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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning , 2011, and ending , 20

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

C Name of organization: Texas Health Resources

Doing Business As:

Number and street (or P O box if mail is not delivered to street address): 612 E. Lamar Blvd, Suite 1400

Room/Suite: 1400

City or town, state or country, and ZIP + 4: Arlington TX 76011

D Employer identification number: 75-2702388

E Telephone number: (682)236-7900

G Gross receipts $ 1,420,295,744

F Name and address of principal officer: See attachment #1

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

H(b) Are all affiliates included? ☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number ▶

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

J Website: ▶ www.texashealth.org

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1997

M State of legal domicile: TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities: Through its affiliates, THR operates an integrated primarily non-profit healthcare system with services and facilities throughout North Central Texas.

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	16
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	3,155
6	Total number of volunteers (estimate if necessary)	6	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	2,544,361
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-135,737

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	354,889	732,258
9	Program service revenue (Part VIII, line 2g)	351,798,771	390,970,044
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	71,939,040	97,151,597
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,504,648	6,264,971
12	Total revenue -- add lines 8 through 11 (must equal Part VIII, column (A), line 12)	428,597,348	495,118,870
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	3,331,374	1,285,576
14	Benefits paid to or for members (Part IX, column (A), line 4)		
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	168,831,220	193,430,592
16a	Professional fundraising fees (Part IX, column (A), line 11e)		437,717
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 437,717		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	180,625,599	242,537,247
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	352,788,193	437,691,132
19	Revenue less expenses Subtract line 18 from line 12	75,809,155	57,427,738

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	2,376,439,329	2,406,057,455
21	Total liabilities (Part X, line 26)	2,250,128,545	2,481,174,019
22	Net assets or fund balances Subtract line 21 from line 20	126,310,784	-75,116,564

Part II Signature Block

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

Sign Here

▶ Signature of officer: Kenneth Kramer — Date: 11/23/2012

▶ Kenneth Kramer Asst Secretary

Type or print name and title

Paid Preparer Use Only

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

Firm's name ▶ | Firm's EIN ▶

Firm's address ▶ | Phone no

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

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2011)

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91, 14-18

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Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

Through its affiliates, THR operates an integrated primarily non-profit healthcare system with services and facilities throughout North Central Texas.

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 $ 437,253,415 including grants of $ 1,285,576) (Revenue $ 390,634,916)

See attachment #2

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

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

4d Other program services (Describe in Schedule O)

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

4e Total program service expenses ▶ 437,253,415

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Part IV **Checklist of Required Schedules**

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	X	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III N/A	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? If "Yes," complete Schedule D, Part I	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8		X
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	9		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	10		X
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? If "Yes," complete Schedule D, Part VI	11a	X	
b	Did the organization report an amount for investments -- other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII	11b		X
c	Did the organization report an amount for investments -- program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII	11c		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX	11d		X
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	11e	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X	11f		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII	12a		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, & program service activities outside the United States, or aggregate foreign investments valued at $100,00 or more? If "Yes," complete Schedule F, Parts I and IV	14b		X
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 United States? If "Yes," complete Schedule F, Parts II and IV	15		X
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 United States? If "Yes," complete Schedule F, Parts III and IV	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	X	
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		X
20a	Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part IV **Checklist of Required Schedules** (continued)

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

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Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	395			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	3,155			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	X	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O			3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		X
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			5a		X
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5b		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5c		
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		N/A	6a		X
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6b		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A			
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		N/A	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		N/A	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		N/A	7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		N/A	8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?		N/A	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		N/A	9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		N/A	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state?		N/A	13a		
	Note. See the instructions for additional information the organization must report on Schedule O.					
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		N/A	14b		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O	1a	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	16		
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		X	
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			X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6	Did the organization have members or stockholders?	6			X
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			X
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			X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		X	
b	Each committee with authority to act on behalf of the governing body?	8b		X	
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			X

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			X
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? N/A	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		X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990				
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a		X	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b		X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c		X	
13	Did the organization have a written whistleblower policy?	13		X	
14	Did the organization have a written document retention and destruction policy?	14		X	
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		X	
b	Other officers or key employees of the organization	15b		X	
	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		X	
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 taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		X	

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

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

☐ Own website ☒ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ See attachment #3

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (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			
Bohn Allen, M.D. Trustee	3.00	X						0	0	0
Anne Bass Trustee	3.00	X						0	0	0
Jay Beavers, D. Min. Trustee	3.00	X						0	0	0
Tom Cravens Trustee	3.00	X						0	0	0
Hunter Hunt Trustee	3.00	X						0	0	0
Gary Hutchison, M.D. Trustee	3.00	X						0	0	0
Ms. Feliz Jarvis Trustee	3.00	X						0	0	0
Monsignor Philip Johnson Trustee	3.00	X						0	0	0
Terry Kelley Immediate Past Chairman	3.00	X						0	0	0
Kerney Laday Vice Chairman	3.00	X						978	0	0
Grace McDermott Trustee	3.00	X						0	0	0
Jimmy C. Payton, Sr. Trustee	3.00	X						0	0	0
Leonard Roberts Chairman	3.00	X						0	0	0
Ted S. Wen, M.D. Trustee	3.00	X						131	12,000	0
Wesley Turner Trustee	3.00	X						0	0	0

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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	Former			
Dennis Stripling, M.D. Trustee	3.00	X						0	0	0
Douglas Hawthorne CEO	40.00	X		X				2,471,659	0	222,583
Ronald Long Sr. Exec. Vice President	40.00			X				1,716,526	0	107,341
Barclay Berdan Sr. Exec. Vice President	40.00			X				1,201,278	0	119,583
Stephen Hanson Exec Vice President	40.00			X				1,194,135	0	114,130
Charles Boes Exec Vice President	40.00			X				761,758	0	82,524
Jonathan Scholl Exec Vice President	40.00			X				742,048	0	168,951
Bonnie Bell Exec Vice President	40.00			X				740,852	0	84,245
Michael Deegan Exec Vice President	40.00			X				585,593	0	23,031
Kenneth Kramer Sr. Vice President	40.00			X				438,163	0	65,227
John Mitchell										
1b Sub-total							▶	9853121	12000	987615
c Total from continuation sheets to Part VII, Section A							▶	14731863	1749839	1937987
d Total (add lines 1b and 1c)							▶	24584984	1761839	2925602

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 ▶ 286

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

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
See attachment #4		

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 292

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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 AMTS	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	456,881			
	e	Government grants (contributions)	1e	275,377			
	f	All other contributions, gifts, grants, & similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f	$				
	h	**Total.** Add lines 1a-1f	▶	732,258			
PROGRAM SERVICE REVENUE			**Business Code**				
	2a	Management Fee	541610	317,560,276	316,801,238	759,038	
	b	Rental Fee		54,062,155	54,062,155		
	c	JV Activity	812900	19,347,613	19,335,842	11,771	
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a-2f	▶	390,970,044			
OTHER REVENUE	3	Investment income (including dividends, interest, and other similar amounts)	▶	36,297,942			36,297,942
	4	Income from investment of tax-exempt bond proceeds	▶				
	5	Royalties	▶	1,511,960			1,511,960
			(i) Real	(ii) Personal			
	6a	Gross Rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)	▶				
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	985,962,990	67,539			
	b	Less cost or other basis and sales expenses	924,960,307	216,567			
	c	Gain or (loss)	61,002,683	-149,028			
	d	Net gain or (loss)	▶	60,853,655			60,853,655
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events	▶				
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities	▶				
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory	▶				
		Miscellaneous Revenue	**Business Code**				
	11a	Settlements		2,543,778			
	b	Telecommunications	541900	2,053,292	289,334	1,763,958	
	c	Video Communications	541900	66,035	56,441	9,594	
	d	All other revenue #5		89,906	89,906		
	e	**Total.** Add lines 11a-11d	▶	4,753,011			
	12	**Total revenue.** See instructions	▶	495,118,870	390,634,916	2,544,361	98,663,557

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	1,285,576	1,285,576		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	20,450,035	20,450,035		
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	138,320,601	138,320,601		
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	4,320,534	4,320,534		
9	Other employee benefits	19,825,561	19,825,561		
10	Payroll taxes	10,513,861	10,513,861		
11	Fees for services (non-employees)				
a	Management	5,868,482	5,868,482		
b	Legal	1,928,623	1,928,623		
c	Accounting	1,861,810	1,861,810		
d	Lobbying				
e	Professional fundraising services See Part IV, line 17	437,717			437,717
f	Investment management fees	5,981,629	5,981,629		
g	Other	37,550,928	37,550,928		
12	Advertising and promotion	12,265,632	12,265,632		
13	Office expenses	9,482,166	9,482,166		
14	Information technology	35,518,000	35,518,000		
15	Royalties				
16	Occupancy	32,392,848	32,392,848		
17	Travel	1,960,411	1,960,411		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	2,878,587	2,878,587		
20	Interest	4,444,721	4,444,721		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	34,647,662	34,647,662		
23	Insurance	212,251	212,251		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a	Discontinued Operations	38,999,255	38,999,255		
b	Repairs & Maintenance	5,803,496	5,803,496		
c	License/Dues	3,525,648	3,525,648		
d	Supplies	1,644,395	1,644,395		
e	All other expenses	5,570,703	5,570,703		
25	**Total functional expenses.** Add lines 1 through 24e	437,691,132	437,253,415		437,717
26	**Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

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Part X Balance Sheet

			(A) Beginning of year		(B) End of year
ASSETS	1	Cash -- non-interest-bearing	209,521,782	1	224,459,234
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	19,824,240	4	14,674,731
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	7,999,638	5	7,945,773
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501 (c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7	Notes and loans receivable, net	22,905,148	7	9,144,944
	8	Inventories for sale or use	58,285	8	58,285
	9	Prepaid expenses and deferred charges	30,126,093	9	35,388,739
	10a	Land, buildings, and equipment: cost or other basis Complete Part VI of Schedule D — 10a 552,610,455			
	b	Less accumulated depreciation — 10b 260,984,606	333,145,707	10c	291,625,849
	11	Investments -- publicly traded securities	1,407,212,089	11	1,655,681,911
	12	Investments -- other securities See Part IV, line 11	256,362,546	12	83,583,632
	13	Investments -- program-related See Part IV, line 11		13	
	14	Intangible assets	20,017,948	14	19,317,803
	15	Other assets See Part IV, line 11	69,265,853	15	64,176,554
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	2,376,439,329	16	2,406,057,455
LIABILITIES	17	Accounts payable and accrued expenses	121,978,408	17	137,961,639
	18	Grants payable		18	
	19	Deferred revenue	1,141,199	19	
	20	Tax-exempt bond liabilities	1,065,757,479	20	1,086,581,412
	21	Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	1,061,251,459	25	1,256,630,968
	26	**Total liabilities.** Add lines 17 through 25	2,250,128,545	26	2,481,174,019
NET ASSETS OR FUND BALANCES		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	2,485,692	27	-75,310,610
	28	Temporarily restricted net assets	72,246,980	28	194,046
	29	Permanently restricted net assets	51,578,112	29	
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	126,310,784	33	-75,116,564
	34	Total liabilities and net assets/fund balances	2,376,439,329	34	2,406,057,455

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Part XI **Reconciliation of Net Assets**

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	495,118,870
2	Total expenses (must equal Part IX, column (A), line 25)	2	437,691,132
3	Revenue less expenses Subtract line 2 from line 1	3	57,427,738
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	126,310,784
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-258,855,086
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	-75,116,564

Part XII **Financial Statements and Reporting**

Check if Schedule O contains a response to any question in this Part XII [ ]

			Yes	No
1	Accounting method used to prepare the Form 990 [ ] Cash [X] Accrual [ ] Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	X	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both [ ] Separate basis [X] Consolidated basis [ ] Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
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 N/A	3b		

SCHEDULE A
(Form 990 or 990-EZ)

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
Texas Health Resources

Employer identification number
75-2702388

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Yes	No
11g(i) (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 supported organization?		X
11g(ii) (ii) A family member of a person described in (i) above?		X
11g(iii) (iii) A 35% controlled entity of a person described in (i) or (ii) above?		X

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
See Attachment									
Total									309,681,398

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

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, Part V, line 35c (Proxy Tax), then

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

Name of organization	Employer identification number
Texas Health Resources	75-2702388

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

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

2 Political expenditures . . . ▶ $

3 Volunteer hours

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

	(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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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		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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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)).**

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?	X		
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	X		
c	Media advertisements?		X	
d	Mailings to members, legislators, or the public?	X		432
e	Publications, or published or broadcast statements?		X	
f	Grants to other organizations for lobbying purposes?	X		139,364
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	X		1,110,717
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i	Other activities?		X	
j	Total Add lines 1c through 1i			1,250,513
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
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?		X	

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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."**

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible 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, Part II-A, and Part II-B, line 1

Also, complete this part for any additional information

Texas Health Resources (THR) is the parent organization for a healthcare system consisting of hospitals and other related healthcare organizations The amount of expenses paid or incurred in connection with lobbying activities reported on this return represent the expenses incurred on behalf of THR and all its affiliates. Total expenses for the system were $3,580,308,988 for the year ended December 31, 2011. Of this amount $1,250,513 (.0349%) is used in connection with lobbying activities.

The officers and/or Board members of THR make comments or statements concerning legislation that may affect either the healthcare industry or the health status of the communities THR serves. In no case has either THR or any person acting on behalf of THR intervened in any political campaign.

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 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
Texas Health Resources

Employer identification number
75-2702388

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

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

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

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

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

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

☐ Preservation of land for public use (e g , recreation or education)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

2 Complete lines 2a through 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 Tax Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 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 (ASC 958), 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 (ASC 958), 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 (ASC 958) relating to these items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance					
b	Contributions					
c	Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

- a Board designated or quasi-endowment ▶ _____ %
- b Permanent endowment ▶ _____ %
- c Temporarily restricted endowment ▶ _____ %

The percentages in lines 2a, 2b, and 2c should equal 100%

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

	Yes	No
(i) unrelated organizations (3a(i))		
(ii) related organizations (3a(ii))		

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

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

Part VI **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		59,566,274		59,566,274
b	Buildings		216,198,089	108,401,048	107,797,041
c	Leasehold improvements		58,715,062	38,119,186	20,595,876
d	Equipment		168,417,459	114,464,372	53,953,087
e	Other		49,713,571		49,713,571
Total. Add lines 1a through 1e (Column (d) should equal Form 990, Part X, column (B), line 10(c))				▶	291,625,849

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests	83,583,632	Cost
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 12.) ▶	83,583,632	

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 13.) ▶		

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

(a) Description	(b) Book value
(1) Other Assets	4,393,227
(2) Malpractice Trust	51,171,859
(3) Trustee Funds - Sup Ret	1,505,996
(4) Trustee Funds - CAA	2,341,037
(5) Unamortized Bond Issue Costs	4,741,066
(6) Deposits	10,247
(7) Debt Related Reserve Funds	13,122
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15.) ▶	64,176,554

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) Security Deposit	52,112
(3) Trustee Funds - Sup Ret	1,505,996
(4) Trustee Funds - CAA	2,341,037
(5) Post Retirement Benefits	8,529,750
(6) Unamortized Rent	3,167,961
(7) Other Liabilities	2,042,531
(8) Asset Retirement Obligation	2,270,074
(9) Malpractice Trust Reserve	34,976,162
(10) Intercompany Payable	1,201,745,345
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.) ▶	1,256,630,968

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

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

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

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

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

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

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

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, 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

SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

Part I **Fundraising Activities.** Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a ☐ Mail solicitations
- b ☐ Internet and email solicitations
- c ☐ Phone solicitations
- d ☐ In-person solicitations
- e ☐ Solicitation of non-government grants
- f ☐ Solicitation of government grants
- g ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☒ Yes ☐ No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions? Yes	(iii) No	(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
1 DINI Partners, In 2727 Allen Parkwy	Planning Major Gft				4,371,717	
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total ▶					4,371,717	

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

TX

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Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b List events with gross receipts greater than $5,000

		(a) Event #1 (event type)	(b) Event #2 (event type)	(c) Other events (total number)	(d) Total events (add col (a) through col (c))
REVENUE	1 Gross receipts				
	2 Less Charitable contributions				
	3 Gross income (line 1 minus line 2)				
DIRECT EXPENSES	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses				
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				( )
	11 Net income summary Combine line 3, column (d), and line 10 ▶				

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) thru col (c))
REVENUE	1 Gross revenue				
DIRECT EXPENSES	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____ % ☐ No	☐ Yes ____ % ☐ No	☐ Yes ____ % ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				( )
	8 Net gaming income summary. Combine line 1, column d, and line 7 ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

11 Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	%
b An outside facility	13b	%

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ _____

Address ▶ _____

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address of the third party

Name ▶ _____

Address ▶ _____

16 Gaming manager information

Name ▶ _____

Gaming manager compensation ▶ $ _____

Description of services provided ▶ _____

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable Also complete this part to provide any additional information (see instructions)

DINI Partners provided planning and development of the major gift campaign at Texas Health Resources (THR). Per the consulting service agreement, THR paid $430,000 for professional fundraising services and $7,716 as reasonable reimbursement expenses which were approved in advance by THR. These expenses include travel, telecommunications, printing, etc.

In 2011, neither THR nor a professional fundraiser directly solicited funds. All solicitations were made through related controlled tax-exempt Foundations who performed fundraising functions for the System. THR provides centralized management services for all related tax-exempt organizations, including the Foundations.

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
Texas Health Resources

Employer identification number
75-2702388

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	X	
b	If "Yes," was it a written policy?	1b	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☒ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied 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 free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ %	3a	X	
b	Did the organization use FPG to determine eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b		X
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 used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		X
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		X
6a	Did the organization prepare a community benefit report during the tax year?	6a		X
b	If "Yes," did the organization make it available to the public?	6b		X
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

	Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a	Financial Assistance at cost (from Worksheet 1)			2,412,242	558,029	1,854,213	1.09
b	Medicaid (from Worksheet 3, column a)			9,784,267	6,735,898	3,048,369	1.80
c	Costs of other means-tested government programs (from Worksheet 3, column b)			535,741	432,123	103,618	0.06
d	**Total** Financial Assistance and Means-Tested Government Programs			12,732,250	7,726,050	5,006,200	2.95
	Other Benefits						
e	Community health improvement services and community benefit operations (from Worksheet 4)			1,680,753		1,680,753	0.99
f	Health professions education (from Worksheet 5)						
g	Subsidized health services (from Worksheet 6)						
h	Research (from Worksheet 7)						
i	Cash and in-kind contributions for community benefit (from Worksheet 8)			845,397		845,397	0.50
j	**Total.** Other Benefits			2,526,150		2,526,150	1.49
k	**Total.** Add lines 7d and 7j			15,258,400	7,726,050	7,532,350	4.44

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Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support			13,527		13,527	0.01
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development			9,998		9,998	0.01
9	Other						
10	Total			23,525		23,525	0.02

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1		X
2	Enter the amount of the organization's bad debt expense	2 29,052,800		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	38,433,496
6	Enter Medicare allowable costs of care relating to payments on line 5	6	38,663,682
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-230,186
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☒ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?		9a		X
b	If "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	N/A	9b		

Part IV Management 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) Physician's profit % or stock ownership %
Physician Med Ctr	Hospital	6	0	47
Rockwall Regional	Hospital	52	0	48
Southlake Specialty	Hospital	6	0	46
USMD Hosp Arlington	Hospital	51	0	49
USMD Hosp FW	Hospital	51	0	49
North TX ACO, LLC	Management Company	50	0	50
Flower Mound Hosp	Hospital	55	0	45

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 7

Name and address	LICENSED HOSPITAL	GENERAL MEDICAL & SURGICAL	CHILDRENS HOSPITAL	TEACHING HOSPITAL	CRITICAL ACCESS HOSPITAL	RESEARCH FACILITY	ER 24 HOURS	ER OTHER	Other (descnbe)
1) Rockwall Regional Hospital 3150 Horizon Rd Rockwall, TX, 75032	X	X					X		
2) Physicians Medical Center LLC 6020 Parker Rd Plano, TX, 75093	X	X					X		
3) Southlake Specialty Hospital LLC 1545 E Southlake Blvd Southlake, TX, 76092	X	X					X		
4) Flower Mound Hospital Partners 4400 Long Prairie Rd Flower Mound, TX, 75028	X	X					X		
5) USMD Hospital at Arlington 801 W Interstate 20 Arlington, TX, 76017	X	X					X		
6) Sherman Grayson Health System 500 N Highland Sherman, TX, 75092	X	X					X		
7) USMD Hospital at Fort Worth 5900 Dirks Rd Fort Worth, TX, 76132	X	X					X		

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)

Name of Hospital Facility: Rockwall Regional Hospital

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 tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply).			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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)

Name of Hospital Facility: Physicians Medical Center LLC

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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)

Name of Hospital Facility: Southlake Specialty Hospital LLC

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used.			

