		<u>17,258,932</u>
<b>Net Assets, Beginning of Year, As Restated</b>	<u>71,902,809</u>	<u>66,095,427</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 62,173,632</u></u>	<u><u>\$ 71,902,809</u></u>

# Hill Country Memorial Hospital

## Consolidated Statements of Cash Flows

### Years Ended December 31, 2011 and 2010

	2011	2010 (Restated – Note 12)
<b>Operating Activities</b>		
Change in net assets	\$ (9,729,177)	\$ 5,807,382
Items not requiring (providing) cash		
(Gain) loss on sale of property and equipment	45,431	(98,788)
Depreciation and amortization	4,460,847	4,474,105
Net loss on investments	8,555	39,672
Undistributed portion of change in interest in net assets of HCMH Foundation	(613,957)	(1,849,384)
Undistributed portion of change in interest in net assets of Greater Hill Country Hospice	-	(822,834)
Accrued self-insurance costs	515,000	-
Provision for uncollectible accounts	2,520,124	2,760,627
Changes in		
Patient accounts receivable, net	1,222,041	(6,377,594)
Estimated amounts due from and to third-party payers	9,937,589	394,001
Accounts payable and accrued expenses	(1,916,125)	1,147,236
Other assets and liabilities	234,137	226,570
Net cash provided by operating activities	<u>6,684,465</u>	<u>5,700,993</u>
<b>Investing Activities</b>		
Purchase of investments	-	(3,415,632)
Proceeds from disposition of investments	4,766,692	7,061,716
Proceeds from transfer of Greater Hill Country Hospice cash	1,704,547	-
Proceeds from sale of property and equipment	342,441	-
Purchase of property and equipment	<u>(3,399,538)</u>	<u>(4,255,445)</u>
Net cash provided by (used) in investing activities	<u>3,414,142</u>	<u>(609,361)</u>
<b>Financing Activities</b>		
Distributions from HCMH Foundation used for acquisition of property and equipment	822,923	1,626,637
Principal payments on long-term debt	<u>(591,660)</u>	<u>(576,802)</u>
Net cash provided by financing activities	<u>231,263</u>	<u>1,049,835</u>
<b>Increase in Cash and Cash Equivalents</b>	10,329,870	6,141,467
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>8,436,638</u>	<u>2,295,171</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 18,766,508</u></u>	<u><u>\$ 8,436,638</u></u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 456,978	\$ 486,505

# **Hill Country Memorial Hospital**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

The consolidated financial statements of Hill Country Memorial Hospital (the Hospital) include the accounts of the Hospital and its wholly owned subsidiaries. Entities included in the consolidated financial statements of the Hospital are:

- Hill Country Memorial Hospital (the Hospital or HCMH)
- Hill Country Primary Care Physicians (HPCP)
- Hill Country Physicians Associates (HCPA)
- Hill Country Community Services Corporation (HCCSC)
- Greater Hill Country Hospice (GHCH)
- Hill Country Memorial Hospital Wellness Corporation (the Wellness Center)

The Hospital operates a 77-bed acute care hospital and provides inpatient, outpatient and emergency care services to residents of Fredericksburg, Texas, Gillespie County and surrounding areas.

HPCP and HCPA are nonprofit corporations organized under 501(a) of the Internal Revenue Code and were formed to encourage quality healthcare providers to locate to the areas served by the Hospital. The sole member of both organizations is the Hospital.

HCCSC and the Wellness Center are nonprofit corporations that operated certain service lines for the Hospital through March 31, 2010. On April 1, 2010, those operations were transferred to the Hospital.

GHCH is a nonprofit corporation organized to provide hospice care to terminally ill patients in the Hospital's service area. Prior to 2011, GHCH was owned and operated by the Hospital and an unrelated hospital. The Hospital's interest in GHCH at December 31, 2010, was accounted for in a manner similar to the equity method of accounting and is reflected in the other assets section of the consolidated balance sheets. Effective January 1, 2011, the Hospital became the sole member of GHCH.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of HCMH, HPCP, HCPA, HCCSC and GHCH and the Wellness Center. All significant intercompany accounts and transactions have been eliminated in consolidation.

