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Form 990

Return of Organization Exempt From Income Tax

OMB No 1545-0047

2011

Department of the Treasury
Internal Revenue Service

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

Open to Public
Inspection

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

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 Presbyterian Hospital
Doing Business As Texas Health Plano
 Number and street (or P.O. box if mail is not delivered to street address) Room/Suite
6200 W. Parker Rd
 City or town, state or country, and ZIP + 4
Plano TX 75093

D Employer identification number
75-2770738

E Telephone number
(972) 981-8000

G Gross receipts \$ 326,632,872

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)

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 1991 **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
A faith-based organization whose mission is to improve the health of the people in the communities it serves regardless of their ability to pay.

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	<u>11</u>
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	<u>8</u>
5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	<u>1,852</u>
6 Total number of volunteers (estimate if necessary)	6	<u>315</u>
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	<u>656,168</u>
b Net unrelated business taxable income from Form 990-T, line 34	7b	<u>38,704</u>

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	<u>516,203</u>	<u>368,458</u>
9 Program service revenue (Part VIII, line 2g)	<u>334,482,552</u>	<u>320,482,860</u>
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	<u>-66,567</u>	<u>-801,582</u>
11 Other revenue (Part VIII, column (A), lines 5, 6, 8, 9c, 10c, and 11e)	<u>4,983,810</u>	<u>5,581,358</u>
12 Total revenue -- add lines 8 through 11 (must equal Part VIII, column (A), line 12)	<u>339,915,998</u>	<u>325,631,094</u>
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	<u>6,100</u>	<u>254,222</u>
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)	<u>109,392,203</u>	<u>114,364,347</u>
16a Professional fundraising fees (Part IX, column (A), line 11e)		
b Total fundraising expenses (Part IX, column (D), line 25)		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	<u>176,541,406</u>	<u>148,831,278</u>
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	<u>285,939,709</u>	<u>263,449,847</u>
19 Revenue less expenses Subtract line 18 from line 12	<u>53,976,289</u>	<u>62,181,247</u>
20 Total assets (Part X, line 16)	Beginning of Current Year <u>376,513,486</u>	End of Year <u>441,387,962</u>
21 Total liabilities (Part X, line 26)	<u>24,306,314</u>	<u>27,108,245</u>
22 Net assets or fund balances Subtract line 21 from line 20	<u>352,207,172</u>	<u>414,279,717</u>

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 a representation of which preparer has any knowledge.

Sign Here
 Signature of officer Kenneth Kramer Date 11/23/2012
 Type or print name and title Asst Secretary

Paid Preparer Use Only
 Preparer's name NONPAID PREPARER Date Check ☐ if self-employed PTIN
 Firm's name TEXAS HEALTH RESOURCES Firm's EIN
 Firm's address 612 E Lamar Blvd Phone no
Arlington TX 76011

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)

JVA 11 9901 TWF 990 Copyright Forms (Software Only) - 2011 TW

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Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III ☐**1** Briefly describe the organization's mission

A faith-based organization whose mission is to improve the health of the people in the communities it serves regardless of their ability to pay.

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 \$ 220,503,505 including grants of \$ 254,222) (Revenue \$ 321,920,598)
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 220,503,505

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	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	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		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	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	
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		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		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		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		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		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	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		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		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	X	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	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		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		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	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		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		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		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		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)		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		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		X
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	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? N/A	24b	
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? N/A	24c	
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? N/A	24d	
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? 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	

Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck 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 228		
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 1,852		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	X	
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 Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		X
c If "Yes" to line 5a or 5b, did the organization file Form 8886-T? N/A	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A	6b		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		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 Note. See the instructions for additional information the organization must report on Schedule O.	13a		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b		
c Enter the amount of reserves on hand.	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a		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.	11	
1b Enter the number of voting members included in line 1a, above, who are independent.	8	
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?	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?		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6 Did the organization have members or stockholders?		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?		X
7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	X	
b Each committee with authority to act on behalf of the governing body?	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.		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?		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	
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?		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.	X	
b Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	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.	X	
13 Did the organization have a written whistleblower policy?	X	
14 Did the organization have a written document retention and destruction policy?	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	X	
b Other officers or key employees of the organization. If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions).	X	
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?	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?	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**

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck 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	DIRECTOR	TRUSTEE	OFFICER	KEY EMPLOYEE	HIGHEST COMPENSATED	FORMER			
Keith D. Braley Trustee	2.00	X							0	0	0
Michael Deck M.D. Trustee	2.00	X							0	0	0
Rutledge Haggard Trustee	2.00	X							0	0	0
Kenneth Jarvis Chairman	2.00	X							0	0	0
Betty Muns, Ph.D. Vice Chair	2.00	X							0	0	0
Rev. Patrick McCoy Secretary	2.00	X							0	0	0
John Robert Ray Trustee	2.00	X							0	0	0
Bernice Washington Trustee	2.00	X							0	0	0
Dean Cione, M.D. Trustee	2.00	X							25,382	0	0
Nancy Donachie M.D. Trustee	2.00	X							24,497	0	0
Alfred Rodriguez, M.D. Trustee	2.00	X							27,000	0	0
Charles Boes Assistant Secretary	0.50				X				0	761,758	82,524
Paige Fugate Assistant Secretary	0.50				X				0	144,873	19,981
Barclay Berdan Corporate Officer	0.50				X				0	1,201,278	119,583
Kenneth Kramer Assistant Secretary	0.50				X				0	438,163	65,227
John Mitchell											

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	DIRECTOR	TRUSTEE	OFFICER	KEY EMPLOYEE	HIGHEST COMPENSATED EMPLOYEE	FORMER			
Assistant Secretary	0.50				X				0	293,252	61,351
Jeffrey Canose M.D.											
President	40.00				X				725,214	0	82,460
Stephen Hadzima											
Vice President	40.00				X				265,556	0	7,365
Michael Evans											
Vice President	40.00				X				417,180	0	64,717
Ray Cassens											
Vice President	40.00				X				174,751	0	13,206
Eileen Hoffman											
VP Chief Nursing Officer	40.00				X				138,010	0	5,731
Raymond Kelly											
Vice President	40.00				X				126,028	0	1,752
Brian Craft											
Vice President	40.00				X				125,453	0	8,465
Julia Janich											
Director	40.00						X		149,473	0	18,029
Pamela Renshaw											
Manager	40.00						X		141,801	0	23,198
Margaret Morgan											
Director	40.00						X		139,655	0	16,079
Kitty Lung											
Director	40.00						X		133,192	0	16,109
1b Sub-total									2613192	2839324	605777
c Total from continuation sheets to Part VII, Section A									129803	1194135	133059
d Total (add lines 1b and 1c)									2742995	4033459	738836

