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Form 990

Department of the Treasury  
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Baylor Medical Center at Irving

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

Room/suite

2001 Bryan Street No 2200

City or town, state or country, and ZIP + 4

Dallas, TX 752013005

F Name and address of principal officer

Cindy Schamp

1901 N MacArthur Blvd

Irving, TX 75061

D Employer identification number

75-2586857

E Telephone number

(214) 820-4135

G Gross receipts \$

314,199,510

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) ( ) ☐ (Insert no ) ☐ 4947(a)(1) or ☐ 527

J Website:

www.BaylorHealth.com

L Year of formation

1995

M State of legal domicile

TX

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1995

M State of legal domicile

TX

Part I	Summary																											
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>Faith based acute care hospital providing exemplary patient care to Irving, Texas and the surrounding communities since 1964</div></div>																											
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																											
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Part II Signature Block

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

Sign Here

Signature of officer

Lucy Catala VP Finance/HFO

2013-05-08

Date

Paid Preparer's Use Only

Preparer's signature

Firm's name (or yours if self-employed), address, and ZIP + 4

Date

Preparer's taxpayer identification number (see instructions)

EIN

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

Baylor Medical Center at Irving exists to serve the people of Irving and surrounding communities through exemplary health care, education and community service

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 \$ 201,216,520 including grants of \$ 5,057,786 ) (Revenue \$ 217,511,824 )

See Schedule O Baylor Medical Center at Irving (Baylor Irving) is a faith-based, non-profit, 296-bed acute care hospital providing exemplary patient care to Irving, Texas and surrounding communities since 1964 Baylor Irving is an affiliate of the Baylor Health Care System (BHCS), a nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and community services to the North Texas region Baylor Irving provides inpatient and outpatient medical services to treat individuals with diseases, illnesses and injuries of varying complexities Services include all of the comprehensive services typical of a quality acute care hospital with multidisciplinary interactions among physicians, providing patients with innovative methods of prevention, diagnosis, treatment, education and support These services include comprehensive care for all stages of illness through all stages of life Some of these clinical services are provided despite a financial loss to Baylor Irving During the fiscal year ended June 30, 2012, Baylor Irving admitted 19,979 inpatients resulting in a total of 91,321 days of care, treated 46,474 outpatients, delivered 1,981 babies and had 61,039 emergency department visits As part of its charitable mission, Baylor Irving is committed to providing free and/or subsidized care to both financially and medically indigent patients in the community During the year, Baylor Irving reported community benefits (as reported to the Texas Department of State Health Services and in accordance with the State of Texas Statutory methodology) of \$58,001,224 Baylor Irving provided community benefits (as reported on the IRS Form 990, Schedule H) of \$20,132,400 during the tax year The Texas Annual Statement of Community Benefit Standard includes approximately \$30,452,768 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H Baylor Irving also is committed to promoting the healthy well-being of individuals and families beyond the health activities of the traditional hospital or clinic setting through its community outreach programs At the North Irving well-child clinic, underserved children receive free well-child exams and immunizations Baylor Irving also has a tradition of collaborating with key community groups like the school district by offering programs such as Camp Airways for Asthmatic Children, "Diabetes-Be Aware" education program, and "tobacco kNOW" education program designed to discourage smoking Equipping people with quality health information encourages individuals to make appropriate lifestyle changes to benefit their health Through these programs, Baylor Irving assists with early detection of potential health problems and early treatment of any identified problems to save lives The unreimbursed cost of providing these programs was \$414,565 Baylor Irving also provided supervisory education programs for the training of future nurses in an effort to increase the supply of health care professionals nationwide Assisting with the preparation of future nurses at entry and advanced levels of nursing is critical to establishing a workforce of qualified nurses During the year, Baylor Irving invested 20,880 hours in the training of 293 undergraduate nurses Total unreimbursed cost of providing this nursing education program is \$894,409

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 \$ 201,216,520

Part IV Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I . . . . .	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Part II and IV . . . . .	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV . . . . .	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II . . . . .	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III . . . . .	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H . . . . . 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance		
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>		
		YesNo
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a207
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1cYes
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. .	2a1,271
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).	2bYes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3aNo
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4aNo
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?	5aNo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5bNo
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6aNo
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b
7	Organizations that may receive deductible contributions under section 170(c).	
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7aNo
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7cNo
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?	7eNo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7fNo
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8
9	Sponsoring organizations maintaining donor advised funds.	
a	Did the organization make any taxable distributions under section 4966?	9a
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b
10	Section 501(c)(7) organizations. Enter	
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b
11	Section 501(c)(12) organizations. Enter	
a	Gross income from members or shareholders.	11a
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b
13	Section 501(c)(29) qualified nonprofit health insurance issuers.	
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b
c	Enter the aggregate amount of reserves on hand.	13c
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14aNo
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.  
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

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

Section B. Policies

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Lucy Catala 1901 North MacArthur Blvd Irving, TX 75061 (972) 579-8104

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Ron Carter Trustee	1 00	X						0	583	0
(2) Walker Haman Trustee	1 00	X						0	5,919	0
(3) Roy Lamkin Chairman	1 00	X						0	1,729	0
(4) Paul Madeley MD Trustee	1 00	X						0	505,380	79,610
(5) George McCleskey Trustee	1 00	X						0	0	0
(6) Timothy Owens Trustee	1 00	X						0	547	0
(7) Brenda Blain CNO/COO	40 00			X				235,381	0	33,418
(8) Lucy Catala VP Finance/Hosp Fin Off	40 00			X				233,073	0	24,002
(9) Cindy Schamp President	40 00			X				517,592	0	145,283
(10) William Boyd Secretary	1 00			X				0	860,104	239,979
(11) Walter Skip Wilson VP Administration	40 00				X			193,574	0	25,029
(12) Gary Green Director Pharmacy	40 00					X		166,446	0	25,588
(13) Jeffrey Trentham Clinical Pharmacist	36 00					X		134,550	0	30,006
(14) Hilary Akpati Therapeutice Rad Physicist	40 00					X		168,935	0	25,959
(15) Rolando Leal Supervisor Nuclear Medicine	49 00					X		147,002	0	21,640
(16) William Fincher Clinical Pharmacist	34 00					X		148,937	0	20,765
(17) Gary Hamnck Former Officer	0 00						X	0	312,257	58,515



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	1,945,490	2,108,203	847,695

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 75

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

## **Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
Baylor Health Care System 2001 Bryan St Ste 2200 Dallas, TX 75201	Management Services	20,460,153
Aramark Services Inc P O Box 651009 Charlotte, NC 282651009	Engineering/Food Serv	5,745,262
BIR JV LLP P O Box 677466 Dallas, TX 75267	Staffing/Mgmt Services	2,804,725
HealthTexas Provider Network 2001 Bryan St Ste 2200 Dallas, TX 75201	Clinical/Admin Services	1,829,964
Medco Construction 2001 Bryan St Ste 2200 Dallas, TX 75201	Construction	1,665,457

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 ▶33

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d	613,489				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	18,000				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		631,489				
Program Service Revenue			Business Code					
	2a	Patient Care Revenue	621990	209,338,530	209,338,530			
	b	Rent	231120	6,763,745	6,763,745			
	c	Cafeteria	722210	1,158,645		1,158,645		
	d	Transcription Revenue	541900	62,804	62,804			
	e	Affiliate Income	621990	54,156	54,156			
	f	All other program service revenue		129,605	35,988		93,617	
	g	Total. Add lines 2a-2f . . . . .		217,507,485				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		4,293,085	4,339		4,288,746	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties . . . . .						
	6a	Gross rents	(i) Real	(ii) Personal				
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss) . . . . .						
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			91,766,555	896				
			85,690,169	0				
			6,076,386	896				
	d	Net gain or (loss) . . . . .		6,077,282			6,077,282	
	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								
b								
c								
d	All other revenue . . . . .							
e	Total. Add lines 11a-11d . . . . .							
12	Total revenue. See Instructions . . . . .		228,509,341	216,259,562	0	11,618,290		

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	5,057,786	5,057,786		
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	1,494,370		1,494,370	
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	58,881,205	58,320,062	561,143	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,877,516	1,827,977	49,539	
9	Other employee benefits	8,818,319	8,727,573	90,746	
10	Payroll taxes	4,202,514	4,123,482	79,032	
11	Fees for services (non-employees)				
a	Management	270,758	270,758		
b	Legal	53,740		53,740	
c	Accounting	109,625		109,625	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	36,209,393	26,294,618	9,914,775	
12	Advertising and promotion	838,088	9,449	828,639	
13	Office expenses	5,543,959	5,404,347	139,612	
14	Information technology	4,775,834	4,775,834		
15	Royalties				
16	Occupancy	18,977,292	18,977,292		
17	Travel	115,540	98,483	17,057	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	45,445	43,267	2,178	
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	14,568,696	14,568,696		
23	Insurance	51,527		51,527	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	Bad Debt	28,578,385	28,578,385		
b	Medical Supplies	23,948,752	23,948,752		
c	Recruiting	72,380	64,751	7,629	
d	Special Functions	52,617	21,515	31,102	
e					
f	All other expenses	154,397	103,493	50,904	
25	Total functional expenses. Add lines 1 through 24f	214,698,138	201,216,520	13,481,618	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			6,623	1	5,165
	2	Savings and temporary cash investments . . . . .				2	
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			22,583,348	4	20,671,196
	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)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .			80,507	7	38,374
	8	Inventories for sale or use . . . . .			3,476,126	8	3,739,606
	9	Prepaid expenses and deferred charges . . . . .			98,878	9	178,402
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	302,035,595			
	b	Less: accumulated depreciation . . . . .	10b	87,837,450	220,702,573	10c	214,198,145
	11	Investments—publicly traded securities . . . . .			225,570,408	11	232,976,055
	12	Investments—other securities. See Part IV, line 11 . . . . .				12	
	13	Investments—program-related. See Part IV, line 11 . . . . .			2,692,291	13	3,645,762
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			3,076,561	15	3,807,225
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			478,287,315	16	479,259,930
Liabilities	17	Accounts payable and accrued expenses . . . . .			19,836,681	17	18,797,430
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .			9,111,823	19	7,542,672
	20	Tax-exempt bond liabilities . . . . .				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			172,299,240	24	169,740,260
	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 . . . . .			734,778	25	1,182,139
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			201,982,522	26	197,262,501
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>						
	27	Unrestricted net assets . . . . .			273,192,035	27	278,399,007
	28	Temporarily restricted net assets . . . . .			1,745,759	28	2,230,188
	29	Permanently restricted net assets . . . . .			1,366,999	29	1,368,234
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	<b>Total net assets or fund balances</b> . . . . .			276,304,793	33	281,997,429
	34	<b>Total liabilities and net assets/fund balances</b> . . . . .			478,287,315	34	479,259,930

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	228,509,341
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	214,698,138
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	13,811,203
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	276,304,793
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-8,118,567
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	281,997,429

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
<b>b</b>	Were the organization's financial statements audited by an independent accountant?	Yes	
<b>c</b>	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
<b>d</b>	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separated basis		
<b>3a</b>	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?	Yes	
<b>b</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	Yes	

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Baylor Medical Center at Irving

Employer identification number  
75-2586857

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))		14				
15 Public Support Percentage for 2010 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions						

Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b>						

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		



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

Facts And Circumstances Test

Explanation

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.**  
▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

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

Name of the organization Baylor Medical Center at Irving	Employer identification number 75-2586857
---	--