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents consisted primarily of a repurchase agreement with a bank and money market accounts with brokers.

#### ***Change in Accounting Principle***

In 2011, the Hospital changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the provision for uncollectible accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the Hospital's policies related to uncollectible accounts. The change had no effect on prior year net assets. The following table reflects the changes in the consolidated statements of operations as a result of adopting ASU 2011-07.

2011 Consolidated Statement of Operations			
	As Computed Under Previous Guidance	As Computed Under ASU 2011-07	Effect of Change
Patient service revenue (net of contractual discounts and allowances)	\$ 64,095,768	\$ 64,095,768	\$ -
Provision for uncollectible accounts	-	(2,520,124)	(2,520,124)
Net patient service revenue less provision for uncollectible accounts	64,095,768	61,575,644	(2,520,124)
Total revenues	66,174,224	63,654,100	(2,520,124)
Provision for uncollectible accounts	2,520,124	-	(2,520,124)
Total expenses	70,228,118	67,707,994	(2,520,124)

**Hill Country Memorial Hospital**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

	2010 Consolidated Statement of Operations		
	As Computed Under Previous Guidance	As Computed Under ASU 2011-07	Effect of Change
Patient service revenue (net of contractual discounts and allowances)	\$ 64,986,148	\$ 64,986,148	\$ -
Provision for uncollectible accounts	-	(2,760,627)	(2,760,627)
Net patient service revenue less provision for uncollectible accounts	64,986,148	62,225,521	(2,760,627)
Total revenues	67,885,783	65,125,156	(2,760,627)
Provision for uncollectible accounts	2,760,627	-	(2,760,627)
Total expenses	64,020,853	61,260,226	(2,760,627)

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

***Assets Limited as to Use***

Assets limited as to use includes assets set aside by the Board under self-insurance trust agreements.

***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely)

For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital's allowance for uncollectible accounts for self-pay patients was approximately 95% of self-pay accounts receivable at December 31, 2011 and December 31, 2010. The Hospital's write-offs increased approximately \$1,150,000 from approximately \$2,500,000 for the year ended December 31, 2010, to approximately \$3,650,000 for the year ended December 31, 2011. This increase was primarily due to a growth in volume from self-pay patients in fiscal year 2011. A large portion of the increase in self-pay patients was due to a significant increase in the patient responsibility portion of commercially insured patients due to insurance plan design changes of many employers.

#### ***Supplies***

The Hospital states supply inventories at the lower of cost, determined using the first-in, first-out method or market.

#### ***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	3 – 20 years
Buildings and improvements	25 – 40 years
Equipment	3 – 20 years

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

# **Hill Country Memorial Hospital**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

#### ***Long-lived Asset Impairment***

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2011 and 2010.

#### ***Interest in Net Assets of Hill Country Memorial Hospital Foundation***

Hill Country Memorial Hospital Foundation (the HCMH Foundation or the Foundation) and the Hospital are financially interrelated organizations. The Foundation seeks private support for and holds net assets on behalf of the Hospital. The Hospital accounts for its interest in the net assets of the Foundation in a manner similar to the equity method. Changes in the interest in the Foundation are included in change in net assets. Transfers of assets between the Foundation and the Hospital are recognized as increases or decreases in the interest.

#### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Hospital 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 Hospital in perpetuity. At December 31, 2011 and 2010, temporarily and permanently restricted net assets are related to the Hospital's interest in the net assets of the Foundation.

#### ***Net Patient Service Revenue***

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

#### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.



**Hill Country Memorial Hospital**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011 and 2010**

***Contributions***

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

***Estimated Malpractice Costs***

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

***Self-Insurance***

The Hospital has elected to partially self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to expense when incurred. The Hospital has purchased insurance that limits its annual exposure for individual claims to \$200,000.