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)

Name of Hospital Facility: Flower Mound Hospital Partners

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 4

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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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)

Name of Hospital Facility: USMD Hospital at Arlington

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 5

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care. 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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)

Name of Hospital Facility: Sherman Grayson Health System

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 6

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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)

Name of Hospital Facility: USMD Hospital at Fort Worth

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 7

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care. 200.0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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Part V Facility Information (continued)

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

Billings 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		X
15	Check all of the following 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	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] 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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[X] Other (describe in Part VI)			

Part V Facility Information (continued)

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

Billings 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		X
15	Check all of the following 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	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] 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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[X] Other (describe in Part VI)			

Part V Facility Information (continued)

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

Billings 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		X
15	Check all of the following 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	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] 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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[X] Other (describe in Part VI)			

Part V Facility Information (continued)

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

Billings 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		X
15	Check all of the following 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	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] 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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
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d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[X] Other (describe in Part VI)			

Part V **Facility Information** (continued)

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 200.000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[ ] Asset level			
c	[ ] Medical indigency			
d	[X] Insurance status			
e	[ ] Uninsured discount			
f	[ ] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13		X
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to billing invoices			
c	[ ] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
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Billings 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	X	
15	Check all of the following 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			
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b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] 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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
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d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[X] Other (describe in Part VI)			

Part V Facility Information (continued)

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300.00%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[X] Insurance status			
e	[X] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
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c	[ ] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
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15	Check all of the following 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			
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b	[X] Lawsuits			
c	[X] Liens on residences			
d	[ ] Body attachments			
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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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
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d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[X] Other (describe in Part VI)			

Part V Facility Information (continued)

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 200.000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[ ] Asset level			
c	[ ] Medical indigency			
d	[X] Insurance status			
e	[ ] Uninsured discount			
f	[ ] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12		X
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	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
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Billings and Collections

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e	[X] 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?	18	X	
	If "No," indicate why			
a	☐ The hospital facility did not provide care for any emergency medical conditions			
b	☐ The hospital facility's policy was not in writing			
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d	☐ 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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	☒ The hospital facility used the average of the three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☐ 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?	20		X
	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?	21		X
	If "Yes," explain 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?	18	X	
	If "No," indicate why			
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	If "Yes," explain in Part VI			
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	If "Yes," explain 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?	18	X	
	If "No," indicate why			
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	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

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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?	18	X	
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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?	20		X
	If "Yes," explain in Part VI			
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Part V Facility Information (continued)

Policy Relating to Emergency Medical Care

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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?	18	X	
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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?	20		X
	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?	21		X
	If "Yes," explain 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?	18	X	
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b	☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
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d	☒ 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?	20		X
	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?	21		X
	If "Yes," explain 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?	18	X	
	If "No," indicate why:			
a	☐ The hospital facility did not provide care for any emergency medical conditions			
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b	☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ 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?	20		X
	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V **Facility Information** (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? 1

Name and address	Type of Facility (describe)
1) Health Imaging Partners 8610 Explorer Dr Colorado Springs, CO 80920	Imaging Center

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Item Number 1
Part 1, line 3c
The Schedule H for Texas Health Resources is filed solely because it has an ownership interest in 7 taxable joint ventures operating as hospitals.

THR is a functionally integrated supporting organization and does not operate its own hospital. THR supports a system of faith-based, non-profit hospitals, an employed physician organization and an organization for medical research and education. THR has adopted a charity care policy which covers all 14 non-profit hospitals it supports.

Patients with family income at or below 200% of applicable FPG may be eligible for free care if the patient lacks sufficient funds and assets to pay the out-of-pocket portion of their hospital bill.

All THR self pay patients who do not qualify for the organization's charity program, regardless of income, are eligible for a discount of 45% off the hospital's charge for general hospital services. In addition, a 60% discount is available on charges associated with certain implantable devices.

THR patients with family income above 200% of applicable FPG who have unpaid medical bills exceeding a specified % of the annual gross income of the patient may be deemed medically indigent and eligible for charity care. The patient may be eligible for a charity adjustment up to 100% of the unpaid balance of their hospital bill in excess of a specified patient responsible amount if the patient has insufficient funds/assets to pay his hospital bill without incurring an undue financial hardship. The patient responsible amount is based on a percentage of the patient's annual income.

A determination as to whether or not a patient has insufficient funds and/or assets to pay for purposes of determining both financial and

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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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

medical indigence is made at the time the patient charity care application is reviewed. Assets considered when determining eligibility include cash, stocks, bonds and other financial assets that can be readily converted to cash. An additional process to screen for charity patients using publicly available financial information is also in place for patients not submitting a charity care application.

A cost to charge ratio is used in computing the amounts reported in Lines 7a-7c. The amounts reported on Lines 7e-7i were obtained using direct costs, as determined by a cash outlay or, in the case of reporting employee volunteer hours, by using an average national volunteer wage rate.

Item Number 2
Part 1, line7
A cost to charge ratio is used in computing the amounts reported in Lines 7a-7c. The amounts reported on Lines 7e-7i were obtained using direct costs, as determined by a cash outlay or, in the case of reporting employee volunteer hours, by using an average national volunteer wage rate.

Item Number 3
Part III, line 4
The bad debt expense shown on Part III, line 2 is THRs share of the bad debt expense of its taxable hospital joint ventures. The amount of the bad debt expense attributable to patients eligible under the charity care policy is unknown.

Bad debt expense is not included as a community benefit for purposes of reporting community benefits to the state of Texas.

The taxable joint ventures do not issue audited financial statements with a footnote describing bad debt expense.

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

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Item Number 4
Part III, line 8
The State of Texas treats any Medicare shortfall as a community benefit for meeting the state statutory requirements for charity care and community benefit. For the State, the shortfall is computed by comparing actual Medicare reimbursements with the estimated cost the hospital incurs in providing these services to Medicare patients. Cost is determined by applying a cost to charge ratio, with costs determined in accordance with GAAP, to billed charges.

Item Number 5
Part III, line 9b
During the year, standard collection procedures were in place and uniformly applicable to all patient accounts. Except to the extent a patient receives a recovery from any third party or other source, no attempts are made to collect unpaid charges from patient accounts approved for adjustment under the Charity Care Program.

Item Number 6
Part VI, line 1
Part V, Section B, Line 10
For Rockwall Regoinal, Physicians Medical Center, Southlake Specialty, and Flower Mound see response to Part I, Line 3c

For USMD Arlington & USMD Fort Worth see Sch O.

Item Number 7
Facilities 1, 2, 3 & 4 Part V, Section B, line 11h
See response to Part I, Line 3c and Part V Sec B, Line 10

Item Number 8
Facilities 1, 2, 3, 4 & 6 Part V, Section B, line 13g
A full copy of the Charity Care Policy is provided upon request.

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Notice of financial assistance and a summary of the policy are communicated to the public and to patients. A summary of the policy is in each of the following.
posted on the hospital's website,
attached to billing invoices,
posted at the emergency room and waiting rooms,
posted in Admissions office, and
provided, in writing, to patients on admission to the hospital

Item Number 9
Facilities 5 & 7 Part V, Section B, line 13g
Notice of financial assistance and a summary of the policy are communicated to the public and to patients. A summary of the policy is in each of the following.
posted at the emergency room and waiting rooms,
posted in Admissions office, and
provided, in writing, to patients on admission to the hospital

Item Number 10
Part VI, line 4
Sch H, Part VI, Line 4-Community Information
Texas Health does not operate a hospital. Therefore, there is no information to provide regarding a hospital service area.

Item Number 11
Part VI, line 5
THR does not operate a hospital. Schedule H reflects THRs ownership interest in its taxable joint ventures which operate hospitals.

Item Number 12
Part VI, line 6
The organization is part of the THR healthcare system. THR is one of the largest faith-based, nonprofit healthcare delivery systems

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

in the US and the largest in North TX in terms of patients served. The system of 14 hospitals includes an organization for medical research and education. The system also includes two foundations that foster philanthropic relationships which support the programs and services of the hospitals they support.

The mission of the hospitals in the THR system is to improve the the health of the people in the communities we serve. THR takes its responsibility to its communities seriously and invests charitable resources to promote good health and prevent disease. Not only does THR provide health care to those who do not have the means to pay, its hospitals also conduct a variety of programs designed to improve health and prevent illness in the community. The community health strategies of THR and its affiliated healthcare organizations are driven by community health needs, are community-based and include confronting health problems at the source and emphasize health promotion, disease prevention, and early treatment of illness.

Item Number 13
Part VI, line 7
The data provided for Sch H is THRs share of operations from its taxable joint ventures which operate hospitals in Texas. The taxable joint ventures are not required to file community benefit reports with the state of Texas.

Item Number 14
Facilities 5, 6 & 7 Part V, Section B, line 19d
USMD at Arlington and USMD at Fort Worth provide at least a 35% discount to self pay patients. The 35% discount is approximately the average discount provided to a non-government third party payer. Additionally, patients who qualify under the FAP may be eligible for a charity adjustment up to 100% of their hospital bill.

Sherman Grayson provides at least a 15% discount to self pay

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

patients. Additionally, patients who qualify under the FAP may be eligible for a charity adjustment up to 100% of their hospital bill.

SCHEDULE I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

Part I General Information on Grants and Assistance

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

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

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American College of Healthcare Executives 251 Decker Drive Irving, TX 75062	35-2225477	501(c)(6)	5,600				General Fund
American Cancer Society 8901 Carpenter Freeway Dallas, TX 75247	74-1185665	501(c)(3)	28,000				General Fund
American Diabetes Association 4101 Alpha Rd, Ste 100 Dallas, TX 75244	13-1623888	501(c)(3)	31,000				General Fund
American Heart Association 82 Brookriver Dr. N 100 Dallas, TX 75247	74-1222132	501(c)(3)	70,000				General Fund
Association of Professional Chaplains 1702 E. Woodfield Rd. #400 Schaumburg, IL 60173	36-3762667	501(c)(3)	10,000				General Fund
Careflite 3110 S. Great Southwest Parkway Grand Prairie, TX 75052	75-1657155	501(c)(3)	10,000				General Fund
Central Texas Conference 465 Bailey							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 instructions ▶ 50

3 Enter total number of other organizations listed in the line 1 instructions . . . . . ▶ 11

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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

Part III can be duplicated 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

Texas Health Resources (THR) receives various requests from the community for assistance. THR management reviews these requests to verify that they are benefiting the community and they are in agreement with THR's mission. The grants or assistance given by THR are generally to local organizations who have a longstanding record of benefiting the local community.

Since the vast majority of the assistance given by THR is to local organizations, management is able to monitor the use of the funds using personal inspection. Many of the events are published in the local paper. Many are community wide events where THR employees attend, or work as volunteers or coordinators.

990 - Sch I - Part I, Continuation of Grants and Other Assistance to Governments and Organizations in the United States

For Calendar year 2011, or tax year period beginning and ending

Name of the organization: Texas Health Resources

Employer identification number: 75-2702388

(a) Name and address of organization or government	(b) EIN	c) IRC 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
Fort Worth, TX 76107 Coalition to Protect America Health Care P.O. Box 30211 Bethesda, MD 20815	52-2253225	501(c)(3)	25,000				General Fund
Dallas County Community College District 1601 South Lamar St. Dallas, TX 75215	75-1213149	501(c)(3)	150,000				General Fund
Dallas Medical Resources 3506 Turtle Creek Blvd, # 5D Dallas, TX 75219	38-3731152	501(C)(6)	11,901				General Fund
Dallas-Fort Worth Hospital Council 251 Decker Drive Irving, TX 75062	11-3836881	501(c)(3)	26,700				General Fund
Fort Worth Chamber of Commerce 777 Taylor St. #900 Fort Worth, TX 76102	75-0275060	501(c)(3)	5,600				General Fund
Frontiers of Flight Museum 6911 Lemmon Ave. Dallas, TX 75209	75-2244531	501(c)(3)	7,500				General Fund
Kwanzaafest, Inc. PO Box 225067 Dallas, TX 75223	75-2851704	501(c)(3)	10,000				General Fund
March of Dimes 12661 Coit Road Dallas, TX 75251	13-1846366	501(c)(3)	50,000				General Fund
N TX Accountable Healthcare Partnership							

990 - Sch I - Part I, Continuation of Grants and Other Assistance to Governments and Organizations in the United States

For Calendar year 2011, or tax year period beginning and ending

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

(a) Name and address of organization or government	(b) EIN	c) IRC 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
140 East 12th Street Dallas, TX 75203	27-3651426	501(c)(3)	25,000				
N TX Super Bowl XLV Host Committee 2911 Turtle Creek Blvd, Ste 1000 Dallas, TX 75219	87-0784763	501(c)(6)	125,000				General Fund
North Texas Commission PO Box 610246 DFW Airport, TX 75261	75-1364760	501(c)(6)	11,250				General Fund
Parkland Foundation 2777 Stemmons Frwy, Ste 1700 LB 69 Dallas, TX 75207	75-2089180	501(c)(3)	55,000				General Fund
Presbyterian Communities & Services 550 East Ann Harbor Ave Dallas, TX 75216	75-1910084	501(c)(3)	7,500				General Fund
Robert G. Greenleaf Center Inc. 14785 Preston Rd, #550 Dallas, TX 75254	04-6122305	501(c)(3)	15,000				General Fund
Susan G. Komen Tarrant County 2216 Green Oaks Rd Fort Worth, TX 76116	75-2445070	501(c)(3)	7,500				General Fund
Texas A&M University Health Science Ctr 8448 State Hwy 47 Bryan, TX 77807	74-2907553	501(c)(3)	6,000				General Fund
Texas Health Harris Methodist Foundation							

990 - Sch I - Part I, Continuation of Grants and Other Assistance to Governments and Organizations in the United States

For Calendar year 2011, or tax year period beginning and ending

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

(a) Name and address of organization or government	(b) EIN	c) IRC 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
612 E Lamar Blvd Arlington, TX 76011 Texas Health Presbyterian Foundation	75-2041033	501(c)(3)	175,100				General Fund
612 E Lamar Blvd Arlington, TX 76011 United Way of Metropolitan Dallas	75-2022128	501(c)(3)	216,000				General Fund
1800 N Lamar Dallas, TX 75202 United Way of Metropolitan Tarrant County	75-6005352	501(c)(3)	50,000				General Fund
210 E Ninth St Fort Worth, TX 76102	75-0858360	501(c)(3)	50,000				

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization: Texas Health Resources

Employer identification number: 75-2702388

Part I Questions Regarding Compensation

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

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

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts 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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
Douglas Hawthorne	(i)	1,023,958	1,160,590	287,111	206,769	15,814	2,694,242	674,512
	(ii)							
Ronald Long	(i)	501,035	1,098,726	116,765	83,331	24,010	1,823,867	902,808
	(ii)							
Barclay Berdan	(i)	541,762	506,797	152,719	96,999	22,584	1,320,861	281,020
	(ii)							
Stephen Hanson	(i)	559,296	514,599	120,240	93,478	20,652	1,308,265	297,478
	(ii)							
Charles Boes	(i)	354,857	316,909	89,992	69,149	13,375	844,282	178,373
	(ii)							
Jonathan Scholl	(i)	473,634	175,916	92,498	151,228	17,723	910,999	54,532
	(ii)							
Bonnie Bell	(i)	346,598	303,045	91,209	68,325	15,920	825,097	168,881
	(ii)							
Michael Deegan	(i)	183,719	301,289	100,585	14,700	8,331	608,624	193,994
	(ii)							
Kenneth Kramer	(i)	226,150	153,690	58,323	40,346	24,881	503,390	81,227
	(ii)							
John Mitchell	(i)	192,809	44,072	56,371	37,247	24,104	354,603	0
	(ii)							
Britt Berrett	(i)							
	(ii)	488,462	205,376	103,889	230,692	18,043	1,046,462	61,253
Oscar Amparan	(i)							
	(ii)	447,152	418,060	86,900	80,232	13,727	1,046,071	223,099
Michael Stoltz	(i)	358,130	307,535	66,816	64,232	14,106	810,819	127,847
	(ii)							
Stan Dennis	(i)	341,874	312,541	68,178	48,126	25,909	796,628	122,920
	(ii)							
Thomas Ziesmann	(i)	346,883	275,372	63,249	154,509	26,005	866,018	154,306
	(ii)							
Krystal Mims	(i)	335,259	342,382	2,120	76,477	22,119	778,357	54,568
	(ii)							

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990 - Sch J, Part I, Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

For Calendar year 2011, or tax year period beginning and ending

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

(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				
Edward Marx	(i)	358,087	209,149	83,975	49,259	22,122	722,592	99,953
	(ii)							
John Gaida	(i)	283,823	196,762	74,065	46,275	18,593	619,518	101,221
	(ii)							
Jack Roper	(i)	257,050	181,141	78,766	43,893	14,748	575,598	94,038
	(ii)							
Elaine Gwaltney	(i)	266,725	146,599	83,273	42,780	10,383	549,760	66,229
	(ii)							
Joan Clark	(i)	270,645	145,448	47,272	39,434	23,282	526,081	69,341
	(ii)							
Ferdinand Velasco	(i)	339,086	85,097	36,284	148,688	19,557	628,712	0
	(ii)							
Michelle Kirby	(i)	244,295	159,681	54,630	46,680	6,978	512,264	82,192
	(ii)							
Brian Holmes	(i)	222,783	149,517	56,406	40,875	23,678	493,259	78,566
	(ii)							
Elaine Anderson	(i)	219,900	146,168	54,565	39,696	541	460,870	76,563
	(ii)							
George Pearson	(i)	208,078	142,939	63,949	39,153	14,894	469,013	75,509
	(ii)							
Stanley Ryfa	(i)	251,826	150,101	2,065	31,618	19,734	455,344	22,449
	(ii)							
Doug Browning	(i)	248,833	124,759	5,080	33,057	8,714	420,443	10,970
	(ii)							
David Tesmer	(i)	226,609	107,556	36,937	43,641	11,741	426,484	70,533
	(ii)							
Ricky McWhorter	(i)	236,774	78,343	48,009	39,795	6,882	409,803	18,708
	(ii)							
Lisa Peterson	(i)	305,541	0	45,700	13,647	16,995	381,883	0
	(ii)							
Traci Bernard	(i)	201,811	135,820	2,245	31,034	13,075	383,985	10,410
	(ii)							

990 - Sch J, Part I, Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

For Calendar year 2011, or tax year period beginning and ending

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

(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				
Carl Soderstrom	(i)	394,489	1,303,600	746	18,375	11,982	1,729,192	0
	(ii)							
Clay Heighten	(i)	388,309	1,303,600	775	0	26,482	1,719,166	0
	(ii)							
Luis Eduardo Saldana	(i)	424,919	0	1,681	11,025	2,262	439,887	0
	(ii)							
Thomas Howell	(i)	117,243	9,834	248,913	12,404	19,272	407,666	0
	(ii)							
Lynn Myers	(i)	341,261	7,800	935	19,246	423	369,665	0
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
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	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II

Also complete this part for any additional information

Sch J, Part I, Line 1
First Class Travel
The CEO uses first class travel infrequently and to specific destinations where flights are overbooked by the airlines and passengers with coach tickets are not guaranteed to be on the specific flight booked.

.
Travel for Companions
The organization and/or related organizations allow spouses or guests to accompany an officer of the organization on business related travel, as long as the spouse's or guest's presense on the trip is for a justified business purpose.

.
Gross-up payments
Certain imputed income is grossed-up to include the employment taxes paid on the listed person's behalf. The grossed up amount is included in the taxable compensation of the employee.

.
Discretionary Spending Account
Each executive at the vice president level and above receive a perk allowance which is included in the taxable compensation of the employee.

.
Personal Services - Financial Planning
The CEO can have financial planning services reimbursed by the organization up to a specified dollar amount. Any reimbursement made for financial planning services is included in the taxable compensation of the CEO. Other officers can use their discretionary spending account to pay for financial planning services.

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Sch J, Part I, Question 3
Texas Health Resources (THR) uses the following methods to establish the compensation of the organization's CEO.
- THR has a compensation committee comprised of external Board members that review compensation philosophy and design.
- THR hired independent compensation consultants
- THR & the independent compensation consultants utilize published third-party compensation surveys or studies.
- Written employment contract
- Approval by the board and compensation committee

.

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II

Also complete this part for any additional information

An independent third party compensation consultant is hired by the THR Board of Trustees (Board) to review base pay annually as compared to a peer group of employers similar in size and scope to THR. Every three years the independent compensation consultant reviews all aspects of executive compensation (base, incentives, benefits, etc.) which includes:
- Review and confirmation of the executive compensation philosophy,
- Market review of base and incentive pay,including national, regional and local data.
- Market review of benefits and perquisites,
- Interview of selected officers and members of the Compensation Committee of the Board (Compensation Committee), and
- Review of financial reports, employment agreement, current salary incentive opportunities, incentive payments, benefits, perquisites, and plan documents.

.

The independent compensation consultant meets directly with the executive compensation & benefits sub-committee which is made up of five independent Board members and the compensation committee to report the results of the total compensation study.

.