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

- 1

Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV
- 2

Political expenditures ▶ \$
- 3

Volunteer hours

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

- 1

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

Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
- 4a

Was a correction made? ☐ Yes ☐ No
- b

If "Yes," describe in Part IV

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

- 1

Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$
- 2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ \$
- 3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ \$
- 4

Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
- 5

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

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
<b>1</b>	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			
	<b>a</b> Volunteers?		No	
	<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	<b>c</b> Media advertisements?		No	
	<b>d</b> Mailings to members, legislators, or the public?		No	
	<b>e</b> Publications, or published or broadcast statements?		No	
	<b>f</b> Grants to other organizations for lobbying purposes?	Yes		
	<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
	<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	<b>i</b> Other activities? If "Yes," describe in Part IV		No	
	<b>j</b> Total lines 1c through 1i			
<b>2a</b>	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	57,663
<b>b</b>	If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b>	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b>	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Part IV, Supplemental Information		Statement Regarding Legislative Activity Health care policy is critical to all Americans, and Baylor Medical Center at Irving ("BMCI") believes that health care providers must participate in forming health care policy by interacting with national, state and local representatives and their staff members to help them better understand the complexities and ramifications of key health care policies including, without limitation, those related to uninsured and indigent patient needs as well as the legislative and regulatory needs to assure the delivery of cost-efficient, quality health care. BMCI has established relationships with persons and industry associations that often communicate BMCI's positions on major health care issues. These contacts may include direct contact, telephone conversations and/or letters. Also, BMCI may attempt to educate the local community on certain legislative initiatives that may impact BMCI's ability to provide quality health care services to the community through direct mailings, media advertising or broadcast statements. The amount of resources (time and money) involved in these activities is insubstantial. BMCI has not 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, 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**  
Baylor Medical Center at Irving

**Employer identification number**  
75-2586857

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

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

2

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

a

Revenues included in Form 990, Part VIII, line 1▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X▶ \$ \_\_\_\_\_

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

3a(i)

Yes

No

(ii)

related organizations . . . . .

3a(ii)

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .				
b Buildings . . . . .		231,299,449	38,665,837	192,633,612
c Leasehold improvements . . . . .				
d Equipment . . . . .		70,736,146	49,171,613	21,564,533
e Other . . . . .				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				214,198,145



Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1228,509,341
2	Total expenses (Form 990, Part IX, column (A), line 25)	2214,698,138
3	Excess or (deficit) for the year Subtract line 2 from line 1	313,811,203
4	Net unrealized gains (losses) on investments	4-9,227,420
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	81,108,853
9	Total adjustments (net) Add lines 4 - 8	9-8,118,567
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	105,692,636

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements . . . . .	1218,956,773
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments . . . . .2a-9,227,420	
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-9,227,420	3228,184,193
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) . . . . .4b325,148	
c	Add lines 4a and 4b . . . . .4c325,148	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .5228,509,341	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements . . . . .	1213,847,301
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-848,337	
e	Add lines 2a through 2d . . . . .2e-848,337	3214,695,638
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) . . . . .4b2,500	
c	Add lines 4a and 4b . . . . .4c2,500	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .5214,698,138	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Description of Uncertain Tax Positions Under FIN 48	Part X	Irving follows the provisions of ASC 740 "Income Taxes." As of June 30, 2012 and 2011, Irving had no material gross unrecognized tax benefits.
Part XI, Line 8 - Other Adjustments		Change in Net Assets Held at Irving Foundation 485,664 Transfer to/from BHCS-Liability Reserve 623,189 Total to Schedule D, Part XI, Line 8 1,108,853
Part XII, Line 4b - Other Adjustments		Contribution Revenue Recorded in Operating Expenses 225,148 Contribution Revenue Recorded in Other Changes 100,000
Part XIII, Line 2d - Other Adjustments		Contribution Revenue Recorded in Operating Expenses - 225,148 Liability Reserve Recorded in Operating Expenses - 623,189
Part XIII, Line 4b - Other Adjustments		Grant Included in Other Changes in Fund Balance 2,500



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**  
Baylor Medical Center at Irving

**Employer identification number**  
75-2586857

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals <input type="checkbox"/> Applied uniformly to most hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  <b>a</b> Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  <b>b</b> Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <b>500.000000000000</b> %  <b>c</b> If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		No
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.				

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charnty care at cost (from Worksheet 1) . . . . .			12,497,055	0	12,497,055	6 390 %
b Medicaid (from Worksheet 3, column a) . . . . .			19,700,942	17,851,568	1,849,374	0 950 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			0	0		0 %
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			32,197,997	17,851,568	14,346,429	7 340 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			478,716	17,679	461,037	0 240 %
f Health professions education (from Worksheet 5) . . . . .			894,409	0	894,409	0 460 %
g Subsidized health services (from Worksheet 6) . . . . .			0	0		0 %
h Research (from Worksheet 7) . . . . .			0	0		0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			4,430,525	0	4,430,525	2 260 %
j <b>Total</b> Other Benefits . . . . .			5,803,650	17,679	5,785,971	2 960 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			38,001,647	17,869,247	20,132,400	10 300 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	229,068,195	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	31,569,683	
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)	549,261,043	
6	Enter Medicare allowable costs of care relating to payments on line 5	660,112,156	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-10,851,113	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
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.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
11Irving Coppel Surgical Hospital LLP	Short Stay Hospital	34.030 %	0 %	26.210 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 2

## Name and address

**Schedule H (Form 990) 2011**

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)

Baylor Medical Center at Irving

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): \_\_\_\_\_1\_\_\_\_\_

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Irving Coppel Surgical Hospital

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

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



Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 6

Name and address		Type of Facility (Describe)
1	Baylor Irving Cancer Center 2001 N MacArthur Blvd Suite 120 Irving, TX 75061	Cancer Center
2	Baylor Med Ctr at Irving-Wound Care Ctr 400 W LBJ Fwy Suite 130 Irving, TX 75063	Wound Care Center
3	Sleep Ctr & Women's Imag at Irving Cop 400 W LBJ Fwy Suite 200 Irving, TX 75063	Radiology Center/Sleep Center
4	Baylor Diag Imag Ctr at Arlington & GP 2740 N State Highway 360 Suite 200 Grand Prairie, TX 75050	Radiology Center
5	Congestive Heart Failure Clinic 2001 N MacArthur Blvd Suite 350 Irving, TX 75061	CHF Clinic
6	Baylor Irving Spine Center 2001 N MacArthur Blvd Suite 205 Irving, TX 75061	Spine Center
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 3c and Line 3b In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines ("FPG"), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500% ) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Identifier	ReturnReference	Explanation
		Part I, Line 6a The organization prepares and files an Annual Report of Community Benefit Plan with the Texas Department of State Health Services The report is made available through the organization's website at www.baylorhealth.com

Identifier	ReturnReference	Explanation
		Part I, Line 7 A ratio of patient care cost to charges, as determined in Worksheet 2, was used to report the amounts in Part I, Lines 7a - 7d For amounts reported on lines 7e - 7k, actual expenses for each community benefit activity are tracked and reported using both community benefit software and/or the organization's cost accounting system Part I, Line 7b, Column (d) Includes payments from the State Medicaid Private Hospital Upper Payment Limit Program, which funds are to be used to expand indigent care Part I, Line 7i, Column (c) Includes charity care payments of \$4,365,788 that are made directly to or on the behalf of a local public hospital and/or other nonprofit organizations for the treatment of indigent patients of those organizations

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The amount of bad debt expense included on Form 990, Part IX, line 25, but removed for Schedule H, Part I, Line 7, Column (f) totaled \$ 28,578,385

Identifier	ReturnReference	Explanation
		Part III, Line 4 As stated in the combined audited financial statements, the organization maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The organization assesses the reasonableness of the allowance account based on the historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowance associated with its receivable Bad debt does not include amounts for patients who are known to qualify under the organizations charity care policy The amount of bad debt attributable to patient's accounts is net of contractual allowances, payments received and recoveries of bad debt previously written off Based on prior experience and certain demographics and other information obtained during admission, the organization believes a portion of the bad debt expenses would be attributable to patients that would otherwise qualify for charity care Despite all of the effort and ways the organization educates patients about qualifying for its charity care program as demonstrated in Part IV, question 3 below, many uninsured patients either refuse or fail to complete a charity care application or provide sufficient information at the time of admission, during their stay or after being discharged to qualify for assistance under the organization's charity care policy The amount reported on Part III, Line 3 was estimated by reviewing the average acceptance rate for charity care applications received at certain facilities during the year multiplied by the number of denials that were attributable to those facilities due to insufficient information

Identifier	ReturnReference	Explanation
		<p>Part III, Line 8 The amount reported on Part III, Section B, line 6 was calculated in accordance with the Schedule H instructions utilizing the organization's allowable cost reported in the Medicare cost report based on a cost to charge ratio. However, the allowable costs in the Medicare cost report do not reflect the actual cost of providing care to patients since the Medicare cost report excludes many direct patient care costs that are essential to providing quality care to these patients. For example, certain coverage fees to physicians, cost of Medicare C and D, and other similar direct patient care expenses are specifically excluded as allowable cost in the cost reports. Using the same methodology to calculate the unreimbursed cost of providing charity care and Medicaid (using applicable Schedule H Worksheets) would result in a shortfall of \$15,680,671, which is \$4,829,558 higher than the shortfall reported on Part III, Section B, Line 7. The organization believes that all of the shortfall should be considered as a community benefit for the following reasons. First, the IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients. IRS Revenue Ruling 69-545 provides, in part, that hospitals serving patients with governmental health benefits, including for example Medicare, is an indication that the hospital operates for the promotion of health in the community. Second, the organization provides care to Medicare patients regardless of this shortfall, i.e., loss, and thereby relieves the state and federal government of the burden of paying the full cost for the care of Medicare beneficiaries. Medicare does not provide sufficient reimbursement to cover the entire cost of providing care to these patients causing the organization to use other surplus funds to cover the shortfall. It is expected that reimbursement under the Medicare program will continue to decline and therefore may further limit access to care due to the anticipated reduction of participating Medicare providers in the community. As a result, the care for these patients will likely increase at, and rest on the shoulders of, nonprofit hospitals or county hospital districts. Third, many of the Medicare participants have low fixed incomes and therefore would qualify for charity care or other means tested government programs absent being enrolled in the Medicare program. Fourth, Texas nonprofit hospitals must provide a minimum level of community benefit in order to obtain exemption from state and local taxes. According to the current Texas Health and Safety Code, the unreimbursed cost of Medicare is considered to be a community benefit in determining these state statutory requirements as it helps relieve a governmental burden of providing this care that would otherwise be provided through the county hospital system in Texas.</p>



Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization's debt collection policy and procedures prohibit any collection efforts for the portion of the patient account balance that qualifies for financial assistance under the organization's charity care policy For any remaining balances due, the same collection policy and procedures are applied equally to all patient types

Identifier	ReturnReference	Explanation
Baylor Medical Center at Irving		Part V, Section B, Line 10 In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 10 In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Identifier	ReturnReference	Explanation
Baylor Medical Center at Irving		Part V, Section B, Line 11h For almost 20 years, the hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 11h For almost 20 years, the hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted

Identifier	ReturnReference	Explanation
Baylor Medical Center at Irving		Part V, Section B, Line 13g Measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 13g Measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Identifier	ReturnReference	Explanation
Baylor Medical Center at Irving		Part V , Section B, Line 19d The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Q uestion Part V , Line 19ac



Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 19d The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Q uestion Part V, Line 19ac

