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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)	OMB No 1545-0047
	The organization may have to use a copy of this return to satisfy state reporting requirements	<div> <div>2011</div> <div>Open to Public Inspection</div> </div>

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012		D Employer identification number 75-2771569	
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization MOTHER FRANCES HOSPITAL - WINNSBORO Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 1315 DOCTORS DRIVE City or town, state or country, and ZIP + 4 TYLER, TX 75701		E Telephone number (903) 531-5764
	F Name and address of principal officer JANET COATES 719 W COKE RD WINNSBORO, TX 75494		G Gross receipts \$ 20,931,769
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶	
J Website: ▶ WWW.TMFHS.ORG			
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1985	M State of legal domicile TX

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities A FAITH-BASED ORGANIZATION WHOSE MISSION IS TO IMPROVE THE HEALTH OF THE PEOPLE IN THE COMMUNITIES IT SERVES REGARDLESS OF THEIR ABILITY TO PAY		
	2 Check this box <input checked="" type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	9
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	6
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	164
	6 Total number of volunteers (estimate if necessary)	6	29
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	21,500	0
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	17,397,171	20,914,709
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	107	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	24,006	17,060
		17,442,784	20,931,769
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	94,182	137,879
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	6,795,269	7,253,771
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ⁰		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	13,158,074	14,420,972
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	20,047,525	21,812,622
	19 Revenue less expenses Subtract line 18 from line 12	-2,604,741	-880,853
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	8,645,431	9,795,894
	21 Total liabilities (Part X, line 26)	6,085,102	8,116,418
	22 Net assets or fund balances Subtract line 21 from line 20	2,560,329	1,679,476

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		2013-05-15 Date
	JANET COATES CEO/PRESIDENT Type or print name and title		
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input checked="" type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP + 4		EIN
	BKD LLP 2800 Post Oak Blvd Ste 3200 HOUSTON, TX 77056		Phone no (713) 499-4600
May the IRS discuss this return with the preparer shown above? (see instructions) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

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

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




















4a	(Code) (Expenses \$ 18,721,652 including grants of \$ 137,879) (Revenue \$ 20,914,709)
	<p>MOTHER FRANCES HOSPITAL - WINNSBORO IS A HOSPITAL WITH 35 AVAILABLE BEDS LOCATED IN WINNSBORO, TEXAS THE HOSPITAL SERVES THE NORTHEAST TEXAS AREA OF WOOD, FRANKLIN, HOPKINS, RAINS, AND CAMP COUNTIES AND OFFERS A WIDE RANGE OF SERVICES INCLUDING GENERAL SURGERY, CARDIAC REHABILITATION, INPATIENT GERIATRIC PSYCH SERVICES, AND A 24-HOUR EMERGENCY DEPARTMENT THE HOSPITAL HAD 4,303 PATIENT DAYS, 855 DISCHARGES, AND 5,881 EMERGENCY ROOM VISITS DURING THE YEAR MFH - WINNSBORO PROVIDES QUALITY MEDICAL HEALTHCARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR ABILITY TO PAY THE HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS INCLUDING MEDICARE AND MEDICAID FOR REIMBURSEMENT THAT DOES NOT ALWAYS COVER THE COST OF PROVIDING THE CARE RECOGNIZING ITS MISSION TO THE COMMUNITY, SERVICES ARE PROVIDED TO BOTH FINANCIALLY INDIGENT AND MEDICALLY INDIGENT PATIENTS TO THE EXTENT REIMBURSEMENT FOR SERVICES IS BELOW COST, MFH - WINNSBORO RECOGNIZES DIFFERENCES AS CHARITY CARE</p>

[illegible]

4e	Total program service expenses	\$ 18,721,652
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Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	2	No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5	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? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Part II and IV.</i>	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16	No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. 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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		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		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. 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? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance						
Check if Schedule O contains a response to any question in this Part V <input checked="" type="checkbox"/>						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	33			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a	164			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a				No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b				
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: <input type="text"/> See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. 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?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . .	14b				

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	6
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	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	No
b	Other officers or key employees of the organization	15b	No
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. MOTHER FRANCES HOSP ACCTG DE 1315 DOCTORS DRIVE TYLER, TX 75701 (903) 531-5764

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) LILLIA ELENA BIRDSONG DIRECTOR	1 0	X						0		0
(2) JOE BRUNSON DIRECTOR	1 0	X								
(3) MARK ALLEN CLOTHIER MD DIRECTOR	1 0	X						39,600		
(4) ALBERTO DELA CRUZ MD DIRECTOR, PRES OF MED STAFF	1 0	X						23,400		
(5) SUE HORCHEM DIRECTOR	1 0	X								
(6) MARILEE RUSSELL SECRETARY/TREASURER OF BOARD	1 0	X		X						
(7) REV HENRY SUCHE DIRECTOR	1 0	X						250		
(8) CLARA ZIEGLER DIRECTOR	1 0	X								
(9) RAY THOMPSON CHAIRMAN OF THE BOARD	5 0	X		X				0	1,501,469	546,683
(10) CHARLES BARTON PRUITT DO DIRECTOR	1 0	X						0	273,195	6,134
(11) WARREN MURLEY MD DIRECTOR	1 0	X								
(12) JANET COATES CEO/PRESIDENT	40 0			X				0	0	0
(13) JARED PETTY DO PRESIDENT-ELECT OF MED STAFF	40 0			X				0	385,654	7,963
(14) J LINDSEY BRADLEY JR SYSTEM PRESIDENT/DIRECTOR	1 0			X				0	1,705,458	18,259
(15) JOYCE HESTER SYSTEM VP, FINANCE, CFO	5 0			X				0	229,601	12,196
(16) PAM VUKOVICH INTERIM CFO	5 0			X				0	0	0
(17) KEVIN JABLONSKI CNO (CHC EMPLOYEE)	40 0			X				0	0	0

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	63,250	6,244,780	593,469

2 Total number of individuals (including but not limited to those I
\$100,000 of reportable compensation from the organization) 0

		Yes	No
3	Did the organization list any former 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
COMMUNITY HOSPITAL CONSULTING LP 5801 TENNYSON PKWY PLANO, TX 75024	CONSULTING	960,447
WELLBORN MECHANICAL SERVICES 2403 S EASTMAN RD LONGVIEW, TX 75602	MECHANICAL SERVICES	474,369
WOUND CARE CENTERS PO BOX 637114 CINCINNATI, OH 75263	MEDICAL SERVICES	192,416
TEXAS HEALTH RESOURCES 612 E LAMAR BLVD 6TH FLOOR ARLINGTON, TX 76011	MANAGEMENT SERVICES	1,401,332
HORIZON HEALTH PO Box 840839 DALLAS, TX 75284	SOCIAL SERVICES	456,287

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 ►12

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				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		0			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	621110	19,790,281	19,790,281		
	b	OTHER OPERATING REVENUE	900099	536,085	536,085		
	c	PHARMACY REVENUE	446110	439,423	439,423		
	d	RELATED RENTAL REVENUE	532000	148,920	148,920		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		20,914,709			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		0			
	4	Income from investment of tax-exempt bond proceeds . .		0			
	5	Royalties		0			
	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				
		b	Less cost or other basis and sales expenses				
		c	Gain or (loss)				
		d	Net gain or (loss)	0			
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events . .		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities . .		0			
	10a	Gross sales of inventory, less returns and allowances .	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory . .		0			
	Miscellaneous Revenue		Business Code				
	11a	VENDING INCOME	722210	1,786			1,786
	b	CAFETERIA INCOME	722210	15,274			15,274
c							
d	All other revenue						
e	Total. Add lines 11a-11d		17,060				
12	Total revenue. See Instructions		20,931,769	20,914,709		17,060	