At the beginning of each year, the compensation committee reviews the results of the outside consultants market analysis for base salaries, and makes recommendations to the Board and the Board approves the following for the CEO:
- Base salary and benefits;
- Prior year executive annual incentive awards;
- Current year executive annual incentive plan targets, key performance indicators and potential payout amounts;
- Long-term incentive award if cycle has ended;
- Long-term incentive plan targets, key performance indicators and potential payout amount if new cycle is starting; and
- Employment agreement in years of renewal.

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Sch J, Part I, Question 4a
The severance payment was paid out of the Separation Pay Plan of Texas Health Resources (THR). THR's Separation Pay Plan provides payments to
to employees whose positions were eliminated by the organization based on the employee's years of service and the level of the affected position.
- Thomas Howell $208,017

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Sch J, Part I, Question 4b

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II

Also complete this part for any additional information

Participation in the plan is made available to a select group of management and highly compensated employees, as determined by the THR Board of Trustees, who are providing services to an employer in key positions of management and responsibility.
- Benefits are calculated for eligible employees when base pay and incentives exceed the IRS qualified plan compensation limit.
- SERP benefits vest while the participant is employed if the participant: reaches age 68, becomes disabled, dies, or reaches the following years of service: 2 years - 25%; 3 years - 50%; 4 years - 75%; and 5 or more - 100%.
- For Frozen Restoration Accounts (account balances prior to 1/1/2010), the participant or beneficiary shall be taxed on his or her vested SERP benefit upon the earliest of:
*Remaining employed by THR to age 68;
*Termination of employment for disability or death;
*Involuntary termination of employment without reasonable cause; or
*Satisfying a 24 month non-compete period following his or her termination of employment.
Payment is made following the before mentioned events, except in the case of involuntary separations for which the participant must wait until after 24 months to receive the previously taxed benefit.
- For the Active Restoration Accounts (account balances after 12/31/2009) participants must be employed on Dec 1 to qualify for the current year's SERP amount unless separation is due to death, disability, retirement (age 65) or early retirement (age 60 or above with 15 or more years of service). SERP amounts are calculated each Dec 1; vested balances are taxed; and the net balances can begin accruing earnings. Vested balances are paid in cash lump sums within the 90-day period commencing upon the earlier of death, disability, or separation from service.
- THR owns any investments purchased in connection with its obligations under the SERP Plan. If THR becomes insolvent, executives are unsecured creditors and will have no preferred claim to any assets.
- Contributions to the following employees were made during the year. The amounts below are included in the amount reported in Sch J, Part II, Column B(iii) and Column (F).
Michael Deegan - $12,694
Ronald Long $32,093
Thomas Ziesmann $2,321
Edward Marx $2,494
Joan Shinkus Clark $1,452

SCHEDULE K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

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) Pooled financing	
							Yes	No	Yes	No	Yes	No
A	Tar Co Cultural Edu Fac Finance Corp	04-3833551	87638TAS2	05-31-2007	620,367,416	Refund 10/30/97 issue bonds		X		X		X
B	Tar Co Cultural Edu Fac Finance Corp	04-3833551	87638TBE2	05-31-2007	102,323,221	Construct & Equ Facility		X		X		X
C	Tar Co Cultural Edu Fac Finance Corp	04-3833551	87638TCL5	10-30-2008	366,120,000	Refund 1/31/89 Refund 5/14/03		X		X		X
D	Tar Co Cultural Edu Fac Finance Corp	04-3833551	87638TEE9	11-23-2010	151,950,525	Redeem 10/30/08 Series D,F&G		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired			190,065,000	
2	Amount of bonds legally defeased				
3	Total proceeds of issue	620,432,581	109,908,750	366,264,054	151,950,525
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows	617,372,104		327,900,000	150,425,000
7	Issuance costs from proceeds	3,060,477	529,732	1,868,320	1,525,525
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds		109,379,018	36,495,734	
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2007	2009	2009	2010

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X	X		X	
15	Were the bonds issued as part of an advance refunding issue?	X			X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		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		X		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?	X			X	X		X	

SCHEDULE K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

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) Pooled financing	
							Yes	No	Yes	No	Yes	No
A	Tar Co Cultural Edu Fac Finance Corp	04-3833551	000000000	11-30-2010	135,000,000	Constuct & Equi Health Facility		X		X		X
B												
C												
D												

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	135,000,000			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	444,565			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	56,005,445			
11	Other spent proceeds				
12	Other unspent proceeds	78,549,990			
13	Year of substantial completion	0			

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

Part III Private Business Use

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

Part III **Private Business Use** (Continued)

	A		B		C		D	
3a Are there any management or service contracts that may result in private business use of bond-financed property?	Yes: X	No:	Yes: X	No:	Yes: X	No:	Yes: X	No:
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?	Yes: X	No:	Yes: X	No:	Yes: X	No:	Yes: X	No:
c Are there any research agreements that may result in private business use of bond-financed property?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: 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?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	002.1 %		000.5 %		000.6 %		001.0 %	
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	2.1 %		0.5 %		0.6 %		1 %	
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	Yes: X	No:	Yes: X	No:	Yes: X	No:	Yes: X	No:

Part IV **Arbitrage**

	A		B		C		D	
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?	Yes: X	No:	Yes: X	No:	Yes:	No: X	Yes:	No: X
2 Is the bond issue a variable rate issue?	Yes:	No: X	Yes:	No: X	Yes: X	No:	Yes:	No: X
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
e Was the hedge terminated?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
5 Were any gross proceeds invested beyond an available temporary period?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: X
6 Did the bond issue qualify for an exception to rebate?	Yes:	No: X	Yes:	No: X	Yes:	No: X	Yes:	No: 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 correct 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)

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 of bond-financed property?		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?		X						
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?		X						
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	000.3 %		%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6 Total of lines 4 and 5	0.3 %		%		%		%	
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 qualified hedge with respect to the bond issue?		X						
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?		X						
e Was the hedge terminated?		X						
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?		X						
5 Were any gross proceeds invested beyond an available temporary period?		X						
6 Did the bond issue qualify for an exception to rebate?		X						

Part V **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 correct 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)*

SCHEDULE L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

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

OMB No 1545-0047

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Name of the organization
Texas Health Resources

Employer identification number
75-2702388

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

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

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

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

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

Part II **Loans to and/or From Interested Persons.**

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
Oscar Amparan Surrender Value of Split Dollar Life Ins. Policy		X	378,893	310,596		X	X		X	
Elaine Anderson Surrender Value of Split Dollar Life Ins. Policy		X	132,286	105,182		X	X		X	
See Attachment										
Total			▶ $ 7,945,773							

Part III **Grants or Assistance Benefiting Interested Persons.**

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

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

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Part IV **Business Transactions Involving Interested Persons.**

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

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

Part V **Supplemental Information**

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

SCHEDULE O (Form 990 or 990-EZ)	Supplemental Information to Form 990 or 990-EZ	OMB No 1545-0047
Department of the Treasury Internal Revenue Service	Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information. ▶ Attach to Form 990 or 990-EZ.	2011 Open to Public Inspection

Name of the organization	Employer identification number
Texas Health Resources	75-2702388

Part VI, Section A, Line 2
Elaine Anderson & Wes Turner have a business relationship. Rick McWhorter & Stephen Hanson have a business relationship. John Mitchell & Barclay Berdan have a business relationship.

Part VI, Section B, Line 11b:
A full copy of the Form 990 is provided to members of the governing board before filing. In addition, the Audit & Compliance Committee of the Texas Health Resources (THR) Board of Trustees is given the opportunity to review, comment, and ask questions regarding the Form 990s filed for THR and each of its wholly controlled affiliates.

Part VI, Section B, Line 12c:
Texas Health Resources (THR) has adopted a Conflict of Interest policy that applies to THR and all of its wholly owned or wholly controlled affiliates. During the first quarter of each fiscal year, a Duality and Conflict Statement Form is distributed by the THR Chief Compliance Officer to all persons who are covered by this policy. All disclosed conflicts are reviewed by the THR Chief Compliance Officer, THR General Counsel and the THR Audit & Compliance Committee. A report listing each reported Duality of Interest or Conflict of Interest is given to both the Chair of the Governing Body and the President of the Corporation with which the reporting person is affiliated. The THR Board of Trustees receives a report when the Annual Disclosure process is complete.

Part VI, Section B, Line 15 a & b
An independent third party compensation consultant is hired by the Texas Health Resources (THR) Board of Trustees (Board) to review base pay annually as compared to a peer group of employers similar in size and scope to THR. Every three years the independent compensation consultant reviews all aspects of executive compensation (base, incentives, benefits, etc.) which includes:

- Review and confirmation of the executive compensation philosophy,

- Market review of base and incentive pay for all positions. National, regional, and local data is reviewed when available.

- Market review of benefits and perquisites,

- Survey of officers and members of the Governance Committee of the THR Board of Trustees, and

- Review of financial reports, job descriptions, organizational charts, current salaries, salary range midpoints, incentive opportunities, incentive payments, benefits, perquisites and plan documents.

The independent compensation consultant meets directly with the executive

Continued on Schedule O, Page

Name of the organization	Employer identification number
Texas Health Resources	75-2702388

compensation & benefits sub-committee which is made up of five independent Board members and the governance committee to report the results of the total compensation study.

At the beginning of each year, the executive compensation & benefits sub-committee reviews; the governance committee reviews and recommends for approval by the Board; and the Board approves the following:

- Market analysis recommendation based on the results of the outside consultant's review

- Officer Market/equity base salary adjustments

- Prior year executive annual incentive awards

- Current year executive annual incentive plan targets, key performance indicators, and potential payout amounts

Part VI, Section C, Line 19:
The organization does not make its governing documents or conflict of interest policy available to the public.

The consolidated financial statements of Texas Health Resources (THR) are made available to the public on the website www.dacbond.com. Consolidated financial statements are posted to this website quarterly and the audited financial statements are posted annually. The financial statements of the wholly controlled affiliates of THR are not posted to the website nor are they generally made available to the public in any other manner.

Part VII, Section A, Officers Related Entity Hours:
The following persons devoted the indicated estimated average hours per week to related organizations:

Bohn Allen, M.D. 1 hr.
Britt Berrett 40 hrs.
Jay Beavers 1 hrs.
Oscar Amparan 40 hrs.
Gary Hutchison 1 hr.
Lee Bloemendal 1 hr.
Dennis Stripling 1 hr.

Part XI, Line 5, Other Changes:
Book/Tax Difference in Partnership Accounting $11,771
Texas Health Presbyterian Foundation Change in Net Assets $40,053,853
Texas Health Harris Methodist Foundation Change In Net Assets $11,524,259
Unrealized Losses $70,377,463
Transfer control to a related tax exempt organization $136,887,740
Total Changes $258,855,086

Sch H, Part V, Section B, Line 10
For Rockwall Regional, Physicians Medical Center, Southlake Specialty, and Flower Mound see response to Part I, Line 3c

Name of the organization	Employer identification number
Texas Health Resources	75-2702388

For USMD Arlington & USMD Fort Worth see the following.
Patients with family income at or below 200% of applicable FPG may be eligible for free care if the patient lacks sufficient funds and assets to pay the out-of-pocket portion of their hospital bill.

All self pay patients who don't qualify for the organization's charity program, regardless of income, are eligible for a discount of 35% off the hospital's charge for general hospital services.

Patients with family income above 200% of applicable FPG who have unpaid medical bills exceeding a specified percentage of the patient's annual gross income may be deemed medically indigent and eligible for charity care. The patient may be eligible for a charity adjustment up to 100% of the unpaid balance of their hospital bill in excess of a specified patient responsible amount if the patient has insufficient funds/assets to pay his hospital bill without incurring an undue financial hardship. The patient responsible amount is based on a percentage of the patient's annual income.

A determination as to whether or not a patient has insufficient funds and/or assets to pay for purposes of determining both financial and medical indigence is made at the time a patient's charity care application is reviewed. Assets considered when determining eligibility include cash, stocks, bonds and other financial assets that can be readily converted to cash.

For Sherman Grayson, see the following.
Patients with family income at or below 200% of applicable FPG may be eligible for free care if the patient lacks sufficient funds and assets to pay the out-of-pocket portion of their hospital bill.

All self pay patients who don't qualify for the organization's charity program, regardless of income, are eligible for a discount of 15% off the hospital's charge for general hospital services.

Patients with family income betwen 200-300% of applicable FPG who have unpaid medical bills exceeding a specified percentage of the patient's annual gross income may be deemed medically indigent and eligible for charity care. The patient may be eligible for a charity adjustment up to 100% of the unpaid balance of their hospital bill in excess of a specified patient responsible amount if the patient has insufficient funds/assets to pay his hospital bill without incurring an undue financial hardship. The patient responsible amount is based on a percentage of the patient's annual income.

A determination as to whether or not a patient has insufficient funds and/or assets to pay for purposes of determining both financial and medical indigence is made at the time a patient's charity care application is reviewed. Assets considered when determining eligibility include cash, stocks, bonds, land, savings and housing

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

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Name of the organization
Texas Health Resources

Employer identification number
75-2702388

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to 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
Texas Health Partners, LLC 14131 Midway Rd, Ste 1050 Addison, TX 75001 02-0546958	Management Company	Texas	26,439,096	6,480,748	Texas Health Resources

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity? Yes	(g) No
Deuteronomy 612 E. Lamar Blvd Arlington, TX 76011 75-2561680	Physician Clinic - Inactive	Texas	501(c)(3)	9	Texas Health Resources		X
Harris Methodist Health System 612 E. Lamar Blvd Arlington, TX 76011 75-1823547	Supporting Organization	Texas	501(c)(3)	11 Type 1	N/A		X
Healty Tarrant County Collaboration P.O. Box 8040 Fort Worth, TX 76124 43-2087946	Supporting Organization	Texas	501(c)(3)	11 Type 1	N/A		X
Presbyterian Healthcare	Supporting				N/A		

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
AMH Cath Labs, LLC 800 W. Randol Mill Rd Arlington, TX 76012 20-3003947	Healthcare Services	Texas	N/A					X			X	
Denton Surgery Center, LLC 14131 Midway Rd, St 1050 Addison, TX 75001 47-0926556	Ambulatory Surgery Center	Texas	N/A					X			X	
Flower Mound Hospital Partners, LLC	Hospital		Texas Health Resources									

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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
AMH Health Ventures, Inc. 800 W. Randol Mill Road Arlington, TX 76012 75-2141114	Computer & Billing Services	Texas	Arlington Memorial Hospital	C-Corp			
PH Denton Physicians, Inc. 3000 N. Interstate 35 Denton, TX 76201 26-1696945	Physician Services	Texas	Texas Health Presbyterian Hospital Denton	C-Corp			
Biomedical Advancement Center, Inc. 612 E. Lamar Blvd Arlington, TX 76011 75-2636884	Inactive	Texas	Texas Health Research & Education Institute	C-Corp			
Texas Health Resources	Insurance		Texas Health				

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

			Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule				
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 or **(iv)** rent from a controlled entity	**1a**	X		
b Gift, grant, or capital contribution to related organization(s)	**1b**	X		
c Gift, grant, or capital contribution from related organization(s)	**1c**	X		
d Loans or loan guarantees to or for related organization(s)	**1d**	X		
e Loans or loan guarantees by related organization(s)	**1e**	X		
f Sales of assets to related organization(s)	**1f**	X		
g Purchase of assets from related organization(s)	**1g**		X	
h Exchange of assets with related organization(s)	**1h**	X		
i Lease of facilities, equipment, or other assets to related organization(s)	**1i**	X		
j Lease of facilities, equipment, or other assets from related organization(s)	**1j**		X	
k Performance of services or membership or fundraising solicitations for related organization(s)	**1k**	X		
l Performance of services or membership or fundraising solicitations by related organization(s)	**1l**		X	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	**1m**		X	
n Sharing of paid employees with related organization(s)	**1n**		X	
o Reimbursement paid to related organization(s) for expenses	**1o**	X		
p Reimbursement paid by related organization(s) for expenses	**1p**	X		
q Other transfer of cash or property to related organization(s)	**1q**	X		
r Other transfer of cash or property from related organization(s)	**1r**	X		

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
Texas Health Harris Methodist Hospital Fort Worth	a	2,352,381	Contract
Texas Health Harris Methodist Hospital HEB	a	804,176	Contract
Texas Health Presbyterian Hospital Dallas	a	697,669	Contract
Texas Health Presbyterian Hospital Plano	a	2,029,169	Contract
Texas Health Prebyterian Foundation	a	175,528	Contract
Texas Health Harris Methodist Foundation	a	10,399	Contract

Part VII **Supplemental Information**

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

Schedule R, Part III, Identification of Related Organizations Taxable as a Partnership: Texas Health Presbyterian Hospital Dallas (THD) owns a 50% interest in and has governance control of Texas Institute for Surgery LLP. This entity has been reported on the Schedule R as a related entity.

Schedule R Part V, Transactions with Related Organizations:
Founded in 1997, Texas Health Resources ("THR") through its controlled affiliates provides a comprehensive array of healthcare and related services. THR's role is to plan, manage and coordinate the activities of the affiliated healthcare system to maximize opportunities to deliver cost effective quality medical care to residents of north central Texas. THR provides direction and oversight to its wholly-controlled affiliates providing centralized services. THR also operates professional office buildings leased primarily to physicians who are members of the medical staff of THR affiliated hospitals. THR also operates, manages and coordinates through Texas Health Organization for Physicians, a division of THR, the activities of Texas Health Physicians Group (THPG). THPG is a network of primary and specialty care physician practices providing the north Texas area community access to quality health care delivered either through an office setting or through a hospital system.

The range of centralized services provided by THR include information services, managed care contracting, human resources, revenue cycle, legal, tax, compliance, supply chain, quality, business development, insurance, treasury, accounting, marketing and strategic planning. In providing this centralized service, THR maintains an intercompany receivable/payable account with each entity. Daily transactions are run thru these intercompany accounts, most of which do not fall within the scope of IRC Section 512(b)(13). The transactions not falling within this scope are not reported on Form 990 Schedule R, Part V, Line 2.
Examples of these types of transactions are as follows:
Daily cash sweeps of affiliate accounts to central account.
Daily cash transfer from THR to affiliates to cover daily cash needs
Allocation of centralized bond interest allocated to affiliates
Allocation of centralized payroll to appropriate affiliate
Allocation of centralized contracts to appropriate affiliate.
Allocation of bills paid by THR to appropriate affiliate.
Allocation of rebates received to appropriate affiliate.
Allocation of centralized insurance costs to appropriate affiliates.