***Income Taxes***

The Hospital and its wholly owned subsidiaries have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, these entities are subject to federal income tax on any unrelated business taxable income.

With few exceptions, the Hospital and its wholly owned subsidiaries are no longer subject to U.S. federal examinations by tax authorities for years before 2008.

***Excess of Revenues Over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments in other than trading securities and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

# **Hill Country Memorial Hospital**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

#### ***Reclassifications***

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

#### ***Subsequent Events***

Subsequent to year end, the Hospital purchased a 51% interest in the Kirby Highland Lakes Surgery Center in Marble Falls, Texas. The name of the surgery center was subsequently changed to Hill Country Memorial Surgery Center – Marble Falls.

Subsequent events have been evaluated through August 7, 2012, which is the date the consolidated financial statements were available to be issued.

#### **Note 2: Net Patient Service Revenue**

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital has a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the consolidated statements of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. During 2011, the Hospital reduced previously recorded cost report settlement receivables by approximately \$900,000 due to information arising in the current year indicating these balances were likely not collectible.
- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment methodology. Outpatient and physician services are reimbursed under a mixture of cost reimbursement and fee schedule methods. The Hospital is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

# **Hill Country Memorial Hospital**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

Approximately 46% and 49% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

In 2011, the Hospital began participation in the State of Texas' private Medicaid Upper Payment Limit (UPL) program. Under the private UPL program, a governmental agency makes intergovernmental transfers (IGT) on behalf of the Hospital.

These transfers are used by the State of Texas Medicaid program to draw down federal funding for the Hospital based on its UPL gap, which is approximately equal to the difference in what Medicare would have paid for the Hospital's Medicaid charges and what Medicaid actually paid. Total UPL funds received during 2011 were approximately \$1,017,000.

In late 2011, the U.S. Department of Health and Human Services approved a new Medicaid section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program." This demonstration will expand existing Medicaid managed care programs and establish two funding pools that will assist providers with uncompensated care costs and promote health system transformation. The demonstration is effective from December 12, 2011 to September 30, 2016, and may have a material impact on the Hospital's future Medicaid funding. Management is not currently able to estimate the impact of the 1115(a) waiver on future funding.

Subsequent to year end, the Hospital was notified by the Centers for Medicare and Medicaid Services (CMS) that the Hospital's status as a Sole Community Hospital (SCH) was being terminated. SCH status provides for a hospital specific payment rate for inpatient services if that rate, in aggregate, results in total payments greater than the prospective payment that would be paid under Medicare's normal payment methodology and a 7.1% add on to the prospective payment for outpatient services. The SCH status termination is retrospective to all fiscal years for which the Medicare cost report has not been settled by CMS, which is fiscal years 2007 through 2011. The impact of the lost SCH status for these fiscal years is approximately \$8,200,000 which has been recorded as a liability in the consolidated balance sheets. The estimated loss pertaining to 2007 through 2010 is \$6,357,468 and has been reflected as a component of other expenses in 2011 statement of operations. The estimated loss pertaining to 2011 is \$1,821,385 and is reflected as a component of net patient service revenue in the 2011 statement of operations. The average annual benefit of SCH status in the last three fiscal years has been approximately \$2,400,000.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended December 31, 2011 and 2010, was

	2011	2010
Medicare	\$ 24,494,777	\$ 28,109,950
Medicaid	2,072,608	3,426,543
Other third-party payers	36,827,850	31,434,662
Patients	700,533	2,014,993
	<u>\$ 64,095,768</u>	<u>\$ 64,986,148</u>

#### Note 3: Concentration of Credit Risk

##### *Accounts Receivable*

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at December 31, 2011 and 2010, is

	2011	2010
Medicare	40 %	53 %
Medicaid	4	4
Other third-party payers	54	38
Patients	2	5
	<u>100 %</u>	<u>100 %</u>

##### *Deposits*

One or more of the financial institutions holding the Hospital's cash accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, through December 31, 2012, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

For financial institutions opting out of the FDIC's Transaction Account Guarantee Program or interest-bearing cash accounts, the FDIC's insurance limits were permanently increased to \$250,000. At December 31, 2011, the Hospital's interest-bearing cash accounts that exceeded federally insured limits were collateralized by pledged collateral and the underlying securities of a repurchase agreement.