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Prior to June 30, 2012, the organization has elected to base their service area needs on a report generated by the local county hospital district The annual Our Community Health Checkup for the Dallas/Fort Worth Combined Metropolitan Statistical Area (Checkup) is a collaborative effort of member hospitals of the Dallas Fort Worth Hospital Council (DFWHC) The preparation (including support, research and analysis) of the report was provided by the staffs of the Strategic Planning and Population Medicine Department of the Parkland Health & Hospital System also known as the Dallas County Hospital District, Baylor Health Care System and other health care providers The Checkup was developed to address issues relative to health pertaining to individuals, families, and communities for use by the residents of the community and the institutions serving them The Checkup provides a framework by which health needs can be joined with the assets or investments made by the community in its social and physical infrastructure During the tax year ending June 30, 2013, the organization will be conducting a community health needs assessment and developing a written implementation strategy in accordance with the requirements under the Internal Revenue Code Section 501(r) which will be made widely available to the public on or before June 30, 2013

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The organization is committed to promoting health in the community including providing or finding financial assistance programs to assist patients Patients who may qualify for financial assistance through the organization's charity care program or other federal, state and local government programs are informed and educated about their eligibility in several ways including, but not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Located in Dallas County, the organization's service area includes parts of the urban/suburban North Texas area including Irving, Grand Prairie and Dallas The population is estimated to be approximately 545,631 The average household income is \$67,316 with 13.7 percent of the population having household incomes below the Federal Poverty Level (FPL) The population is made up of 30.8 percent white non-Hispanic, 47.9 percent Hispanic, 11.8 percent black non-Hispanic, 7.3 percent Asian and Pacific Islanders Non-Hispanic and 2.3 percent other The organizations service area payer mix is comprised of 33.1 percent Managed Care, 24.4 percent Medicaid, 29.0 percent Medicare and 12.9 percent Self-pay/Charity and 0.5 percent other There are approximately two other hospitals located within the organization service area The organizations service area contains a medically underserved area located in the Grand Prairie community

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 With the oversight of an independent volunteer community board and Baylor Health Care System, the organization's sole member, the organization has promoted health and benefited the community by providing access to more than 20 specialty centers designed to treat a range of medical conditions The organization's governing body is comprised of volunteer community representatives that provide leadership and governance for the organization The members of the governing body contribute their wisdom, insights, and expertise to ensure the organization is fulfilling its mission and charitable purpose while providing efficient administrative support services and direction for the System The members are well respected residents and/or own businesses in the organization's primary or secondary service area and understand the needs of the community The medical staff of the organization is open to all physicians in the community who meet membership and clinical privileges requirements Surplus funds are continuously utilized to maintain access to limited patient services or expand access points of care to patients throughout the community including, but not limited to, the following The organization operates an emergency department accepting all patients without the regard for the ability to pay Also, decreasing wait times in the organization's emergency department makes quality health care a reality since space can be in high demand The emergency department has designated four rooms close to the triage area where a physician, nurse practitioner or physician assistant can evaluate each patient upon arrival By adding staff and streamlining processes, people who visited the emergency, in some cases during the year, were treated by a physician on average of 17 minutes after entering the emergency department The organization is also committed to promoting the healthy well being of individuals and families beyond the health activities of the traditional hospital or clinic setting through its community outreach programs At the North Irving well-child clinic, underserved children receive free well-child exams and immunizations The organization also has a tradition of collaborating with key community groups like the school district by offering programs such as Camp Airways for Asthmatic Children and "Diabetes-Be Aware" diabetes education program The organization provided non-smoking facilities, education on the dangers of using tobacco products and programming to aid individuals and employees on stopping smoking Equipping people with quality health information encourages individuals to make appropriate life style changes to benefit their health Through these programs the organization assists with early detection of potential health problems and early treatment of any identified problems to save lives The organization is the recipient of the Texas Award for Performance Excellence from the Quality Texas Foundation, a non-profit Texas corporation The award is presented to organizations that serve as role models for quality, customer satisfaction and performance excellence in the state of Texas The Organization is also committed to assisting with the preparation of future nurses at entry and advanced levels of the profession to establish a workforce of qualified nurses Through the Systems relationships with fifteen North Texas schools of nursing, the Organization maintains strong affiliations with schools of nursing In the fiscal year ending June 30, 2012, the Hospital invested in training 293 nurses Total unreimbursed cost of these programs was more than \$894,000 Like physicians, nursing graduates trained at a System entity are not obligated to join the staff although many remain in the North Texas area to provide top quality nursing services to many health care institutions</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 6 The organization is part of a large faith based integrated health care delivery system ("System") serving the health care needs of the twelve county Dallas-Fort Worth metroplex area The System exists to serve all people through exemplary health care, education, research and community service Community benefits are provided through the provision of charity care, governmental sponsored programs (such as Medicaid and Medicare), medical research, medical education, community health improvement services, donations to other nonprofit health care providers, and many other community service activities During the year, the affiliated nonprofit hospitals reported community benefits (as reported to the Texas Department of State Health Services, and in accordance with the State of Texas Statutory methodology) in excess of \$539,700,000 The System's nonprofit hospitals provided community benefits (as reported on the IRS Form 990, Schedule H) in excess of \$221,650,000 during the tax year The Texas Annual Statement of Community Benefit Standard includes approximately \$297,000,000 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H The System is comprised of separate legal entities including philanthropic foundations, a research institute, a physician network, acute care hospitals, short-stay hospitals, specialty hospitals, ambulatory surgery centers and other health care providers all which fall under the common control of Baylor Health Care System, the organization's sole member As part of the System, certain affiliates make grants and/or contributions to other related nonprofit affiliates to help financially support and/or fund worthy community benefits activities The System has also established a patient transfer system among the affiliated hospitals allowing patients needing a particular level of care to be transferred as needed to a related hospital that can provide that service in an efficient and effective manner As part of the System, all hospitals and other affiliated health care providers are required to adhere to high standards for medical quality, patient safety and patient satisfaction These standards are set forth by Baylor Health Care System, the organization's sole member, which helps ensures consistency across the System</p>

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	TX

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  
Baylor Medical Center at Irving

Employer identification number  
75-2586857

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Dallas Academy of Medicine dba Project Access Dallas140 E 12th Street Dallas, TX 75203	75-0223610	501(c)(3)	149,462		N/A	N/A	Indigent Care
(2) Dallas County Indigent Care CorporationPO Box 655999 Dallas, TX 75265	26-0610562	501(c)(3)	4,505,824		N/A	N/A	Indigent Care
(3) Irving Healthcare Foundation1901 N MacArthur Irving, TX 75061	75-1570933	501(c)(3)	302,500		N/A	N/A	General Support
(4) Parkland Health & Hospital System5201 Harry Hines Blvd Dallas, TX 752357750	75-6004221		100,000		N/A	N/A	General Support

2

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

4

3

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

0



**Part III**

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

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

**Part IV**

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Monitoring Grants & Other Assistance As part of its mission, the organization provides grants and other assistance to related organizations and/or unrelated not-for-profit organizations which are religious, charitable, scientific, or educational in nature, within the meaning of Internal Revenue Code Section 501(c)(3), when the use will further one or more tenets of Baylor's charitable mission and one of the following criteria for use of these funds is met (1)Fulfills a need identified by a community needs assessment conducted by Baylor Health Care System (BHCS) or a third party (such as Community Health Check Up or by the United Way) and adopted as a priority by BHCS's Community Service Advisory Council, (2) Serves an under-served community or group of people through medical mission work to improve their health status For related organizations, all grants and other assistance are subject to the policies and procedures set forth by BHCS which ensures all funds are used in accordance with the guidelines set forth above and in accordance with the related organization's exempt purpose Grants and other assistance provided to unrelated organizations are typically monitored by personal inspection Examples include providing assistance to entities where the filing organization's employee serves as a Board Member for the recipient organization or through attendance at community events where the filing organization employees work as volunteers or to help coordinate these events

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
Baylor Medical Center at Irving

Employer identification number  
75-2586857

Part I

Questions Regarding Compensation

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

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

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

**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Paul Madeley MD	(i)	0	0	0	0	0	0	0
	(ii)	446,493	0	58,887	61,035	18,575	584,990	42,772
(2) Brenda Blain	(i)	204,635	30,436	310	6,207	27,211	268,799	0
	(ii)	0	0	0	0	0	0	0
(3) Lucy Catala	(i)	201,712	30,546	815	0	24,002	257,075	0
	(ii)	0	0	0	0	0	0	0
(4) Cindy Schamp	(i)	340,190	127,302	50,100	115,040	30,243	662,875	36,199
	(ii)	0	0	0	0	0	0	0
(5) William Boyd	(i)	0	0	0	0	0	0	0
	(ii)	554,997	277,981	27,126	212,834	27,145	1,100,083	0
(6) Walter Skip Wilson	(i)	167,424	22,550	3,600	8,480	16,549	218,603	0
	(ii)	0	0	0	0	0	0	0
(7) Gary Green	(i)	149,900	16,086	460	7,674	17,914	192,034	0
	(ii)	0	0	0	0	0	0	0
(8) Jeffrey Trentham	(i)	122,690	10,000	1,860	5,069	24,937	164,556	0
	(ii)	0	0	0	0	0	0	0
(9) Hilary Akpati	(i)	168,553	0	382	8,579	17,380	194,894	0
	(ii)	0	0	0	0	0	0	0
(10) Rolando Leal	(i)	146,586	0	416	5,452	16,188	168,642	0
	(ii)	0	0	0	0	0	0	0
(11) William Fincher	(i)	136,990	10,000	1,947	5,382	15,383	169,702	0
	(ii)	0	0	0	0	0	0	0
(12) Gary Hamrick	(i)	0	0	0	0	0	0	0
	(ii)	246,395	61,081	4,781	39,218	19,297	370,772	0
(13) James Thaxton	(i)	0	0	0	0	0	0	0
	(ii)	52,866	0	63,646	49,990	2,746	169,248	61,232
(14) Jason Whitfield	(i)	0	0	0	0	0	0	0
	(ii)	236,491	46,978	21,703	37,390	27,775	370,337	19,797