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

For Calendar year 2011, or tax year penod beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(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 entity? Yes	(g) No
Resources 612 E. Lamar Blvd Arlington, TX 76011 51-0190395	Organization	Texas	501(c)(3)	11 Type 3			X
Texas Health Arlington Memorial Hospital 800 West Randol Mill Rd Arlington, TX 76012 75-0972805	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Harris Methodist Foundation 612 E. Lamar Blvd Arlington, TX 76011 75-2401033	Supporting Organization	Texas	501(c)(3)	9	Texas Health Resources		X
Texas Health Presbyterian Hospital Alliance 10864 Texas Health Trail Fort Worth, TX 76244 45-1502252	Hospital	Texas	501(c)(3) Pend	3	Texas Health Resources		X
Texas Health Harris Methodist Hospital Azle 108 Denver Trail Azle, TX 76020 75-1748586	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Harris Methodist Hospital Cleburne 201 Walls Dr Cleburne, TX 76033 75-1977850	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Harris Methodist Hospital Fort Worth 1301 Pennsylvania Ave Fort Worth, TX 76104 75-6001743	Hospital	Texas	501(c)(3)	3	Texas Health		X

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

For Calendar year 2011, or tax year period beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(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 entity? Yes	(g) No
Hospital Hurst-Euless-Bedford 1600 Hospital Parkway Bedford, TX 76022 75-1438726		Texas	501(c)(3)	3	Resources		X
Texas Health Harris Methodist Hospital Southwest Fort Worth 6100 Hospital Parkway Fort Worth, TX 76132 75-2678857	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Harris Methodist Hospital Stephenville 411 Belknap Stephenville, TX 76401 75-1752253	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Physicians Group 1301 Pennsylvania Ave. Fort Worth, TX 76104 75-2613493	Physician Clinic	Texas	501(c)(3)	11 Type 1	Texas Health Resources		X
Texas Health Presbyterian Foundation 612 E. Lamar Blvd Arlington, TX 76011 75-2022128	Supporting Organization	Texas	501(c)(3)	9	Texas Health Resources		X
Texas Health Presbyterian Hospital Allen 1105 Central Expressway North Allen, TX 75013 75-2890358	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Presbyterian Hospital Dallas 8200 Walnut Hill Ln Dallas, TX 75231 75-1047527	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Presbyterian Hospital Denton	Hospital				Texas Health Resources		

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

Texas
501(c)(3)

For Calendar year 2011, or tax year period beginning and ending

Name of Organization
Texas Health Resources

Employer Identification Number
75-2702388

(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 entity? Yes	(g) No
3000 North Interstate 35 Denton, TX 76201 43-2008974		Texas	501(c)(3)	3			X
Texas Health Presbyterian Hospital Kaufman 850 Ed Hall Drive Kaufman, TX 75142 75-2771437	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Presbyterian Hospital Plano 6200 W. Parker Rd Plano, TX 75093 75-2770738	Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Research & Education Institute 612 E. Lamar Blvd Arlington, TX 76011 75-2562191	Medical Research & Education	Texas	501(c)(3)	4	Texas Health Resources		X
Texas Health Resources 612 E. Lamar Blvd Arlington, TX 76011 75-2702388	Mgmt Supporting Organization	Texas	501(c)(3)	11 Type 3	N/A		X
Texas Health Resources Self-Insurance Trust 612 E. Lamar Blvd Arlington, TX 76011 75-6335901	Insurance Trust	Texas	501(c)(3)	11 Type 3	Texas Health Resources		X
Texas Health Specialty Hospital Fort Worth 1301 Pennsylvania Ave, 4th Flr Fort Worth, TX 76104 75-1648589	Long Term Hospital	Texas	501(c)(3)	3	Texas Health Resources		X
WW Ward Endowment Fund Trust 612 E. Lamar Blvd Arlington, TX 76011	Supporting Organization				Texas Health Harris Methodist Foundation		

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

For Calendar year 2011, or tax year period beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(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 entity? Yes	(g) Section 512(b)(13) controlled entity? No
75-6196065		Texas	501(c)(3)	11 Type 1			X

990 - Schedule R Part III, Continuation of Identification of Related Organizations Taxable as a Partnership

For Calendar year 2011, or tax year period beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(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) Dispro-portionate allocations? Yes	(h) No	(i) Code V-UBI amt in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
14131 Midway Rd, Ste 1050 Addison, TX 75001 26-0684968 Harris Oncology LLC 1600 Hospital Parkway Bedford, TX 76022	Rental Real Estate	Texas	N/A	related	-39,697	89,851,964		X			X	54%
75-2927939 Health Imaging Partners LLC 8610 Explorer Dr., Ste 300 Colorado Spring, CO 80920	Outpatient Diag. Imaging Ctr	Texas	Texas Health Resources					X			X	
27-1385885 HEB Oncology, LP 1601 Hospital Parkway Bedford, TX 76022	Rental Real Estate	Texas	N/A	related	4,658,318	13,303,540		X			X	51%
75-2927940 Physician Medical Center LLC 6200 W. Parker Rd. Plano, TX 75093	Hospital	Texas	Texas Health Presbyterian Hospital Plano					X			X	
48-1281376 Presbyterian Cancer Center-Dallas, LLC 6200 W. Parker Rd. Plano, TX 75093	Medical Management	Texas	N/A	related	1,510,675	1,516,282		X			X	6%
26-0422749 Rockwall Regional Hospital LLC	Hospital	Texas	Texas Health Resources					X			X	

990 - Schedule R Part III, Continuation of Identification of Related Organizations Taxable as a Partnership

For Calendar year 2011, or tax year penod beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(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) Dispro-portionate allocations? Yes	(h) No	(i) Code V-UBI amt in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
14131 Midway Rd, Ste 1050 Addison, TX 75001 20-2848116 Sherman Grayson Health System, LLC 500 Highland Ave Sherman, TX 75092	Hospital	Texas	Texas Health Resources	related	4,717,009	32,888,689		X			X	52%
27-2025497 Southlake Specialty Hospital LLC 14131 Midway Rd, Ste 1050 Addison, TX 75001	Hospital	Texas	Texas Health Harris Methodist HEB	related	-4,171,842	38,964,703		X			X	50%
02-0555370 Texas Health MedSynergies, LLC 1255 Corporate Drive, Fl 3 Irving TX 75038	Management Consulting	Texas	Texas Health Resources	related	916,057	1,557,269		X			X	6%
80-0272951 Texas Single Source Staffing 524 E. Lamar Blvd, Ste 300 Arlington, TX 76011	Manage Contract Nursing	Texas	Texas Health Resources	related	482,346	14,311,568		X			X	65%
27-0324828 Texas Institute for Surgery, LLP 7715 Greenville Ave, Ste 100 Dallas, TX 75231	Hospital	Texas	N/A	related	181,221	1,711,143		X		X		100%
77-0628004		Texas						X			X	

990 - Schedule R Part III, Continuation of Identification of Related Organizations Taxable as a Partnership

For Calendar year 2011, or tax year period beginning and ending

Name of Organization
Texas Health Resources

Employer Identification Number
75-2702388

(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) Dispro-portionate allocations? Yes	(h) No	(i) Code V-UBI amt in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
Women's Specialty Surgery Center 1300 Post Oak Blvd, Ste 600 Houston, TX 77056 26-2310072	Ambulatory Surgery Center	Texas	N/A					X			X	
USMD Hospital at Fort Worth, LP 801 I-20 West Arlington, TX 76107 73-1662763	Hospital	Texas	Texas Health Resources	related	2,298,959	11,296,754		X			X	51%
USMD Hospital at Arlington, LP 801 I-20 West Arlington, TX 76107 20-3571243	Hospital	Texas	Texas Health Resources	related	6,898,199	31,531,839		X			X	51%

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

For Calendar year 2011, or tax year penod beginning and ending

Name of Organization
Texas Health Resources

Employer Identification Number
75-2702388

(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
Casualty Company c/o AON Insurance 76 St Paul 5th floor Burlington, VT 05401 03-0310676 Charitable Remainder Trusts (5) 612 E. Lamar Blvd Arlington, TX 76011		Resources Vermont Texas		C-Corp			100.00

990 - Schedule R Part V, Continuation of Transactions With Related Organizations

For Calendar year 2011, or tax year period beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
Texas Health Presbyterian Hospital Allen	a	322,182	Contract
Texas Health Presbyterian Hospital Kaufman	a	31,220	Contract
Texas Health Physicans Group	a	4,285,475	Contract
Texas Health Research & Education Institute	a	223,629	Contract
Texas Health Hospital Stephenville	a	116,208	Contract
Texas Health Harris Methodist Hospital Azle	a	287,082	Contract
Texas Health Presbyterian Hospital Denton	a	125,930	Contract
Texas Health Presbyterian Hospital Alliance	a	41,249	Contract
Presbyterian Cancer Center Dallas, LLC	a	551,630	Contract
Women's Specialty Surgery Center	a	320,173	Contract
AMH Cath Labs, Inc.	a	4,050,250	Contract
Denton Surgery Center, LLC	a	256,130	Contract
Denton Surgery Center, LLC	p	667,105	Contract
Flower Mound Hospital Partners, LLC	k	6,035,713	Contract
Rockwall Regional Hospital, LLC	k	7,189,328	Contract
Rockwall Regional Hospital, LLC	p	359,584	Contract
Southlake Specialty Hospital, LLC	k	4,912,097	Contract

990 - Schedule R Part V, Continuation of Transactions With Related Organizations

For Calendar year 2011, or tax year period beginning and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
Flower Mound Hospital Partners, LLC	k	535,898	Contract
Flower Mound Hospital Partners, LLC	h	1,620,993	Contract
AMH Cath Labs ,LLC	k	1,240,959	Contract
Women's Specialty Surgery Center	k	47,004	Contract
Texas Institute for Surgery, LLP	k	99,996	Contract
USMD Hospital at Arlington LP	k	99,996	Contract
USMD Hospital at Fort Worth LP	k	99,996	Contract
Sherman/Grayson Healthcare System LLC	k	99,996	Contract
Health Imaging Partners	k	418,176	Contract

990 PRINCIPAL OFFICER NAME AND ADDRESS

Attachment 1: Form 990 Page 1, Line F

Open to Public Inspection	For calendar year 2011, or tax period beginning , and ending

Name of Organization	Employer Identification Number
Texas Health Resources	75-2702388

990, Page 1, Line F

Principal officer name or Business Name: Doug Hawthorne

Street Address: 612 E. Lamar Blvd

U.S Address

Zip code 76011 City Arlington State TX

or

Foreign Address

City

Province or State

Country

Postal code

990 PART III - STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENT

Attachment 2: Form 990 Page 2, Part III

Open to Public Inspection	For calendar year 2011, or tax period beginning , and ending

Name of Organization	Employer Identification Number
Texas Health Resources	75-2702388

Part III - Statement of Program Service Accomplishments

Code Expenses 437,253,415 including Grants of 1,285,576 Revenue 390,634,916

Exempt Purpose Achievements

Founded in 1997, Texas Health Resources (THR) provides direction and oversight to its wholly-controlled affiliates. The range of centralized services provided by THR include information services, managed care contracting, human resources, revenue cycle, legal, tax, compliance, supply chain, quality business developement, insurance, treasury, marketing, general accounting, and strategic planning. THR also operates professional office buildings leased primarily to physicians who are members of the medical staff of THR affiliated hospitals. THR also operates, manages and coordinates through Texas Health Physicians Group (THPG), a wholly owned affiliate of THR. THPG is a network of primary and specialty care physician practices providing the north Texas area community access to quality health care delivered either through an office setting or through a hospital program.

990 BOOKS ARE IN CARE OF

Attachment 3: Form 990 Page 6, Part VI, Section C, Line 20

Open to Public Inspection	For calendar year 2011 or tax period beginning , and ending

Name of Organization	Employer Identification Number
Texas Health Resources	75-2702388

Part VI - Line 20

Individual Name or Business Name: Jack Roper

Street Address: 612 E. Lamar Blvd

U S. Address

Zip code 76011 City Arlington State TX

or

Foreign Address

City

Province or State

Country

Postal code

Phone Number (682)236-7900

Fax Number (682)236-7203

Continuation Sheet for Form 990

Open to Public Inspection

For calendar year 2011 or tax period beginning , and ending

Name of the Organization: Texas Health Resources

Employer Identification number: 75-2702388

Part I Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)							(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual Trustee or Director	Institutional Trustee	Officer	Key Employee	Highest Compensated Employee	Former				
Exec. Vice President Britt Berrett	40.00			X					293,252	0	61,351
Exec. Vice President Oscar Amparan	5.00			X					0	797,727	248,735
Exec Vice President Michael Stoltz	5.00			X					0	952,112	93,504
President THPG Stan Dennis	40.00				X				732,481	0	78,338
Sr Vice President Thomas Ziesmann	40.00				X				722,593	0	74,035
Sr. Vice President Krystal Mims	40.00				X				685,504	0	180,514
President THPR Edward Marx	40.00				X				679,761	0	98,596
Sr. Vice President John Gaida	40.00				X				651,211	0	71,381
Sr. Vice President Jack Roper	40.00				X				554,650	0	64,868
Sr. Vice President Elaine Gwaltney	40.00				X				516,957	0	58,641
Sr. Vice President Joan Clark	40.00				X				496,597	0	53,163
Sr. Vice President Ferdinand Velasco	40.00				X				463,365	0	62,716
Vice President Michelle Kirby	40.00				X				460,467	0	168,245
Sr. Vice President Brian Holmes	40.00				X				458,606	0	53,658
Sr. Vice President Elaine Anderson	40.00				X				428,706	0	64,553
Sr. Vice President George Pearson	40.00				X				420,633	0	40,237
Sr. Vice President Stanley Ryfa	40.00				X				414,966	0	54,047
Senior Vice President Doug Browning	40.00				X				403,992	0	51,353
Sr. Vice President David Tesmer	40.00				X				378,672	0	41,771
Sr. Vice President Ricky McWhorter	40.00				X				371,102	0	55,382
Sr. Vice President Lisa Peterson	40.00				X				363,126	0	46,677

Continuation Sheet for Form 990

Open to Public Inspection | For calendar year 2011 or tax period beginning , and ending

Name of the Organization: Texas Health Resources

Employer Identification number: 75-2702388

Part I Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual Trustee or Director	Institutional Trustee	Officer	Key Employee	Highest Compensated Employee	Former			
Vice President Traci Bernard	40.00				X			351,241	0	30,643
President Southlake Carl Soderstrom	40.00				X			339,876	0	44,109
Director Clay Heighten	40.00					X		1,698,835	0	30,357
Director Luis Eduardo Saldana	40.00					X		1,692,684	0	26,482
Medical Director Thomas Howell	40.00					X		426,600	0	33,287
Medical Director Lynn Myers	40.00					X		375,990	0	31,676
Medical Director	40.00					X		349,996	0	19,668

990 PART VII - FIVE HIGHEST COMPENSATED INDEPENDENT CONTRACTORS

Attachment 4: Form 990 Page 8, Part VII

Open to Public Inspection	For Calendar year 2011, or tax year period beginning	and ending

Name of Organization	Employer Identification Number
Texas Health Resources	75-2702388

(a) Name and address of each independent contractor paid more than $100,000	(b) Type of service	(c) Compensation
Boston Consulting Group Inc. , 2501 North Harwood #2200 Dallas, TX 75201	Consulting Svc	6,541,138
EPIC Systems Corporation , 1979 Milky Way Verona, WI 53593	Train & Consul	6,158,326
Stewart Organization , 2300 Gateway Drive Irving, TX 75063	Copy Services	3,741,384
Animato Technologies Corporation , 3710 Rawlins St. #800 Dallas, TX 75219	Consulting	3,382,245
Commerce House Inc , 331 Cole Street Dallas, TX 75207	Advertising	2,874,386

990 PART VIII - OTHER REVENUE

Attachment 5: Form 990 Page 9, Line 11 - Miscellaneous Revenue

Open to Public Inspection | For calendar year 2011, or tax penod beginning , and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

Miscellaneous Revenue	Business Code	(a) Total Revenue	(b) Related or Exempt Function Revenue	(c) Unrelated Business Revenue	(d) Revenue Excluded From Tax Under IRC 512, 513, or 514
Directors Fees		64,240	64,240		
Miscellaneous		25,666	25,666		
	Totals:	89,906	89,906		

990 PAGE 10, OTHER EXPENSES

Attachment 6: Form 990 Page 10, Line 24 - Other Expenses

Open to Public Inspection	For calendar year 2011 or tax period beginning , and ending

Name of Organization	Employer Identification Number
Texas Health Resources	75-2702388

Other Expenses	(A) Total	(B) Program Services	(C) Management and General	(D) Fundraising
Community Outreach	1,572,666	1,572,666		
Other Taxes	1,132,999	1,132,999		
Miscellaneous	821,531	821,531		
Patient Services	763,279	763,279		
Bad Debt Expense	650,942	650,942		
Furniture & Fixtures	408,113	408,113		
Dietary Expense	187,200	187,200		
Uniforms	33,973	33,973		
Total:	5,570,703	5,570,703		

990 INFORMATION ABOUT SUPPORTED ORGANIZATIONS

Attachment 7: Sch A Page 1, Part I, Line 11h - Info About Supported Orgs

Open to Public Inspection | For calendar year 2011 or tax period beginning , and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

(a) Name(s) of Supported Organization(s)	Employer EIN	Line No (1 to 9) or IRC Section	Governing Documents	Notify Org of Support	Organization in the U S	Amount of Support
Texas Health Arlington Memorial Hospital	75-0972805	501(c)(3)	X	X	X	23,500,237
Texas Health Harris Methodist Hospital Stephenville	75-1752253	501(c)(3)	X	X	X	4,690,063
Texas Health Harris Methodist Hospital Azle	75-1748586	501(c)(3)	X	X	X	3,461,347
Texas Health Harris Methodist Hospital Cleburne	75-1977850	501(c)(3)	X	X	X	6,163,621
Texas Health Harris Methodist Hospital Fort Worth	75-6001743	501(c)(3)	X	X	X	71,070,481
Texas Health Specialty Hospital Fort Worth	75-1648589	501(c)(3)	X	X	X	909,451
Texas Health Harris Methodist Hospital HEB	75-1438726	501(c)(3)	X	X	X	25,228,709
Texas Health Harris Methodist Hospital Southwest Fort Worth	75-2678857	501(c)(3)	X	X	X	17,412,610
Texas Health Presbyterian Hospital Allen	75-2890358	501(c)(3)	X	X	X	8,535,878
Texas Health Presbyterian Hospital Dallas	75-1047527	501(c)(3)	X	X	X	60,524,376
Texas Health Presbyterian Hospital Denton	43-2008974	501(c)(3)	X	X	X	15,361,739
Texas Health Presbyterian Hospital Kaufman	75-2771437	501(c)(3)	X	X	X	3,654,767
Texas Health Presbyterian Hospital Plano	75-2770738	501(c)(3)	X	X	X	36,713,251
Texas Health Research & Education Institute	75-2562191	501(c)(3)	X	X	X	366,666
Texas Health Presbyterian Foundation	75-2022128	501(c)(3)	X	X	X	333,690
Texas Health Harris Methodist Foundation	75-2401033	501(c)(3)	X	X	X	335,990
Texas Health Physicians Group	75-2613493	501(c)(3)	X	X	X	31,418,522

990 SCHEDULE L - PART II - LOANS TO AND/OR FROM INTERESTED PERSONS

Attachment 8: Sch L, Part II - Loans To/From Interested Persons

Open to Public Inspection | For calendar year 2011 or tax period beginning , and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

Part II Loans to and/or From Interested Persons

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of Interested Person and Purpose	(b) Loan to or From The Organization?		(c) Original Principal Amount $	(d) Balance Due $	(e) In Default?		(f) Approved by Board or Committee?		(g) Written Agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Bonnie Bell Surrender Value of Split Dollar Life Ins. Policy		X	277,164	252,064		X	X		X	
Barclay Berdan Surrender Value of Split Dollar Life Ins. Policy		X	371,278	297,853		X	X		X	
Charles Boes Surrender Value of Split Dollar Life Ins. Policy		X	332,296	289,757		X	X		X	
Ron Bourland Surrender Value of Split Dollar Life Ins. Policy		X	667,796	551,695		X	X		X	
Jeffrey Canose Surrender Value of Split Dollar Life Ins. Policy		X	167,424	166,281		X	X		X	
John Casey Surrender Value of Split Dollar Life Ins. Policy		X	705,900	523,995		X	X		X	
Michael Deegan Surrender Value of Split Dollar Life Ins. Policy		X	530,831	508,315		X	X		X	
Stanley Dennis Surrender Value of Split Dollar Life Ins. Policy		X	215,182	183,096		X	X		X	
John Gaida Surrender Value of Split Dollar Life Ins. Policy		X	320,320	262,391		X	X		X	
Stephen Hanson Surrender Value of Split Dollar Life Ins. Policy		X	543,084	543,084		X	X		X	
Doug Hawthorne Surrender Value of Split Dollar Life Ins. Policy		X	671,791	557,805		X	X		X	
			Total ▶ $	4,136,336						

990 SCHEDULE L - PART II - LOANS TO AND/OR FROM INTERESTED PERSONS

Attachment 8: Sch L, Part II - Loans To/From Interested Persons

Open to Public Inspection | For calendar year 2011 or tax period beginning , and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

Part II **Loans to and/or From Interested Persons**

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of Interested Person and Purpose	(b) Loan to or From The Organization?		(c) Onginal Principal Amount $	(d) Balance Due $	(e) In Default?		(f) Approved by Board or Committee?		(g) Written Agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Kevin Holmes Surrender Value of Split Dollar Life Ins. Policy		X	122,099	114,474		X	X		X	
James King Surrender Value of Split Dollar Life Ins. Policy		X	119,978	102,591		X	X		X	
Michelle Kirby Surrender Value of Split Dollar Life Ins. Policy		X	43,805	36,401		X	X		X	
Kenneth Kramer Surrender Value of Split Dollar Life Ins. Policy		X	143,219	122,511		X	X		X	
Blake Kretz Surrender Value of Split Dollar Life Ins. Policy		X	218,015	217,813		X	X		X	
Christopher Leu Surrender Value of Split Dollar Life Ins. Policy		X	166,965	166,965		X	X		X	
Ron Long Surrender Value of Split Dollar Life Ins. Policy		X	385,645	384,162		X	X		X	
Stephen Mason Surrender Value of Split Dollar Life Ins. Policy		X	678,206	430,821		X	X		X	
John McCabe Surrender Value of Split Dollar Life Ins. Policy		X	324,175	267,430		X	X		X	
Brett McClung Surrender Value of Split Dollar Life Ins. Policy		X	134,405	128,062		X	X		X	
Sheila McKinney Surrender Value of Split Dollar Life Ins. Policy		X	96,533	86,627		X	X		X	
			Total ▶ $	2,057,857						

990 SCHEDULE L - PART II - LOANS TO AND/OR FROM INTERESTED PERSONS

Attachment 8: Sch L, Part II - Loans To/From Interested Persons

Open to Public Inspection | For calendar year 2011 or tax period beginning , and ending