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	137,879	137,879		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	63,250	51,865	11,385	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	5,698,248	4,672,563	1,025,685	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9	Other employee benefits	1,492,273	1,223,664	268,609	
10	Payroll taxes	0			
11	Fees for services (non-employees)				
a	Management	552,229	452,828	99,401	
b	Legal	0			
c	Accounting	20,673	16,952	3,721	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	7,919,773	6,494,214	1,425,559	
12	Advertising and promotion	8,302	6,808	1,494	
13	Office expenses	143,504	117,673	25,831	
14	Information technology	814	667	147	
15	Royalties	0			
16	Occupancy	480,205	393,768	86,437	
17	Travel	38,677	31,715	6,962	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	10,391	8,521	1,870	
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	906,703	906,703		
23	Insurance	75,183	61,650	13,533	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	1,352,630	1,352,630		0
b	BAD DEBT EXPENSE	2,243,370	2,243,370		
c	REPAIRS AND MAINTENANCE	387,334	317,614	69,720	
d	FOOD	77,545	63,587	13,958	
e					
f	All other expenses	203,640	166,981	36,658	
25	Total functional expenses. Add lines 1 through 24f	21,812,622	18,721,652	3,090,970	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			6,384	1	544,785
	2	Savings and temporary cash investments			0	2	0
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			1,372,768	4	1,753,665
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			371,839	8	301,204
	9	Prepaid expenses and deferred charges			620,990	9	536,796
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	8,932,481	6,273,450	10c	6,659,444
	b	Less: accumulated depreciation	10b	2,273,037			
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets. See Part IV, line 11			0	15	0
	16	Total assets. Add lines 1 through 15 (must equal line 34)			8,645,431	16	9,795,894
Liabilities	17	Accounts payable and accrued expenses			771,164	17	494,802
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			0	20	0
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			5,313,938	25	7,621,616
	26	Total liabilities. Add lines 17 through 25			6,085,102	26	8,116,418
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			2,560,329	27	1,679,476
	28	Temporarily restricted net assets			0	28	0
	29	Permanently restricted net assets			0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			2,560,329	33	1,679,476
	34	Total liabilities and net assets/fund balances			8,645,431	34	9,795,894

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	20,931,769
2	Total expenses (must equal Part IX, column (A), line 25)	2	21,812,622
3	Revenue less expenses Subtract line 2 from line 1	3	-880,853
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	2,560,329
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	1,679,476

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MOTHER FRANCES HOSPITAL - WINNSBORO

Employer identification number
75-2771569

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

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 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	<input type="checkbox"/>
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	<input type="checkbox"/>
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	<input type="checkbox"/>
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	<input type="checkbox"/>
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	<input type="checkbox"/>

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 stop here						

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 stop here . 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 stop here . The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the 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 MOTHER FRANCES HOSPITAL - WINNSBORO	Employer identification number 75-2771569
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A

Check

☐

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

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		849
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			849
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE D
(Form 990)

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
MOTHER FRANCES HOSPITAL - WINNSBORO

Employer identification number
75-2771569

Part I

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

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

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

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

1b

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

2b

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				
1b	Contributions				
1c	Investment earnings or losses				
1d	Grants or scholarships				
1e	Other expenditures for facilities and programs				
1f	Administrative expenses				
1g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

2a

Board designated or quasi-endowment ▶

2b

Permanent endowment ▶

2c

Term endowment ▶

3a

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

(i)

unrelated organizations

(ii)

related organizations

3a(i)

Yes

No

3a(ii)

Yes

No

3b

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

Yes

No

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	0	265,577		265,577
1b Buildings		3,950,517	406,534	3,543,983
1c Leasehold improvements		365,318	141,031	224,287
1d Equipment		4,351,069	1,725,472	2,625,597
1e Other				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				6,659,444

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)	120,931,769
2	Total expenses (Form 990, Part IX, column (A), line 25)	21,812,622
3	Excess or (deficit) for the year Subtract line 2 from line 1	-880,853
4	Net unrealized gains (losses) on investments	
5	Donated services and use of facilities	
6	Investment expenses	
7	Prior period adjustments	
8	Other (Describe in Part XIV)	
9	Total adjustments (net) Add lines 4 - 8	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	-880,853

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	118,688,399
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments2a	
b	Donated services and use of facilities2b	
c	Recoveries of prior year grants2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	
3	Subtract line 2e from line 13	18,688,399
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 7b4a	
b	Other (Describe in Part XIV)4b2,243,370	
c	Add lines 4a and 4b4c2,243,370	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)5	20,931,769

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	119,569,252
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities2a	
b	Prior year adjustments2b	
c	Other losses2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	
3	Subtract line 2e from line 13	19,569,252
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 7b4a	
b	Other (Describe in Part XIV)4b2,243,370	
c	Add lines 4a and 4b4c2,243,370	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)5	21,812,622

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
RECONCILIATION OF AUDITED FINANCIAL STATEMENTS TO FORM 990	SCHEDULE D, PART XII & PART XIII, QUESTION 4B	REVENUE INCLUDED ON RETURN, NOT ON BOOKS BAD DEBT EXPENSE \$ 2,243,370 EXPENSES INCLUDED ON BOOKS, NOT ON RETURN BAD DEBT EXPENSE \$ 2,243,370

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
MOTHER FRANCES HOSPITAL - WINNSBORO

Employer identification number
75-2771569

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input checked="" type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
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 Charity care at cost (from Worksheet 1)			699,203		699,203	3 580 %
b Medicaid (from Worksheet 3, column a)			1,037,670	549,813	487,857	2 490 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			5,261	1,427	3,834	0 020 %
d Total Charity Care and Means-Tested Government Programs			1,742,134	551,240	1,190,894	6 090 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			12,586	0	12,586	0 070 %
g Subsidized health services (from Worksheet 6)			389,871	0	389,871	1 990 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			137,879	0	137,879	0 700 %
j Total Other Benefits			540,336	0	540,336	2 760 %
k Total. Add lines 7d and 7j			2,282,470	551,240	1,731,230	8 850 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	2,243,370	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	9,657,037	
6Enter Medicare allowable costs of care relating to payments on line 5	6	10,792,936	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-1,135,899	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

MOTHER FRANCES HOSPITAL-WINNSBORO

Name of Hospital Facility:_____

Line Number of Hospital Facility (from Schedule H, Part V, Section A):_____1_____

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

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200</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 type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input 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 checked="" 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 type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input 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 checked="" type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, SECTION A, QUESTION 4	Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and the provision for uncollectible accounts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely) THE AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS THE ORGANIZATION IS UNABLE TO ESTIMATE THE AMOUNT FOR LINE 3 AND HAS ELECTED TO LEAVE IT BLANK Bad debt expense should be considered community benefit because this is uncompensated healthcare provided to residents of the community

Identifier	ReturnReference	Explanation
MEDICARE SHORTFALL AND COSTING METHODOLOGY	SCHEDULE H, PART III, SECTION B, QUESTION 8	THE ORGANIZATION HAD A MEDICARE SHORTFALL IN THE AMOUNT OF \$1,135,899 THE STATE OF TEXAS TREATS MEDICARE SHORTFALL AS COMMUNITY BENEFIT FOR MEETING STATUTORY REQUIREMENTS FOR CHARITY CARE AND COMMUNITY BENEFIT THE HOSPITAL USES MEDICARE COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS (ROOM AND BOARD) BASED ON MEDICARE OR MEDICAID DAYS TO TOTAL DAYS AND APPORTIONS ANCILLARY COSTS BASED ON PROGRAM CHARGES TO TOTAL CHARGES

Identifier	ReturnReference	Explanation
COLLECTION POLICY	SCHEDULE H, PART III, SECTION C, QUESTION 9B	THE ORGANIZATION HAS A WRITTEN POLICY COVERING PROCEDURES FOR COLLECTING AND WRITING OFF BAD DEBTS. ACCORDING TO THE POLICY, IF A PATIENT APPEARS TO BE INDIGENT, ACCOUNTS SHOULD BE REVIEWED, AT ANY TIME DURING THE COLLECTION PROCESS, FOR POSSIBLE CONSIDERATION AS A CHARITY CASE IN ACCORDANCE WITH THE ORGANIZATION'S CHARITY CARE POLICY.