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 **70**

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

	Yes	No
3	X	
4	X	
5		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

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

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 **70**

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
OTHER SIMILAR AMOUNTS CONTRIBUTORS GRANTS BUT INDS	1a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d	368,458				
	e Government grants (contributions)	1e					
	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			368,458			
PRO GRAM REVENUE			Business Code				
	2a Patient Revenue			307,408,070	307,408,070		
	b Joint Venture Income			12,699,407	12,699,407		
	c Medicare/Medicaid Adj.			375,383	375,383		
	d						
	e						
	f All other program service revenue						
	g Total. Add lines 2a-2f			320,482,860			
O T H E R R E V E N U E	3 Investment income (including dividends, interest, and other similar amounts)			95,370			95,370
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6a Gross Rents	(i) Real	(ii) Personal				
	b Less rental expenses	193,665	108,711				
	c Rental income or (loss)	193,665	108,711				
	d Net rental income or (loss)			302,376	108,711		193,665
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
	b Less cost or other basis and sales expenses		104,726				
	c Gain or (loss)		1,001,778				
	d Net gain or (loss)		-897,052				
	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 Retail Pharmacy		446110	1,503,108		436,481	1,066,627	
b Electronic Medical Rec			1,258,637	1,258,637			
c Childcare			1,093,118			1,093,118	
d All other revenue #5			1,424,119	70,390	219,687	1,134,042	
e Total. Add lines 11a-11d			5,278,982				
12 Total revenue. See instructions			325,631,094	321,920,598	656,168	2,685,870	

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.	254,222	254,222		
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.	2,091,909		2,091,909	
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.	90,520,175	90,248,312	271,863	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	3,557,533	3,557,533		
9 Other employee benefits.	11,818,987	11,717,079	101,908	
10 Payroll taxes.	6,375,743	6,323,943	51,800	
11 Fees for services (non-employees):				
a Management.	36,713,250		36,713,250	
b Legal.				
c Accounting.				
d Lobbying.				
e Professional fundraising services. See Part IV, line 17.				
f Investment management fees.	467,248	334	466,914	
g Other.	20,133,131	17,627,312	2,505,819	
12 Advertising and promotion.	1,771,106	1,765,687	5,419	
13 Office expenses.	2,582,760	2,561,803	20,957	
14 Information technology.	1,554,049	1,552,624	1,425	
15 Royalties.				
16 Occupancy.	5,632,390	5,632,390		
17 Travel.	153,298	133,995	19,303	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19 Conferences, conventions, and meetings.	319,032	310,424	8,608	
20 Interest.	5,085,842	5,033,784	52,058	
21 Payments to affiliates.				
22 Depreciation, depletion, and amortization.	15,168,454	15,167,204	1,250	
23 Insurance.	-278,721	-278,721		
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 <u>Supplies</u>	47,720,144	47,607,408	112,736	
b <u>Patient Services</u>	4,725,253	4,725,253		
c <u>Repairs & Maintenance</u>	4,199,107	4,190,913	8,194	
d <u>Furniture & Equipment</u>	1,410,947	1,370,928	40,019	
e All other expenses.	1,473,988	1,001,078	472,910	
25 Total functional expenses. Add lines 1 through 24e.	263,449,847	220,503,505	42,946,342	
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).				

Part X Balance Sheet

		(A) Beginning of year		(B) End of year
A S S E T S	1 Cash -- non-interest-bearing	-1,265,166	1	-318,108
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	31,870,472	4	35,609,353
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501 (c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7 Notes and loans receivable, net	1,636,506	7	2,357,823
	8 Inventories for sale or use	4,470,415	8	4,547,802
	9 Prepaid expenses and deferred charges	961,954	9	639,025
	10a Land, buildings, and equipment -- cost or other basis. Complete Part VI of Schedule D	10a 288,552,973		
	b Less accumulated depreciation	10b 143,141,777	10c 151,977,799	145,411,196
	11 Investments -- publicly traded securities		11	
	12 Investments -- other securities. See Part IV, line 11	8,892,701	12	9,794,165
	13 Investments -- program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	177,968,805	15	243,346,706
16 Total assets. Add lines 1 through 15 (must equal line 34)	376,513,486	16	441,387,962	
L I A B I L I T I E S	17 Accounts payable and accrued expenses	19,089,793	17	20,355,562
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	3,340,238	23	2,416,496
	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	1,876,283	25	4,336,187
	26 Total liabilities. Add lines 17 through 25	24,306,314	26	27,108,245
N E T A S S E T S O F F U N D B A L A N C E S	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	352,098,469	27	414,279,717
	28 Temporarily restricted net assets	108,703	28	
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	352,207,172	33	414,279,717
	34 Total liabilities and net assets/fund balances	376,513,486	34	441,387,962

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response to any question in this Part XI ☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	325,631,094
2	Total expenses (must equal Part IX, column (A), line 25)	2	263,449,847
3	Revenue less expenses Subtract line 2 from line 1	3	62,181,247
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	352,207,172
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-108,702
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	414,279,717

Part XII Financial Statements and ReportingCheck if Schedule O contains a response to any question in this Part XII ☐

	Yes	No
1 Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a Were the organization's financial statements compiled or reviewed by an independent accountant?		X
b Were the organization's financial statements audited by an independent accountant?	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	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 ☒ 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?		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		

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

Texas Health Presbyterian Hospital Plano

Employer identification number

75-2770738

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)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2011

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

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?														

☐ 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					

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)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?	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		100
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?		X	
j Total Add lines 1c through 1i			100
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?		
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
3 Did the organization agree to carry over lobbying and political expenditures from the prior year?		