Name of Organization: Texas Health Resources

Employer Identification Number: 75-2702388

Part II Loans to and/or From Interested Persons

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of Interested Person and Purpose	(b) Loan to or From The Organization?		(c) Original Principal Amount $	(d) Balance Due $	(e) In Default?		(f) Approved by Board or Committee?		(g) Written Agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Mark Merrill Surrender Value of Split Dollar Life Ins. Policy		X	254,210	213,511		X	X		X	
David Muntz Surrender Value of Split Dollar Life Ins. Policy		X	203,342	147,386		X	X		X	
Deborah Paganelli Surrender Value of Split Dollar Life Ins. Policy		X	131,192	119,032		X	X		X	
George Pearson Surrender Value of Split Dollar Life Ins. Policy		X	280,701	256,971		X	X		X	
Jack Roper Surrender Value of Split Dollar Life Ins. Policy		X	228,569	160,426		X	X		X	
David Tesmer Surrender Value of Split Dollar Life Ins. Policy		X	99,759	90,543		X	X		X	
Doug White Surrender Value of Split Dollar Life Ins. Policy		X	117,383	109,158		X	X		X	
Patsy Youngs Surrender Value of Split Dollar Life Ins. Policy		X	238,775	238,775		X	X		X	
			Total ▶ $	1,335,802						

Texas Health Resources

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Board of Trustees,
Texas Health Resources:

We have audited the accompanying consolidated balance sheets of Texas Health Resources, a Texas non-profit corporation, as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Texas Health Resources' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Texas Health Resources' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

KPMG LLP

April 10, 2012, except Note 20, which is as of September 12, 2012

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity

TEXAS HEALTH RESOURCES
CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 277,342	$ 253,730
Short-term investments	1,495	3,555
Receivables -		
Patient, less allowance for doubtful accounts of $115,559 in 2011 and $135,588 in 2010	343,695	335,593
Other, net	64,263	67,275
Assets limited as to use	154,051	153,796
Other current assets	102,585	93,940
Total current assets	943,431	907,889
Assets Limited as to Use	1,752,144	1,322,338
Property and Equipment, net	1,665,322	1,714,112
Interest in Net Assets of Related Foundations	-	188,466
Investments in Unconsolidated Affiliates	68,249	71,135
Goodwill and Intangible Assets, net	144,141	125,397
Other Assets, net	36,368	36,120
Total assets	$ 4,609,655	$ 4,365,457
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	$ 161,647	$ 159,708
Accounts payable	117,293	121,289
Estimated third-party payor settlements	38,160	27,261
Accrued salaries, wages, and employee benefits	191,775	160,224
Other accrued liabilities	158,978	134,326
Total current liabilities	667,853	602,808
Long-Term Debt, net of current portion	1,115,622	1,090,871
Other Noncurrent Liabilities	68,996	63,279
Total liabilities	1,852,471	1,756,958
Net Assets:		
Net Assets of THR:		
Unrestricted	2,578,718	2,364,479
Temporarily restricted	75,870	149,159
Permanently restricted	53,253	51,578
Total net assets of THR	2,707,841	2,565,216
Non-controlling ownership interest in equity of consolidated affiliates - unrestricted	49,343	43,283
Total net assets	2,757,184	2,608,499
Total liabilities and net assets	$ 4,609,655	$ 4,365,457

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended December 31, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Operating Revenue:		
Net patient service revenue before provision for bad debts	$ 3,591,503	$ 3,186,119
Less Provision for bad debts	306,793	329,274
Net patient service revenue	3,284,710	2,856,845
Equity in earnings of unconsolidated affiliates	8,646	9,322
Other operating revenue	144,965	88,760
Total operating revenue	3,438,321	2,954,927
Operating Expenses:		
Salaries, wages, and employee benefits	1,712,615	1,411,997
Supplies	578,692	533,373
Other operating expenses	751,842	597,125
Depreciation and amortization	183,336	175,716
Interest expense	48,721	43,223
Total operating expenses	3,275,206	2,761,434
Operating Income	163,115	193,493
Nonoperating Gains (Losses)		
Net realized investment income and gains	98,630	67,737
Net unrealized gains (losses) on investments	(96,238)	113,174
Equity in earnings (losses) of unconsolidated affiliates, nonoperating	(136)	936
Change in fair value of interest rate swap agreements	-	(856)
Loss on extinguishment of long-term debt	-	(106)
Loss on termination of interest rate swap agreements	-	(5,491)
Release of Related Foundations net assets upon transfer of control	64,784	-
Other, net	5,729	2,484
Total nonoperating gains, net	72,769	177,878
Revenue and Gains In Excess of Expenses and Losses before Income Taxes	235,884	371,371
Income Tax Expense	(6,166)	(7,666)
Revenue and Gains In Excess of Expenses and Losses	229,718	363,705
Less: Revenue and Gains in Excess of Expenses and Losses Attributable to Non-Controlling Interest	43,358	29,443
Revenue and Gains In Excess of Expenses and Losses from Continuing Operations Attributable to THR	186,360	334,262

(Continued)

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS, Continued
Years ended December 31, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Other Changes in Unrestricted Net Assets:		
Net unrealized gains on investments, other than trading securities	$ 21,352	$ 9,623
Net assets released from restrictions used for purchase of property and equipment	10,209	6,022
Transfer of control of Texas Health Presbyterian Hospital Winnsboro	-	(7,172)
Change in fair value of interest rate swap agreements	(3,381)	1,297
Transfers to permanently restricted net assets	(360)	-
Other changes, net	59	(2,231)
Increase in Unrestricted Net Assets	214,239	341,801
Changes in Temporarily Restricted Net Assets:		
Contributions received for purchase of property and equipment	1,770	7,606
Contributions received for operations	9,388	5,307
Net realized investment gain	4,489	121
Net unrealized losses on investments	(2,462)	-
Change in value of split-interest agreement	412	49
Net assets released related to Foundations transfer of control	(64,784)	-
Net assets released from restrictions	(20,522)	(11,847)
Transfers to permanently restricted net assets	(1,580)	-
Transfer of control of Texas Health Presbyterian Hospital Winnsboro	-	(40)
Increase in interest in net assets of Related Foundations	-	18,332
Increase (Decrease) in Temporarily Restricted Net Assets	(73,289)	19,528
Changes in Permanently Restricted Net Assets:		
Contributions	152	-
Unrealized investment losses on beneficial interest in perpetual trust, net	(417)	-
Transfers from unrestricted net assets	360	-
Transfers from temporarily restricted net assets	1,580	-
Increase in interest in net assets of Related Foundations	-	7,954
Increase in Permanently Restricted Net Assets	1,675	7,954
Increase in Net Assets of THR	142,625	369,283
Net Assets of THR, beginning of year	2,565,216	2,195,933
Net Assets of THR, end of year	$ 2,707,841	$ 2,565,216

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Cash Flows From Operating Activities.		
Increase in net assets of THR	$ 142,625	$ 369,283
Adjustments to reconcile increase in net assets to net cash provided by operating activities, excluding the net effects of acquisitions -		
Loss from discontinued operations - transfer of control of Texas Health Presbyterian Hospital Winnsboro	-	7,212
Loss on extinguishment of long-term debt	-	106
Loss on termination of interest rate swap agreements	-	5,491
Net unrealized (gains) losses on investments	77,765	(122,797)
Net realized gains on investments	(68,418)	(38,378)
Change in value of split-interest agreement	(412)	(49)
Provision for bad debts	307,997	329,835
Restricted contributions received for purchase of property and equipment	(1,770)	(7,606)
Depreciation and amortization	183,336	175,716
Amortization of bond premiums	(1,542)	(1,683)
Net losses on impairment and disposal of property and equipment	7,003	2,253
Net cash used in transfer of Texas Health Presbyterian Hospital Winnsboro	-	(815)
Change in interest in net assets of Related Foundations	-	(26,286)
Equity in earnings of unconsolidated affiliates	(8,646)	(9,322)
Distributions from unconsolidated affiliates	10,581	5,940
Equity in (earnings) losses of unconsolidated affiliates, nonoperating	136	(936)
Change in fair value of interest rate swap agreements	3,381	(441)
Revenue and gains in excess of expenses and losses attributable to non-controlling interest	43,358	29,443
(Increase) decrease in		
Receivables, patient, net	(311,150)	(339,307)
Receivables, other, net	5,130	(4,780)
Goodwill and intangible assets, net	(8,128)	(15,267)
Other assets, net	(10,787)	5,633
Increase (decrease) in:		
Accounts payable and accrued liabilities	51,221	43,517
Other noncurrent liabilities	(11,879)	(6,155)
Net cash provided by operating activities	409,801	400,607

(Continued)

See accompanying notes to consolidated financial statements.

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
Years ended December 31, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Cash Flows From Investing Activities:		
Purchases of property and equipment, net	$ (139,255)	$ (203,274)
Proceeds from disposal of property and equipment	2,194	2,879
Acquisition of physician practices	(60)	(113,496)
Investment in unconsolidated affiliates, net	97	(31,140)
Cash acquired due to transfer of control of Related Foundations	3,671	-
Purchases of short-term investments and assets limited as to use, net	(245,052)	(25,553)
Net cash used in investing activities	(378,405)	(370,584)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	62,739	308,760
Debt issuance costs	-	(2,051)
Principal payments on capital lease obligations	(2,871)	(2,600)
Principal payments on long-term debt, net	(32,124)	(12,921)
Redemption of long-term debt	-	(239,017)
Settlement of interest rate swap agreements	-	(5,491)
Contributions from non-contolling interest holders	4,682	10,854
Distributions to non-controlling interest holders	(41,980)	(33,359)
Proceeds from restricted contributions received for purchase of property and equipment	1,770	7,606
Net cash provided by (used in) financing activities	(7,784)	31,781
Net Increase in Cash and Cash Equivalents	23,612	61,804
Cash and Cash Equivalents, beginning of year	253,730	191,926
Cash and Cash Equivalents, end of year	$ 277,342	$ 253,730
Supplemental Disclosure of Cash Flow Information.		
Cash paid for interest	$ 50,508	$ 45,589
Supplemental Schedule of Noncash Financing Activities:		
Property and equipment acquired through capital lease obligations	$ 595	$ 3,956

See accompanying notes to consolidated financial statements.

1. Organization

Texas Health Resources (THR), a Texas non-profit corporation, operates through its controlled affiliates a health care system with services and facilities throughout north central Texas THR is organized and operated for the benefit of its tax-exempt controlled affiliates and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended (the Code), as an organization described in Section 501(c)(3). THR's wholly-controlled facilities include 13 acute care hospitals (one of which is under construction) and a 10-bed long-term care hospital The following table provides the locations of THR's tax-exempt member hospitals (the Tax-Exempt Hospitals) as of December 31, 2011. The Tax-Exempt Hospitals have been recognized as exempt from federal income taxes under the Code as organizations described in Section 501(c)(3), with the exception of Texas Health Harris Methodist Hospital Alliance whose application is currently pending with the IRS.

Tax-Exempt Hospital	Location (Texas)
Texas Health Arlington Memorial Hospital	Arlington
Texas Health Harris Methodist Hospital Alliance (estimated to open in 2012)	Fort Worth
Texas Health Harris Methodist Hospital Azle	Azle
Texas Health Harris Methodist Hospital Cleburne	Cleburne
Texas Health Harris Methodist Hospital Fort Worth	Fort Worth
Texas Health Harris Methodist Hospital Hurst-Euless-Bedford	Bedford
Texas Health Harris Methodist Hospital Southwest Fort Worth	Fort Worth
Texas Health Harris Methodist Hospital Stephenville	Stephenville
Texas Health Presbyterian Hospital Allen	Allen
Texas Health Presbyterian Hospital Dallas	Dallas
Texas Health Presbyterian Hospital Denton	Denton
Texas Health Presbyterian Hospital Kaufman	Kaufman
Texas Health Presbyterian Hospital Plano	Plano
Texas Health Specialty Hospital Fort Worth (10-bed long-term care hospital)	Fort Worth

In addition, THR is the sole member or sole shareholder of certain other wholly-controlled affiliates engaged in health care related activities in support of its mission including Texas Health Physicians Group (THPG), a Texas 5 01(a) physician organization that consists of approximately 750 employed physicians, physician assistants, and nurse practitioners in over 250 locations throughout north central Texas.

1. **Organization,** continued

THR and some of its controlled affiliates participate in joint ventures with physicians and non physicians to operate hospitals and other health related ventures The following table provides the location of the joint venture hospitals along with THR and its controlled affiliate's ownership interest in those hospitals at December 31, 2011.

Hospital	Location (Texas)	Ownership Interest
Consolidated:		
Texas Institute for Surgery, L.L P. (d/b/a Texas Institute for Surgery at Texas Health Presbyterian Hospital Dallas)	Dallas	50 0%
Physicians Medical Center, L L C. (d/b/a Texas Health Center for Diagnostics & Surgery Plano)	Plano	53.0%
Southlake Specialty Hospital, L L C. (d/b/a Texas Health Harris Methodist Hospital Southlake)	Southlake	53.9%
Rockwall Regional Hospital L.L C (d/b/a Texas Health Presbyterian Hospital Rockwall)	Rockwall	53.2%
Flower Mound Hospital Partners, L.L.C (d/b/a Texas Health Presbyterian Hospital Flower Mound)	Flower Mound	54.8%
AMH Cath Labs, L L C. (d/b/a Texas Health Heart & Vascular Hospital Arlington)	Arlington	56.1%
Unconsolidated:		
USMD Hospital of Arlington, L P	Arlington	51.0%
USMD Hospital of Fort Worth, L.P.	Fort Worth	51.0%
Sherman/Grayson Health System, L.L C (d/b/a Texas Health Presbyterian Hospital - WNJ)	Sherman	50.1%
Texas Rehabilitation Hospital of Fort Worth, L.L C	Fort Worth	30 0%

In addition to the hospitals listed above, there are numerous other non-hospital health related joint ventures included in THR's accompanying consolidated financial statements, including outpatient imaging and surgery centers

On February 15, 2010, THR's Board of Trustees approved a transaction to transfer the assets, healthcare operations, and sole corporate membership of Texas Health Presbyterian Hospital Winnsboro (THW) from THR to Trinity Mother Frances Health System (TMF). The transaction closed on March 1, 2010. In accordance with generally accepted accounting principles, THW is considered a discontinued operation of THR as of the date of the transaction and is reflected as such in the consolidated statements of operations and changes in net assets for the year ended December 31, 2010 Total assets, liabilities and net assets of THW at March 1, 2010 were approximately $7,968,000, $38,779,000, and $(30,811,000), respectively The intercompany amounts owed to THR and its affiliates at March 1, 2010 of approximately $36,364,000 were not repaid. The operating revenues and revenue and gains less than expenses and losses of THW for the two months ended February 28, 2010 were approximately $2,307,000 and $772,000, respectively. In the consolidated statements of cash flows, the cash flows from discontinued operations were not reclassified.

On November 15, 2010, the THR Board of Trustees approved a transaction to sell the cardiology service line at Texas Health Arlington Memorial Hospital to AMH Cath Labs, LLC as part of the conversion of that joint venture into a heart hospital. The heart hospital received its license and Centers for Medicare and Medicaid Services (CMS) certification and treated its first patient prior to December 31, 2010, and began full operations in January, 2011 under the name of Texas Health Heart and Vascular Hospital Arlington

1. Organization, continued

Effective December 31, 2010, THR acquired certain assets and assumed certain liabilities of Medical Edge Healthcare Group, P A (Medical Edge), a physician group, and all of the stock of PhyServe Physician Services, Inc. (PhyServe), a provider of management services to Medical Edge and other physician groups. The acquisition was funded by available cash. Simultaneously, THR sold all of the PhyServe stock to MedSynergies, Inc. The net purchase price of Medical Edge was originally recorded at December 31, 2010 as approximately $39,957,000 current assets, $59,521,000 goodwill, $42,176,000 other intangibles and long term assets, and $34,699,000 in liabilities. During 2011, adjustments were made to the purchase price accounting based on revisions to valuations resulting in a final allocation of approximately $45,137,000 current assets, $75,652,000 goodwill, $39,086,000 other intangibles and long term assets, and $52,920,000 in liabilities. The transaction more than doubled the number of physicians employed by Texas Health Physician Group (THPG), a wholly controlled affiliate of THR and a 501(a) physician organization

THR and its tax-exempt controlled affiliates receive support from two foundations, Texas Health Harris Methodist Foundation (THHMF) and Texas Health Presbyterian Foundation (THPF). These foundations (collectively, the Foundations) operate as non-private foundations exempt from federal income taxes under Section 501(a) of the Code as organizations described in Section 501(c)(3). Effective January 1, 2011, the sole corporate membership of THHMF and THPF was transferred from Harris Methodist Health System and Presbyterian Healthcare Resources, respectively, to THR Following the transfer, THR began consolidating the Foundations. Prior to obtaining control of the Foundations, THR recognized their right to the assets held by the Foundations as an interest in the net assets of the Related Foundations in the consolidated balance sheets. As a result of this transfer, approximately $64,784,000 of the Foundations net assets which had been previously reflected as temporarily restricted on THR's financial statements were released THR had recorded its interest in this portion of the Foundations net assets as temporarily restricted because it did not have immediate access to these funds and they were therefore not considered readily available. Due to the transfer of control, these funds are now readily available to THR Under normal circumstances, THR records the release of such funds as other operating revenue, however, because this transfer of control is not an ordinary occurrence, this release has been recorded in nonoperating gains (losses). Total assets, liabilities and net assets of the Foundations at January 1, 2011, were approximately $196,283,000, $7,817,000, and $188,466,000, respectively

The accompanying consolidated financial statements include the accounts of THR, its wholly controlled affiliates and its consolidated joint ventures (collectively, the System) All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, and governmental or other securities with original maturities of three months or less at time of purchase, excluding amounts limited as to use by board designation or other arrangements

2. Summary of Significant Accounting Policies

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets Realized investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is restricted by donor or law Investments in mineral interests, which have limited marketability, are stated at fair value, as estimated based on a multiple of annual revenues Investments in real estate are stated at fair value, as estimated by using private valuations Investments in hedge funds are stated at fair value, as estimated by the general partner of the hedge fund and reviewed by management. Unrealized gains and losses on investments are excluded from revenue and gains in excess of expenses and losses unless the investments are trading securities. Management reviews individual securities to determine whether a decline in fair value below the amortized cost basis is other than temporary If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in realized investment gains or losses in the consolidated statements of operations and changes in net assets To determine whether a decline is other than temporary, management considers whether it has the ability and intent to hold the investment until a market price recovery, which may be maturity, and whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary.

The System invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonable to assume that changes in the values of investment securities will occur in the near term and that such changes could be material to the accompanying consolidated financial statements

Split-Interest Agreements

The Foundations have received as contributions various types of split-interest agreements, including charitable gift annuities, charitable remainder unitrusts and perpetual trusts held by a third party

Under charitable gift annuity arrangements for which the Foundations are the trustee of the assets, the Foundations record the assets at fair value and the liabilities to the beneficiaries at the present value of the estimated future payments to be distributed by the Foundations to such beneficiaries. The amount of the contribution is the difference between the asset and the liability and is recorded as unrestricted revenue, unless otherwise restricted by the donor Subsequent changes to the annuity liability are recorded as changes in value of split-interest agreements in the appropriate net asset class

Under charitable remainder unitrust arrangements for which the Foundations are the trustee of the assets, the Foundations record as donor-restricted contributions the present value of the residual interest in the trust in the period in which the trust is established. The assets held in trust are recorded at fair value when received, and the liabilities to the beneficiaries are recorded at the present value of the estimated future payments to be distributed by the Foundations to such beneficiaries The amount of the contribution is the difference between the asset and the liability and is recorded as temporarily restricted or permanently restricted support Subsequent changes in fair value for charitable remainder unitrusts are recorded as changes in value of split-interest agreements in the appropriate net asset class.

2. Summary of Significant Accounting Policies, continued

Split-Interest Agreements, *continued*

Under perpetual trusts held by a third-party arrangement, the Foundations record contribution revenue and an asset when it is notified of the trust's existence The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets and that value may generally be measured by the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the assets contributed to the trust differs from the present value of the expected future cash flows. Distributions from the trust are reported as investment income that increases the appropriate net asset class Adjustments to the amount reported as an asset, based on periodic review, are recognized as unrealized investment gains or losses on beneficial interest in perpetual trust in the permanently restricted net asset class

Under the charitable gift annuity arrangements and charitable remainder unitrust arrangements for which the Foundations are not the trustee of the assets, the Foundations record a receivable and contribution revenue at the present value of the estimated future distributions expected to be received by the Foundations over the expected term of the agreement. However, if an unrelated third-party has variance power to redirect the benefits to another organization or if the Foundations' rights to the benefits are conditional, the Foundations do not recognize its potential for future distributions from the asset held by the trustee.