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, QUESTION 2	THE HOSPITAL'S COMMUNITY HEALTH PROFILES PROVIDE A SNAPSHOT OF 13 SUBURBAN, URBAN, AND RURAL SERVICE AREAS WITHIN NORTH TEXAS USING KEY HEALTH INDICATORS, WHICH FACILITATE COMPARISONS LOCALLY, REGIONALLY, AND OVER TIME COMMUNITY HEALTH PROFILES ARE INTENDED TO ASSIST INTERNAL STAKEHOLDERS, COMMUNITY HEALTH COUNCIL MEMBERS, AND THE COMMUNITY HEALTH IMPROVEMENT DEPARTMENT IN DECIDING WHERE TO ALLOCATE RESOURCES AND ADDRESS HEALTH INEQUALITIES ALL ENTITY ADVOCATES USE NATIONAL, STATE, AND LOCAL SECONDARY AND PRIMARY DATA SOURCES TO PROVIDE A CURRENT OVERVIEW OF LOCAL HEALTH NEEDS, FACTORS IMPACTING DISEASE AND INJURY BURDEN, SOCIOECONOMIC STATUS, ACCESS TO HEALTH CARE, AGE DISTRIBUTION, INDICATORS AND LIFESTYLE BEHAVIORS THIS DATA IS USED TO GALVANIZE JOINT COMMUNITY HEALTH EFFORTS TO IMPROVE HEALTH AND REDUCE HEALTH INEQUALITIES AND TO EMPOWER THE GREATER COMMUNITY

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, QUESTION 3	THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY AND CONTACT INFORMATION IS POSTED IN VARIOUS AREAS OF THE HOSPITAL INCLUDING ADMISSIONS & REGISTRATION, EMERGENCY, AND OUTPATIENT DEPARTMENTS. ADDITIONALLY, FINANCIAL ASSISTANCE INFORMATION IS PROVIDED, VERBALLY AND IN WRITTEN BROCHURES, TO ALL SELF PAY PATIENTS BY FINANCIAL COUNSELORS. FINANCIAL ASSISTANCE INFORMATION IS ALSO INCLUDED IN EVERY PATIENT BILL. PATIENTS WHO DISCHARGE PRIOR TO MEETING WITH A FINANCIAL COUNSELOR ARE ADVISED OF FINANCIAL ASSISTANCE THROUGH PHONE CALLS AND LETTERS IN BOTH ENGLISH AND SPANISH. THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY IS COMMUNICATED TO THE PATIENT BY FINANCIAL COUNSELORS WHO ALSO SCREEN SELF PAY PATIENTS FOR POTENTIAL ELIGIBILITY FOR OTHER GOVERNMENTAL ASSISTANCE PROGRAMS. IF IT IS DETERMINED THAT THE PATIENT IS POTENTIALLY ELIGIBLE FOR GOVERNMENTAL ASSISTANCE, THE FINANCIAL COUNSELOR WILL ASSIST THE PATIENT IN COMPLETING ANY FORMS NECESSARY TO APPLY FOR THE ASSISTANCE. AT THE SAME TIME, THE PATIENTS ARE PROVIDED WITH A CHARITY CARE APPLICATION AND INFORMATIONAL FLYER. THE PATIENT IS INFORMED THAT MOTHER FRANCES HOSPITAL-WINNSBORO IS A NON-PROFIT CHARITABLE ORGANIZATION OFFERING FINANCIAL ASSISTANCE TO PATIENTS WHO ARE DEEMED MEDICALLY OR FINANCIALLY INDIGENT. THE FINANCIAL COUNSELORS WILL THEN ASSIST THE PATIENT IN COMPLETING THE CHARITY CARE APPLICATION AND OBTAIN ANY AVAILABLE VERIFICATIONS. ONCE THE PATIENT IS DISCHARGED, THE FINANCIAL COUNSELORS WILL CONTINUE TO CONTACT THE PATIENT TO ENSURE ALL NEEDED FORMS AND VERIFICATIONS NEEDED TO FILE AN APPLICATION FOR GOVERNMENTAL ASSISTANCE AND CHARITY CARE HAVE BEEN PROVIDED.

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, QUESTION 4	THE HOSPITAL IS LOCATED IN A RURAL AREA WITH A POPULATION OF JUST OVER 59,000 WITH AN AVERAGE HOUSEHOLD INCOME FOR THE SERVICE AREA OF \$52,925 OVER 12% OF THE HOSPITAL'S PATIENTS ARE UNINSURED AND 12 8% ARE MEDICAID RECIPIENTS THE HOSPITAL'S SERVICE AREA HAS AN UNINSURED RATE OF 19 3% OF THE POPULATION THERE ARE FIVE OTHER NOT-FOR-PROFIT HOSPITALS, ONE COMMUNITY HOSPITAL, AND ONE FOR-PROFIT COMPANY IN THE SAME SERVICE AREA

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, QUESTION 5	MOTHER FRANCES HOSPITAL-WINNSBORO PROMOTES HEALTHCARE AND WELLNESS EDUCATION BY OFFERING OUTREACH PROGRAMS AND SPECIAL INITIATIVES THAT IMPROVE THE QUALITY OF LIFE AND HEALTH IN THE COMMUNITIES SERVED COMMUNITY BENEFIT IS PROVIDED THROUGH MANY REDUCED PRICE SERVICES AND FREE PROGRAMS TO THE COMMUNITY THESE SERVICES ARE ESSENTIAL TO PROVIDE COMPLETE HEALTHCARE TO THE COMMUNITIES SERVED SOME OF THESE PROGRAMS INCLUDE DIABETES SUPPORT GROUP AND COMMUNITY EDUCATION - THE HOSPITAL HOSTS A DIABETES SUPPORT GROUP MONTHLY MEETING ON TOPICS THAT ARE GEARED TO HELP THE INDIVIDUALS COPE WITH THE DISEASE ELEMENTS THE MEETINGS ARE OPEN TO ANY INDIVIDUAL AND/OR FAMILY MEMBERS THE PRIMARY OBJECTIVE IS TO REDUCE THE NUMBER OF PEOPLE SUFFERING FROM DIABETES, TO REDUCE THE NUMBER OF ER VISITS FOR SYMPTOMS, TO PROVIDE COPING MECHANISMS TO CONTROL THE DISEASE, AND TO IMPROVE GENERAL WELLNESS IN THE COMMUNITIES SERVED BLOOD DRIVES - TMF-WINNSBORO HOSTED A BLOOD DRIVE TARGETED AT THE EMPLOYEES OF THE HOSPITAL AND CLINICS MULTIPLE TIMES A YEAR THE EVENT WAS GENERALLY TWO (2) HOURS IN LENGTH OVER 33 UNITS OF BLOOD WAS DONATED SUPPORTING 99 LIVES THE MAJOR BLOOD BANK SERVING THE AREA IS ALWAYS LOW ON BLOOD AND THIS HELPED TO INCREASE THE SUPPLY FROM A RURAL AREA THIS IS ANOTHER WAY OF SUPPORTING THE EMERGENCY ROOM AT THE HOSPITAL CHILDREN SAFETY PROGRAMS - SAFETY EDUCATION PROGRAMS WERE HELD AT WINNSBORO ISD FOR THE 1ST GRADE STUDENTS THE PROGRAM WAS HELD TO PROVIDE BICYCLE SAFETY AND TO DISTRIBUTE BIKE HELMETS, THE IMPORTANCE OF HAND HYGIENE, AND HEAD INJURY PREVENTION FREE BICYCLE HELMETS WERE DISTRIBUTED AS WELL AS A PROGRAM BY THE PILOT CLUB ON MIND BENDERS THE PURPOSE IS TO EDUCATE THE ENTIRE FAMILY, PARENTS AND CHILDREN, ON THE IMPORTANCE OF BICYCLE SAFETY AS THE SUMMER APPROACHED THE COMMUNITY DOES NOT HAVE BICYCLE LANES SO ESPECIALLY DURING THE SUMMER MANY CHILDREN ARE RIDING THE BIKES ACROSS TOWN IN RANDOM FASHION TELECARE PLUS-YOUR HEALTH INFORMATION RESOURCE - PLUS IS A MEDICAL CALL CENTER AVAILABLE FOR FREE TO THE PUBLIC 24 HOURS A DAY REGISTERED NURSES PROVIDE CALLERS WITH ANSWERS TO HEALTH QUESTIONS OVER THE TELEPHONE, CAN SEND HEALTH INFORMATION VIA THE MAIL, PROVIDE PHYSICIAN REFERRALS, GIVE INFORMATION ON COMMUNITY AND HOSPITAL RESOURCES AND DO SYMPTOM BASED TRIAGE EXAMPLES OF THE TYPES OF CALLS IN 2012 WOULD BE BETHESDA CLINIC INFORMATION, FAMILY CARE CENTER - PEDIATRICS/OBSTETRICS, CARDIAC, NEURO, ENDOCRINOLOGY, GERIATRIC, EDUCATION CALLS, AND GENERAL INFORMATION AND HEALTH CARE QUESTIONS OR NURSE TRIAGING THESE CALLS AVERAGED OVER 12,000 PER MONTH TELECARE PLUS IS DESIGNED TO PROVIDE A CENTRAL, CONFIDENTIAL RESOURCE FOR THE COMMUNITY TO TURN TO FOR HEALTH INFORMATION AND ASSIST CALLERS IN SEEKING OUT THE APPROPRIATE LEVEL OF MEDICAL RESOURCES AT THE APPROPRIATE TIME SHARE THE SPIRIT - THIS IS AN ANNUAL FUND RAISING CAMPAIGN WITHIN THE HEALTH SYSTEM FOR EMPLOYEES IT IS ORGANIZED AND IMPLEMENTED BY EMPLOYEES WITH ALL PROCEEDS GOING TO HELP WITH HEALTH RELATED PROGRAMS OVER \$ 125,000 WAS RAISED IN 2012 THE PURPOSE IS TO ASSIST WITH THE FUNDING FOR THE FOLLOWING PROJECTS HEART CARE, CANCER CARE, CHILDREN'S MIRACLE NETWORK, DIABETES EDUCATION AND SERVICES, AND THE EMPLOYEE CRISIS CARE FUND (ANYONE WHO IS AN EMPLOYEE OF THE HEALTH SYSTEM IS ELIGIBLE TO RECEIVE ASSISTANCE BASED ON NEED OR PROGRAM NEEDS) SCHOOL ASSISTANCE - OVER 275 SCHOOL PHYSICALS AND PRE-PARTICIPATION EXAMS WERE DONE AT NO COST TO THE SCHOOLS IN THE REGION INCLUDING WINNSBORO, YANTIS, HARMONY, AND COMO PICKTON ALL PROGRAMS ARE OPEN TO ANYONE TO PARTICIPATE PROVIDED THEY HAVE PARENTAL APPROVAL MANY OF THE PUBLIC SCHOOLS AND COLLEGES DO NOT HAVE MONEY TO SUPPORT FAMILIES WHOSE CHILDREN CHOOSE TO PARTICIPATE IN EXTRACURRICULAR ACTIVITIES TO ENSURE EVERY CHILD WHO NEEDS A PHYSICAL HAS ACCESS TO ONE, TMFHS FUNDS OPEN SPORTS PRE-PARTICIPATION EXAMS FOR THE SCHOOLS IN THE AREA