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

Officers and/or Board Members of the corporation may, to an insubstantial degree, make comments or statements concerning legislation that may affect either the healthcare industry or the health status of the communities the Corporation serves. In pursuing this activity, Officers and/or Board Members may engage in conversations and/or write letters to various federal, state, and local officials regarding such matters. The amount of time and money involved in these activities is negligible. In no case has either the Corporation, or any person acting on behalf of the Corporation, 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 Presbyterian Hospital Plano

Employer identification number

75-2770738

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)	☐ Preservation of an historically important land area
☐ Protection of natural habitat	☐ Preservation of a certified historic structure
☐ Preservation of open space	

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 ▶ \$ _____

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

Schedule D (Form 990) 2011

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

c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	

2a Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes ☐ No

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c 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

(i) unrelated organizations

(ii) related organizations

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

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

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		10,554,981		10,554,981
b Buildings		155,689,362	64,313,962	91,375,400
c Leasehold improvements		8,032,476	3,589,823	4,442,653
d Equipment		112,932,671	75,237,992	37,694,679
e Other		1,343,483		1,343,483

Total. Add lines 1a through 1e (Column (d) should equal Form 990, Part X, column (B), line 10(c)) **145,411,196**

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	9,794,165	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)	9,794,165	

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 Receivables	1,993,970
(2) UPL Receivable	954,257
(3) Intercompany Receivable	240,398,479
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15)	243,346,706

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) Medicare/Medicaid Payable	4,336,187
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25)	4,336,187

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 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 Presbyterian Hospital Plano

Employer identification number

75-2770738

Part I Financial Assistance and Certain Other Community Benefits at Cost

- 1a** Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a
- b** If "Yes," was it a written policy?
- 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 _____ %
- 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 _____ %
- 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"?
- 5a** Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?
- b** If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?
- c** If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?
- 6a** Did the organization prepare a community benefit report during the tax year?
- b** If "Yes," did the organization make it available to the public?
- Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

	Yes	No
1a	X	
1b	X	
2		
3a	X	
3b		X
3c		
4	X	
5a	X	
5b		X
5c		X
6a	X	
6b	X	

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)			8,931,828	101,426	8,830,402	3.10
b Medicaid (from Worksheet 3, column a)			13,304,689	12,417,492	887,197	0.31
c Costs of other means-tested government programs (from Worksheet 3, column b)			113,362	105,028	8,334	
d Total Financial Assistance and Means-Tested Government Programs			22,349,879	12,623,946	9,725,933	3.42
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			439,480		439,480	0.15
f Health professions education (from Worksheet 5)			27,557		27,557	0.01
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			284,441,351		284,441,351	1.19
j Total Other Benefits			284,908,388		284,908,388	1.35
k Total . Add lines 7d and 7j			307,258,267	12,623,946	294,634,321	4.77

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Schedule H (Form 990) 2011

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			6,048		6,048	
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			6,048		6,048	

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

	Yes	No
1		X

2 Enter the amount of the organization's bad debt expense

25,188,909

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)

542,063,116

6 Enter Medicare allowable costs of care relating to payments on line 5

652,847,033

7 Subtract line 6 from line 5. This is the surplus (or shortfall)

7-10,783,917

8 Describe in Part VI the extent to which any shortfall reported on 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	47	0	47

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? 2

Name and address

1) Texas Health Plano
6200 W Parker Rd
Plano, TX, 75093
2) Physicians Medical
Center LLC
6020 W Parker Rd
Plano, TX, 75093

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Other (describe)

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: Texas Health PlanoLine Number of Hospital Facility (from Schedule H, Part V, Section A): 1**Community Health Needs Assessment** (Lines 1 through 7 are optional for tax year 2011)

- | | Yes | No |
|--|-----|----|
| 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
If "Yes," indicate what the Needs Assessment describes (check all that apply): | 1 | |
| 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 <u> </u> | | |
| 3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | 3 | |
| 4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI | 4 | |
| 5 Did the hospital facility make its Needs Assessment widely available to the public?
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) | 5 | |
| 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?
If "Yes," indicate the FPG family income limit for eligibility for free care <u>200.0</u> %
If "No," explain in Part VI the criteria the hospital facility used. | 9 | 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: Physicians Medical Center LLCLine Number of Hospital Facility (from Schedule H, Part V, Section A): 2**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
- 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
- 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
- 5 Did the hospital facility make its Needs Assessment widely available to the public?
- If "Yes," indicate how the Needs Assessment was made widely available (check all that apply).
- a ☐ 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

Yes No

1

3

4

5

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?
- 9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?
- If "Yes," indicate the FPG family income limit for eligibility for free care: 200.0 %
- If "No," explain in Part VI the criteria the hospital facility used

8

9

X

X

Part V Facility Information (continued)**10** Used FPG to determine eligibility for providing discounted care?

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?

If "Yes," indicate the factors used in determining such amounts (check all that apply)

- a ☒ Income level
- b ☒ Asset level
- c ☒ Medical indigency
- d ☒ 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?**13** Included measures to publicize the policy within the community served by the hospital facility?

If "Yes," indicate how the hospital facility publicized the policy (check all that apply)

- a ☐ 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 ☒ The policy was available on request
- g ☐ Other (describe in Part VI)

	Yes	No
10		X
11	X	
12	X	
13	X	

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?**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?

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 ☒ Other (describe in Part VI)

14		X
16		X

Part V Facility Information (continued)

	Yes	No
10 Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care _____ % If "No," explain in Part VI the criteria the hospital facility used	10	X
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	11	X
a ☒ Income level b ☒ Asset level c ☒ Medical indigency d ☒ 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	13	X
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 ☒ The policy was available on request g ☒ 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? If "Yes," check all actions in which the hospital facility or a third party engaged	16	X
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 ☒ Other (describe in Part VI)		

Part V Facility Information (continued)**Policy Relating to Emergency Medical Care**

	Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	18 X	
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? If "Yes," explain in Part VI	20	X
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? If "Yes," explain in Part VI	21	X

Part V Facility Information (continued)**Policy Relating to Emergency Medical Care**

	Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	18 X	
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? If "Yes," explain in Part VI	20	X
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? If "Yes," explain in Part VI	21	X

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? 0

Name and address

Type of Facility (describe)

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

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 45% off the hospital's charge for general hospital services. In addition, a 60% discount is available on charges associated with certain implantable devices.