**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Travel for companions-The organization reimburses eligible employees and board members certain reasonable travel expenses associated with spousal travel where the spouse's presence is important to the event. These events may include, for example, board meetings, business meetings, and award ceremonies approved by the Baylor Health Care System ("BHCS") CEO. All spousal travel reimbursements are treated as taxable compensation. One person listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
	Part I, Line 1a	Tax indemnification and gross up payments-The organization provides tax indemnification where an authorized member of management determines there is justification to reimburse an individual for the tax impact on certain taxable, non-cash benefits provided to them. All tax indemnification payments provided are treated as taxable compensation. Five of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
	Part I, Line 1a	Discretionary spending account-The organization provides eligible employees who travel frequently in their personal vehicle an auto expense allowance in lieu of reimbursement for business mileage under the organization's business travel and expense reimbursement policy. All auto expense allowances are treated as taxable compensation. Two persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
	Part I, Line 4b	In order to recruit and retain key talent, BHCS offers a supplemental non-qualified retirement plan to eligible employees. The plan provides an annual benefit (based on a percentage of compensation) to the employee that is paid to the employee on a future date upon vesting in the plan. The following individual(s) participated in and/or received payments (noted in parenthesis) from BHCS' supplemental non-qualified retirement plan during the tax year: Cindy Schamp (\$36,199), James Thaxton (\$61,232), Jason Whitfield (\$19,797), William Boyd, Paul Madeley, M.D. (\$42,772), and Gary Hamrick. Also, select certain officers, as designated by BHCS's governing body, are eligible to participate in a Long Term Incentive Plan that is designed to recognize the key senior leaders' value and contribution to BHCS as well as align their compensation to the long-term strategy of BHCS. Performance targets are based upon a percentage of the participant's base salary and are developed by independent third-party expert(s) using market competitive data within the guidelines of reasonableness. The plan is based on BHCS's three-year performance against its peers, determined based on peer rankings or percentile rankings in quality, patient satisfaction, and financial performance. At the end of three years, awards are determined by BHCS's governing body for participants. Payouts are partially made in cash and the remainder vests over an additional two-year period. The following individuals participated in and/or received payments (noted in parenthesis) from this plan during the tax year: William Boyd (\$115,038) and Cindy Schamp (\$59,683).
	Part I, Line 7	The organization has adopted and implemented BHCS's, the organization's sole member, Performance Award Program to provide a market-competitive total cash compensation incentive program that is designed to attract and retain key leaders and establish greater individual accountability and alignment to business performance. Payout targets are based upon a percentage of base pay and are developed by independent third-party expert(s) using comparable market competitive data within the bounds of reasonableness and that are reviewed and approved by BHCS's governing body. Payout levels are based upon a combination of system, entity, and individual performance using various metrics related to quality, patient satisfaction, employee retention, and financial stewardship. BHCS's governing body may approve modifications to annual incentive awards provided under the program consistent with market comparability data.
Supplemental Information	Part III	Supplemental Information: Governing body compensation. The members of the governing body serve on a voluntary basis and receive no cash compensation from the organization for these duties as a member of the governing body. Some, but not all, members have received modest benefits incident to their service on the board and/or multiple board committees, or received compensation as an employee of a related organization. These benefits include reimbursement for certain reasonable expenses paid on behalf of the member's spouse while accompanying the member on business travel on behalf of the organization. All such benefits are treated as taxable compensation to the extent required by law and are reported in the Form 990 where applicable.

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Baylor Medical Center at Irving

Employer identification number  
75-2586857

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . . ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Irving Coppel Surgical Hospital LLP (ICSH)	Lucinda Catala, organization's officer, serves as a board member for ICSH	2,380,302	Rental of real property to ICSH		No
(2) Irving Coppel Surgical Hospital LLP (ICSH)	Lucinda Catala, organization's officer, serves as a board member for ICSH	3,020,762	Investment in Joint Venture		No
(3) Irving Coppel Surgical Hospital LLP (ICSH)	Cindy Schamp, organization's President, serves as a board member for ICSH	2,380,302	Rental of real property to ICSH		No
(4) Irving Coppel Surgical Hospital LLP (ICSH)	Cindy Schamp, organization's President, serves as a board member for ICSH	3,020,762	Investment in Joint Venture		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
Schedule L, Part IV, Transactions Involving Interested Persons		Irving Coppel Surgical Hospital is a controlled affiliate of the organization. The organization's employees were appointed by the organization to serve as board members of the controlled affiliate. These individuals were appointed by the organization to serve as board representatives of those controlled affiliates to ensure they are operated in a charitable manner and in accordance with the organization's tax exempt status.

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization Baylor Medical Center at Irving	Employer identification number  75-2586857
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Members or stockholders The organization is a Texas nonprofit membership organization in which Baylor Health Care System ("BHCS"), a tax exempt, Texas nonprofit corporation, is the sole member

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Election of members of governing body by members, stockholders, or other persons The sole member, BHCS, elects and removes the members of the governing body



Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	Governing body decisions subject to approval The sole member, BHCS, has final authority over certain decisions/powers of the organization such as approval of the organization's articles of incorporation and bylaws and amendments thereto, appointment and removal of the members of the organization's governing body, approval of dissolutions and mergers, and other similar decisions/powers over the organization

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	Process used to review the Form 990 The Form 990 is prepared and reviewed by BHCS's tax department During the return preparation process the tax department works with other functional areas including finance, accounting, treasury, legal, human resources, and corporate compliance for advice, information and assistance to prepare a complete and accurate return Upon completion, the Form 990 is reviewed by the organization's President, financial officer and/or other key officers A complete final copy of the return is provided to the organization's governing body prior to filing with the IRS

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Process used to monitor and enforce compliance with the organization's conflict of interest policy. Persons with the actual or perceived ability to influence the organization have the duty to disclose annually and otherwise promptly as potential conflicts are identified, any familial, professional or financial relationships with entities or individuals that do, or seek to do business with the organization or that compete with the organization. These individuals include the organization's officers, governing body, management, physicians with administrative services agreements and other key personnel who interact with outside organizations or businesses on behalf of the organization. The BHCS Board of Trustees Audit and Compliance Committee and the BHCS Corporate Compliance Committee review all relevant disclosures submitted by these individuals to determine whether a conflict of interest exists and to determine an appropriate resolution, if necessary. Any individual with a perceived or potential conflict is prohibited from voting or participating in the decision making process regarding such transaction with that individual.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	<p>Process for determining compensation The organization, a controlled affiliate of BHCS, recognizes that those chosen to lead the organization are vital to its ongoing success and growth Thus, it must attract, retain and engage the highest quality officers and key employees to lead the organization and help BHCS maintain its national reputation for achieving high targets for medical quality, patient safety, and patient satisfaction A significant portion of the organization's officers' and key employees' total compensation is based on significant performance achievements This strategy, known as the Performance Award Program, works to put a greater emphasis on the importance of the organization achieving targeted improvements in the areas of People, Quality, Patient Satisfaction and Financial Stewardship, annually Total executive compensation is part of an integrated talent management strategy developed by the BHCS Board of Trustees and its Compensation and Governance Committee (Committee) to attract, motivate, and retain the best leadership resources for the organization Executive compensation is determined pursuant to guidelines outlined in the intermediate sanction rules under IRC Section 4958 including taking steps to meet the rebuttable presumption standard of reasonableness under Treasury Regulation 53.4958-6, as summarized below</p> <p>When making compensation decisions, the organization compares itself to similar-sized, and structured businesses including other integrated health care service systems and other similar-sized organizations, both locally and nationally The BHCS Board of Trustees and Committee, on behalf of the organization, work directly with independent compensation expert(s) to identify reasonable and competitive market rates as well as provide an annual review of the total compensation of the organization's top management officials and key employees The Committee is made up of members of the BHCS Board of Trustees, who are independent, community volunteers Guided by the information provided by the independent compensation expert(s), the Committee approves and recommends to the BHCS Board of Trustees salary increases, earned incentives, and benefit offerings for the organization's President, other officers and/or key employees to be comparable to similar organizations for similar services and/or positions Furthermore, the Committee is charged with the responsibility of reviewing annually the major elements of the executive compensation program to assure designs remain consistent with the business needs, market practices, and compensation philosophy As part of the decision making process, the Committee will often meet in executive session to discuss and review recommendations made by the independent compensation expert(s) During the executive session no officer or key employee whose compensation is being reviewed is present during these discussions All decisions are contemporaneously documented in the Committee minutes which are timely reviewed and approved by the Committee</p>

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Process for making governing documents, conflict of interest policy, & financial statements available to the public The organization's articles of incorporation and amendments thereto are made available to the public by the filing of those documents with the Texas Secretary of State The audited financial statements are attached to this return Also, the organization is included within the combined financial statements of BHCS that are made available to the public by the posting of those documents through DAC Bond The organization's other governing documents and conflicts of interest policy are not made available to the public

Identifier	Return Reference	Explanation
	Form 990, Part VII Hours devoted to related organizations	The persons listed below also serve either as a voluntary member of the governing body, an employed officer, or an employee of a related organization. The average hours per week devoted to the related organizations are listed below: William Boyd (40 Hours), Ron Carter (10 Hours), Roy Lamkin (10 Hours), Walker Harman (10 Hours), Paul Madeley, MD (40 Hours), Tim Owens (10 Hours), Gary Hamrick (40 Hours), James Thaxton (40 Hours), Jason Whitfield (40 Hours).

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -9,227,420 Change in Net Assets Held at Irving Foundation 485,664 Transfer to/from BHCS-Liability Reserve 623,189 Total to Form 990, Part XI, Line 5 - 8,118,567

Identifier	Return Reference	Explanation
	Supplemental Information IRC Section 6038 Statement	Baylor Irving is controlled by BHCS, employer identification number 75-1812652 BHCS also owns Health Care Insurance Company of Texas, Ltd (HCIC) HCIC is a controlled foreign corporation BHCS furnishes all information required of Baylor Irving by IRC Section 6038 and the regulations thereunder with respect to HCIC Therefore, pursuant to Treasury Regulation Sec 1 6038-2(j)(2), Baylor Irving is excepted from providing such information BHCS files its Return of Organization Exempt from Income Tax in Ogden, Utah



SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Baylor Medical Center at Irving

Employer identification number  
75-2586857

Part I

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

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

Part II

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

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

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
See Additional Data Table							

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

Yes

1b

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

Yes

1m

No

1n

No

1o

Yes

1p

No

1q

No

1r

Yes

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 75-2586857

Name: Baylor Medical Center at Irving

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Baylor Health Care System 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1812652	Management Services	TX	501(c)(3)	11, Type III	N/A		No
Baylor University Medical Center 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1837454	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Medical Centers at Garland and McKinney 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1037591	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Medical Center at Waxahachie 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1844139	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Regional Medical Center at Plano 2001 Bryan Street Suite 2200 Dallas, TX 75201 82-0551704	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Regional Medical Center at Grapevine 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1777119	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Institute for Rehabilitation at Gaston Episcopal Hospital 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1037226	Rehabilitation Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Specialty Health Centers 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1765385	Long Term Care Hospitals	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor All Saints Medical Center 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1008430	Acute Care Hospital	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Health Care System Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1606705	Fundraising	TX	501(c)(3)	7	Baylor Health Care System	Yes	
All Saints Health Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1947007	Fundraising	TX	501(c)(3)	7	Baylor All Saints Medical Center	Yes	
HealthTexas Provider Network 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2536818	Physician Practices	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Health Services 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1917311	Inactive	TX	501(c)(3)	3	Baylor Health Care System	Yes	
Baylor Research Institute 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1921898	Research	TX	501(c)(3)	4	Baylor Health Care System	Yes	
Southern Sector Health Initiative 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-3087442	Diabetes Health & Wellness Center	TX	501(c)(3)	11, Type I	Baylor University Medical Center	Yes	
Baylor Health Care System Employee Benefit Trust 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1848557	VEBA	TX	501(c)(9)		Baylor Health Care System	Yes	
Irving Healthcare Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1570933	Fundraising	TX	501(c)(3)	7	Baylor Medical Center at Irving	Yes	









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

(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
Baylor Health Enterprises LP 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1997378	Fitness Center/Pharmacy/Hotel	TX	N/A	C			
Baylor Health Network Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2463251	Billing/Collection	TX	N/A	C			
BMP Incorporated 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1436779	Post Office	TX	N/A	C			
Health Care Insurance Company of Texas Ltd PO Box GT 2nd Fl Buckingham Sq Grand Cayman CJ 98-0403182	Investments	CJ	N/A	C			
Baylor Medical Center at Grapevine Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2747555	Condo Association	TX	N/A	C			
BUMCRoberts Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2897806	Condo Association	TX	N/A	C			
Baylor All Saints Med Cntr at Ft Worth Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-1661900	Condo Association	TX	N/A	C			
Baylor Quality Health Care Alliance LLC 2001 Bryan Street Suite 2200 Dallas, TX 75201 45-4015863	ACO	TX	N/A	C	96,563	638,052	12 500 %