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM ROLES	SCHEDULE H, PART VI, QUESTION 6	MOTHER FRANCES HOSPITAL-WINNSBORO IS PART OF AN AFFILIATED HEALTH CARE SYSTEM CALLED TRINITY MOTHER FRANCES HEALTH SYSTEM TRINITY MOTHER FRANCES IS A FAITH-BASED ORGANIZATION DEDICATED TO CREATING HEALTHY LIVES FOR PEOPLE AND COMMUNITIES MFH-WINNSBORO AND ITS AFFILIATES PROMOTE THE HEALTH OF THE COMMUNITIES SERVED BY PROVIDING ACUTE CARE FACILITIES AND CRITICAL ACCESS FACILITIES, WHOSE OPERATIONS CONSIST PRIMARILY OF PROVIDING INPATIENT AND OUTPATIENT ACUTE CARE AND MEDICAL SERVICES TO PATIENTS RESIDING IN EAST TEXAS

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

Identifier	ReturnReference	Explanation
PERCENT OF TOTAL EXPENSE	SCHEDULE H, PART I, LINE 7, COLUMN F	TO ARRIVE AT THE PERCENT OF TOTAL EXPENSES, THE DENOMINATOR WHICH EQUALS TOTAL OPERATING EXPENSES PER PART IX, LINE 25, OF THE FORM 990 WAS REDUCED BY BAD DEBT EXPENSE, TOTALING \$1,352,630

Identifier	ReturnReference	Explanation
BILLING AND COLLECTIONS	SCHEDULE H, PART V, LINES 15, 16, & 17	NEITHER MOTHER FRANCES HOSPITAL - WINNSBORO, NOR THIRD PARTIES AUTHORIZED BY MFH-W, TAKE ANY ACTIONS UPON NON-PAYMENT FROM A PATIENT BEFORE MAKING A REASONABLE EFFORT TO DETERMINE IF THE PATIENT IS ELIGIBLE FOR THE FACILITY'S FINANCIAL ASSISTANCE POLICY

OMB No 1545-0047

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

Open to Public Inspection

75-2771569

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 III **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.

[illegible]

- | | | |
|----------|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | 1 |
| 3 | Enter total number of other organizations listed in the line 1 table | 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
PROCEDURES TO MONITOR THE USE OF GRANT FUNDS IN THE U S	SCHEDULE I, PART I, QUESTION 2	GRANT RECIPIENTS ARE REQUIRED TO ACKNOWLEDGE PRIOR TO THE ISSUANCE OF GRANT FUNDS THAT THE GRANT WILL BE USED IN ACCORDANCE WITH THE STATED PURPOSE OF THE GRANT APPLICATION AND ANY UNUSED FUNDS RELATED TO THE SPECIFIC PURPOSE OF THE GRANT WILL BE RETURNED TO THE ORGANIZATION THE ORGANIZATION MONITORS AND REVIEW THE FINANCIAL DATA OF RECIPIENTS TO ENSURE THAT THE GRANTED FUNDS ARE BEING USED PROPERLY

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

MOTHER FRANCES HOSPITAL - WINNSBORO

Employer identification number

75-2771569

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><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input 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		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3	Indicate which, if any, of the following the 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 checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</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?		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?		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?		No
b	Any related organization?		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?		No
b	Any related organization?		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		No
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		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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.

[illegible]

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
PARTICIPATION IN OR PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	SCHEDULE J, PART I, QUESTION 4B	PARTICIPANTS IN SERP REPORTED IN W-2 DEFERRED COMPENSATION ----- RAY THOMPSON \$463,037 NONE WILLIAM BELLENFANT \$258,515 NONE