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. 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.

Item Number 2

Part 1, line 7

A cost to charge ratio is used in computing the amounts

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
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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

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

Bad debt expense is not included as a community benefit for purposes of reporting community benefits to Texas. We treat each patient qualifying for charity care as a charity patient and no charges related to that patient are included in bad patient are included in bad debt expense.

The hospital is part of a consolidated system of hospitals which operate under the name Texas Health Resources (THR). THR's annual audit is conducted on a system-wide basis with a single consolidated audit report issued for THR and its affiliates. The audited financial statements of THR, which includes the activity of the organization, contain a footnote regarding Accounts Receivable and Allowance for Doubtful Accounts, that reads as follows.

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.

Item Number 4

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
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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

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

TH Plano and Physicians Med Ctr Part VI, line 1

Part V, Section B, Line 10

See response to Part I Line 3c

Item Number 7

TH Plano and Physicians Med Ctr Part V, Section B, line 11h

See response to Part I, Line 3c and Part V Sec B, Line 10

Item Number 8

TH Plano and Physicians Med Ctr Part V, Section B, line 13g

A full copy of the Charity Care Policy is provided upon request.

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,

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
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- 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

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

Part VI, line 2

The organization is developing strategies to ensure that it is in full compliance with the 2013 Community Health Needs Assessment (CHNA) requirements, and has completed work on the community profile for the defined community or service area in preparation for conducting the CHNA. Special attention will be given to persons facing disproportionate unmet health related needs. The organization is in the process of identifying resources for strategic planning and community health improvement project planning.

The CHNA process will result in the compilation of data, opinion, and observation about the health and well-being of the surrounding community. The goals identified for action at the end of this process will translate the organizations mission and priorities into a strategy with specific activities and projects focusing on a positive community impact that is demonstrative, sustainable and measurable.

The organization's community health profile provides a snapshot of the service area using key health indicators, which facilitate comparisons locally, regionally and over time. National, state and local secondary and primary data sources are used to provide a current overview of local health needs, factors impacting disease and injury burden, socioeconomic status, access to health care, age distribution, indicators and lifestyle behaviors. This data is used to galvanize joint community health efforts to improve health, to reduce inequalities and to empower the greater community.

Item Number 10

Part VI, line 3

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
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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

A description of both the Charity Care program and application are available on the THR website at www.TexasHealth.org in English and Spanish. Signs alerting patients of charity care assistance and related contact information are posted in various areas of the hospital including admissions & registration, the emergency room and other outpatient departments. Additionally, financial assistance information is provided verbally and in writing to self-pay patients by financial counselors. As part of the financial counseling meeting, patients are screened for potential eligibility in other governmental assistance programs. If it is determined that the patient is potentially eligible for governmental assistance, the counselor will assist the patient in completing forms necessary to apply for the assistance. At the same time, patients are provided with a Charity Care application and information flyer. The patient is informed that the hospital is a non-profit organization offering financial assistance to patients deemed medically or financially indigent. The financial counselors may assist the patient in completing the application and obtain available verification information. Once the patient is discharged, the counselors will continue to contact the patient to ensure all forms and verifications needed to file an application for governmental assistance and Charity Care have been provided. In certain cases, self-pay patients who are discharged before seeing a financial counselor receive both a phone call and a letter to alert them to the existence of the financial assistance program. Each bill sent for hospital services also contains contact information alerting patients that Texas Health has a charity care program.

Item Number 11
Part VI, line 4
See Schedule O

Item Number 12
Part VI, line 5
See Schedule O

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
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- 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 13
Part VI, line 6
See Schedule O

Item Number 14
Part VI, line 7
See Schedule O

**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 Presbyterian Hospital Plano

Employer identification number

75-2770738

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

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
Arts of Collin County Commission Inc. 306 Century Pkwy 3rd Flr Allen, TX 75013	04-3799483	501 (c) (3)	15,000				General Purpose
Collin County Children's Advocacy Ctr 2205 Los Rios Blvd Plano, TX 75074	75-2389095	501 (c) (3)	85,000				General Purpose
Foundation for Aids Research AMRAF 120 Wall St 12th Flr New York, NY 10005	13-3163817	501 (c) (3)	15,000				General Purpose
Frisco Family Service Center 8780 3rd Street Frisco, TX 75034	75-2530888	501 (c) (3)	60,000				General Purpose
Hendrick Academy of Honor Foundation 800 E. Central Pkwy #100 Plano, TX 75074	75-2376396	501 (c) (3)	21,800				General Purpose
March of Dimes Foundation 12660 Coit Rd #200 Dallas, TX 75251	13-1846366	501 (c) (3)	20,907				General Purpose

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

21

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

2

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

Schedule I (Form 990) (2011)

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

Since the vast majority of the assistance given by THP 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 THP employees attend, or work as volunteers or coordinators.

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 Presbyterian Hospital Plano

Employer identification number

75-2770738

Part I Questions Regarding Compensation

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.

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?

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?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

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?

b Any related organization?

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?

b Any related organization?

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.

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.

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

Yes No

1b X

2 X

4a X

4b X

4c X

5a X

5b X

6a X

6b X

7 X

8 X

N/A

9

For Paperwork Reduction Act Notice, see the instructions for Form 990.

Schedule J (Form 990) 2011

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				
Charles Boes	(i) 354,857	316,909	89,992	69,149	13,375	844,282	178,373
Paige Fugate	(ii) 133,899	9,949	1,025	6,088	13,893	164,854	0
Barclay Berdan	(i) 541,762	506,797	152,719	96,999	22,584	1,320,861	281,020
Kenneth Kramer	(i) 226,150	153,690	58,323	40,346	24,881	503,390	81,227
John Mitchell	(i) 192,809	44,072	56,371	37,247	24,104	354,603	0
Jeffrey Canose M.D.	(i) 367,593	280,544	77,077	65,325	17,135	807,674	141,509
Stephen Hadzima	(i) 148,181	100,000	17,375	0	7,365	272,921	0
Michael Evans	(i) 237,268	125,141	54,771	47,525	17,192	481,897	40,230
Ray Cassens	(i) 53,701	43,989	77,061	9,554	3,653	187,958	0
Julia Janich	(i) 139,170	6,141	4,162	10,856	7,173	167,502	0
Pamela Renshaw	(i) 124,751	11,969	5,081	10,101	13,097	164,999	0
Margaret Morgan	(i) 127,094	11,611	950	9,647	6,432	155,734	0
Stephen Hanson	(i) 559,296	514,599	120,240	93,478	20,652	1,308,265	297,478

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

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 presence 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

Officers can use their discretionary spending account to pay for financial planning services. The organization does not directly pay for any officer's personal services.