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

<b>(a)</b> Name of other organization		<b>(b)</b> Transaction type(a-r)	<b>(c)</b> Amount Involved (\$)	<b>(d)</b> Method of determining amount involved
<b>(1)</b>	Irving Healthcare Foundation	B	302,500	GAAP
<b>(2)</b>	Irving Healthcare Foundation	C	492,779	GAAP
<b>(3)</b>	Baylor Health Care System	C	100,000	GAAP
<b>(4)</b>	HealthTexas Provider Network	A	324,304	GAAP
<b>(5)</b>	Irving Coppell Surgical Hospital LLP	A	3,693,254	GAAP
<b>(6)</b>	Baylor Health Care System	K	429,258	GAAP
<b>(7)</b>	Baylor Medical Center at Waxahachie	K	60,718	GAAP
<b>(8)</b>	Baylor Health Care System	L	21,142,045	GAAP
<b>(9)</b>	Baylor University Medical Center	L	171,297	GAAP
<b>(10)</b>	HealthTexas Provider Network	L	2,041,428	GAAP
<b>(11)</b>	MEDCO Construction LLC	L	1,090,595	GAAP
<b>(12)</b>	Baylor Health Care System	O	372,988	GAAP
<b>(13)</b>	BIR JV LLP	L	4,153,670	GAAP
<b>(14)</b>	Irving Healthcare Foundation	A	55,695	GAAP
<b>(15)</b>	Irving Coppell Surgical Hospital LLP	J	1,312,952	GAAP
<b>(16)</b>	BIR JV LLP	A	433,823	GAAP
<b>(17)</b>	Baylor Health Care System	R	623,189	GAAP
<b>(18)</b>	Baylor Quality Health Care Alliance LLC	B	625,000	GAAP
<b>(19)</b>	Irving Coppell Surgical Hospital LLP	R	1,777,799	GAAP



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**Baylor Medical Center at Irving  
Combined Financial Statements  
and Supplementary Information  
Years ended June 30, 2012 and 2011**



**BAYLOR MEDICAL CENTER AT IRVING**

*Combined Financial Statements and Supplementary Information*  
*Years ended June 30, 2012 and 2011*

# **BAYLOR MEDICAL CENTER AT IRVING**

## **Combined Financial Statements and Supplementary Information**

Years ended June 30, 2012 and 2011

### **CONTENTS**

#### **Report of Independent Auditors**

#### **Audited Combined Financial Statements**

Combined Balance Sheets.....	2
Combined Statements of Operations and Changes in Net Assets.....	3
Combined Statements of Cash Flows .....	5
Notes to Combined Financial Statements .....	7

#### **Supplementary Information**

Report of Independent Auditors on Supplementary Information .....	29
Other Community Benefits - Unaudited .....	30



## REPORT OF INDEPENDENT AUDITORS

To The Board of Trustees  
Baylor Medical Center at Irving:

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Baylor Medical Center at Irving and Affiliate ("Irving") at June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Irving's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

November 5, 2012

BAYLOR MEDICAL CENTER AT IRVING

COMBINED BALANCE SHEETS - JUNE 30, 2012 AND 2011  
(In thousands)

ASSETS	2012	2011	LIABILITIES AND NET ASSETS	2012	2011
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 735	\$ 361	Current maturities of capital lease obligations	\$ 2,713	\$ 2,600
Accounts receivable:			Trade accounts payable	3,472	3,652
Patient, net of allowance for uncollectibles of			Due to affiliates, net	7,082	6,169
\$13,576 and \$13,143 in 2012 and 2011,			Accrued liabilities:		
respectively	18,043	18,334	Payroll related	158	190
Other	1,072	2,693	Third-party programs	666	794
Supplies	3,740	3,476	Due to Irving Hospital Authority	3,835	5,939
Other current assets	179	99	Other	2,974	4,639
Total current assets	23,769	24,963	Total current liabilities	20,900	23,983
IRVING'S INTEREST IN BHCS MONEY POOL	232,975	225,571	CAPITAL LEASE OBLIGATIONS, less current maturities	167,027	169,699
LONG-TERM INVESTMENTS	7,564	8,377	OTHER LONG-TERM LIABILITIES	9,498	8,412
PROPERTY AND EQUIPMENT, net	214,205	220,712	Total liabilities	197,425	202,094
CONTRIBUTIONS RECEIVABLE, net	941	574	COMMITMENTS AND CONTINGENCIES		
DUE FROM AFFILIATES, net	1,429	1,383			
INVESTMENTS IN AFFILIATES	625	-	NET ASSETS:		
			Unrestricted	281,864	277,195
OTHER LONG-TERM ASSETS:			Temporarily restricted	2,537	2,128
Equity investment in unconsolidated entities	3,021	2,692	Permanently restricted	3,133	3,132
Other	430	277			
Total other long-term assets	3,451	2,969	Total net assets	287,534	282,455
Total assets	\$ 484,959	\$ 484,549	Total liabilities and net assets	\$ 484,959	\$ 484,549



# BAYLOR MEDICAL CENTER AT IRVING

## COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUE:		
Net patient care revenue	\$ 206,891	\$ 219,086
Other operating revenue	8,502	9,397
Net assets released from restrictions for operations	<u>558</u>	<u>862</u>
Total operating revenue	215,951	229,345
OPERATING EXPENSES:		
Salaries, wages, and employee benefits	85,166	86,191
Supplies	26,566	28,130
Other operating expenses	54,344	56,550
Bad debt expense	28,578	34,555
Depreciation and amortization	14,575	14,738
Interest	<u>6,383</u>	<u>6,551</u>
Total operating expenses	<u>215,612</u>	<u>226,715</u>
Income from operations	339	2,630
NONOPERATING GAINS:		
Gains on Irving's interest in BHCS Money Pool, net	1,138	29,843
Gains on investments, net	55	255
Contributions	385	308
Equity in earnings of unconsolidated entities	<u>2,387</u>	<u>2,033</u>
Total nonoperating gains	<u>3,965</u>	<u>32,439</u>
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	4,304	35,069

# BAYLOR MEDICAL CENTER AT IRVING

## COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - continued

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS:		
Transfers between entities under common control	\$ 59	\$ 151
Unrealized gains on investments, net	-	699
Net assets released from restrictions for capital	288	770
Other	<u>18</u>	<u>15</u>
INCREASE IN UNRESTRICTED NET ASSETS	4,669	36,704
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	1,345	1,450
Realized investment income	304	151
Unrealized (losses) gains on investments, net	(396)	419
Change in value of split-interest agreements	43	-
Net assets released from restrictions for operations	(558)	(862)
Net assets released from restrictions for capital	(288)	(770)
Transfers between entities under common control	(17)	(1)
Other	<u>(24)</u>	<u>(60)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	409	327
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	<u>1</u>	<u>1</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>1</u>	<u>1</u>
INCREASE IN NET ASSETS	5,079	37,032
NET ASSETS, beginning of year	<u>282,455</u>	<u>245,423</u>
NET ASSETS, end of year	<u>\$ 287,534</u>	<u>\$ 282,455</u>

See accompanying notes.

- 4 -

# BAYLOR MEDICAL CENTER AT IRVING

## COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 5,079	\$ 37,032
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized losses (gains) on investments, net	396	(1,118)
Unrealized losses (gains) on Irving's interest in BHCS Money Pool, net	9,227	(20,067)
Realized gains on sales of investments, net	(158)	(164)
Realized gains on Irving's interest in BHCS Money Pool, net	(6,076)	(5,848)
Change in value of split interest agreements	(43)	-
Transfers between entities under common control	(42)	(151)
Restricted contributions received, net of release for operations	(788)	(589)
Gifts in kind-property and equipment	-	7
Bad debt expense	28,578	34,555
Depreciation and amortization	14,575	14,738
Assets contributed to BIR Select joint venture	-	94
Changes in operating assets and liabilities:		
Increase in net patient accounts receivable	(28,287)	(32,628)
Decrease (increase) in other accounts receivable, due from affiliates and other current and long-term assets	937	(731)
Decrease in trade accounts payable	(1,263)	(203)
Increase in due to affiliates, net	913	678
(Decrease) increase in accrued liabilities and other long-term liabilities	<u>(2,956)</u>	<u>4,966</u>
Net cash provided by operating activities	20,092	30,571
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,426)	(9,711)
Decrease in investments, net	662	283
Increase in investments in affiliates	(625)	-
Increase in Irving's interest in BHCS Money Pool, net	<u>(10,555)</u>	<u>(19,867)</u>
Net cash used in investing activities	(17,944)	(29,295)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(2,604)	(2,503)
Proceeds from restricted contributions, net of release for operations	788	589
Transfers between entities under common control	<u>42</u>	<u>151</u>
Net cash used in financing activities	<u>(1,774)</u>	<u>(1,763)</u>

See accompanying notes.

**BAYLOR MEDICAL CENTER AT IRVING**  
**COMBINED STATEMENTS OF CASH FLOWS - continued**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**  
(In thousands)

	<u>2012</u>	<u>2011</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	374	(487)
CASH AND CASH EQUIVALENTS, beginning of year	<u>361</u>	<u>848</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 735</u>	<u>\$ 361</u>
SUPPLEMENTAL CASH FLOW DATA:		
Cash paid for interest	<u>\$ 6,497</u>	<u>\$ 6,580</u>
Property and equipment acquired under capital lease	<u>\$ 45</u>	<u>\$ -</u>
Increase (decrease) in accounts payable due to property and equipment received but not paid	<u>\$ 1,097</u>	<u>\$ (504)</u>

# **BAYLOR MEDICAL CENTER AT IRVING**

## **Notes to Combined Financial Statements**

Years ended June 30, 2012 and 2011

### **1. ORGANIZATION**

Baylor Medical Center at Irving ("Irving"), an affiliate of Baylor Health Care System ("BHCS"), is a Texas nonprofit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Irving, which is licensed for 296 beds as of June 30, 2012 and operates 222 beds, was organized for the purpose of operating an acute care hospital and related facilities located in Irving, Texas.

Substantially all properties of Irving are leased from the Irving Hospital Authority (the "Authority"). Effective April 1, 2010, Irving and the Authority entered into an Amended and Restated Lease Agreement (the "Amended Lease Agreement") in which Irving continues to lease the properties from the Authority over a lease term of 35 years. The Amended Lease Agreement is being accounted for as a capital lease.

#### **Irving Healthcare Foundation**

Irving is the sole member of Irving Healthcare Foundation ("IHF"). IHF's balances and transactions are reflected in the combined financial statements of Irving.

IHF was organized in September 1977. IHF's bylaws provide that funds raised, except for funds required for its operation, be distributed to or held primarily for the benefit of Irving.

Specific capital, plant expansion, or plant replacement funds are to be distributed to Irving for the benefit of the hospital. The amounts and periods of distribution are determined by IHF's Board of Directors. Distributions of approximately \$1,730,000 and \$1,756,000 were made to Irving during 2012 and 2011, respectively.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Irving have been prepared in conformity with accounting principles generally accepted in the United States. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

#### **Adoption of New Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board issued ASU 2010-06, "*Fair Value Measurements and Disclosure (Topic 820): Improving Disclosures about Fair Value Measurements*," or ASU 2010-06. This ASU amends the disclosure requirements of ASC 820 related to recurring and non-recurring fair value measurements. The ASU requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active

## BAYLOR MEDICAL CENTER AT IRVING

### Notes to Combined Financial Statements - continued

markets for identical assets or liabilities) and level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the ASU requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The ASU became effective for Irving on July 1, 2010, except for the disclosure on the roll forward activities for the Level 3 fair value measurements, which became effective for Irving beginning July 1, 2011. The adoption of the disclosure provisions had no impact on Irving's results of operations or financial position.