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

MOTHER FRANCES HOSPITAL - WINNSBORO

Employer identification number

75-2771569

Identifier	Return Reference	Explanation
DESCRIBE PROCESS TO REVIEW FORM 990	FORM 990, PART VI, QUESTION 11B	THE ORGANIZATION ENGAGES AN OUTSIDE ACCOUNTING FIRM TO PREPARE FORM 990 ONCE PREPARED, THE FORM IS REVIEWED BY THE ORGANIZATION'S INTERNAL ACCOUNTANTS PRIOR TO FILING
DOES THE ORGANIZATION MONITOR AND ENFORCE COMPLIANCE WITH POLICY	FORM 990, PART VI, QUESTION 12C	THE BOARD REVIEWS AND RESOLVES, IF NECESSARY, ANY TRANSACTIONS AS THEY ARISE THROUGHOUT THE YEAR IN ACCORDANCE WITH PRESCRIBED STANDARDS
PROCESS FOR DETERMINING COMPENSATION OF CEO, OFFICERS, OR KEY EMPLOYEES	FORM 990, PART VI, QUESTIONS 15A & 15B	THE ORGANIZATION USES COMPENSATION CONSULTANTS AND NATIONAL COMPENSATION SURVEYS TO DETERMINE COMPENSATION OF EMPLOYEES COMPENSATION IS APPROVED BY THE ORGANIZATION'S GOVERNING BODY
DESCRIBE WHETHER THE ORGANIZATION MAKES IT DOCUMENTS AVAILABLE TO PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST
DESCRIBE THE ORGANIZATION'S MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, QUESTION 6	TRINITY MOTHER FRANCES HEALTH SYSTEM IS THE SOLE MEMBER OF MOTHER FRANCES HOSPITAL-WINNSBORO
1099S REPORTED BY ORGANIZATION	FORM 990, PART V, QUESTION 1A	THE ORGANIZATION'S 1099S ARE ISSUED BY A RELATED ORGANIZATION, MOTHER FRANCES HOSPITAL REGIONAL HEALTH CARE CENTER, WHO REPORTS ALL 1099S FOR THE ENTIRE SYSTEM AND ALLOCATES EXPENSES TO THE APPROPRIATE RELATED ORGANIZATION
MEMBERS OR STOCKHOLDERS WHO MAY ELECT MEMBERS OF THE GOVERNING BOARD	FORM 990, PART VI, QUESTION 7A	THE SOLE MEMBER, TRINITY MOTHER FRANCES HEALTH SYSTEM, HAS THE POWER TO APPOINT ALL DIRECTORS AND THEIR SUCCESSORS TO THE GOVERNING BOARD
DECISIONS OF GOVERNING BODY SUBJECT TO APPROVAL BY MEMBER	FORM 990, PART VI, QUESTION 7B	THE MEMBER HAS THE RIGHT TO APPROVE OR DISAPPROVE CERTAIN ACTIONS THAT HAVE BEEN PREVIOUSLY APPROVED BY THE BOARD OF DIRECTORS
DELEGATION OF MANAGEMENT DUTIES	FORM 990, PART VI, QUESTION 3	THE ORGANIZATION HAS HIRED A MANAGEMENT COMPANY TO PERFORM THE DUTIES OF THE CEO, CNO, AND JR CFO UNDER EMPLOYMENT FOR THE UNRELATED MANAGEMENT COMPANY, THE FOLLOWING INDIVIDUALS SERVE AS OFFICERS FOR THE HOSPITAL AND ARE PAID COMPENSATION BY THE MANAGEMENT COMPANY FOR SERVICES TO THE HOSPITAL PER IRS GUIDANCE, NO COMPENSATION IS SHOWN ON FORM 990, PART VII, FOR THESE INDIVIDUALS JANET COATES \$211,614 KEVIN JABLONSKI 195,203 SHELLE DIEHM 223,033 PAM VUKOVICH 218,341
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME RAY THOMPSON TITLE CHAIRMAN OF THE BOARD HOURS 38
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME J LINDSEY BRADLEY JR TITLE SYSTEM PRESIDENT/DIRECTOR HOURS 42
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOYCE HESTER TITLE SYSTEM VP, FINANCE, CFO HOURS 37
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME PAM VUKOVICH TITLE INTERIM CFO HOURS 37

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
MOTHER FRANCES HOSPITAL - WINNSBORO

Employer identification number
75-2771569

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)					
(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) CHAMPION EMERGENCY SERVICES LLC 2201 S MOBBERLY AVE LONGVIEW, TX 75602 75-2747708	AMBULANCE SVC	TX	501(C)(3)	9	NA		No
(2) MOTHER FRANCES HOSPITAL - JACKSONVILLE 1315 DOCTORS DRIVE TYLER, TX 75701 75-1976930	HOSPITAL	TX	501(C)(3)	3	TMFHS		No
(3) TRINITY MOTHER FRANCES HEALTH SYSTEM FDN 1315 DOCTORS DRIVE TYLER, TX 75701 75-2028241	SUPPORT	TX	501(C)(3)	11A I	TMFHS		No
(4) REGIONAL MEDICAL SERVICES ASSOCIATION 1315 DOCTORS DRIVE TYLER, TX 75701 75-2511459	HEALTHCARE	TX	501(C)(3)	3	MFH REG		No
(5) TRINITY MOTHER FRANCES HEALTH SYSTEM 1315 DOCTORS DRIVE TYLER, TX 75701 75-2616975	HEALTHCARE	TX	501(C)(3)	11A I	NA		No
(6) TRINITY CLINIC 1315 DOCTORS DRIVE TYLER, TX 75701 75-2616977	HEALTHCARE	TX	501(C)(3)	3	TMFHS		No
(7) MOTHER FRANCES HOSPITAL REGIONAL HC CTR 1315 DOCTORS DRIVE TYLER, TX 75701 75-0818167	HOSPITAL	TX	501(C)(3)	3	TMFHS		No

Part III

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

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

Part IV

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

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

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

Yes

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)			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
DIRECT CONTROLLING ENTITY	SCHEDULE R, PART II, COLUMN F	THE FOLLOWING RELATED ORGANIZATIONS REPORTABLE IN PART II ARE DIRECTLY CONTROLLED BY TRINITY MOTHER FRANCES HEALTH SYSTEM ("TMFHS") MOTHER FRANCES HOSPITAL - JACKSONVILLE TRINITY MOTHER FRANCES HEALTH SYSTEM FOUNDATION TRINITY CLINIC MOTHER FRANCES HOSPITAL REGIONAL HEALTH CARE CENTER REGIONAL MEDICAL SERVICES ASSOCIATION IS DIRECTLY CONTROLLED BY MOTHER FRANCES HOSPITAL REGIONAL HEALTH CARE CENTER ("MFH REG")

Software ID:
Software Version:
EIN: 75-2771569
Name: MOTHER FRANCES HOSPITAL - WINNSBORO

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	
CHAMPION EMERGENCY SERVICES LLC 2201 S MOBBERLY AVE LONGVIEW, TX 75602 75-2747708	AMBULANCE SVC	TX	501(C)(3)	9	NA		No
MOTHER FRANCES HOSPITAL - JACKSONVILLE 1315 DOCTORS DRIVE TYLER, TX 75701 75-1976930	HOSPITAL	TX	501(C)(3)	3	TMFHS		No
TRINITY MOTHER FRANCES HEALTH SYSTEM FDN 1315 DOCTORS DRIVE TYLER, TX 75701 75-2028241	SUPPORT	TX	501(C)(3)	11A I	TMFHS		No
REGIONAL MEDICAL SERVICES ASSOCIATION 1315 DOCTORS DRIVE TYLER, TX 75701 75-2511459	HEALTHCARE	TX	501(C)(3)	3	MFH REG		No
TRINITY MOTHER FRANCES HEALTH SYSTEM 1315 DOCTORS DRIVE TYLER, TX 75701 75-2616975	HEALTHCARE	TX	501(C)(3)	11A I	NA		No
TRINITY CLINIC 1315 DOCTORS DRIVE TYLER, TX 75701 75-2616977	HEALTHCARE	TX	501(C)(3)	3	TMFHS		No
MOTHER FRANCES HOSPITAL REGIONAL HC CTR 1315 DOCTORS DRIVE TYLER, TX 75701 75-0818167	HOSPITAL	TX	501(C)(3)	3	TMFHS		No