• Sch J, Part I, Question 3

The organization relied on Texas Health Resources (THR), a related 501(c)(3) organization, with centralized compensation professionals to use the following methods to establish the compensation of the organization's President.

- THR has a compensation committee comprised of external Board members that review compensation philosophy and design.
- THR Board hired independent compensation consultants
- THR & the independent compensation consultants utilize published third-party compensation surveys

• 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 for all positions. National, regional, and local data is reviewed when available.
- Market review of benefits and perquisites,

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

- Interview of selected officers and members of the Governance Committee of the THR Board of Trustees, and
- Review of financial reports, job descriptions, organizational charts, current salaries, 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 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

Sch J, Part I, Question 4b

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.

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.

- 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).
Jeffrey Canose \$8,559

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

2011

**Open To Public
Inspection**

Name of the organization

Texas Health Presbyterian Hospital Plano

Employer identification number

75-2770738

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?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No

Total ▶ \$

Part III

Grants or Assistance 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

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule L (Form 990 or 990-EZ) 2011

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
MD Pathology	Entity owned by Michael Deck - board member	1,605,560	Pathology Services		X

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)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization

Texas Health Presbyterian Hospital Plano

Employer identification number

75-2770738

John Mitchell & Barclay Berdan have a business relationship. Michael Deck & Bobby Ray 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 compensation & benefits sub-committee which is made up of five

Continued on Schedule O, Page

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule O (Form 990 or 990-EZ) (2011)

Name of the organization

Texas Health Presbyterian Hospital Plano

Employer identification number

75-2770738

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:

Barcaly Berdan 40 hrs
 Charles Boes 40 hrs.
 John Mitchell 40 hrs.
 Kenneth Krammer 40 hrs.
 Bernice Washington 1 hr.
 Paige Fugate 32hrs.

Part XII, Line 2c:

Texas Health Resources (THR) prepares consolidated financial statements with its related entities. The THR Board appoints an audit and compliance sub-committee that assumes responsibility for oversight of the consolidated audit for all related entities. The related entities do not have a separate audit committee, but abide by the THR committee's oversight. There has been no change during the year in the organizations oversight or selection process.

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

Texas Health Presbyterian Hospital Plano

Employer identification number

75-2770738

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 between 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

2011Open to Public
Inspection

Name of the organization

Texas Health Presbyterian Hospital Plano

Employer identification number

75-2770738

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			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?
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	Texas	501(c)(3)	11 Type 1	N/A	X

For Paperwork Reduction Act Notice, see the Instructions for Form 990.**Schedule R (Form 990) 2011**

JVA

11 990R1

TWF 990

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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) Dispro- portionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
AMH Cath Labs, LLC 800 W. Randol Mill Rd Arlington, TX 76012 20-3003947	Healthcare Services		N/A									
Denton Surgery Center, LLC 14131 Midway Rd, Ste 1050	Ambulatory Surgery Center	Texas	N/A					X			X	
Addison, TX 75001 47-0926556 Flower Mound Hospital Partners, LLC	Hospital	Texas	N/A					X			X	

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	Physician Services		Texas Health Presbyterian Hospital Denton	C-Corp			
26-1696945 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	Texas Health	C-Corp			

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, 35a, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III, or IV 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**b** Gift, grant, or capital contribution to related organization(s)**c** Gift, grant, or capital contribution from related organization(s)**d** Loans or loan guarantees to or for related organization(s)**e** Loans or loan guarantees by related organization(s)**f** Sales of assets to related organization(s)**g** Purchase of assets from related organization(s)**h** Exchange of assets with related organization(s)**i** Lease of facilities, equipment, or other assets to related organization(s)**j** Lease of facilities, equipment, or other assets from related organization(s)**k** Performance of services or membership or fundraising solicitations for related organization(s)**l** Performance of services or membership or fundraising solicitations by related organization(s)**m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)**n** Sharing of paid employees with related organization(s)**o** Reimbursement paid to related organization(s) for expenses**p** Reimbursement paid by related organization(s) for expenses**q** Other transfer of cash or property to related organization(s)**r** Other transfer of cash or property from related organization(s)**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
Flower Mound Hospital Partners, LLC	k	75,584	Contract
Texas Health SingleSource Staffing	l	1,434,655	Contract
Physician Medical Center, LLC	k	264,740	Contract

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		Employer Identification Number					
Texas Health Presbyterian Hospital Plano		75-2770738					
(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	No
Resources 612 E. Lamar Blvd Arlington, TX 76011 51-0190395 Texas Health Arlington Memorial Hospital 800 West Randol Mill Rd Arlington, TX 76012 75-0972805 Texas Health Harris Methodist Foundation 612 E. Lamar Blvd Arlington, TX 76011 75-2401033 Texas Health Presbyterian Hospital Alliance 10864 Texas Health Trail Fort Worth, TX 76244 45-1502252 Texas Health Harris Methodist Hospital Azle 108 Denver Trail Azle, TX 76020 75-1748586 Texas Health Harris Methodist Hospital Cleburne 201 Walls Dr Cleburne, TX 76033 75-1977850 Texas Health Harris Methodist Hospital Fort Worth 1301 Pennsylvania Ave Fort Worth, TX 76104 75-6001743 Texas Health Harris Methodist	Organization Hospital Supporting Organization Hospital Hospital Hospital Hospital	Texas Texas Texas Texas Texas Texas Texas Texas	501(c)(3) 501(c)(3) 501(c)(3) 501(c)(3) Pend 501(c)(3) 501(c)(3) 501(c)(3)	11 Type 3 3 9 3 3 3 3	Texas Health Resources Texas Health Resources Texas Health Resources Texas Health Resources Texas Health Resources		X X X X X X 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		Employer Identification Number					
Texas Health Presbyterian Hospital Plano		75-2770738					
(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	No
Hospital Hurst-Euleless-Bedford 1600 Hospital Parkway Bedford, TX 76022 75-1438726	Hospital	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	Physician Clinic	Texas	501(c)(3)	3	Texas Health Resources		X
Texas Health Physicians Group 1301 Pennsylvania Ave. Fort Worth, TX 76104 75-2613493	Supporting Organization	Texas	501(c)(3)	11 Type 1	Texas Health Resources		X
Texas Health Presbyterian Foundation 612 E. Lamar Blvd Arlington, TX 76011 75-2022128	Hospital	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	501(c)(3)	3	Texas Health Resources		X