The discount rates and actuarial assumptions used in calculating present values have been based on Internal Revenue Service guidelines and actuarial tables. For agreements in which the Foundations are the trustee, the discount rates used are commensurate with the risks involved at the time the contributions are initially recognized and are not subsequently revised. For agreements in which the Foundations are not the trustee, under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-30, Not-for-Profit Entities Split Interest Agreements, and the guidance as provided in the AICPA Audit and Accounting Guide, Not-for-Profit Organizations, split-interest agreements held by others net expected cash flows are revalued to fair value at each year-end using a current risk-free rate of return, which ranged from 0 83% to 2 89% and 2.01% to 4.34% for the years ended December 31, 2011 and 2010, respectively

Accounts Receivable and Allowance for Doubtful Accounts

Patient accounts receivable are reported net of estimated allowances for doubtful accounts and contractual adjustments in the consolidated balance sheets. The provision for bad debts is based upon a combination of the aging of receivables and management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience and payment trends by payor category. Patient accounts are also monitored and, if necessary, past due accounts are placed with collection agencies in accordance with guidelines established by management

Assets Limited as to Use

The System maintains certain assets that are limited as to use under board designation, indenture agreements, and other provisions, including self insurance trust agreements Amounts required to fund current liabilities of the System have been classified as current assets in the consolidated balance sheets

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment acquisitions are recorded at cost Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations and changes in net assets Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue and gains in excess of expenses and losses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service

Goodwill and Intangible Assets

Goodwill and intangible assets recorded in connection with acquisitions completed by the System are accounted for under FASB ASC 350, *Intangibles – Goodwill and Other*. Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized. The System reviews goodwill annually or more frequently if circumstances warrant a more timely review, to determine if there has been an impairment In September 2011, the FASB issued ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill and Impairment*, which provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test described in Topic 350 is unnecessary The update is intended to simplify the process of how entities test goodwill for impairment Management elected to early adopt this update for the fiscal year ended December 31, 2011 and prepared a qualitative assessment of goodwill impairment for all reporting units that have assigned goodwill No impairments were identified for the years ended December 31, 2011 and 2010.

Goodwill activity for the years ended December 31, 2011 and 2010 is presented below (in thousands):

	2011	2010
Balance at beginning of year	$ 108,800	$ 36,487
Goodwill acquired from Medical Edge transaction	16,086	59,566
Goodwill acquired from other transactions	4	12,747
Balance at end of year	$ 124,890	$ 108,800

2. Summary of Significant Accounting Policies, continued

Asset Retirement Obligations

The fair value of a liability for a legal obligation associated with the retirement of long-lived assets is recognized in the period in which it is incurred if the fair value can be reasonably estimated. The fair value, which approximates the cost a third party would incur in performing the tasks necessary to retire such assets, is recognized at the present value of expected future cash flows and is added to the carrying value of the associated asset and depreciated over the asset's useful life The liability is accreted over time and is reduced upon settlement of the obligation

Impairment or Disposal of Long-Lived Assets

When events or changes in circumstances indicate that the carrying amount of long-lived assets, including property and equipment, or other long-lived assets, may not be recoverable, an evaluation of the recoverability of currently recorded costs is performed When an evaluation is performed, the estimated value of undiscounted future net cash flows associated with the assets is compared to the assets' carrying value to determine if a write-down to fair value is required

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets Long-lived assets to be disposed of are reflected at the lower of either their carrying amounts or their fair value less costs to sell or close. In such circumstances, estimates of fair value are based on independent appraisals, established market prices for comparable assets, or internal calculations of estimated discounted future cash flows

Derivative Instruments

Certain consolidated joint ventures, Rockwall Regional Hospital, L L C (Rockwall), Flower Mound Hospital Partners, L L C (Flower Mound) and AMH Cath Labs, L L C (ACL), use interest rate swap agreements to manage interest rate risk and account for derivative instruments utilized in connection with these activities at fair value GAAP requires entities to recognize all derivatives as either assets or liabilities in the consolidated balance sheets at their respective fair values. For derivatives designated as hedges, changes in fair value are either offset against the change in fair value of the assets and liabilities through revenue and gains in excess of expenses and losses for any ineffective portion, or recognized in other changes in unrestricted net assets until the hedged item is recognized in revenue and gains in excess of expenses and losses

These consolidated joint ventures only enter into derivative contracts that they intend to designate as a hedge of a forecasted transaction of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge) For all hedging relationships, these consolidated joint ventures formally document the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness These consolidated joint ventures also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transactions are highly effective in offsetting cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other changes in unrestricted net assets to the extent that the derivative is an effective hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported in revenues and gains in excess of expenses and losses.

2. **Summary of Significant Accounting Policies,** continued

Derivative Instruments, *continued*

These consolidated joint ventures discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is undesignated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate

In all situations in which hedge accounting is discontinued and the derivative is retained, these consolidated joint ventures continue to carry the derivative at its fair value in the consolidated balance sheets and recognize any subsequent changes in its fair value in revenues and gains in excess of expenses and losses When it is probable that a forecasted transaction will not occur, these consolidated joint ventures discontinue hedge accounting and recognize immediately any gains and losses that were accumulated in other changes in unrestricted net assets For a portion of 2010, management of Flower Mound determined its swap agreement did not qualify as an effective hedge. As a result, approximately $856,000 of the change in value of that swap agreement is reported in revenues and gains in excess of expenses and losses, and approximately $1,855,000 is recorded in other changes in unrestricted net assets for the year ended December 31, 2010

By using derivative financial instruments to hedge exposures to changes in interest rates and commodity prices, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract.

When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty and, therefore, the System is not exposed to the counterparty's credit risk in these circumstances. The System minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties. The derivative instruments entered into by the System do not contain credit-risk-related contingent features

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken

The System does not enter into derivative instruments for any purpose other than cash flow hedging. The System does not speculate using derivative instruments.

Physician Income Guarantees

Consistent with its policy on physician relocation and recruitment, THR hospitals provide income guarantee agreements to certain non-employed physicians who agree to relocate to its communities to fill a need in the hospital's service area and commit to remain in practice there. Under such agreements, THR hospitals are required to make payments to the physicians in excess of the amounts they earn in their practice up to the amount of the income guarantee. The income guarantee periods are typically 12 months. Such payments are recoverable from the physicians if they do not fulfill their commitment period to the community, which is typically three years subsequent to the guarantee period At December 31, 2011, the maximum potential amount of future payments under these guarantees was approximately $7,926,000.

2. Summary of Significant Accounting Policies, continued

Physician Income Guarantees, *continued*

In accordance with FASB ASC 954-460, *Healthcare Entities Guarantees*, at December 31, 2011 and 2010, THR had a liability of approximately $3,281,000 and $5,431,000, respectively, for the fair value of new or modified guarantees entered into, with a corresponding asset recorded in other current assets in the consolidated balance sheets, which will be amortized over the commitment period

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to THR and its tax-exempt controlled affiliates are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions and other operating revenue.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by THR and its tax-exempt controlled affiliates have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by THR and its tax-exempt controlled affiliates in perpetuity.

Revenue and Gains in Excess of Expenses and Losses

The consolidated statements of operations and changes in net assets include revenue and gains in excess of expenses and losses Changes in unrestricted net assets which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and other items required by GAAP to be reported separately.

Net Patient Service Revenue

Net patient service revenue is recognized as services are provided and reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Tax-Exempt Hospitals provide care to patients who meet criteria established under THR's charity care policy without charge or at amounts less than their established rates Because the Tax-Exempt Hospitals do not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue or patient receivables.

2. **Summary of Significant Accounting Policies,** continued

Electronic Health Record Incentive Payment Program

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for hospitals that meaningfully use certified electronic health record (EHR) technology In order to qualify for the Act's Year One reporting period, a hospital must meet certain designated EHR meaningful use criteria from both mandatory and optionally selected requirements for ninety consecutive days within the Act's reporting year During 2011, THR's eligible hospitals received approximately $26,977,000 of reimbursement payments under the Act's Year One reporting period. At December 31, 2011 approximately $1,795,000 of these payments were recorded in the accompanying consolidated balance sheets for potential adjustments. The remainder of the payments were recorded as other operating revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2011

THR has elected to apply the grant accounting guidance in International Accounting Standards (IAS) 20 to these incentive payments. IAS 20 does not allow incentive payments to be recognized as income until there is reasonable assurance that the entity will successfully demonstrate compliance with the minimum number of meaningful use objectives THR's management believes the relevant criteria was met for Year One reporting and determined compliance was reasonably assured At December 31, 2011, THR's management was evaluating the reliability of the recently developed reports demonstrating each of its eligible hospitals' compliance with the applicable EHR meaningful use requirements for the Act's Year Two reporting period. As a result, management does not believe adequate reliable information is available to make a determination of reasonable assurance that the hospitals will be able to successfully demonstrate compliance with the minimum number of meaningful use objectives for the Act's Year Two reporting period. Therefore, THR has not recorded an accrual in the accompanying consolidated financial statements for estimated EHR incentive payments under the Act's Year Two reporting period.

Self-Insurance

Under THR's self-insurance programs, claims are reflected as liabilities based upon actuarial estimation, including both reported, and incurred but not reported claims, taking into consideration the severity of the incidents and the expected timing of claim payments.

Reclassifications

Certain reclassifications have been made to the December 31, 2010 financial statements to conform to the December 31, 2011 presentation. The reclassifications had no effect on revenue and gains in excess of expenses or net assets as previously reported. Goodwill and intangible assets are now reported separately on the consolidated balance sheets. All investment earnings are now reported within nonoperating gains (losses) on the consolidated statements of operations and changes in net assets

3. Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the hospitals at amounts different from the hospitals' established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare. Inpatient acute care 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 Inpatient nonacute services, outpatient services, and certain capital and medical education costs related to Medicare beneficiaries are paid based on a combination of prospective and cost reimbursement methodologies or fee schedule The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicare fiscal intermediary

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined system similar to Medicare Most outpatient services are reimbursed by the Medicaid program under a cost reimbursement methodology or fee schedule. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicaid fiscal intermediary.

Medicare and Medicaid cost report settlements are estimated in the period services are provided to the program beneficiaries These estimates are revised as needed until final settlement of the cost report Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Net patient service revenue increased approximately $12,489,000 in 2011 and $12,797,000 in 2010 due to reassessment of settlement issues and other changes in estimates related to final settlements

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospitals under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Items such as high cost drugs and implants are generally paid as an add-on to prospectively determined rates. All of these payment methods can occur independently or in combination for different commercial agreements.

Additionally, the Tax-Exempt Hospitals provide discounted pricing to uninsured patients The pricing is calculated by applying a discount to charges for services received. The discount rate was 35% in 2010 and was increased to 40% effective January 1, 2011 and 45% effective May 1, 2011 The consolidated and unconsolidated joint venture hospitals also provide similar discounted pricing to uninsured patients.

THR (through Texas Health Presbyterian Hospital Dallas), Baylor Health Care System, HCA North Texas Division, and Methodist Hospitals of Dallas have entered into an Affiliation Agreement with Parkland Memorial Hospital and Healthcare System (Parkland), and have created Dallas County Indigent Care Corporation (DCICC), a Texas non-profit corporation, to effectuate participation in the Texas Private Hospital Medicaid Upper Payment Limit (UPL) program and subsequent 1115 waiver program The UPL program ended on September 30, 2011 and was replaced with the 1115 waiver when it was approved by CMS on December 12, 2011 retroactive to October 1, 2011. DCICC has separately entered into a series of agreements with Parkland and the University of Texas Southwestern Medical Center of Dallas (UT Southwestern). In September, 2009, THR and its affiliates agreed to expand the Dallas County UPL program by adding additional hospitals and assuming additional contracts with UT Southwestern. THR added the following hospitals· Texas Health Presbyterian Hospitals Plano, Allen, Denton, Kaufman and the joint venture hospital Texas Health Presbyterian Hospital Rockwall.

3. Net Patient Service Revenue, continued

Beginning in August, 2009, THR (through Texas Health Harris Methodist Hospitals Fort Worth, Hurst-Euless-Bedford, Southwest Fort Worth, Azle and Texas Health Arlington Memorial Hospital), Baylor Health Care System, HCA North Texas Division, and Methodist Hospitals of Dallas have entered into an Affiliation Agreement with John Peter Smith Hospital and Healthcare System (JPS), and have created Tarrant County Indigent Care Corporation (TCICC), a Texas non-profit corporation. In January 2010, THR and its affiliates agreed to expand the Tarrant County UPL program by adding Texas Health Harris Methodist Hospital Cleburne and Texas Health Harris Methodist Hospital Stephenville TCICC has separately entered into a series of agreements with JPS, JPS Physician Group, UNT Health Science Center, Sheridan Healthcare of North Texas, P A., RadCare of Texas, P.A and Texas Em-1 Medical Services, P.A. to effectuate participation in the UPL program and subsequent 1115 waiver

During 2011 and 2010, THR, on behalf of its participating hospitals, recorded supplemental Medicaid revenue of approximately $113,515,000 and $110,634,000, respectively, under the UPL and subsequent 1115 wavier programs. At December 31, 2011, THR had a receivable of $23,367,000 related to the 1115 waiver program and at December 31, 2010 had a receivable of $33,118,000 related to the UPL program, for both the DCICC and TCICC programs

During 2011 and 2010, THR, on behalf of its participating hospitals, recorded expense of approximately $64,920,000 and $71,058,000, respectively, under the UPL and 1115 waiver programs (Dallas County and Tarrant County) representing disbursements made to the companies listed above through the DCICC and TCICC for providing services to Dallas and Tarrant County indigent patients

At December 31, 2011 and 2010, THR has deferred revenue of approximately $23,197,000 and $9,640,000, respectively included in other accrued liabilities on the consolidated balance sheet All of the deferred revenue at December 31, 2010 and $13,661,000 of the deferred revenue at December 31, 2011 represents payments that have been received under the UPL programs (Dallas and Tarrant County) relating to uncertainties surrounding the State of Texas capacity limits The remaining $9,536,000 represents liabilities incurred when the UPL program ended on September 30, 2011 related to both DCICC and TCICC The end of the UPL program caused certain provisions under the indemnity agreements to become effective relating back to the start of both the DCICC and TCICC programs.

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4. Charity Care and Community Benefit

In accordance with its mission and promise, THR, through its hospitals, commits substantial resources to sponsor a broad range of services for the indigent as well as the broader community. Community benefit provided to the indigent includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or to persons who are underinsured This category of community benefit in accordance with Texas law includes the unreimbursed costs of traditional charity care as well as the estimated unreimbursed costs of care provided to beneficiaries of Medicaid and other indigent public programs THR also benefits the communities it serves by providing facilities for the education and training of health care professionals and by participating in research activities that offer the potential of improving health care

THR also promotes access to health care services by providing support for indigent care clinics; promotes community health education and wellness programs; supports other local community based non-profit organizations through charitable donations; and sponsors a variety of health-related support groups and programs These activities are classified as community benefits under Texas law.

Finally, THR hospitals provide a significant amount of health care services to uninsured and underinsured individuals who do not pay for the services they receive When THR does not have the information required to properly determine charity status, the amounts owed by these individuals is classified as bad debt expense

THR provides care to patients who meet criteria established under its charity care policy without charge or at amounts less than their established rates Because THR does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. THR estimated costs associated with charity care based on the ratio of cost to gross charges and applying this ratio to charity care provided THR estimates direct and indirect costs associated with providing charity care was approximately $157,537,000 and $104,531,000 for the years ended December 31, 2011 and 2010, respectively. THR receives certain funds to offset or subsidize charity services provided from gifts or grants restricted for charity or indigent care The amount of such funds recognized in unrestricted operations from such sources totaled approximately $568,000 and $565,000 for the years ended December 31, 2011 and 2010, respectively.

5. Investments

Short-Term Investments

The composition of short-term investments at December 31, 2011 and 2010 is set forth in the following table (dollars in thousands):

	2011	2010
Fixed income securities	$ 1,495	$ 487
Equity securities	-	3,068
	$ 1,495	$ 3,555

5. Investments, continued

Assets Limited as to Use

Assets limited as to use that are required for obligations classified as current liabilities are included in current assets in the consolidated balance sheets. The composition of assets limited as to use at December 31, 2011 and 2010 is set forth in the following table (dollars in thousands):

	2011	2010
Internally designated		
Cash and cash equivalents	$ 77	$ -
U S government securities	1,138	-
Fixed income securities	603,374	433,449
Equity securities	1,111,370	973,763
Hedge funds	1,396	-
Donor-restricted special purpose and endowment funds:		
Cash and cash equivalents	1,030	-
Mutual funds	842	-
Mineral interests	4,650	-
Real estate	2,768	-
Fixed income securities	33,956	-
Equity securities	61,822	-
Beneficial interest in perpetual trust, held in charitable remainder unitrusts, and held in charitable gift annuities.		
Cash and cash equivalents	364	-
Mutual funds	272	-
Mineral interests	1,371	-
Real estate	842	-
Fixed income securities	3,807	-
Equity securities	3,653	-
Other provisions:		
Cash and cash equivalents	1,658	2,278
Fixed income securities	49,530	54,983
Equity securities	11,790	11,461
	1,895,710	1,475,934
Less. Assets limited as to use - required for current liabilities	(154,051)	(153,796)
	$ 1,741,659	$ 1,322,138

Excluded from the above table are promises to give of approximately $10,485,000 and $200,000 at December 31, 2011 and 2010, respectively that are included in assets limited as to use in the accompanying consolidated balance sheets.

5. Investments, continued

These promises to give are comprised of the following at December 31, 2011 and 2010 (dollars in thousands).

	2011	2010
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$ 11,251	$ 200
Less: Unamortized discount	(235)	-
	11,016	200
Less Allowance for uncollectibles	(531)	-
Net unconditional promises to give	$ 10,485	$ 200
Schedule of future amounts due:		
Less than one year	$ 5,032	$ 200
One to five years	4,477	-
Over five years	1,742	-
Total	$ 11,251	$ 200

Discount rates ranged from 0.36% to 4.82% for the year ended December 31, 2011

THR and its wholly-controlled affiliates participate with Presbyterian Healthcare Resources, a founding member of THR, in a pooled, long term investment fund administered by THR. Amounts internally designated represent THR and its wholly-controlled affiliates pro rata share of the fund These funds exist to provide liquidity for the System, to support its capital program, and to backstop short-term reserves as a buffer against interruption of business operations due to catastrophic events The fund's asset allocation is a reflection of the System's investment objectives as stated in its investment policy statement. The fixed income securities in the pool, which are primarily U S government obligations, have been designated as other-than-trading securities while the equity securities have been designated as trading

Management evaluates THR and its wholly-controlled affiliates' fixed income securities to determine whether any are deemed to be other-than-temporarily impaired due to credit worthiness of the bond issuers. There were no securities deemed to be other-than-temporarily impaired at December 31, 2011 or 2010.

At December 31, 2011, THR and its wholly-controlled affiliates' were not invested in any fixed income securities that are deemed not to be other-than-temporarily impaired and have been in a continuous unrealized loss position for twelve months or greater At December 31, 2011, the fair value and gross unrealized losses on THR and its wholly-controlled affiliates' pro rata share of fixed income securities that are deemed not to be other-than temporarily impaired and have been in a continuous unrealized loss position for less than twelve months were approximately $7,450,000 and $14,000, respectively

5. Investments, continued

Investment Income

Net realized investment income, included in revenue and gains in excess of expenses and losses in the consolidated statements of operations and changes in net assets, is comprised of the following for the years ended December 31, 2011 and 2010 (dollars in thousands)

	2011	2010
Interest and dividends	$ 34,701	$ 29,359
Realized gains, net	68,418	38,499
Total net realized investment income	103,119	67,858
Less Net realized investment income related to restricted funds	(4,489)	(121)
Net realized investment income, other than amount related to restricted funds	$ 98,630	$ 67,737

6. Property and Equipment

A summary of property and equipment at December 31, 2011 and 2010 is as follows (dollars in thousands).

	2011	2010
Land	$ 145,338	$ 144,919
Buildings and improvements	1,794,580	1,773,472
Fixed equipment	306,315	301,059
Major movable equipment	759,555	744,764
Building and equipment under capital lease obligations	8,123	14,959
	3,013,911	2,979,173
Less· Accumulated depreciation and amortization	(1,416,000)	(1,326,318)
	1,597,911	1,652,855
Construction and renovation in progress	67,411	61,257
	$ 1,665,322	$ 1,714,112

Depreciation and amortization expense related to property and equipment from continuing operations for the years ended December 31, 2011 and 2010 was approximately $178,738,000 and $174,427,000, respectively. Included in the above table is the cost, approximately $298,752,000 and $305,898,000, and accumulated depreciation, approximately $151,490,000 and $163,542,000, of land, buildings, and equipment held out for lease at December 31, 2011 and 2010, respectively.