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### Note 4: Investments and Investment Return

Assets limited as to use, at December 31 include

	2011	2010
Held by trustee for self-insurance		
Cash and cash equivalents	\$ 293,780	\$ 543,161
Certificate of deposit	500,000	250,000
	<u>\$ 793,780</u>	<u>\$ 793,161</u>

Other investments, at December 31 include

	2011	2010
U S Treasury obligations	\$ -	\$ 1,004,488
U S Agency obligations	-	3,271,378
Repurchase agreements	-	500,000
	<u>\$ -</u>	<u>\$ 4,775,866</u>

Total investment return is comprised of the following

	2011	2010
Interest income	\$ 76,783	\$ 132,740
Realized and unrealized losses	(8,555)	(39,672)
	<u>\$ 68,228</u>	<u>\$ 93,068</u>

#### Note 5: Interest in Net Assets of Hill Country Memorial Hospital Foundation

The Foundation was established to solicit contributions principally to fund capital improvements of the Hospital. Funds are distributed to the Hospital as determined by the Foundation's Board of Directors. The Hospital's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and the Hospital are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets. The Hospital's interest in the net assets of the Foundation is reported in the consolidated balance sheets and was \$16,603,067 and \$16,812,033 at December 31, 2011 and 2010, respectively.

The Foundation's cash transfers to the Hospital for property and equipment additions during the years ended December 31, 2011 and 2010, were \$822,923 and \$1,626,637, respectively.

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### Note 6: Risk Management

The Hospital is partially self-insured for professional and general liability risks. The Hospital purchases commercial insurance coverage through a claims-made policy for individual claims and annual aggregate claims exceeding \$750,000 up to \$1,000,000 per claim and \$3,000,000 annually. The Hospital also purchases an umbrella policy for claims exceeding these insurance limits up to \$2,000,000 per claim and annually. Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term. The Hospital's estimate of losses is reflected in the consolidated balance sheets as estimated self-insurance costs.

The Hospital is also self-insured for employee health care claims. A provision is accrued for self-insured claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. The Hospital's estimate of losses is reflected in accrued expenses in the consolidated balance sheets.

Activity in the Hospital's self-insurance liabilities during 2011 is summarized as follows:

	<b>Employee Health</b>	<b>Medical Malpractice</b>
Balance, beginning of year	\$ 570,249	\$ 793,510
Current year claims incurred and changes in estimates for claims incurred in prior years	3,161,888	761,258
Claims and expenses paid	<u>(3,353,560)</u>	<u>(246,258)</u>
Balance, end of year	<u><u>\$ 378,577</u></u>	<u><u>\$ 1,308,510</u></u>

Activity in the Hospital's self-insurance liabilities during 2010 is summarized as follows:

	<b>Employee Health</b>	<b>Medical Malpractice</b>
Balance, beginning of year	\$ 500,912	\$ 793,510
Current year claims incurred and changes in estimates for claims incurred in prior years	3,442,945	282,041
Claims and expenses paid	<u>(3,373,608)</u>	<u>(282,041)</u>
Balance, end of year	<u><u>\$ 570,249</u></u>	<u><u>\$ 793,510</u></u>

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### Note 7: Long-term Debt

	2011	2010
Series 2005 Revenue Bonds (A)	\$ 5,377,324	\$ 5,668,984
Series 1999 Revenue Bonds (B)	3,260,000	3,560,000
	<u>8,637,324</u>	<u>9,228,984</u>
Less current maturities	621,088	591,660
	<u><u>\$ 8,016,236</u></u>	<u><u>\$ 8,637,324</u></u>

(A) \$7,000,000 original issue Fredericksburg Health Facilities Development Corporation Revenue Bonds (the Series 2005 Bonds) dated July 22, 2005, principal payable in monthly installments together with interest at a rate of 4.875% of \$48,481 through September 2024, secured by real property of the Hospital. The Series 2005 Bonds may be called at the Hospital's election at any date at par plus accrued interest.