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

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		Employer Identification Number								
Texas Health Presbyterian Hospital Plano		75-2770738								
(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?				
75-6196065		Texas	501(c)(3)	11 Type 1		<table border="1"> <tr> <td>Yes</td> <td>No</td> </tr> <tr> <td></td> <td>X</td> </tr> </table>	Yes	No		X
Yes	No									
	X									

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

Name of Organization		For Calendar year 2011, or tax year period beginning		and ending						
Texas Health Presbyterian Hospital Plano		Employer Identification Number		75-2770738						
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?	(i) Code V-UBI amt in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?	(k) Percentage ownership
							Yes	No	Yes	No
14131 Midway Rd, Ste 1050 Addison, TX 75001 26-0684968	Rental Real Estate	Texas	N/A							
Harris Oncology LLC 1600 Hospital Parkway Bedford, TX 76022 75-2927939	Outpatient Diag. Imaging Ctr	Texas	N/A							
Health Imaging Partners LLC 8610 Explorer Dr., Ctr Ste 300 Colorado Spring, CO 80920	Rental Real Estate	Texas	N/A							
27-1385885 HEB Oncology, LP 1601 Hospital Parkway Bedford, TX 76022 75-2927940	Hospital	Texas								
Physician Medical Center LLC 6200 W. Parker Rd. Plano, TX 75093 48-1281376	Medical Management	Texas	N/A	related	11,812,713	11,537,832	X	0	X	47%
Presbyterian Cancer Center-Dallas, LLC 6200 W. Parker Rd. Plano, TX 75093 26-0422749	Hospital	Texas	N/A							
Rockwall Regional Hospital LLC										

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

Name of Organization		For Calendar year 2011, or tax year period beginning		and ending								
Texas Health Presbyterian Hospital Plano		Employer Identification Number		75-2770738								
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amt in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No			Yes	No
14131 Midway Rd, Ste 1050 Addison, TX 75001 20-2848116 Sherman Grayson Health System, LLC 500 Highland Ave Sherman, TX 75092 27-2025497 Southlake Specialty Hospital Hospital LLC 14131 Midway Rd, Ste 1050 Addison, TX 75001 02-0555370 Texas Health MedSynergies, LLC 1255 Corporate Drive, Fl 3 Irving TX 75038 80-0272951 Texas Institute for Hospital Surgery, LLP 7715 Greenville Ave, Ste 100 Dallas, TX 75231 77-0628004 Texas Single Source Manage Staffing 524 E. Lamar Blvd, Ste 300 Arlington, TX 76011 27-0324828	Hospital	Texas	N/A					X			X	
		Texas	N/A					X				
		Texas	N/A					X			X	
		Texas	N/A					X			X	
		Texas	N/A					X			X	
		Texas	N/A					X			X	
		Texas	N/A					X			X	

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

Name of Organization		For Calendar year 2011, or tax year period beginning				and ending						
Texas Health Presbyterian Hospital Plano		Employer Identification Number 75-2770738										
(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?		(i) Code V-UBI amt in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
USMD Hospital at Arlington, LP 801 I-20 West Arlington, TX 76107	Hospital		N/A									
20-3571243		Texas	N/A					X			X	
USMD Hospital at Fort Worth, LP 801 I-20 West Arlington, TX 76107	Hospital		N/A									
73-1662763		Texas	N/A					X			X	
Women's Specialty Surgery Center 1300 Post Oak Blvd, Center Ste 600 Houston, TX 77056 26-2310072	Ambulatory Surgery Center	Texas						X			X	

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 Texas Health Presbyterian Hospital Plano	Employer Identification Number 75-2770738
990, Page 1, Line F	

Principal officer name
or
Business Name

Michael Evans

Street Address

62 W Parker Rd

U S Address

Zip code 75093

City Plano

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 Texas Health Presbyterian Hospital Plano		Employer Identification Number 75-2770738

Part III - Statement of Program Service Accomplishments			
Code	Expenses	including Grants of.	Revenue
	220,503,505	254,222	321,920,598
Exempt Purpose Achievements			
Located in Plano, Texas, for 20 years, Texas Health Presbyterian Hospital Plano, (THP) operates 366 beds. The city of Plano is a suburban city north of Dallas. THP offers a broad range of medical services with specialized capabilities in both inpatient and outpatient care. Focused inpatient services include those in the areas of: women's services; orthopedics; back and spine; oncology; digestive health; cardiovascular; and pediatric services. THP's freestanding psychiatric unit offers inpatient and outpatient psychiatric services to both adolescents and adults. THP also provides a variety of outpatient services including emergency care, ambulatory surgery, diagnostic and rehabilitation services. THP is the market leader in orthopedic services. From injury prevention to advanced surgical procedures, orthopedic and spinal surgeons on the medical staff at THP provide a wide array of treatment options, some of which include joint replacement surgery, scoliosis, spinal deformities and spine tumors. Many orthopedic procedures, such as hip and knee replacement, are now performed using minimally invasive techniques, resulting in shorter hospital stays and reduced recovery time. The Margot Perot Center for Women and Infants at THP offers comprehensive services for women including 17 Labor Delivery and Recovery Suites, two dedicated C-Section rooms, a 56 bed postpartum unit, a 20 bed high-risk obstetrics unit and a 45 bed Level III neonatal intensive care unit. Also offered is an ARTS program that is a member of the Society for Assisted Reproductive Technology and has on-site reproductive laboratories certified by the College of American Pathologists. In addition THP offers an array of comprehensive services for breast and gynecological cancers. THP has received numerous significant awards and recognition during the past several years, the most recent of which includes designation as an advanced Level III Trauma Facility by the Texas Department of State Health Services. Additionally, the hospital has received Magnet designation from the American Nurses Credentialing Center in 2008 with reaccreditation in 2012 and distinction as a 2008 recipient of the prestigious Texas Award for Performance Excellence from Quality Texas Foundation. THP was the first healthcare facility in Collin County to receive this preeminent award and the fourth in the state. Other recent awards include accreditation of its oncology program as an American College of Surgeons Commission on Cancer approved cancer program and recognition for its bariatric surgery program by the American society for Metabolic and Bariatric Surgery Center of Excellence. In 2012, THP was certified by The Joint Commission in both Hip and Knee Replacement and also became a certified Primary Stroke Center. Another accolade for the hospital is the 2008 recipient of the Ivy Award, a national award given by Restaurants and Institutions magazine to a select group of restaurants, hotels and noncommercial food operators that exemplify the highest standards of excellence in food and service. ***** THP had 77,199 patient days, 16,688 discharges, 3,869 births, 88,296 outpatient encounters and 43,551 emergency room visits during the calendar year. ***** THP provides quality medical healthcare regardless of patient's race, creed, sex, national origin, handicap, age or ability to pay. The hospital			