In August 2010, the Financial Accounting Standards Board issued ASU 2010-23, "*Measuring Charity Care for Disclosure (Topic 954): Health Care Entities*." This ASU amends the disclosure requirements of ASC 954 related to the measurement basis used in the disclosure of charity care. The ASU requires that cost be identified as the direct and indirect costs of providing charity care. This ASU results in various techniques being used to identify charity care costs and requires disclosure of the method applied. Irving has applied the updated provisions of ASU 2010-23 effective in 2011.

#### **Other Accounting Pronouncements**

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*." This ASU 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). Additionally, those health care entities are required to provide enhanced disclosure 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. For nonpublic entities, the amendments are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by the amendments in this update should be provided for the period of adoption and subsequent reporting periods. Irving has not yet completed the process of evaluating the impact this ASU will have on its financial statements.

In December 2011, the FASB issued ASU 2011-11, "*Balance sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*." This ASU amends the disclosure requirements on offsetting as stated in Section 210-20-50 in order to more closely align the presentation of the financial statements prepared under the United States Generally Accepted Accounting

# **BAYLOR MEDICAL CENTER AT IRVING**

## **Notes to Combined Financial Statements - continued**

Pronouncements (US GAAP) and those prepared under the International Financial Reporting Standards (IFRS). The amendments under this update require entities to disclose both gross and net information related to instruments and transactions subject to an agreement similar to a master netting arrangement. The scope of this ASU applies to derivatives, sale and repurchase arrangements, reverse sale and repurchase arrangements, securities borrowing and securities lending arrangements. BHCS has not evaluated all of the updated provisions, which are effective for fiscal years, and interim periods within those fiscal years, beginning on or after January 1, 2013.

### **Cash and Cash Equivalents**

Cash equivalents are defined as investments which have original maturities of three months or less. Cash equivalents consist primarily of securities issued by the United States government or its agencies, certificates of deposit and commercial paper.

### **Investments**

Irving has designated all of its investments as trading. For these trading investments, the interest and dividends, realized and unrealized gains (losses) are included in gains on investments, net, in the accompanying combined statements of operations and changes in net assets, unless restricted by donor.

### **Irving's Interest in BHCS Money Pool**

BHCS has a cash management program whereby it maintains a money pool for its wholly owned subsidiaries and affiliates. Cash and investment funds of Irving are transferred to the BHCS Money Pool for investment management purposes and the funding of accounts payable and payroll-related distributions made by BHCS on behalf of Irving.

Irving's interest in the BHCS Money Pool is classified as trading. For these investments, the interest and dividends, realized and unrealized gains (losses) allocated to Irving are included in gains (losses) on Irving's interest in BHCS Money Pool in the accompanying combined statements of operations and changes in net assets.

Interest and dividends and realized gains (losses) on Irving's interest in BHCS Money Pool were approximately \$4,289,000 and \$6,076,000, respectively, in 2012 and \$3,928,000 and \$5,848,000, respectively, in 2011.

## BAYLOR MEDICAL CENTER AT IRVING

### Notes to Combined Financial Statements - continued

The following is a summary of investment earnings recognized in income during the years ended June 30, 2012 and 2011.

	2012			
	Interest and dividends	Realized gains	Unrealized losses	Total
	(In thousands)			
Nonoperating gains	\$ 31	\$ 24	\$ -	\$ 55
Changes in temporarily restricted net assets	<u>170</u>	<u>134</u>	<u>(396)</u>	<u>(92)</u>
	<u>\$ 201</u>	<u>\$ 158</u>	<u>\$ (396)</u>	<u>\$ (37)</u>

	2011			
	Interest and dividends	Realized gains	Unrealized gains	Total
	(In thousands)			
Nonoperating gains	\$ 151	\$ 104	\$ -	\$ 255
Other changes in unrestricted net assets	-	-	699	699
Changes in temporarily restricted net assets	<u>91</u>	<u>60</u>	<u>419</u>	<u>570</u>
	<u>\$ 242</u>	<u>\$ 164</u>	<u>\$ 1,118</u>	<u>\$ 1,524</u>

### Patient Accounts Receivable

Patient accounts receivable are stated at net realizable value and collateral is generally not required. Significant concentrations of patient accounts receivable at June 30, 2012 and 2011 include:

	<u>2012</u>	<u>2011</u>
Managed care providers, commercial insurers and other payors	35%	33%
Government-related programs	34%	35%
Self-pay patients	<u>31%</u>	<u>32%</u>
	<u>100%</u>	<u>100%</u>

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the only concentrated group of payors for Irving's receivables, and management does not believe that there is any unusual level of collectability risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated collectability risks to Irving.



## BAYLOR MEDICAL CENTER AT IRVING

### Notes to Combined Financial Statements - continued

Irving maintains allowances for uncollectible accounts for estimated losses resulting from payors' inability to make payments on accounts. Irving assesses the reasonableness of the allowance account based on historical write-offs, cash collections, and the aging of the accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

#### Supplies

Supplies are stated at the lower of cost (first-in, first-out) or market.

#### Property and Equipment

The majority of property and equipment utilized by Irving is leased from the Authority under the Amended Lease Agreement.

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution. Property and equipment and related accumulated depreciation and amortization are summarized below:

	<u>Useful Life</u>	<u>2012</u>	<u>2011</u>
		(In thousands)	
Buildings and improvements	10-40 Years	\$ 228,265	\$ 225,640
Major movable equipment and other	5-15 Years	70,905	62,259
Construction-in-progress		<u>3,034</u>	<u>6,237</u>
		302,204	294,136
Accumulated depreciation and amortization		<u>(87,999)</u>	<u>(73,424)</u>
		<u>\$ 214,205</u>	<u>\$ 220,712</u>

Property and equipment financed under capital leases totaled \$175,473,000 and \$175,428,000 at June 30, 2012 and 2011, respectively, and accumulated amortization was approximately \$11,459,000 and \$6,387,000 at June 30, 2012 and 2011, respectively. Amortization expense is included in depreciation and amortization expense in the accompanying combined statements of operations and changes in net assets.

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less.

Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase capacities or extend useful lives are capitalized.

Irving has recorded asset retirement obligations for the removal of asbestos. These obligations are conditional, based on a portion of the facility undergoing major renovations. Irving recognizes liabilities for this obligation when the fair value can be reasonably estimated, which typically is when a settlement date of the obligation can be determined. Asset

## **BAYLOR MEDICAL CENTER AT IRVING**

### **Notes to Combined Financial Statements - continued**

retirement obligations, recorded in other long-term liabilities, totaled approximately \$937,000 and \$735,000 as of June 30, 2012 and 2011, respectively.

Irving evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted cash flows expected to result from the use of the assets and their eventual disposition. No impairments were recorded in 2012 or 2011.

#### **Physician Income Guarantees**

Irving has entered into multiple physician recruiting agreements whereby the hospital provides financial assistance to a physician who is relocating his or her medical practice into the hospital's service area and community under which Irving supplements physician income to a minimum amount over a period of time, typically one year, while the physicians establish themselves in the community. As part of the agreements, the physicians are required to continue to provide medical services in the community for a period of time after the initial start up year, typically three years.

Irving records an asset and liability for the estimated fair value of the minimum revenue guarantees. The asset and liability represent the maximum amount of all unpaid minimum revenue guarantees, net of physician drawdowns, and is reported in other long-term assets and other long-term liabilities in the accompanying combined balance sheets. As of June 30, 2012 and 2011, Irving had a liability of approximately \$245,000 and \$-0-, respectively.

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

Temporarily restricted net assets consist of contributions received and pledges receivable. These assets are restricted by donors as to use and are transferred from temporarily restricted net assets to unrestricted net assets when restrictions are satisfied. Temporarily restricted net assets are primarily available for patient care, education and general operations of supported organizations.

Permanently restricted net assets consist of contributions received and pledges receivable with restrictions by donor that the principal be invested in perpetuity and only the income from the investments be expended for designated purposes. Income on endowment funds restricted for specified purposes is reported in the accompanying statement of activities and changes in net assets as temporarily restricted realized investment income and unrealized gains (losses) on investments. Permanently restricted net assets are restricted for patient care, education and general operations of supported organizations.

# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

### Revenue and Gains in Excess of Expenses and Losses

The combined 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 permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

### Use of Estimates

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

### Income Taxes

Irving follows the provisions of ASC 740 "*Income Taxes*." As of June 30, 2012 and 2011, Irving had no material gross unrecognized tax benefits.

### Reclassifications

Certain reclassifications were made to the 2011 financial statements to conform to the 2012 presentation.

## 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents and other financial instruments:

Estimated fair values of cash and cash equivalents and other financial instruments were as follows at June 30 (in thousands):

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	<u>\$ 735</u>	<u>\$ 361</u>
Investments-		
Mutual funds	\$ 338	334
Fixed income securities	2,636	2,524
Equity securities	4,455	5,385
Real estate	63	63
Other	<u>72</u>	<u>71</u>
	<u>\$ 7,564</u>	<u>\$ 8,377</u>
BHCS Money Pool	<u>\$ 232,975</u>	<u>\$ 225,571</u>

## **BAYLOR MEDICAL CENTER AT IRVING**

### Notes to Combined Financial Statements - continued

The money pool consists of investments in certificates of deposit, government-backed securities, commercial paper, mortgage-backed securities, equity securities, mutual funds and alternative investments. Irving's portion of the money pool is included in the accompanying combined balance sheets in Irving's interest in BHCS Money Pool.

#### Fair value measurements:

As defined in ASC 820, fair value is based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability are unobservable and developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying values of cash and cash equivalents, patient accounts receivable, other receivables, accounts payable, accrued liabilities, and estimated third-party settlements payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

Fair values of investments are generally based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. This applies to investments such as domestic equities, U.S. treasuries, exchange-traded mutual funds, and agency securities.

# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

IHF records charitable remainder trusts, where it is not the trustee, at net present value of projected cash flows. When a third party serves as trustee, beneficial interest is required to be measured at fair value on a recurring basis. As beneficial interests utilize multiple unobservable inputs including no active markets and are measured using management's assumption about risks inherent in the valuation technique, beneficial interests in split interest agreements represent level 3 assets.