(B) \$6,065,000 original issue Fredericksburg Health Facilities Development Corporation Revenue Bonds (the Series 1999 Bonds) dated December 30, 1999, principal payable in monthly installments of amounts ranging from \$25,000 to \$40,000 plus interest at a rate of 5.500% through December 2019, secured by real property of the Hospital. The Series 1999 Bonds may be called at the Hospital's election at any date at par plus accrued interest.

The indenture agreement requires that the Hospital maintain certain depository accounts with the trustee. The indenture agreement also requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining certain ratios, including a debt-service coverage ratio and restrictions on incurrence of additional debt. The Hospital was not in compliance with certain of these covenants for 2011. Subsequent to year end, the Hospital obtained a waiver of the covenant non-compliance from the trustee.

Aggregate annual maturities of long-term debt at December 31, 2011, are:

2012	\$ 621,088
2013	682,404
2014	699,709
2015	757,944
2016	797,157
Thereafter	<u>5,079,022</u>
	<u><u>\$ 8,637,324</u></u>

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### Note 8: Charity Care

In support of its mission, the Hospital voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Hospital does not pursue collection of accounts determined to qualify as charity care, they are not reported in net patient service revenue. The cost associated with the Hospital's charity care program were approximately \$3,025,000 and \$2,525,000 for 2011 and 2010, respectively. The cost of charity care is estimated by applying the overall ratio of the Hospital's cost to charges to the gross charges related to services provided to patients qualifying for the Hospital's charity care program.

#### Note 9: Functional Expenses

The Hospital provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	2011	2010
Health care services	\$ 42,770,681	\$ 38,307,924
General and administrative	24,937,313	22,952,302
	<u>\$ 67,707,994</u>	<u>\$ 61,260,226</u>

#### Note 10: Pension Plan

The Hospital has a defined contribution pension plan covering substantially all employees. The Board annually determines the amount, if any, of the Hospital's contributions to the plan. Pension expense was approximately \$450,000 and \$586,000 for 2011 and 2010, respectively.

#### Note 11: Refundable Advance

In 2007, the Hospital received a contribution from the Don L. and Julie Holden Foundation granting a property to be used for Hospital services and related activities.

The contribution is subject to a 30-year contingent obligation for the use of the property for the designated activities. In the event the Hospital ceases to use the property for the designated purposes, the Hospital is required to repay the fair value of the property as of the time of the contribution, which was \$300,000. This amount is considered a refundable advance and will be recognized as contribution revenue upon fulfillment of the above obligation.



# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### Note 12: Restatement of Prior Year Financial Statements

Fiscal year 2010 and prior years, have been restated to reflect the Hospital's interest in the net assets of the HCMH Foundation and Greater Hill Country Hospice

The following financial statement line items for fiscal year 2010 were affected by the correction