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 Texas Health Presbyterian Hospital Plano	Employer Identification Number 75-2770738

Part III - Statement of Program Service Accomplishments

Code	Expenses	including Grants of	Revenue
Exempt Purpose Achievements			
provides care to persons covered by governmental programs including Medicare and Medicaid for reimbursement that does not always cover the cost of providing the care. Recognizing its mission to the community, services are provided to both financially indigent and medically indigent patients. To the extent reimbursement for services is below cost, THP recognizes the differences as charity care.			

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
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Name of Organization Texas Health Presbyterian Hospital Plano	Employer Identification Number 75-2770738
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Part VI - Line 20

Individual Name or Business Name: Rick McWhorter

Street Address: 612 E. Lamar Blvd

U S Address

Zip code: 76011 City: Arlington State: TX

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 Presbyterian Hospital Plano	Employer Identification number 75-2770738

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

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 Presbyterian Hospital Plano	75-2770738	
(a) Name and address of each independent contractor paid more than \$100,000		
Texas Health Resources , 612 E. Lamar Blvd Arlington, TX 76011 Vanguard Resources Inc , 17300 Henderson Pass #200 San Antonio, TX 78232 Acute Management LP , 6124 West Parker Rd #330 Plano, TX 75093 MD Pathology , 6124 West Parker Rd Ste G36 Grand Prarie, TX 75093 TH Single Source Staffing , 524 E. Lamar Blvd Arlington, TX 76011	(b) Type of service	(c) Compensation
	Mgmt Svc Housekeeping Physician Fees Physician Fees Contract Labor	36,713,25 2,588,742 1,685,000 1,605,560 1,434,655

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 period beginning , and ending
Name of Organization Texas Health Presbyterian Hospital Plano	Employer Identification Number 75-2770738

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
Cafeteria	621500	730,104	70,390	219,687	730,104
Lab		219,687			
Mother's Gift		211,505			211,505
Vending		85,566			85,566
Education		70,390			
Miscellaneous		65,452			65,452
Physician Credential		23,425			23,425
First Foto		10,503			10,503
X-Ray		7,431			7,431
Medical Records		56			56
Totals:		1,424,119	70,390	219,687	1,134,042

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

Inspection

For calendar year 2011 or tax period beginning

, and ending

Name of Organization

Employer Identification Number

Texas Health Presbyterian Hospital Plano

75-2770738

Other Expenses	(A) Total	(B) Program Services	(C) Management and General	(D) Fundraising
Dietary Expense	669,976	573,693	96,283	
Community Outreach	356,312	202,326	153,986	
Miscellaneous	223,722	75,529	148,193	
License/Dues	177,929	104,578	73,351	
Other Taxes	38,642	38,642		
Uniforms	7,407	6,310	1,097	
Total:	1,473,988	1,001,078	472,910	



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

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

	<u>2011</u>	<u>2010</u>
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	<u>943,431</u>	<u>907,889</u>
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	<u>\$ 4,609,655</u>	<u>\$ 4,365,457</u>
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	<u>667,853</u>	<u>602,808</u>
Long-Term Debt, net of current portion	1,115,622	1,090,871
Other Noncurrent Liabilities	68,996	63,279
Total liabilities	<u>1,852,471</u>	<u>1,756,958</u>
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	<u>2,707,841</u>	<u>2,565,216</u>
Non-controlling ownership interest in equity of consolidated affiliates - unrestricted	49,343	43,283
Total net assets	<u>2,757,184</u>	<u>2,608,499</u>
Total liabilities and net assets	<u>\$ 4,609,655</u>	<u>\$ 4,365,457</u>

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)

	<u>2011</u>	<u>2010</u>
Operating Revenue:		
Net patient service revenue before provision for bad debts	\$ 3,591,503	\$ 3,186,119
Less: Provision for bad debts	<u>306,793</u>	<u>329,274</u>
Net patient service revenue	3,284,710	2,856,845
Equity in earnings of unconsolidated affiliates	8,646	9,322
Other operating revenue	<u>144,965</u>	<u>88,760</u>
Total operating revenue	<u>3,438,321</u>	<u>2,954,927</u>
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	<u>48,721</u>	<u>43,223</u>
Total operating expenses	<u>3,275,206</u>	<u>2,761,434</u>
Operating Income	<u>163,115</u>	<u>193,493</u>
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	<u>5,729</u>	<u>2,484</u>
Total nonoperating gains, net	<u>72,769</u>	<u>177,878</u>
Revenue and Gains In Excess of Expenses and Losses before Income Taxes	235,884	371,371
Income Tax Expense	<u>(6,166)</u>	<u>(7,666)</u>
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	<u>43,358</u>	<u>29,443</u>
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)