6. Property and Equipment, continued

The System has several construction projects in progress, which include renovation and modernization of existing facilities and construction of new facilities Total remaining estimated costs of these projects is approximately $174,169,000, of which the System has outstanding commitments of approximately $95,792,000 at December 31, 2011. Total interest capitalized during the years ended December 31, 2011 and 2010 was approximately $1,001,000 and $1,268,000, respectively

The System accounts for its obligation for the removal of asbestos contained within its facilities in accordance with FASB ASC 410-20, *Asset Retirement Obligations*. This standard requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists FASB ASC 410-20 applies to legal obligations to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity The fair value of a liability for a legal obligation associated with the retirement of long-lived assets is recognized in the period in which it is incurred The fair value, which approximates the cost a third party would incur in performing the tasks necessary to retire such assets, is recognized at the present value of expected future cash flows and is added to the carrying value of the associated asset and depreciated over the asset's useful life

Asset retirement obligations related to asbestos removal are recorded as other non-current liabilities in the accompanying consolidated balance sheets and totaled approximately $7,335,000 and $6,448,000 at December 31, 2011 and 2010, respectively As a result of changes in estimated costs to abate certain types of asbestos, the System recorded increases to the liability and additional asbestos abatement expenses of approximately $138,000 and $320,000 during the years ended December 31, 2011 and 2010, respectively. Depreciation expense related to the associated assets was $47,000 and $58,000 in 2011 and 2010, respectively Additional accretion costs were approximately $365,000 and $375,000 for the years ended December 31, 2011 and 2010, respectively

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7. Long-Term Debt

A summary of long-term debt at December 31, 2011 and 2010 is as follows (dollars in thousands):

	2011	2010
System Revenue Bonds (Texas Health Resources), Series 2010, fixed interest rates of 5 00%, due through 2040	$ 157,550	$ 157,550
System Tax-Exempt Loan (Texas Health Resources), Series 2010 Bank of America Private Loan, variable interest rates, due through 2035, (interest rates were 0 82% and 0.81% at December 31, 2011 and 2010, respectively)	20,157	13,431
System Tax-Exempt Loan (Texas Health Resources), Series 2010 Compass Private Loan, variable interest rates, due through 2033, (interest rates were 1 19% and 1.17% at December 31, 2011 and 2010, respectively)	36,293	7,379
System Revenue Bonds (Texas Health Resources), Series 2008A, 2008B, and 2008C, variable interest rates, due through 2047, (interest rates ranging from 0.03% to 0 30% and 0 17% to 0 32% at December 31, 2011 and 2010, respectively)	176,055	176,055
System Revenue Bonds (Texas Health Resources), Series 2007A and 2007B, fixed interest rates of 5 00%, due through 2047	684,565	697,840
Term and Revolving Loans (Rockwall Regional Hospital, L.L C.), variable interest rates, due through 2017, (interest rates ranging from 2.13% to 2.26% and 2 18% to 4.65% at December 31, 2011 and 2010, respectively)	56,043	58,457
Term and Revolving Loans (Flower Mound Hospital Partners, L.L.C), variable interest rates, due through 2018, (interest rates ranging from 1.30% to 1 53% and 1.36% to 1.75% at December 31, 2011 and 2010, respectively)	102,517	110,500
Term and Revolving Loans (AMH Cath Labs, L L C.), variable interest rates, due through 2022, (interest rates ranging from 1.19% to 1.59% at December 31, 2011)	22,524	-
Master Loan and Security Agreement and Term Loan (Southlake Specialty Hospital, L.L.C), variable interest rates, due through 2015 (interest rates ranging from 2.71% to 6 82% and 2.0% to 8.42% at December 31, 2011 and 2010, respectively)	1,771	3,637
Capital Lease Obligations, at imputed interest rates ranging from 2 05% - 12 81% collateralized by leased equipment	4,157	7,387
Other loans and notes payable, variable interest rates due through 2014 (interest rates ranging from 3.35% to 8.00% and 2 88% to 6.0% at December 31, 2011 and 2010, respectively)	3,676	4,840
	1,265,308	1,237,076
Add:		
Unamortized original issue premium/discount, net	11,961	13,503
Less		
Current portion of long-term debt	(161,647)	(159,708)
Long-term debt, net of current portion	$ 1,115,622	$ 1,090,871

7. Long-Term Debt, continued

In November, 2010, THR entered into tax-exempt loan agreements with Bank of America, N A. and Compass Mortgage Corporation in the aggregate principal amount of $135,000,000 (the Bank Loans). The proceeds of these Bank Loans will be used (a) to pay costs of acquiring, constructing, renovating, remodeling and/or equipping capital improvements for certain THR tax-exempt health facilities, and (b) to pay certain costs incurred in connection with the Bank Loans. The Bank Loans bear interest at variable rates calculated as a percentage of LIBOR plus a spread At December 31, 2011 and 2010, THR had drawn approximately $20,157,000 and $13,431,000, and $36,293,000 and $7,379,000 on the Bank of America and Compass Bank Loans, respectively The Bank Loans require THR to conduct its business so that in each fiscal year Available Revenues (as defined in the Bank Loans) total at least 1 25 times the Annual Debt Service Requirements (as defined in the Bank Loans)

THR issued Series 2010 bonds (the Series 2010 Bonds) through the Tarrant County Cultural Education Facilities Finance Corporation (official statement dated November 11, 2010) in the amount of $157,550,000. The proceeds of the Series 2010 Bonds were used (a) to refund the Tarrant County Health Facilities Development Corporation Texas Health Resources System Revenue Bonds, Series 2008D, 2008F, and 2008G, and (b) to pay certain costs incurred in connection with the issuance of the Series 2010 Bonds and the provisions for payment of the refunded Series 2008D, 2008F, and 2008G Bonds.

THR issued Series 2008A-G bonds (the Series 2008 Bonds) through the Tarrant County Cultural Education Facilities Finance Corporation (official statement dated October 27, 2008) in the amount of $366,120,000 The proceeds of the Series 2008 Bonds were used (a) to refund the Tarrant County Health Facilities Development Corporation Texas Health Resources System Revenue Bonds, Series 2003 (the Series 2003 Bonds) ($300,000,000) and the Plano Health Facilities Development Corporation Unit Priced Demand Adjustable Revenue Bonds (Children's and Presbyterian Healthcare Center of North Texas Project) Series 1989 (the Series 1989 Bonds) ($27,900,000), (b) to finance or refinance the purchase, development, construction, reconstruction, renovation, rehabilitation and/or equipping of certain THR tax-exempt health facilities ($35,900,000), and, (c) pay certain costs incurred in connection with the issuance of the Series 2008 Bonds and the provisions for payment of the refunded Series 2003 and Series 1989 Bonds. The Series 2008 Bonds are expected to finance only a portion of the total capital expenditures expected to be made by the System in the three-year period during which proceeds of the Series 2008 Bonds are expected to be expended. As previously discussed, THR defeased all of the outstanding Series 2008D, 2008F, and 2008G Bonds in November, 2010, with proceeds from the issuance of the Series 2010 Bonds. In addition, THR redeemed all of the outstanding Series 2008E Bonds on November 22, 2010 at a purchase price equal to the principal amount ($36,140,000) thereof plus interest accrued thereon to the redemption date. THR used available cash to redeem the Series 2008E Bonds.

7. Long-Term Debt, continued

The Series 2008 Bonds are variable rate demand bonds. Accordingly, the Series 2008 Bonds are subject to periodic tender and remarketing provisions. The interest rates at which the bonds are remarketed are determined in accordance with the remarketing agreement applicable to each series of the Series 2008 Bonds Liquidity for payment of the Series 2008A ($65,000,000) and 2008B ($50,285,000) Bonds tendered for purchase and not remarketed is provided by THR under a self liquidity program As a result, THR has classified these two series as current liabilities in the current portion of long-term debt. Liquidity for payment of the Series 2008C Bonds tendered for purchase and not remarketed is provided by a Standby Bond Purchase Agreement (SBPA) with JPMorgan Chase Bank, N.A With respect to the bonds supported by a SBPA, any principal balance that would require repayment within twelve months under the terms of the SBPA agreement is classified as current. Based on the payment terms in the SBPA, at the end of any reporting period, THR could have up to three of twelve quarterly payments due within a one-year period of time; therefore, THR carries 3/12 of the outstanding principal amount on these bonds as a current liability in the current portion of long-term debt. THR's management believes that the lending institution holding this SBPA has the ability to meet its obligation, if necessary The SBPA expires November 23, 2015 and may be renewed or replaced. In the event the SBPA is not renewed and THR is unable to replace the liquidity facilities, the outstanding bonds become bank bonds under a mandatory tender provision. The SBPA also contains certain liquidity facility agreement special default provisions that would result in immediate termination of the agreement requiring THR to purchase any tendered bonds that are unable to be remarketed In the event all of the Series 2008 Bonds were tendered and the remarketing agents were unable to remarket the bonds, THR's required repayment of principal as compared to scheduled principal repayments are as follows.

	Series 2008 Bonds	
Year Ending December 31,	Scheduled Principal Payments	Self-Liquidity and SBPA Tendered Bonds
2012	$ -	$ 130,478
2013	-	20,257
2014	-	20,257
2015	-	5,063
Thereafter	176,055	-
Total	$ 176,055	$ 176,055

Concurrent with the issuance of the Series 1997 Bonds and amended in connection with the issuance of the Series 2008 Bonds, THR entered into the Second Amended and Restated Master Trust Indenture (the Master Indenture) Among other requirements, THR granted a security interest in (a) certain of its revenue (as defined in the Master Indenture) and accounts receivable of the grantor; (b) all money and investments held or required to be held for the credit of the funds and accounts established by or under the Master Indenture; and (c) any and all property that may, from time to time, be subjected to the lien and security interest of the Master Indenture. Additionally, the Master Indenture requires THR to conduct its business so that in each fiscal year Available Revenues (as defined in the Master Indenture) total at least 1 10 times the Annual Debt Service Requirements (as defined in the Master Indenture)

7. Long-Term Debt, continued

In April and May 2007, at THR's request, Tarrant County Cultural Education Facilities Finance Corporation issued $597,840,000 of Refunding Revenue Bonds and $100,000,000 of Revenue Bonds, Series 2007A and 2007B, respectively The proceeds of the Series 2007A Bonds were used (a) to provide payment of principal, redemption premium, and interest to redemption or maturity on $366,985,000 outstanding Series 1997A Bonds, $157,090,000 outstanding Series 1997B Bonds, and $68,745,000 outstanding Series 1997C Bonds, and (b) to pay certain costs incurred in connection with the issuance of the Series 2007A Bonds and the provisions for the refunded bonds. The proceeds of the sale of the Series 2007B Bonds will be used (a) to pay or reimburse THR for the costs of acquiring, constructing, renovating, remodeling, and/or equipping capital improvements for THR and its tax-exempt controlled affiliates, and (b) to pay certain costs incurred in connection with the issuance of the Series 2007B Bonds The Series 2007B Bonds are expected to finance only a portion of the total capital expenditures expected to be made by the System in the three-year period during which proceeds of the Series 2007B Bonds are expected to be expended.

In March 2006, Rockwall entered into a Credit Agreement with various lending institutions with Bank of America N.A. acting as agents for the lenders (the BofA Agreement) The BofA Agreement provided Rockwall with an Advancing Term Loan A Commitment of $40,000,000 used for the construction of the hospital building, an Advancing Term Loan B Commitment of $20,000,000 used for the acquisition of equipment and a Revolving Loan Commitment of $15,000,000 used as working capital. Under the BofA Agreement, outstanding balances for the Term Loans bear interest based on a one-, two- or three-month LIBOR rate plus 1.45% and the outstanding balance of the Revolving Loan bears interest at Bank of America Prime rate plus 1.45%. In December, 2010, Rockwall refinanced the BofA Agreement and entered into a new Credit Agreement with JP Morgan Chase Bank N.A (the Chase Agreement). The Chase Agreement provides Rockwall with a Real Estate Term Loan of $42,000,000, an Equipment Term Loan of $13,000,000, and a Revolving Loan of $5,000,000 to be used as working capital Under the Chase Agreement, outstanding balances bear interest based on a one-, two-, or three-month LIBOR rate plus 1 95%. The Real Estate Term Loan, Equipment Term Loan and Revolving Loan had outstanding balances of approximately $39,900,000, $11,143,000 and $5,000,000, and $42,000,000, $13,000,000 and $3,457,000 at December 31, 2011 and 2010, respectively.

Rockwall also entered into forward starting swap agreements (the Swaps) with respect to the $40,000,000 Term Loan A and 50% of the $20,000,000 Term Loan B with Bank of America. These Swaps were intended to reduce the financial risk related to rising LIBOR rates by executing a cash flow hedge that would convert the floating rate exposure to a fixed rate hedge instrument The fixed rates on these hedges were 5 39% and 5.35%, respectively, with start dates of December 1, 2007 and September 1, 2007. The Swaps were terminated in December, 2010 at a cost of $5,491,000, which is included in nonoperating gains and losses on the consolidated statement of operations and changes in net assets for the year ended December 31, 2010 On January 13, 2011, Rockwall entered into a forward starting swap agreement with JPMorgan Chase Bank with respect to the $42,000,000 Real Estate Term Loan This swap is intended to reduce the financial risk related to rising LIBOR interest rates by executing a cash flow hedge that will convert the floating rate exposure to a fixed rate hedge instrument. The fixed rate on this hedge is 2.70%, with a start date of January 31, 2011 and ending date of December 31, 2017 The fair value of this swap at December 31, 2011 was a liability of approximately $2,892,000 and is included in other noncurrent liabilities on the accompanying balance sheets. The ineffective portion of the change in value was a gain of $309,029

7. Long-Term Debt, continued

In February 2008, Flower Mound entered into a Credit Agreement (the Agreement) with various lending institutions with JP Morgan Chase Bank, NA acting as agent for the lenders. The Agreement provides Flower Mound with an Advancing Term Loan Commitment of $105,000,000 used for the construction of the hospital building and the acquisition of equipment and a Revolving Loan Commitment of $20,000,000 to be used as working capital During 2010, the Agreement was amended to reduce the Revolving Loan to $15,000,000 as of December 31, 2010 and to $10,000,000 as of December 31, 2011 Under the Agreement, outstanding balances for the Term and Revolving Loans bear interest based on LIBOR rates, plus 1 15% for the Term Loan and 0.90% for the Revolving Loan. The balance outstanding on the Term Loan as of December 31, 2011 and 2010 was approximately $99,517,000 and $105,000,000, respectively The balance outstanding on the Revolving Loan as of December 31, 2011 and 2010 was approximately $3,000,000 and $5,500,000, respectively

Flower Mound also entered into a forward starting interest swap agreement (the Swap) with respect to $73,500,000 of the Term Loan This Swap is intended to reduce the financial risk related to rising interest rates by executing a cash flow hedge that will convert the floating rate exposure to a fixed rate hedge instrument The fixed rate on the hedge is 4.76% with a start date of September 30, 2009 The fair value of the Swap was a liability of approximately $11,524,000 and $8,723,000 at December 31, 2011 and 2010, respectively and is included in other noncurrent liabilities on the accompanying balance sheets. All of the increase in the fair value for the year ended December 31, 2011 is recorded in other changes in unrestricted net assets During a portion of 2010, the Swap agreement did not qualify as an effective hedge. As a result, approximately $856,000 of the change in value of the Swap agreement was reported in revenues and gains in excess of expenses and losses, and approximately $1,855,000 is recorded in other changes in unrestricted net assets for the year ended December 31, 2010.

On December 28, 2011, ACL entered into Loan Agreements with Bank of America, N.A (the Agreements). The Agreements provide ACL with a ten year floating rate Service Line Term Loan of $15,300,000, a seven year floating rate Equipment Term Loan of $6,400,000 and a five year floating rate Revolving Line of Credit of $10,000,000. The loans bear interest at LIBOR plus a credit spread of 1.3% for the Service Line Term Loan and 0 9% for the Equipment Term Loan and Revolving Line of Credit. The Service Line Term Loan, Equipment Term Loan and Revolving Line of Credit had outstanding balances of approximately $15,300,000, $6,400,000 and $750,000 at December 31, 2011

On December 22, 2011, ACL entered into Interest Rate Swap Agreements with Bank of America Merrill Lynch with respect to the Service Line Term Loan and Equipment Term Loan These swaps are intended to reduce the financial risk related to rising LIBOR interest rates by executing a cash flow hedge that will convert the floating rate exposure to a fixed rate hedge instrument. The fixed rate on the Service Line Term Loan hedge is 2.0025%, with a start date of December 28, 2011 and ending date of January 1, 2022 The fixed rate on the Equipment Term Loan hedge is 1 6470%, with a start date of December 28, 2011 and ending date of January 1, 2019. The fair value of the swaps at December 31, 2011 was a liability of approximately $255,000 and is included in other noncurrent liabilities on the accompanying balance sheets The swaps are considered effective hedges as of December 31, 2011, therefore, the change in fair value of the swaps from December 28 to December 31, 2011 is recorded in other changes in unrestricted net assets.

7. Long-Term Debt, continued

Scheduled principal repayments on long-term debt are as follows (dollars in thousands).

Year Ending December 31,	Scheduled Principal Payments
2012	$ 31,169
2013	29,840
2014	26,441
2015	28,058
2016	33,323
Thereafter	1,116,477
Total	$ 1,265,308

Unamortized bond issuance costs at December 31, 2011 and 2010 were approximately $5,314,000 and $5,477,000, respectively, and are included in other assets in the consolidated balance sheets

THR recorded an accounting loss of approximately $106,000 in 2010, in connection with the extinguishment of the Series 2008D, 2008E, 2008F and 2008G Bonds.

The Master Indenture, SBPA and the Bank Loans contain various covenants which require, among other things, the maintenance of certain financial ratios and certain other restrictions. Management believes THR is in compliance with its covenants as of December 31, 2011

8. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 were restricted for the following purposes (dollars in thousands)

	2011	2010
Capital improvements	$ 32,819	$ 7,771
Education and training	16,833	1,411
Patient care	9,230	868
Research	6,721	72
Community outreach	3,914	6
Other restricted purposes	6,353	2,143
Interest in unrestricted and temporarily restricted net assets of Related Foundations		
Capital improvements	-	33,059
Education and training	-	16,441
Research	-	6,645
Patient care	-	6,265
Community outreach	-	5,710
Other restricted purposes	-	3,984
Related Foundations unrestricted net assets	-	64,784
	$ 75,870	$ 149,159

8. Net Assets, continued

Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2011 and 2010 were restricted by donors to be maintained by THR and its tax-exempt controlled affiliates in perpetuity for the following purposes (dollars in thousands):

	2011	2010
Education and training	$ 20,163	$ -
Research	11,549	-
Patient care	7,597	-
Capital improvements	3,467	-
Community outreach	2,491	-
Other restricted purposes	7,986	-
Interest in permanently restricted net assets of Related Foundations		
Education and training	-	19,164
Research	-	11,251
Patient care	-	7,120
Capital improvements	-	3,347
Community outreach	-	2,388
Other restricted purposes	-	8,308
	$ 53,253	$ 51,578

9. Endowment

The Foundations' endowments consist of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

Based on the interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) by the Board of Trustees of the Foundations, the guidance in FASB ASC 958-205, Not-for-Profit Entities Presentation of Financial Statements, and absent explicit donor stipulations to the contrary, the Foundations classify the original value of gifts donated to the permanent endowment as well as accumulations to the permanent endowment made at the direction of the donor as permanently restricted net assets The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundations in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

(1) The duration and preservation of the fund
(2) The purposes of the Foundations and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundations
(7) The investment policies of the Foundations

9. Endowment, continued

Changes in the Foundations' endowment net assets for the year ended December 31, 2011 is as follows (dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Balance at December 31, 2010	$ -	$ -	$ -	$ -
Transfer in from change in control of Foundations	-	26,758	43,583	70,341
Contributions	-	-	541	541
Interest and dividends	-	1,747	-	1,747
Realized and unrealized gains, net	-	192	-	192
Transfers	-	(1,501)	1,940	439
Amounts appropriated for expenditure	-	(2,325)	-	(2,325)
Balance at December 31, 2011	$ -	$ 24,871	$ 46,064	$ 70,935
Board-designated endowment funds:				
Balance at December 31, 2010	$ -	$ -	$ -	$ -
Transfer in from change in control of Foundations	42,712	-	-	42,712
Interest and dividends	629	-	-	629
Realized and unrealized gains, net	(137)	-	-	(137)
Amounts appropriated for expenditure	(209)	-	-	(209)
Balance at December 31, 2011	$ 42,995	$ -	$ -	$ 42,995

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of December 31, 2011

The Foundations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in securities and other instruments which compliment or balance one another, thereby reducing risk without significantly reducing average returns

To satisfy its long-term rate-of-return objectives, the Foundations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints

The Foundations have spending policies that allow up to 4% of the endowment to be appropriated for expenditure, calculated after the endowment principal has been increased by the annual Consumer Price Index This is consistent with the Foundations' objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth.