	As Restated	As Previously Reported	Effect of Change
<b>Balance Sheet</b>			
Interest in net assets of HCMH Foundation	\$ 16,812,033	\$ -	\$ 16,812,033
Interest in net assets of Greater Hill Country Hospice	1,492,481	-	1,492,481
Total assets	88,497,428	70,192,914	18,304,514
Unrestricted net assets	55,090,776	53,598,295	1,492,481
Temporarily restricted net assets	9,012,725	-	9,012,725
Permanently restricted net assets	7,799,308	-	7,799,308
Total net assets	71,902,809	53,598,295	18,304,514
<b>Statement of Operations</b>			
Change in interest in Greater Hill Country Hospice	822,834	-	822,834
Total unrestricted revenues, gains and other support	65,125,156	64,302,322	822,834
Operating income	3,864,930	3,042,096	822,834
Excess of revenues over expenses	3,957,998	3,135,164	822,834
<b>Statement of Changes in Net Assets</b>			
Excess of revenues over expenses	3,957,998	3,135,164	822,834
Net assets released from restriction used for acquisition of property and equipment	1,626,637	-	1,626,637
Change in unrestricted net assets	5,584,635	4,761,801	822,834
Change in net assets of HCMH Foundation - Temporarily restricted	1,786,216	-	1,786,216
Net assets released from restriction	(1,626,637)	-	(1,626,637)
Change in temporarily restricted net assets	159,579	-	159,579
Change in net assets of HCMH Foundation - Permanently restricted	63,168	-	63,168
Change in permanently restricted net assets	63,168	-	63,168
Change in net assets	5,807,382	4,761,801	1,045,581
<b>Statement of Cash Flows</b>			
Change in net assets	5,807,382	4,761,801	1,045,581
Undistributed portion of change in interest in net assets of HCMH Foundation	(1,849,384)	-	(1,849,384)
Undistributed portion of change in interest in net assets of Greater Hill Country Hospice	(822,834)	-	(822,834)
Net cash provided by operating activities	5,700,993	7,327,630	(1,626,637)
Distributions from HCMH Foundation used for acquisition of property and equipment	1,626,637	-	1,626,637
Net cash provided by financing activities	1,049,835	(576,802)	1,626,637

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

#### Note 13: Related Party Transactions

In 2011, the Hospital became party to an indigent care affiliation agreement with the City of Seguin and Guadalupe County, Texas d/b/a Guadalupe Regional Medical Center to collaborate with the Healthcare Partnership of Greater San Antonio (the Service Organization), a nonprofit corporation, to access Medicaid supplemental payments through the State of Texas private UPL program. Members of the Hospital's management team serve on the Board of the Service Organization. The Hospital contributed approximately \$700,000 to the Service Organization in 2011. The related expense is reflected as a component of supplies and other expense in the 2011 consolidated statement of operations.

#### Note 14: Disclosures About Fair Value of Assets and Liabilities

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

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

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

#### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds, repurchase agreements, U.S. Treasury obligations and U.S. agency obligations. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Hospital did not own any Level 2 securities at December 31, 2011 or 2010. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital did not own any Level 3 securities at December 31, 2011 or 2010.

# Hill Country Memorial Hospital

## Notes to Consolidated Financial Statements

### December 31, 2011 and 2010

The Hospital's investments consisted entirely of money market mutual funds at December 31, 2011, which are classified as a Level 1 security

The following table presents the fair value measurements of the Hospital's assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2010

	2010			
	Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Money market mutual funds	\$ 2,792,113	\$ 2,792,113	\$ -	\$ -
U S Treasury and agency obligations	4,275,866	4,275,866	-	-
Repurchase agreements	500,000	500,000	-	-

#### Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

##### ***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1 and 2*

##### ***Self-insured Risks***

Estimates related to the accrual for medical malpractice claims are described in *Notes 1 and 6*

##### ***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

# **Hill Country Memorial Hospital**

## **Notes to Consolidated Financial Statements**

### **December 31, 2011 and 2010**

#### ***Health Care Reform***

During 2010, Congress passed legislation that will significantly reform the United States health care system. The Legislation will require certain changes through 2014 to private and public health care insurance plans, including the Texas Medicaid program. While the impact of these regulatory changes cannot currently be determined, it is reasonably possible that these changes will negatively impact the Hospital's net patient service revenue.

#### ***Current Economic Conditions***

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

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

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Additional Data

Software ID:

Software Version:

EIN: 74-6083124

Name: Hill Country Memorial Hospital

Form 990, Special Condition Description:

Special Condition Description
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Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services					
(Code )	(Expenses \$	332,643	including grants of \$	0 )	(Revenue \$ 369,833 )
WIC PROGRAM					
(Code )	(Expenses \$	143,266	including grants of \$	0 )	(Revenue \$ 128,520 )
CLINIC RENT INCOME					
(Code )	(Expenses \$	0	including grants of \$	0 )	(Revenue \$ 154,095 )
OTHER RELATED ACTIVITIES					