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
TRI-STATE FINANCIAL LLC 1315 DOCTORS DRIVE TYLER, TX 75701 75-2728318	COLLECTION AGENCY	TX	NA	C- CORPORATION			
TRINCARE INC 1315 DOCTORS DRIVE TYLER, TX 75701 75-2161369	RETAIL HEALTH SVC	TX	NA	C- CORPORATION			
HEALTHPLAN OF TEXAS INC 514 S BECKHAM TYLER, TX 75701 75-2636832	THIRD PARTY ADMIN	TX	NA	C- CORPORATION			
THE REGIONAL HEALTHCARE ALLIANCE 1315 DOCTORS DRIVE TYLER, TX 75701 75-2484109	PREFER PROVIDER	TX	NA	C- CORPORATION			
TEXAS HEALTH FACILITIES INSUR CORP LTD PO BOX 1109 BWI CJ 98-0136025	INSURANCE	CJ	NA	C- CORPORATION			
CONCORDIUM SERVICES INC 1315 DOCTORS DRIVE TYLER, TX 75701 70-2811022	INACTIVE	TX	NA	C- CORPORATION			
EMPLOYERS SERVICES INC 1315 DOCTORS DRIVE TYLER, TX 75701 75-2602556	INACTIVE	TX	NA	C- CORPORATION			
HERITAGE HEALTH PLANS OF TX 1315 DOCTORS DRIVE TYLER, TX 75701 75-2622622	INACTIVE	TX	NA	C- CORPORATION			
QUALITY CARE ALLIANCE 1315 DOCTORS DRIVE TYLER, TX 75701 75-2662965	INACTIVE	TX	NA	C- CORPORATION			

**Trinity Mother Frances Health System
and Subsidiaries**

Auditors' Reports and Consolidated Financial Statements
June 30, 2012 and 2011



**Trinity Mother Frances Health System
and Subsidiaries**
June 30, 2012 and 2011

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Independent Auditors' Report on Financial Statements

Board of Governors
Trinity Mother Frances Health
System and Subsidiaries
Tyler, Texas

We have audited the accompanying consolidated balance sheets of Trinity Mother Frances Health System and Subsidiaries (the Health System) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Health System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity Mother Frances Health System and Subsidiaries as of June 30, 2012 and 2011, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 1*, in 2012 the Health System changed its method of presentation and disclosure of patient service revenue, provision for bad debts and the allowance for doubtful accounts in accordance with Accounting Standards Update 2011-07.

BKD, LLP

November 14, 2012

Trinity Mother Frances Health System and Subsidiaries

Consolidated Balance Sheets

June 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	\$ 46,470,196	\$ 74,948,382
Short-term investments	4,028,901	8,019,446
Assets limited as to use, current	5,221,161	12,358,536
Patient accounts receivable, net of allowance, 2012 - \$77,754,000, 2011 - \$89,612,000	71,520,109	68,008,901
Collateral receivable	-	1,249,297
Due from affiliates	2,661,409	3,431,315
Inventories	6,380,980	6,300,648
Prepaid expenses and other	6,576,834	5,354,929
Total current assets	<u>142,859,590</u>	<u>179,671,454</u>
Assets Limited As To Use		
Internally designated for capital acquisitions	103,958,146	32,093,392
Internally designated and held by trustee, supplemental retirement plan	1,274,130	1,622,700
Internally designated and held by trustee, self-insurance	18,541,932	17,455,852
Internally designated and held by trustee, deferred compensation plan	14,149,920	13,708,253
Held by trustee, under bond indenture agreement	37,372,133	30,164,042
Restricted by donor	-	18,079,397
	<u>175,296,261</u>	<u>113,123,636</u>
Less amount required to meet current obligations	<u>5,221,161</u>	<u>12,358,536</u>
Total assets limited as to use	<u>170,075,100</u>	<u>100,765,100</u>
Property and Equipment, At Cost		
Land and land improvements	37,091,884	36,380,414
Buildings and leasehold improvements	313,344,670	305,028,736
Equipment	262,205,244	254,089,834
Construction in progress	53,309,088	8,864,531
	<u>665,950,886</u>	<u>604,363,515</u>
Less accumulated depreciation	<u>349,317,905</u>	<u>328,619,138</u>
Total property and equipment, net	<u>316,632,981</u>	<u>275,744,377</u>
Other Assets		
Interest in net assets of Trinity Mother Frances Health System Foundation Center for Health Care Philanthropy (Foundation)	12,065,376	9,995,898
Other investments	51,158,395	57,627,963
Investments in affiliates	6,354,441	4,622,383
Interest rate swap agreement	155,017	158,821
Deferred financing costs and other	2,913,399	2,410,833
Total other assets	<u>72,646,628</u>	<u>74,815,898</u>
Total assets	<u><u>\$ 702,214,299</u></u>	<u><u>\$ 630,996,829</u></u>

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	\$ 8,424,495	\$ 9,095,758
Accounts payable	42,136,826	35,061,083
Accrued expenses	41,005,364	41,420,211
Estimated amounts due to third-party payers	6,351,959	8,637,205
Estimated self-insurance costs	8,922,371	6,360,038
Pension liability	422,380	892,603
Total current liabilities	107,263,395	101,466,898
Estimated Self-insurance Costs	6,636,998	8,343,280
Long-term Debt	216,100,898	177,993,910
Interest Rate Swap Agreement	1,101,336	3,174,162
Other Liabilities	9,845,335	10,506,206
Pension Liability	84,319,269	32,579,283
Total liabilities	425,267,231	334,063,739
Net Assets		
Unrestricted	264,881,692	268,857,795
Temporarily restricted	9,963,630	25,973,549
Permanently restricted	2,101,746	2,101,746
Total net assets	276,947,068	296,933,090
Total liabilities and net assets	\$ 702,214,299	\$ 630,996,829

Trinity Mother Frances Health System and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue	\$ 656,914,032	\$ 633,546,906
Less provision for uncollectible accounts	<u>50,677,972</u>	<u>46,378,966</u>
Net patient service revenue less provision for uncollectible accounts	606,236,060	587,167,940
Other operating revenue	37,815,872	35,939,243
Equity in earnings (loss) of affiliate	(736,161)	3,929,700
Interest income	<u>1,915,741</u>	<u>1,190,725</u>
Total unrestricted revenues, gains and other support	<u>645,231,512</u>	<u>628,227,608</u>
Expenses		
Salaries and wages	199,028,275	196,001,524
Physician compensation	131,648,988	124,233,434
Employee benefits	49,005,637	45,620,871
Purchased services and professional fees	55,195,189	61,261,396
Supplies and other	145,248,552	135,893,601
Depreciation and amortization	27,660,993	27,430,265
Impairment loss	1,382,781	-
Interest	<u>6,494,623</u>	<u>6,625,341</u>
Total expenses	<u>615,665,038</u>	<u>597,066,432</u>
Operating Income	<u>29,566,474</u>	<u>31,161,176</u>
Other Income (Expense)		
Investment return	3,344,823	8,757,964
Change in fair value of interest rate swap agreements	1,031,422	1,796,186
Contributions	<u>(7,282,551)</u>	<u>(8,662,394)</u>
Total other income (expense)	<u>(2,906,306)</u>	<u>1,891,756</u>
Excess of Revenues Over Expenses	<u><u>\$ 26,660,168</u></u>	<u><u>\$ 33,052,932</u></u>

Trinity Mother Frances Health System and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (Continued) Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 26,660,168	\$ 33,052,932
Net assets released from restrictions	18,060,756	274,271
Contributions for purchase of property and equipment	910,561	-
Change in defined benefit pension plan gains and losses, prior service costs or credits and transition assets or obligations	(49,607,588)	21,313,204
	<u>(3,976,103)</u>	<u>54,640,407</u>
Increase in unrestricted net assets		
	<u>(3,976,103)</u>	<u>54,640,407</u>
Temporarily Restricted Net Assets		
Contributions received	-	18,208,232
Change in interest in net assets of Foundation	2,069,478	1,081,133
Investment return	(18,641)	125,358
Net assets released from restrictions	(18,060,756)	(274,271)
	<u>(16,009,919)</u>	<u>19,140,452</u>
Increase (Decrease) in temporarily restricted net assets		
	<u>(16,009,919)</u>	<u>19,140,452</u>
Permanently Restricted Net Assets		
Change in interest in net assets of Foundation	-	50
	<u>-</u>	<u>50</u>
Increase in permanently restricted net assets		
	<u>-</u>	<u>50</u>
Change in Net Assets	(19,986,022)	73,780,909
Net Assets, Beginning of Year	<u>296,933,090</u>	<u>223,152,181</u>
Net Assets, End of Year	<u><u>\$ 276,947,068</u></u>	<u><u>\$ 296,933,090</u></u>