The tables below set forth, by level, the financial assets, excluding Irving's interests in the BHCS Money Pool, that were measured at fair value on a recurring basis as of June 30, 2012 and 2011 (in thousands):

	June 30, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 735	\$ -	\$ -	\$ 735
Investments	4,785	2,644	135	7,564
Beneficial interest in split-interest agreement	-	-	55	55
Total assets at fair value	<u>\$ 5,520</u>	<u>\$ 2,644</u>	<u>\$ 190</u>	<u>\$ 8,354</u>

	June 30, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 361	\$ -	\$ -	\$ 361
Investments	5,699	2,545	133	8,377
Total assets at fair value	<u>\$ 6,060</u>	<u>\$ 2,545</u>	<u>\$ 133</u>	<u>\$ 8,738</u>

The following tables are a roll forward of the financial instruments classified by Irving within Level 3 of the valuation hierarchy defined above (in thousands):

	June 30, 2012			
	<u>Real Estate</u>	<u>Cash Surrender Value</u>	<u>Split-Interest Agreement</u>	<u>Total</u>
Fair value June 30, 2011	\$ 63	\$ 70	\$ -	\$ 133
Realized/unrealized gains, net	-	2	-	2
Purchases, issuances, settlements, net	-	-	55	55
Fair value June 30, 2012	<u>\$ 63</u>	<u>\$ 72</u>	<u>\$ 55</u>	<u>\$ 190</u>

# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

	June 30, 2011		
	Real Estate	Cash Surrender Value	Total
Fair value June 30, 2010	\$ 63	\$ 70	\$ 133
Realized/unrealized gains, net	<u>-</u>	<u>-</u>	<u>-</u>
Fair value June 30, 2011	<u>\$ 63</u>	<u>\$ 70</u>	<u>\$ 133</u>

Irving's interest in the BHCS Money Pool was 12.71% and 13.74% in 2012 and 2011, respectively. The following table sets forth by level, within the fair value hierarchy, the BHCS Money Pool's investments at fair value as of June 30, 2012 and 2011 (in thousands):

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash	\$ 196,366	\$ -	\$ -	\$ 196,366
Equity securities	341,889	166,641	-	508,530
Fixed income securities	6	262,468	170	262,644
U.S. government securities	-	116,689	262	116,951
Mortgage-backed securities	-	166,730	-	166,730
Alternative investments	<u>-</u>	<u>227,920</u>	<u>353,442</u>	<u>581,362</u>
Total BHCS Investment Pool	<u>\$ 538,261</u>	<u>\$ 940,448</u>	<u>\$ 353,874</u>	<u>\$1,832,583</u>

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash	\$ 338,058	\$ -	\$ -	\$ 338,058
Equity securities	273,674	283,928	16,081	573,683
Fixed income securities	8	181,881	-	181,889
U.S. government securities	-	65,857	370	66,227
Mortgage-backed securities	-	44,914	-	44,914
Alternative investments	<u>-</u>	<u>136,447</u>	<u>300,192</u>	<u>436,639</u>
Total BHCS Investment Pool	<u>\$ 611,740</u>	<u>\$ 713,027</u>	<u>\$ 316,643</u>	<u>\$1,641,410</u>

## BAYLOR MEDICAL CENTER AT IRVING

### Notes to Combined Financial Statements - continued

The following table is a rollforward for financial instruments classified within Level 3 of the valuation hierarchy in the BHCS Money Pool as of June 30, 2012 (in thousands):

	June 30, 2012				
	Private Equity	Real Estate	Hedge Funds/ Diversifiers	Other	Total
Beginning balance at July 1	\$ 136,075	\$ 41,832	\$ 138,368	\$ 370	\$ 316,645
Realized gains (losses), net	11,738	2,696	(1,068)	15	13,381
Unrealized (losses) gains, net	(3,682)	2,078	6,024	7	4,427
Purchases, issuances, and settlements, net	(5,489)	32,648	83,697	40	110,896
Transfers to Level 2	-	-	(91,474)	-	(91,474)
Balance at June 30	<u>\$ 138,642</u>	<u>\$ 79,254</u>	<u>\$ 135,547</u>	<u>\$ 432</u>	<u>\$ 353,875</u>

	June 30, 2011				
	Private Equity	Real Estate	Hedge Funds/ Diversifiers	Other	Total
Beginning balance at July 1	\$ 116,752	\$ 19,030	\$ 81,571	\$ 1	\$ 217,354
Realized gains (losses), net	14,296	357	(1,666)	-	12,987
Unrealized gains (losses), net	7,991	5,492	26,758	(1)	40,240
Purchases, issuances, and settlements, net	(2,964)	16,953	60,017	370	74,376
Transfers to Level 2	-	-	(28,312)	-	(28,312)
Balance at June 30	<u>\$ 136,075</u>	<u>\$ 41,832</u>	<u>\$ 138,368</u>	<u>\$ 370</u>	<u>\$ 316,645</u>

Alternative investments in the BHCS Money Pool recorded at net asset value at June 30, 2012 and 2011, consisted of the following (in thousands):

	Fair Value		Redemption Frequency If	Redemption Notice Hedge
	2012	2011	Currently Eligible	Funds*
Hedge Funds*	\$ 353,471	\$ 264,622	Monthly to annually	30-90 days

\*This category includes all investments in hedge funds, except for approximately \$10,370,000 and \$10,379,000 at June 30, 2012 and 2011, respectively, which are valued at total market value. The other hedge funds are actively managed commingled investment vehicles that include strategies such as distressed debt, merger arbitrage, relative value, and long-short equity strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Investments in this category often have initial "lock-up" restrictions that do not allow investors to seek redemption ranging from one to three years. Following the initial lock-up period, liquidity is generally available monthly, quarterly, or annually following a redemption request which requires 30 to 90 days written notice.

# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

### 4. CAPITAL LEASE OBLIGATIONS

Capital lease obligations as of June 30, consists of (in thousands):

	<u>2012</u>	<u>2011</u>
Legacy 360 Realty Group, Building Leases - Interest at 14.82%, payable monthly, principal and interest payments through October 2026	\$ 1,819	\$ 1,821
Irving Hospital Authority, Building Leases - Interest at 3.68%, payable monthly, principal and interest payments through March 2045	167,880	170,478
Ortho Clinical Diagnostics, Inc., Equipment Leases - Interest at 4.74%, payable monthly, principal and interest payments through December 2016	<u>41</u> 169,740	<u>-</u> 172,299
Current maturities	<u>(2,713)</u>	<u>(2,600)</u>
	<u>\$ 167,027</u>	<u>\$ 169,699</u>

Future maturities of capital lease obligations as of June 30, 2012, are shown below (in thousands):

	<u>Capital Lease Obligations</u>
2013	\$ 9,113
2014	9,120
2015	9,128
2016	9,135
2017	9,137
Thereafter	<u>248,031</u>
	293,664
Less imputed interest	<u>(123,924)</u>
	<u>\$ 169,740</u>

### 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are restricted to (in thousands):

	<u>2012</u>	<u>2011</u>
Patient care	\$ 1,347	\$ 924
Medical education	386	350
General operations	676	769
IHF time restrictions	<u>128</u>	<u>85</u>
	<u>\$ 2,537</u>	<u>\$ 2,128</u>



# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

### 6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested in perpetuity and the income from these investments is expendable to support the following as of June 30 (in thousands):

	<u>2012</u>	<u>2011</u>
Education	\$ 269	\$ 269
General operations	2,298	2,297
Patient care	<u>566</u>	<u>566</u>
	<u>\$ 3,133</u>	<u>\$ 3,132</u>

### 7. NET PATIENT CARE REVENUE

Irving has agreements with third-party payors that provide for payments to Irving at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient care revenue (exclusive of charity care – see Note 8) is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third-party payors.

Contractual 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. These contractual adjustments are related to the Medicare and Medicaid programs and managed care contracts. Irving offers a 35% discount to uninsured patients.

Net patient care revenue from the Medicare and Medicaid programs accounted for approximately 36% and 35% of total net patient care revenue in 2012 and 2011, respectively. Net patient care revenue from managed care contracts accounted for approximately 55% and 53% of total net patient care revenue in 2012 and 2011, respectively.

Federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries. Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified and cost reports are settled.

These initial estimates are revised as needed until the final cost report is settled. Net patient care revenue from the Medicare and Medicaid programs increased approximately \$308,000 and \$486,000 in 2012 and 2011, respectively, due to changes in allowances previously estimated for amounts due to Medicare and Medicaid, as a result of changes in regulations and final settlements of cost reports.

## **BAYLOR MEDICAL CENTER AT IRVING**

### **Notes to Combined Financial Statements - continued**

During fiscal years 2012 and 2011, BHCS (on behalf of certain Baylor hospitals) and certain other Baylor hospitals individually participated in the State Medicaid Private Hospital Upper Payment Limit Program (UPL Program) and in its replacement program, the Section 1115 Demonstration entitled “Texas Healthcare Transformation and Quality Improvement Program” (Waiver Program). BHCS and BHCS hospitals participated in the UPL Program and the Waiver Program through four indigent care affiliation agreements, the Dallas and Neighboring Counties Indigent Care Affiliation Agreement (Dallas Affiliation), the Tarrant County Affiliation Agreement (Tarrant Affiliation), the Somervell County Indigent Care Affiliation Agreement (Somervell Affiliation), and the Ellis County Indigent Care Affiliation Agreement (Ellis Affiliation).

The following BHCS hospitals, Baylor University Medical Center, Baylor Medical Center at Irving, Baylor Medical Center at Garland, Our Children’s House at Baylor, Baylor Specialty Hospital, Baylor Regional Medical Center at Plano, Baylor Medical Center at Waxahachie, and Baylor Heart and Vascular Center are parties to the Dallas Affiliation. Baylor All Saints Medical Center and Baylor Regional Medical Center at Grapevine are parties to the Tarrant Affiliation. Baylor University Medical Center is a party to the Somervell Affiliation. Baylor Medical Center at Waxahachie is a party to the Ellis Affiliation.

Through participation in the UPL Program and the Waiver Program, these Baylor hospitals are subject to extensive federal and state laws, regulations, and conditions of participation and certification requirements. Under various professional services agreements between the indigent care corporations (established by the participating private hospitals) or Baylor hospitals and other providers, the indigent care corporations and Baylor hospitals are obligated to pay for services furnished to indigent patients irrespective of supplemental payments made or not made to the Baylor hospitals. The aggregate compensation paid by the indigent care corporations and Baylor hospitals to the providers under the professional services agreements is set in advance and must be consistent with fair market value and commercially reasonable for the services provided by the providers. The affiliation agreements and their underlying arrangements were structured considering these laws, regulations, and conditions of participation and certification requirements.

For fiscal years 2012 and 2011, Irving as a result of participating in the aforementioned UPL Program and Waiver Program recognized approximately \$7,978,000 and \$8,744,000, respectively. For fiscal years 2012 and 2011, Irving incurred approximately \$4,794,000 and \$2,786,000 for services performed under various services agreements which are recorded as other operating expenses in the combined statements of operations and changes in net assets.

### **8. CHARITY CARE**

Irving provides care to patients who lack financial resources and are deemed medically or financially indigent. Because Irving does not pursue collection of amounts determined to

## **BAYLOR MEDICAL CENTER AT IRVING**

### **Notes to Combined Financial Statements - continued**

qualify as charity care, these amounts have been removed from net patient care revenue. The charges related to this care along with estimates for possible future charity care write-offs related to current accounts receivable totaled approximately \$42,918,000 and \$32,191,000 in 2012 and 2011, respectively. The estimated direct and indirect cost of providing these services, calculated using the ratio of patient care cost to charges, was \$15,674,000 and \$12,329,000 in 2012 and 2011, respectively. In addition, Irving provides services through government-sponsored indigent health care programs (such as Medicaid) to other indigent patients.

Irving also commits time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are entered into with the understanding that they will not be self-supporting or financially viable.

#### **9. RETIREMENT BENEFITS**

A 401(k) defined contribution plan administered by ING is available to all eligible employees of Irving. Employees are eligible to contribute to the plan immediately, with no minimum service or age requirement. Irving matches amounts contributed by employees, up to five percent of the employee's base compensation.

Employees vest in Irving's matching contribution over five years. Retirement benefits equal the amounts accumulated to the employee's individual credit at the date of retirement.

Irving's contribution to the 401(k) plan totaled approximately \$1,896,000 and \$1,957,000 for 2012 and 2011, respectively, which is included in salaries, wages, and employee benefits expense in the accompanying combined statements of operations and changes in net assets.