	<u>2011</u>	<u>2010</u>
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	<u>59</u>	<u>(2,231)</u>
Increase in Unrestricted Net Assets	<u>214,239</u>	<u>341,801</u>
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	<u>-</u>	<u>18,332</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(73,289)</u>	<u>19,528</u>
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	<u>-</u>	<u>7,954</u>
Increase in Permanently Restricted Net Assets	<u>1,675</u>	<u>7,954</u>
Increase in Net Assets of THR	142,625	369,283
Net Assets of THR, beginning of year	<u>2,565,216</u>	<u>2,195,933</u>
Net Assets of THR, end of year	<u>\$ 2,707,841</u>	<u>\$ 2,565,216</u>

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)

	<u>2011</u>	<u>2010</u>
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	<u>409,801</u>	<u>400,607</u>

(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)

	<u>2011</u>	<u>2010</u>
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	<u>(245,052)</u>	<u>(25,553)</u>
Net cash used in investing activities	<u>(378,405)</u>	<u>(370,584)</u>
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-controlling 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	<u>1,770</u>	<u>7,606</u>
Net cash provided by (used in) financing activities	<u>(7,784)</u>	<u>31,781</u>
Net Increase in Cash and Cash Equivalents	23,612	61,804
Cash and Cash Equivalents, beginning of year	<u>253,730</u>	<u>191,926</u>
Cash and Cash Equivalents, end of year	<u>\$ 277,342</u>	<u>\$ 253,730</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 50,508</u>	<u>\$ 45,589</u>
Supplemental Schedule of Noncash Financing Activities:		
Property and equipment acquired through capital lease obligations	<u>\$ 595</u>	<u>\$ 3,956</u>

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

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.

<u>Tax-Exempt Hospital</u>	<u>Location (Texas)</u>
Texas Health Arlington Memorial Hospital	Arlington
Texas Health Hams Methodist Hospital Alliance (estimated to open in 2012)	Fort Worth
Texas Health Hams Methodist Hospital Azle	Azle
Texas Health Hams Methodist Hospital Cleburne	Cleburne
Texas Health Hams Methodist Hospital Fort Worth	Fort Worth
Texas Health Hams Methodist Hospital Hurst-Euless-Bedford	Bedford
Texas Health Hams Methodist Hospital Southwest Fort Worth	Fort Worth
Texas Health Hams 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 501(a) physician organization that consists of approximately 750 employed physicians, physician assistants, and nurse practitioners in over 250 locations throughout north central Texas.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

<u>Hospital</u>	<u>Location (Texas)</u>	<u>Ownership Interest</u>
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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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):

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

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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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TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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 estimates 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)

	<u>2011</u>	<u>2010</u>
Fixed income securities	\$ 1,495	\$ 487
Equity securities	<u>-</u>	<u>3,068</u>
	<u>\$ 1,495</u>	<u>\$ 3,555</u>

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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):

	<u>2011</u>	<u>2010</u>
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
	<u>1,895,710</u>	<u>1,475,934</u>
Less: Assets limited as to use - required for current liabilities	<u>(154,051)</u>	<u>(153,796)</u>
	<u><u>\$ 1,741,659</u></u>	<u><u>\$ 1,322,138</u></u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Investments, continued

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

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

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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)

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

6. Property and Equipment

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

	<u>2011</u>	<u>2010</u>
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	<u>8,123</u>	<u>14,959</u>
	3,013,911	2,979,173
Less. Accumulated depreciation and amortization	<u>(1,416,000)</u>	<u>(1,326,318)</u>
	1,597,911	1,652,855
Construction and renovation in progress	<u>67,411</u>	<u>61,257</u>
	<u>\$ 1,665,322</u>	<u>\$ 1,714,112</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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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TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt

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

	<u>2011</u>	<u>2010</u>
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
	<u>1,265,308</u>	<u>1,237,076</u>
Add:		
Unamortized original issue premium/discount, net	11,961	13,503
Less:		
Current portion of long-term debt	<u>(161,647)</u>	<u>(159,708)</u>
Long-term debt, net of current portion	<u>\$ 1,115,622</u>	<u>\$ 1,090,871</u>

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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	<u>\$ 176,055</u>	<u>\$ 176,055</u>

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).

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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, NA (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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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	<u>1,116,477</u>
Total	<u>\$ 1,265,308</u>

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)

	<u>2011</u>	<u>2010</u>
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	<u>-</u>	<u>64,784</u>
	<u>\$ 75,870</u>	<u>\$ 149,159</u>

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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).

	<u>2011</u>	<u>2010</u>
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
	<u>\$ 53,253</u>	<u>\$ 51,578</u>

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

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Endowment, continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>\$ -</u>	<u>\$ 24,871</u>	<u>\$ 46,064</u>	<u>\$ 70,935</u>
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	<u>\$ 42,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,995</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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):

	<u>2011</u>	<u>2010</u>
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	<u>(41,942)</u>	<u>(33,359)</u>
Non-controlling ownership interest in equity of consolidated affiliates, end of year	<u>\$ 49,343</u>	<u>\$ 43,283</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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:

	<u>2011</u>	<u>2010</u>
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%
	<u>100%</u>	<u>100%</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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 <u>December 31,</u>	
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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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).

<u>Year Ending</u> <u>December 31,</u>	
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).

	<u>2011</u>	<u>2010</u>
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	-
	<u>\$ 3,581,999</u>	<u>\$ 3,090,708</u>

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).

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.

	<u>2011</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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	<u>\$ 1,898,946</u>	<u>\$ 1,235,841</u>	<u>\$ 654,186</u>	<u>\$ 8,919</u>
Interest rate swap agreements	<u>\$ (14,671)</u>	<u>\$ -</u>	<u>\$ (14,671)</u>	<u>\$ -</u>

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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	<u>\$ 1,479,489</u>	<u>\$ 1,045,554</u>	<u>\$ 433,935</u>	<u>\$ -</u>
Interest rate swap agreement	<u>\$ (8,723)</u>	<u>\$ -</u>	<u>\$ (8,723)</u>	<u>\$ -</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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	<u>346</u>
Fair value recorded at December 31, 2011	<u>\$ 8,919</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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
	<u>\$ 1,277,269</u>	<u>\$ 1,250,579</u>	<u>\$ 1,314,732</u>	<u>\$ 1,187,407</u>

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

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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
			<u>\$ 68,249</u>	<u>\$ 71,135</u>	<u>\$ 8,510</u>	<u>\$ 10,258</u>

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.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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.