Trinity Mother Frances Health System and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ (19,986,022)	\$ 73,780,909
Items not requiring (providing) cash		
Gain on sale of property and equipment	(1,185,273)	(32,913)
Depreciation and amortization	27,660,993	27,430,265
Impairment loss	1,382,781	-
Amortization of net bond premium	(31,530)	-
Net gain on investments	(855,189)	(6,518,088)
Change in fair value of interest rate swap agreements	(932,022)	(1,796,186)
Change in interest in net assets of Foundation	(2,069,478)	(1,081,183)
Change in pension liability	51,269,763	(24,286,200)
Provision for uncollectible accounts	50,677,972	46,378,966
Contributions for property and equipment	-	(18,208,232)
Accrued self-insurance costs	856,051	412,886
Changes in		
Patient accounts receivable, net	(54,189,180)	(50,456,403)
Estimated amounts due from and to third-party payers	(2,285,246)	10,383,234
Accounts payable and accrued expenses	3,246,047	11,996,115
Other current assets and liabilities	(110,496)	(350,175)
Net cash provided by operating activities	<u>53,449,171</u>	<u>67,652,995</u>
Investing Activities		
Purchase of property and equipment	(68,175,696)	(35,915,118)
Proceeds from sale of property and equipment	1,649,107	32,913
Purchase of investments	(162,933,460)	(103,533,500)
Proceeds from disposition of investments	<u>112,076,137</u>	<u>89,359,578</u>
Net cash used in investing activities	<u>(117,383,912)</u>	<u>(50,056,127)</u>
Financing Activities		
Payment of deferred financing costs	(873,700)	-
Contributions for property and equipment	-	18,208,232
Proceeds from issuance of long-term debt	51,307,291	-
Principal payments on long-term debt	(13,840,036)	(8,931,142)
Swap termination payment	<u>(1,137,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>35,456,555</u>	<u>9,277,090</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(28,478,186)</u>	<u>26,873,958</u>
Cash and Cash Equivalents, Beginning of Year	<u>74,948,382</u>	<u>48,074,424</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 46,470,196</u></u>	<u><u>\$ 74,948,382</u></u>
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 4,809,337	\$ 6,784,403
Property and equipment contribution to joint venture	\$ 815,951	\$ -
Property and equipment in accounts payable	\$ 2,753,978	\$ -

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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

Nature of Operations

The consolidated financial statements of Trinity Mother Frances Health System and Subsidiaries (the Health System) include the accounts of Trinity Mother Frances Health System (the System) and its wholly owned subsidiaries. Entities included in the consolidated financial statements of the Health System are:

- Mother Frances Hospital Regional Health Care Center and Subsidiaries (the Consolidated Hospital Group)
- Trinity Clinic (the Clinic)
- Mother Frances Hospital – Jacksonville (Jacksonville)
- Mother Frances Hospital – Winnsboro (Winnsboro)
- The Regional Healthcare Alliance (TRHA)
- Tri-State Financial, L L C (Tri-State)
- TrinCare, Inc (TCI)
- HealthPlan of Texas, Inc (HOT)

The sole member organization of the System is the Congregation of the Sisters of the Holy Family of Nazareth, a religious order of the Roman Catholic Church.

Mother Frances Hospital Regional Health Care Center (the Hospital) is an acute care facility whose operations consist primarily of inpatient and outpatient acute care medical services to residents of Tyler, Texas, and surrounding areas. Wholly owned subsidiaries included in the consolidated financial statements of the Consolidated Hospital Group include Texas Health Facility Insurance Corporation, Ltd (THFIC), and Regional Medical Services Association (RMSA). THFIC is a captive insurance company incorporated in the Cayman Islands for the purpose of providing primary excess professional liability coverage for the Hospital, which is then ceded to a reinsurance company. RMSA is a nonprofit corporation that recruits and employs physicians to serve the Hospital.

The Hospital also owns approximately 50% of HealthSouth Rehabilitation Hospital – Tyler d/b/a/ Trinity Mother Frances Rehabilitation Hospital (HealthSouth). Because the Hospital does not exercise control of HealthSouth, this investment is accounted for using the equity method of accounting.

The Hospital also owns a 51% interest in Tyler Radiation Equipment Leasing, LLC (TREL), which is also accounted for using the equity method of accounting due to a lack of the Hospital's control.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The Clinic, a nonprofit corporation, is a multi-specialty physician group organized to own and operate outpatient medical clinics serving residents of Tyler, Texas, and surrounding areas

Jacksonville is a tax-exempt critical access hospital providing services to residents in and around Jacksonville, Texas. As a critical access hospital, Jacksonville's acute length of stay may not exceed 96 hours and its total acute care beds cannot exceed 25

Winnsboro is a tax-exempt acute care hospital providing inpatient and outpatient medical and psychiatric services to residents in and around Winnsboro, Texas. In 2011, Winnsboro was designated as a critical access hospital

TRHA, a nonprofit, taxable corporation, is a preferred provider organization. The System appoints the governing body of TRHA

Tri-State is a taxable limited liability company organized to serve as a collection agency for health care providers. Tri-State is wholly owned by the System. Tri-State is a dormant company as operations ceased in February 2001

TrinCare, Inc. (TCI) is a taxable corporation organized to provide various clinical and management services. TCI is wholly owned by the System. TCI currently operates a reference laboratory which began operations during 2010, and two optical shops which began operations in 2011

HOT is a taxable, for-profit corporation organized primarily to create new health care resources and health care arrangements to be offered to the general public and third-party payers. HOT was originally licensed to operate as a health maintenance organization in Texas in accordance with Article 20A of the Texas Insurance Code, but was re-licensed as a third-party administrator in December 2005. HOT is wholly owned by the System

The System holds a nonvoting membership interest in Continue CARE Hospital of Tyler, Inc. (CCHT), a long-term acute care hospital. In accordance with the terms of the membership agreement, 80% of the annual cash dividends from CCHT are distributed to the System. During 2012 and 2011, CCHT distributed approximately \$3,415,000 and \$1,610,000, respectively, in cash dividends under this arrangement, which are recognized as other operating revenues by the System

The Health System owns a 50% interest in Champion EMS (Champion), a joint venture with an unrelated medical center to provide ambulance services in northeast Texas. This investment is accounted for under the equity method of accounting

During 2012, the Health System contributed fixed assets with a net book value of \$815,951 to Champion, which was accounted for as an increase in the investment

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System, the Consolidated Hospital Group, the Clinic, Jacksonville, Winnsboro, TRHA, Tri-State, TCI and HOT. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Change in Accounting Principle

In 2012, the Health System changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the Health System's policies related to uncollectible accounts. The change had no effect on prior year net assets. The following tables reflect the changes in the consolidated statements of operations and changes in net assets as a result of adopting ASU 2011-07.

	2012		
	Consolidated Statement of Operations		
	As Computed Under Previous Guidance	As Computed Under ASU 2011-07	Effect of Change
Patient service revenue, net of contractual discounts and allowances	\$ 656,914,032	\$ 656,914,032	\$ -
Provision for uncollectible accounts	-	(50,677,972)	(50,677,972)
Net patient service revenue, less provision for uncollectible accounts	656,914,032	606,236,060	(50,677,972)
Total revenues	695,909,484	645,231,512	(50,677,972)
Provision for uncollectible accounts	50,677,972	-	(50,677,972)
Total expenses	666,343,010	615,665,038	(50,677,972)

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

	2011		
	Consolidated Statement of Operations		
	As Computed Under Previous Guidance	As Computed Under ASU 2011-07	Effect of Change
Patient service revenue, net of contractual discounts and allowances	\$ 633,546,906	\$ 633,546,906	\$ -
Provision for uncollectible accounts	-	(46,378,966)	(46,378,966)
Net patient service revenue, less provision for uncollectible accounts	633,546,906	587,167,940	(46,378,966)
Total revenues	674,606,574	628,227,608	(46,378,966)
Provision for uncollectible accounts	46,378,966	-	(46,378,966)
Total expenses	643,445,398	597,066,432	(46,378,966)

Cash Equivalents

The Health System considers all liquid investments other than those limited as to use, with maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 30, 2010 through December 31, 2012, at all FDIC-insured institutions.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments, other than those previously disclosed as accounted for using the equity method of accounting, are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value, if determinable.