Prior to January 1, 2002, BHCS offered a 403(b) defined contribution plan through a contract administered by the Annuity Board of the Southern Baptist Convention to all eligible employees. Employees were eligible to participate in the 403(b) plan immediately.

Irving matched contributions of up to five percent of the employee's base compensation beginning after one year of continuous service during which the employee was credited with 1,000 or more hours of service, as defined. Retirement benefits under the 403(b) contract equal the amounts accumulated to the employee's individual credit at the date of retirement. On December 31, 2001, BHCS froze the 403(b) defined contribution plan to discontinue all future employee and employer contributions to this plan. The Plan assets are administered by ING.

# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

### 10. FUNCTIONAL EXPENSES

Irving provides general health care services to residents within its geographic area. Expenses related to providing these services are as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Patient care	\$ 184,959	\$ 191,634
Education	59	143
General and administrative	<u>30,594</u>	<u>34,938</u>
	<u>\$ 215,612</u>	<u>\$ 226,715</u>

### 11. TRANSACTIONS WITH RELATED PARTIES

#### Affiliates

Irving is affiliated with entities controlled by BHCS. Irving enters into various transactions with BHCS and its affiliates, including the payment of purchased services and management fees. Irving paid BHCS and its affiliates approximately \$27,855,000 and \$25,520,000 in 2012 and 2011, respectively, for purchased services and management fees. All accounts payable and payroll-related distributions are made by BHCS on behalf of Irving.

Irving has invested \$625,000 in the Baylor Quality Health Care Alliance dba Baylor Quality Alliance (BQA) a multi-member LLC, a wholly owned subsidiary of the System, with physician-led board of managers that was formed to serve as an accountable care organization. Through affiliation with physicians and other health care providers, BQA will seek alternative payment arrangements (shared savings, bundled payments, partial capitation, etc.) and will focus on providing high quality cost effective, evidence-based care through clinical integration. The investment in BQA is presented as investment in affiliates on the combined balance sheets.

#### Irving-Coppell Surgical Hospital, LLP

Irving has a 33.4% equity ownership interest in Irving-Coppell Surgical Hospital, L.L.P. ("Irving-Coppell"), which is accounted for using the equity method of accounting. Irving's equity in the earnings of Irving-Coppell was approximately \$2,387,000 and \$2,033,000 in 2012 and 2011, respectively.

On October 20, 2003, Irving sold equipment and inventory with a book value of approximately \$424,000 to Irving-Coppell for proceeds of \$5,300,000. As a result of this transaction, Irving recorded a deferred gain totaling approximately \$4,876,000, which is included in other liabilities, for the excess of the purchase price over the book value. The deferred gain will be recognized when it is realized from transactions with outside parties or a change in ownership of Irving-Coppell.

# **BAYLOR MEDICAL CENTER AT IRVING**

## **Notes to Combined Financial Statements - continued**

Irving leases a building from Irving-Coppell and subleases a portion of the building back to Irving-Coppell. Both leases contain scheduled rent increases. Accordingly, Irving recorded a deferred rent receivable and payable at June 30, 2012 of \$2,768,000 and \$1,339,000, respectively. Irving recorded a deferred rent receivable and payable at June 30, 2011 of \$2,720,000 and \$1,337,000, respectively.

### **Health Care Insurance Company of Texas**

Irving was provided insurance coverage for the basic self-insured retention limits through a domestic self-insurance trust at BHCS. Excess insurance coverage was provided through Health Care Insurance Company of Texas ("HCICT"), a wholly owned subsidiary of BHCS. The excess policies were reinsured by ACE Limited, Lexington Insurance Company, Beazley Group Plc, Barbican Syndicate, Catlin Group, Chaucer Plc, Alterra Insurance Europe Limited, and Swiss Re in 2012 and 2011.

### **Irving Hospital Authority**

Pursuant to the Amended Lease Agreement, Irving pays the Authority fixed rent of approximately \$8,825,000 per year over the term of the lease (35 years) and contingent rent equal to 20% of its Excess Operating Cash Flow, as defined in the Amended Lease Agreement. Irving accrued approximately \$3,834,000 and \$5,939,000 at June 30, 2012 and 2011, respectively, for the contingent rent payment due to the Authority within five (5) business days following the issuance of Irving's audited statement of operations and changes in net assets. The audited statement of operations and changes in net assets is due one hundred fifty (150) days after the end of each fiscal year. The Authority must set aside annually, 50% of the contingent rent it receives, until the amount set aside totals \$8 million, including any interest earned on such amounts (the "Rent Set Aside."). If Irving has Negative Operating Cash Flow, as defined in the Amended Lease Agreement, then 20% of such Negative Operating Cash Flow shall offset any contingent rent payable to the Authority for the following year. If Negative Operating Cash Flow is greater than contingent rent for the following year, the Authority must pay the difference to Irving from the Rent Set Aside, but only to the extent such funds are available in the Rent Set Aside at that time. BHCS has guaranteed the lease payments in the event Irving is unable to meet the obligation.

Currently, a majority of the Authority's board is composed of members who also serve on the advisory board of Irving.

## **12. COMMITMENTS AND CONTINGENCIES**

Irving leases various equipment and property under operating leases. These payments are due monthly through October 2020.

BHCS signed a Limited Joinder to evidence its agreement with the BHCS obligations included in the Amended Lease Agreement with the Authority and to covenant that BHCS

## BAYLOR MEDICAL CENTER AT IRVING

### Notes to Combined Financial Statements - continued

will pay the rent and the early termination fee/liquidated damages if Irving fails to pay those obligations. During the initial six year term of the Amended Lease Agreement, Irving pays BHCS a management fee, based on a percentage of the Excess Operating Cash Flow, as defined in the Amended Lease Agreement. BHCS continues to be required to contribute \$100,000 per year to Irving, to be matched by the Irving Healthcare Foundation, for community health projects, which are mutually agreed upon by BHCS and Irving. BHCS contributed \$100,000 directly to Irving in both 2012 and 2011. At the end of the lease term, the leased facilities will be surrendered to the Authority. At June 30, 2012, no liability under the Amended Lease Agreement was recorded as no amount can be reasonably estimated.

Future minimum lease commitments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012 are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2013	\$ 1,898
2014	1,940
2015	1,968
2016	1,859
2017	1,904
Thereafter	<u>5,432</u>
	<u>\$ 15,001</u>

Future minimum rental payments to be received on noncancelable related party leases at June 30, 2012 are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2013	\$ 4,283
2014	3,952
2015	3,886
2016	3,899
2017	3,726
Thereafter	<u>12,328</u>
	<u>\$ 32,074</u>

Irving has incurred rental expense for both cancelable and noncancelable equipment and space leases totaling approximately \$5,709,000 and \$8,794,000 in 2012 and 2011, respectively.

Irving is a party to various legal proceedings and complaints arising in the ordinary course of operations. Management is not aware of any claims or contingencies that would be material to the financial position or results of operations of Irving.

# **BAYLOR MEDICAL CENTER AT IRVING**

## **Notes to Combined Financial Statements - continued**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that Irving is in compliance with fraud and abuse as well as other applicable government laws and regulations and is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing.

### **13. ENDOWMENTS**

IHF's endowment consists of donor restricted and management-designated endowment funds for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Included in the endowment net asset composition tables listed below are items related to temporarily restricted donations which have the same purpose restrictions as the endowment.

IHF has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 of IHF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IHF considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation 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 organization
- 7) The investment policies of the organization.

# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

Endowment net asset composition by type of fund as of June 30, 2012 and 2011 is as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
Donor restricted endowment funds	\$ -	\$ 795	\$ 3,133	\$ 3,928
Board designated endowment funds	<u>116</u>	<u>-</u>	<u>-</u>	<u>116</u>
	<u>\$ 116</u>	<u>\$ 795</u>	<u>\$ 3,133</u>	<u>\$ 4,044</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Donor restricted endowment funds	\$ -	\$ 990	\$ 3,132	\$ 4,122
Board designated endowment funds	<u>116</u>	<u>-</u>	<u>-</u>	<u>116</u>
	<u>\$ 116</u>	<u>\$ 990</u>	<u>\$ 3,132</u>	<u>\$ 4,238</u>

Change in endowment net assets for the fiscal year ended June 30, 2012 and 2011 is as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
Endowment net assets, beginning of year	\$ 116	\$ 990	\$ 3,132	\$ 4,238
Investment return:				
Investment loss	-	(22)	-	(22)
Contributions	-	-	1	1
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(173)</u>	<u>-</u>	<u>(173)</u>
Endowment net assets, end of year	<u>\$ 116</u>	<u>\$ 795</u>	<u>\$ 3,133</u>	<u>\$ 4,044</u>



# BAYLOR MEDICAL CENTER AT IRVING

## Notes to Combined Financial Statements - continued

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Endowment net assets, beginning of year	\$ (139)	\$ 927	\$ 3,131	\$ 3,919
Investment return:				
Investment income	-	634	-	634
Net appreciation (realized and unrealized)	255	(255)	-	-
Contributions	-	-	1	1
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(316)</u>	<u>-</u>	<u>(316)</u>
Endowment net assets, end of year	<u>\$ 116</u>	<u>\$ 990</u>	<u>\$ 3,132</u>	<u>\$ 4,238</u>

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires IHF to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the IHF Board of Directors.

### Return Objectives and Risk Parameters

IHF has 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.

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the IHF Board of Directors, the endowment assets, together with the IHF's other investment assets, are invested in a manner that is intended to produce results that exceed the price and yield results of comparative benchmarks while assuming a moderate level of investment risk. IHF expects its investments, over time, to provide an average rate of return sufficient to satisfy IHF's Endowment Spending Policy and to realize a total return that will allow the overall portfolio to grow at least as fast as the rate of inflation, after expenses, over a full market cycle, which is considered to be three to five years. Actual returns in any given year may vary from this amount.

# **BAYLOR MEDICAL CENTER AT IRVING**

## **Notes to Combined Financial Statements - continued**

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

After maintaining the corpus of the permanent endowment funds, any remainder of total return is available for appropriation. State law allows the Board to appropriate as much of net appreciation as is prudent considering the Foundation's long-term and short-term needs, present, and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Foundation's endowment spending policy distributes the average fair value of the prior 12 quarters through the fiscal year-end. Under the Foundation's endowment spending policy, 5.04% and 5.07% of the adjusted fund balance was appropriated for 2012 and 2011, respectively.

### **14. SUBSEQUENT EVENTS**

Irving has performed an evaluation of subsequent events through November 5, 2012, which is the date the financial statements were available to be issued.



REPORT OF INDEPENDENT AUDITORS  
ON ACCOMPANYING INFORMATION

To The Board of Trustees  
Baylor Medical Center at Irving:

The report on our audits of the basic combined financial statements of Baylor Medical Center at Irving as of June 30, 2012 and 2011 and for the years then ended appears on page one of this document. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other community benefits information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*PricewaterhouseCoopers LLP*

November 5, 2012

## **BAYLOR MEDICAL CENTER AT IRVING**

### **OTHER COMMUNITY BENEFITS - UNAUDITED**

Irving is required to meet the community benefit requirements of Texas Health and Safety Code Chapter 311. For Texas state law purposes, community benefits include the unreimbursed cost of charity care; the unreimbursed cost of government-sponsored indigent health care (i.e., Medicaid); and the unreimbursed cost of government-sponsored health care (i.e., Medicare), medical education, research, and other community benefits and services. The amount of community benefits reportable for Texas state law purposes by Irving totaled approximately \$57,567,000 and \$45,302,000 in 2012 and 2011, respectively.