10. Non-Controlling Interests

The System controls and therefore consolidates certain investees in its partnerships with physicians and non-physicians to operate hospitals and other health related ventures. The activity for non-controlling interests for the years ended December 31, 2011 and 2010 is summarized below (dollars in thousands):

	2011	2010
Non-controlling ownership interest in equity of consolidated affiliates, beginning of year	$ 43,283	$ 36,345
Revenue and gains in excess of expenses and losses attributable to non-controlling interest	43,358	29,443
Contributions from non-controlling interest holders	4,644	10,854
Distributions to non-controlling interest holders	(41,942)	(33,359)
Non-controlling ownership interest in equity of consolidated affiliates, end of year	$ 49,343	$ 43,283

11. Retirement Plans

The System has various plans, primarily defined contribution plans, which cover eligible full-time and part-time employees of the System. Plan contributions, included in salaries, wages, and employee benefits in the consolidated statements of operations and changes in net assets, were approximately $48,952,000 and $41,867,000 for the years ended December 31, 2011 and 2010, respectively

12. Federal and State Income Taxes

The System has certain subsidiaries and operations such as partnership interests, retail pharmacies and outside laboratory services that are taxable for federal income tax purposes The taxable activities of all includible entities have approximately $936,000 and $1,410,000 in net deferred tax assets, against which a 100% valuation allowance has been recorded, for the years ended December 31, 2011 and 2010, respectively While the System expects to generate taxable income from certain activities in the future, the valuation allowance has been recorded because the System does not believe taxable income will be incurred by the entities that generated the net deferred tax assets. The Texas franchise tax applies to certain of the System's consolidated partnership interests Under this law, tax is calculated on a margin base and is therefore reflected in the System's statements of operations and changes in net assets as income tax expense. Federal and state income tax expense of approximately $6,166,000 and $7,666,000 is included in the consolidated statements of operations and changes in net assets for the years ended December 31, 2011 and 2010, respectively.

13. Concentrations of Credit Risk

Financial institutions that potentially subject the System to concentrations of credit risk consist of deposits in banks and investments in excess of the Federal Deposit Insurance Corporation, Securities Investor Protection Corporation and other privately insured limits. The System has not experienced any credit losses on these financial instruments

13. Concentrations of Credit Risk, continued

The hospitals and physician practices grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2011 and 2010 is as follows

	2011	2010
Medicare	21%	22%
Medicare Managed Care	6%	6%
Medicaid	2%	4%
Medicaid Managed Care	5%	5%
Managed care organizations	45%	38%
Other third-party payors	3%	3%
Patients	18%	22%
	100%	100%

14. Commitments and Contingencies

Management evaluates contingencies based upon available evidence. In addition, allowances for losses are provided each year for disputed items which have continuing significance Management believes that allowances for losses have been provided to the extent necessary and that its assessment of contingencies is reasonable. Due to the inherent uncertainties and subjectivity involved in accounting for contingencies, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. To the extent that the resolution of contingencies results in amounts which vary from management's estimates, future operating results will be charged or credited. The principal commitments and contingencies are described below

Professional and General Liability Insurance

The System has known professional and general liability claims and incidents that may result in the assertion of claims, as well as exposure from unknown incidents that may be asserted. In connection with these risks, THR maintains a self-insurance program for the professional and general liabilities of THR and its wholly-controlled hospital affiliates whereby undiscounted reserves are recorded based on actuarial estimates from an independent third-party actuary The self-insurance program includes coverage for general liability exposure of THPG Professional liability exposure of THPG is purchased from commercial carriers and is not included in the self-insurance program In connection with the self-insurance program, THR maintains trust funds, included in assets limited as to use in the consolidated balance sheets, which hold assets for the purpose of paying potential professional liability and general liability claims. The System also purchases insurance for professional liability and general liability claims in excess of THR's self-insurance retention level.

Workers' Compensation Insurance

The System purchases workers' compensation insurance from commercial carriers with per claim deductibles and aggregate limits Accrued claims include estimates for known claims and incidents incurred but not reported at December 31, 2011 and 2010, respectively

14. Commitments and Contingencies, continued

Employee Health Insurance

THR maintains a self-insurance medical plan for the employees of THR and its wholly-controlled affiliates. Accrued claims include estimates for known claims and services incurred but not reported at December 31, 2011 and 2010, respectively THR also purchases insurance to limit its losses on claims for medical expenses.

Guarantees of Indebtedness

The Tax-Exempt Hospitals guaranteed approximately $9,142,000 and $5,176,000 of patient notes purchased by banks at December 31, 2011 and 2010, respectively

In conjunction with the USMD Hospital of Arlington, L.P. (USMD Arlington) partnership, THR entered into a limited guaranty agreement with Bank of America whereby THR guaranteed its proportionate share of any indebtedness outstanding between Bank of America and USMD Arlington. Effective March 1, 2010, THR acquired an additional 26% ownership interest in USMD Arlington, for a total ownership interest of 51%, and also acquired a 51% ownership interest in USMD Hospital of Fort Worth, L P (USMD Fort Worth) In conjunction with these acquisitions, THR guaranteed an additional 26% of USMD Arlington's bank indebtedness and agreed to guarantee 100% of USMD Fort Worth's Southwest Bank indebtedness and 51% of their Bank of Texas indebtedness for a fee At December 31, 2011 and 2010, THR's share of principal on USMD Arlington's and USMD Fort Worth's outstanding indebtedness was approximately $19,178,000 and $10,971,000, and $21,339,000 and $18,606,000, respectively. Payments are due from THR if USMD Arlington or USMD Fort Worth is unable to fulfill its obligations at the scheduled payment dates. As of December 31, 2011, it is not probable that THR will be required to make significant payments under the limited guaranty agreements. As a result, no amounts have been recorded in the accompanying consolidated financial statements for these guarantees.

In conjunction with the previously discussed December 31, 2010 sale of Physerve Physicians Services, Inc to MedSynergies, Inc (MSI), THR also entered into a limited guaranty agreement with Comerica Bank whereby THR guaranteed 50% of the indebtedness outstanding between Comerica Bank and MSI under a Revolving Credit and Term Loan Agreement dated as of December 31, 2010 At both December 31, 2011 and 2010, THR's 50% share of principal on MSI's outstanding indebtedness under this agreement was approximately $20,000,000. In consideration of THR entering into this guaranty, MSI will pay THR a monthly fee equal to a percentage of the indebtedness outstanding.

Litigation

The System is a party to several legal actions arising in the ordinary course of its business. In management's opinion, the System has adequate legal defenses, insurance coverage, and (or) self insurance trust assets for each of these actions, and management estimates that these matters will be resolved without material adverse effect on the System's future financial position, results of operations, or cash flows

Regulatory Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments and compliance can be subject to future review and interpretation as well as the possible emergence of regulatory actions unknown or unasserted at this time Management believes that the System is in substantial compliance with applicable government laws and regulations Regulatory inquiries and voluntary reports may be made from time-to-time It is management's policy to cooperate fully in resolving any such reports or inquiries.

14. Commitments and Contingencies, continued

Regulatory Compliance, *continued*

In December, 2010, the Department of Justice (DOJ) issued a request for information pursuant to the False Claims Act to THR involving seven THR wholly controlled hospitals. The request involves information regarding Medicare claims submitted by the hospitals in connection with the implantation of implantable cardioverter defibrillators (ICDs) during the period 2003 to the date of the request. The government is seeking this information to determine if ICD implantation procedures were performed in accordance with Medicare coverage requirements. Management understands that the DOJ has submitted similar requests to other hospital systems as well The System intends to fully cooperate with the government regarding its review; to date, the DOJ has not asserted any claim against THR hospitals

THR's Corporate Compliance Department investigates all compliance matters reported through its compliance program. As of the date of this disclosure, there was no additional pending or, to the knowledge of System management, threatened litigation, including professional liability claims, or reported compliance issues which in the opinion of System management involves any substantial risk of material liability for the System, and where applicable, in excess of available reserves and insurance coverage. In management's opinion, the System does not expect the resolution of any known regulatory compliance matters to have a material adverse effect on the System's future financial position, results of operations, or cash flows

Operating Leases

The System leases various equipment and facilities under operating leases expiring at various dates through 2025 Total rental expense, included in other operating expenses in the consolidated statements of operations and changes in net assets, was approximately $94,067,000 and $69,429,000 for the years ended December 31, 2011 and 2010, respectively

The following is a five year schedule, by year, of future minimum lease payments under noncancelable operating leases that have initial terms in excess of one year as of December 31, 2011 (dollars in thousands)

Year Ending December 31,		
2012	$	62,255
2013		48,956
2014		38,262
2015		30,448
2016		27,806

The System leases office space and land at fair market value to physicians, health care related businesses, and others under operating leases expiring at various dates through 2072. Total rental income, included in other operating revenue and other non-operating gains in the consolidated statements of operations and changes in net assets, was approximately $38,727,000 and $40,098,000 for the years ended December 31, 2011 and 2010, respectively

14. Commitments and Contingencies, continued

The following is a five-year schedule, by year, of future minimum rental income payments under noncancelable leases that have initial terms in excess of one year as of December 31, 2011 (dollars in thousands):

Year Ending December 31,	
2012	$ 26,438
2013	20,821
2014	14,218
2015	10,712
2016	7,563

15. Functional Operating Expenses

The System provides general and comprehensive health care services to residents within its geographic locations. Operating expenses related to providing these services for the years ended December 31, 2011 and 2010 were as follows (dollars in thousands):

	2011	2010
Patient care services	$ 3,192,836	$ 2,740,952
General and administrative	368,200	335,645
Research and physician education	14,598	14,111
Fundraising	6,365	-
	$ 3,581,999	$ 3,090,708

16. Fair Value Measurements

The System follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets and liabilities that are measured and reported at fair value each reporting period. The financial assets recorded at fair value on a recurring basis primarily relate to investments, assets limited as to use, interest rate swap agreements, and contributions receivable from split-interest agreements. FASB ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

16. Fair Value of Financial Instruments, continued

The following table presents information about the System's assets and liabilities (in thousands) that are measured at fair value on a recurring basis as of December 31, 2011 and 2010, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The System's assets limited as to use that are categorized as Level 3, or valued using significant unobservable inputs, represent an investment in the Central Texas Methodist Foundation, contributions receivable from split-interest agreements and an endowment fund primarily holding mineral interests that are valued based on a multiple of annual revenues.

	2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1,488	$ 451	$ 1,037	$ -
Domestic equity securities				
Cash equivalents	26,166	26,166	-	-
Energy	118,449	118,045	404	-
Materials	60,500	60,500	-	-
Industrials	95,428	95,428	-	-
Consumer discretionary	164,502	164,180	322	-
Consumer staples	49,135	48,895	240	-
Health care	114,836	114,496	340	-
Financials	155,855	155,501	354	-
Information technology	171,697	171,642	55	-
Telecommunication services	17,847	17,651	196	-
Utilities	29,148	29,062	86	-
Other	15,570	13,181	2,389	-
International equity securities				
Mutual funds	83,178	83,178	-	-
Common collective trust	86,293	86,293	-	-
Fixed income securities				
Cash equivalents	22,703	-	22,703	-
U S Government	14,123	-	14,123	-
Corporate bonds	7,902	-	7,902	-
Agency mortgages	195,444	-	195,444	-
U S Agencies	400,571	-	400,571	-
Other	1,918	-	1,918	-
Common collective trust	51,172	51,172	-	-
Mutual funds	1,114	-	1,114	-
Hedge funds	1,396	-	1,396	-
Central Texas Methodist Foundation	1,138	-	-	1,138
Real estate	3,610	-	3,592	18
Mineral interests	6,022	-	-	6,022
Contributions receivable from split-interest agreements	1,741	-	-	1,741
Total assets	$ 1,898,946	$ 1,235,841	$ 654,186	$ 8,919
Interest rate swap agreements	$ (14,671)	$ -	$ (14,671)	$ -

16. Fair Value of Financial Instruments, continued

	2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 175	$ 175	$ -	$ -
Domestic equity securities				
Cash equivalents	19,337	19,337	-	-
Energy	66,724	66,724	-	-
Materials	72,660	72,660	-	-
Industrials	112,224	112,224	-	-
Consumer discretionary	150,092	150,092	-	-
Consumer staples	38,751	38,751	-	-
Health care	65,599	65,599	-	-
Financials	118,080	118,080	-	-
Information technology	145,197	145,197	-	-
Telecommunication services	20,150	20,150	-	-
Utilities	21,382	21,382	-	-
Other	15,490	15,490	-	-
International equity securities				
Mutual funds	73,423	73,423	-	-
Common collective trust	69,184	69,184	-	-
Fixed income securities				
Cash equivalents	11,504	-	11,504	-
U S Government	10,976	-	10,976	-
Corporate bonds	4,744	-	4,744	-
Agency mortgages	137,595	-	137,595	-
U S Agencies	269,116	-	269,116	-
Common collective trust	57,086	57,086	-	-
Total assets	$ 1,479,489	$ 1,045,554	$ 433,935	$ -
Interest rate swap agreement	$ (8,723)	$ -	$ (8,723)	$ -

Included in assets limited as to use in the accompanying statements of financial position is approximately $8,744,000 and $200,000 at December 31, 2011 and 2010, respectively, of pledges receivable that have been excluded from the above tables

The System's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer There were no significant transfers into or out of level 1, level 2, or level 3 for the years ended December 31, 2011 and 2010.

16. Fair Value of Financial Instruments, continued

The change in the fair value of the System's assets limited as to use valued using significant unobservable inputs is shown below.

Fair value recorded at December 31, 2010	$	-
Transfer in from change in control of Foundations		8,109
Sales/withdrawals		(46)
Adjustment to record increase in estimated fair value due to realized investment gains		23
Adjustment to record increase in estimated fair value due to unrealized gains		487
Change in value of split-interest agreements		346
Fair value recorded at December 31, 2011	$	8,919

The adjustment to record the increase (decrease) in estimated fair value due to realized and unrealized gains (losses) on the investments valued using significant unobservable inputs is included in changes in temporarily restricted net assets in the accompanying consolidated statements of operations and changes in net assets. The change in value of split-interest agreements on the investments valued using significant unobservable inputs is included in changes in unrestricted and temporarily restricted net assets in the accompanying consolidated statements of operations and changes in net assets. The increase in unrealized gains relating to assets still held at December 31, 2011 is approximately $487,000.

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Equity Securities

Equity securities are measured using quoted market prices

Fixed Income Securities

Fixed income securities are measured using quoted market prices, if available, or estimated using quoted market prices for similar assets

Common Collective Trusts

Investments in common collective trusts may be accessed at any time at the net asset value as reported by the manager on a daily basis. THR's interest in these trusts contains no other rights or obligations. As such, net asset value represents fair value for these investments Each common collective trust invests in either equity or fixed income securities

Mutual Funds

Values of investments in mutual funds are based on net asset values.

16. Fair Value of Financial Instruments, continued

Hedge Funds

Values of investments in hedge funds are estimated by the general partner of the hedge fund based on the underlying securities which are primarily level 1 and 2 financial instruments and reviewed by management of THR

Central Texas Methodist Foundation

The value of the investment in the Central Texas Methodist Foundation is estimated by the manager of the foundation.

Real Estate

Investments in real estate are measured by private valuations

Mineral Interests

Investments in mineral interests are estimated based on a multiple of annual revenues.

Contributions Receivable from Split-Interest Agreements

The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets.

Long-Term Debt

Fair value of the System's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the System for debt of the same remaining maturities and is therefore classified as Level 2 under the FASB ASC 820 fair value hierarchy. The carrying amounts and fair value of the System's long-term debt at December 31, 2011 and 2010 were as follows (dollars in thousands):

	Book Value		Estimated Fair Value	
	2011	2010	2011	2010
Fixed rate	$ 854,076	$ 868,893	$ 891,539	$ 805,721
Variable rate	415,360	369,459	415,360	369,459
Other	7,833	12,227	7,833	12,227
	$ 1,277,269	$ 1,250,579	$ 1,314,732	$ 1,187,407

Interest Rate Swap Agreements

Current market pricing models were used to estimate fair values of interest rate swap agreements.

Other Financial Instruments

The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, receivables, accounts payable, estimated third-party settlements, accrued salaries, wages, and employee benefits, and other accrued liabilities approximates its fair value due to the short-term nature of these financial instruments.

17. Related-Party Transactions

The Foundations distributed approximately $9,424,000 for special purpose and program services to THR and tax-exempt controlled affiliates during the year ended December 31, 2010. These amounts are included in temporarily restricted contributions received in the consolidated statements of operations and changes in net assets. As a result of the previously discussed January 1, 2011 change in control of the Foundations, they are no longer considered related parties and are instead included in the consolidated financial statements herein.

18. Investments in Unconsolidated Affiliates

THR and its controlled affiliates participate with other non-profit organizations, physicians, and non-physicians to provide health care related services. At December 31, 2011, THR and its controlled affiliates own interests in Community Hospice of Texas (Hospice), a provider of hospice services; North Central Texas Services (d/b/a CareFlite) (CareFlite), a provider of helicopter, fixed wing and ground ambulance services; USMD Arlington and USMD Fort Worth, short-stay hospitals; Imaging Center Partnership, L.L.P (d/b/a Southwest Diagnostic Imaging Center) (SDIC), a provider of outpatient diagnostic imaging services, Wilson N. Jones Hospital (WNJ), an acute care hospital; and other partnerships.

Effective March 1, 2010, THR acquired an additional 26% ownership interest in USMD Arlington, for a total ownership interest of 51%, and also acquired a 51% ownership interest in USMD Fort Worth, a short-stay hospital.

Effective April 15, 2010, THR partially acquired WNJ through the development of a joint venture with LHP Sherman/Grayson, LLC WNJ is a full-service, 241 bed acute care hospital located in Sherman, Texas and is a major hospital provider in the Sherman/Denison area. Under the terms of the agreement, THR contributed cash and certain intangible property and holds a 50.1% interest in the joint venture The facility now operates under the name Texas Health Presbyterian Hospital - WNJ.

The ownership interests, carrying amounts, and equity in earnings of investments in unconsolidated affiliates at December 31, 2011 and 2010 were as follows (dollars in thousands):

	Ownership Interest		Carrying Value		Equity in Earnings	
	2011	2010	2011	2010	2011	2010
USMD Arlington	51.00%	51 00%	$ 22,135	$ 21,123	$ 6,845	$ 5,160
Hospice	50 00%	50 00%	12,965	11,392	1,573	1,902
MSI	13.00%	13 00%	8,862	8,862	-	-
USMD Fort Worth	51.00%	51 00%	10,188	7,461	3,135	1,761
CareFlite	50.00%	50.00%	4,163	5,872	(1,709)	(966)
WNJ	50.10%	50.10%	2,888	5,743	(5,555)	(2,439)
SDIC	50.00%	50 00%	1,774	1,546	4,374	4,194
Others	1 00% - 50.00%	1 00% - 50.00%	5,274	9,136	(153)	646
			$ 68,249	$ 71,135	$ 8,510	$ 10,258

The equity in earnings of unconsolidated affiliates providing services that the System does not provide as part of its routine services are included in nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets. All others are included in operating revenue

19. Subsequent Events

The System evaluated events subsequent to December 31, 2011 and through April 10, 2012, the date on which the financial statements were issued.

20. *Recent Accounting Pronouncements*

In August, 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* This ASU amends the disclosure requirements of ASC 954, *Health Care Entities*, to include management's policy for providing charity care, as well as the level of charity care provided. Such disclosure shall be measured based on the provider's direct and indirect costs of providing charity care services If costs cannot be specifically attributed to services provided to charity care patients (for example, based on a cost accounting system), management may estimate the costs of those services using reasonable techniques. The method used to identify or estimate such costs shall be disclosed Funds received to offset or subsidize charity services provided, for example, from gifts or grants restricted for charity care or from an uncompensated care fund, also shall be separately disclosed THR adopted the provisions of the ASU effective January 1, 2011

In August, 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries.* This ASU amends ASC 954, *Health Care Entities*, to be consistent with the guidance on netting receivables and payables under ASC 210-20, *Balance Sheet – Offsetting,* and clarifies that a health care entity should not net insurance recoveries against a related medical malpractice claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries. THR adopted the provisions of the ASU effective January 1, 2011

In December, 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts,* an amendment of ASC 350, *Intangibles – Goodwill and Other* For qualifying reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist, such as when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Management does not anticipate a significant impact on THR's consolidated financial results from the adoption of this ASU, which is effective for fiscal years beginning after December 15, 2011

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurements (Topic 820). Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S GAAP and IFRS* which will improve comparability of fair value measurements presented and disclosed. The update is not intended to change the application of Topic 820. Management is currently evaluating the requirements of this ASU, which will be effective beginning January 1, 2012.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954)· Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which is intended to increase transparency about a health care entity's net patient service revenue and related allowance for doubtful accounts This update requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts), under certain circumstances. Additionally, these health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. These disclosure requirements are applicable for the year of adoption, which will be fiscal year 2012 for THR Effective January 1, 2012, THR adopted the provisions of ASU 2011-07. The provision for patient bad debts in the accompanying statements of operations and changes in net assets for the years ended December 31, 2011 and 2010 has been presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) to reflect the retrospective application of ASU 2011-07