The Health System also invests in alternative investments, including hedge funds. The fair value of these investments is estimated using the net asset value per share of the investment based on information provided by the investment managers.

Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments stated at fair value, and realized gains and losses on other investments. Investment return is reflected in the accompanying consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Assets Limited As To Use

Assets limited as to use include (1) assets held by trustees under bond indenture agreements, (2) assets set aside by the Board of Governors (the Board) and held by trustees under self-insurance, deferred compensation and supplemental retirement plan trust agreements, (3) assets set aside by the Board for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes and (4) assets restricted by donors for specific purposes. Amounts required to meet current liabilities of the Health System are included in current assets.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and the provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

The Hospital records an automatic discount of 30% of its standard charges for uninsured patients. For the remaining receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Health System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the reduced standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System's allowance for doubtful accounts was approximately 98% of self-pay accounts receivable at June 30, 2012 and 2011. The Health System's write-offs increased approximately \$1,574,000 from approximately \$29,509,000 for the year ended June 30, 2011, to approximately \$31,082,000 for the year ended June 30, 2012. This increase was primarily due to a growth in volume from self-pay patients in fiscal year 2012.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Inventories

The Health System states inventories at the lower of cost, determined using the first-in, first-out method or market

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

The Health System capitalizes interest costs as a component of construction in progress, first based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing and then based on the weighted-average interest expense incurred on other funds expended for the project.

Total interest capitalized and incurred is shown in the table as follows:

	2012	2011
Total interest expense incurred and capitalized on specific borrowings for project	\$ 3,191,108	\$ 490,606
Total interest capitalized under the weighted-average method	716,490	282,679
Interest income from investment of proceeds of borrowings for project	(264,809)	(122,600)
Net interest cost capitalized	<u>\$ 3,642,789</u>	<u>\$ 650,685</u>
	2012	2011
Interest expense capitalized	\$ 3,907,598	\$ 773,285
Interest charged to expense	6,494,623	6,625,341
Total interest incurred	<u>\$ 10,402,221</u>	<u>\$ 7,398,626</u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Long-lived Asset Impairment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2011. An asset impairment of approximately \$1,383,000 was recognized during the year ended June 30, 2012, related to a decline in the fair market value of certain real estate owned by the Health System.

Interest in Net Assets of the Foundation

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

The Foundation was established to solicit contributions principally to support the operations of the Health System. Funds are distributed to the Health System as determined by the Foundation's Board. The Health System's interest in the net assets of the Foundation is reported in the accompanying consolidated balance sheets and was \$12,065,376 and \$9,995,898 at June 30, 2012 and 2011, respectively.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the interest method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Health System has been limited by donors to a specific time period or purpose. The interest in the net assets of the Foundation includes permanently restricted net assets, which have been restricted by donors at the Foundation to be maintained in perpetuity.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Net Patient Service Revenue

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

Charity Care

The Hospital, the Clinic, Jacksonville and Winnsboro provide care without charge or at amounts less than established rates to patients meeting certain criteria under their charity care policies. Because the Health System does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue.

Contributions

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

Estimated Malpractice Costs

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

Income from Operations

The Health System considers investment income from assets held by trustee under bond indenture agreements and trust accounts established to fund physician deferred compensation agreements as operating income. In addition, the Health System considers earnings from its investment in HealthSouth as operating income and considers donations to community service organizations as nonoperating expense. All other investment return is included in nonoperating income.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Income Taxes

The System, the Hospital, RMSA, the Clinic, Jacksonville and Winnsboro have been recognized as exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, these entities are subject to federal income tax on any unrelated business taxable income.

THFIC is not considered to be engaged in a United States trade or business and, therefore, is not subject to United States income taxes. If THFIC were to be considered engaged in a United States trade or business, it could be subject to federal income tax. THFIC is currently exempt from income taxes in the Cayman Islands. Accordingly, no provision for taxes has been made.

With a few exceptions, the Health System is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Excess of Revenues Over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include certain changes in defined benefit pension liabilities, permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets with no donor restrictions (including assets acquired using contributions, which, by donor restriction, were to be used for the purpose of acquiring such assets). Contributions of long-lived assets with donor-imposed restrictions that were not met in the same year are included in the change in temporarily restricted net assets.

Self-Insurance

The Health System has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Health System has purchased insurance that limits its exposure for individual claims for health insurance and that limits its aggregate exposure to \$350,000. The Health System has purchased insurance that limits its exposure for individual claims for workers compensation that limits its aggregate exposure to \$500,000.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Electronic Health Record Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Health System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2012, the Health System completed the first year requirements under the Medicaid program and has recorded revenue of approximately \$2,117,000, which is included in other revenue within operating revenues in the statement of operations and changes in net assets.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

The Hospital, the Clinic, Jacksonville and Winnsboro (the System providers) recognize patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the service rendered. For uninsured patients that do not qualify for charity care, the System providers recognize revenues on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the System providers' uninsured patients will be unable or unwilling to pay for the services provided. Thus, the system providers record a significant provision for uncollectible accounts related to uninsured patients in the period services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The System providers have arrangements with third-party payers that provide for payments at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient and substantially all outpatient services rendered to Medicare program beneficiaries of the Hospital are paid at prospectively determined rates per discharge or occasion of service. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports, which are subject to audits by the Medicare administrative contractor.

Jacksonville and Winnsboro have been classified as critical access hospitals (CAH) by the Medicare program. As a CAH, payments for inpatient and outpatient services are made based on the reasonable costs of providing care to Medicare program beneficiaries. CAH status places certain operating constraints on Jacksonville and Winnsboro, including limitations on patient census and average length of stay.

Services to Medicare beneficiaries provided by the Clinic are primarily reimbursed under a fee schedule methodology.

- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a mixture of prospective and cost-based methodologies. Outpatient and physician services are reimbursed under a mixture of cost reimbursement and fee schedule methods. The Hospital, Jacksonville and Winnsboro are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports, which are subject to audits by the Medicaid administrative contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health System participates in the State of Texas' Disproportionate Share Program (Dispro) and private Upper Payment Limit (UPL) programs. Under the private UPL program, various governmental agencies make intergovernmental transfers (IGT) on behalf of the Health System. These transfers are used by the state of Texas Medicaid program to draw down federal funding for the Hospital based on its UPL gap, which is approximately equal to the difference in what Medicare would have paid for the Hospital's Medicaid charges and what Medicaid actually paid. The state generally remits these amounts to the Hospital on a quarterly basis. Total UPL and Dispro funds received during the years ending June 30, 2012 and 2011, were approximately \$16,690,000 and \$21,942,000 respectively.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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

The System providers have also entered into payment agreements with certain commercial insurance carriers and other plans, which provide for payments at discounted rates, per diem amounts or predetermined amounts per case or encounter.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts) recognized in the years ended June 30, 2012 and 2011, was

	2012	2011
Medicare	\$ 240,308,770	\$ 231,051,089
Medicaid	20,399,998	19,366,964
Other third-party payers	283,199,281	273,852,534
Self-pay	113,005,983	109,276,319
	<u>\$ 656,914,032</u>	<u>\$ 633,546,906</u>

Note 3: Concentration of Credit Risk

Accounts Receivable

The Health System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2012 and 2011, are shown below.

	2012	2011
Medicare	37%	35%
Medicaid	9%	6%
Other third-party payers	50%	54%
Patients	4%	5%
	<u>100%</u>	<u>100%</u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 4: Investments

Assets limited as to use include

	2012	2011
Internally designated for capital acquisitions		
Cash and cash equivalents	\$ 10,912,349	\$ 3,554,991
Money market mutual funds	-	493,735
U S equity mutual funds	19,291,555	774,982
U S Treasury obligations	11,770,120	1,416,115
U S Agency obligations	19,394,432	103,092
Corporate bonds	6,526,903	-
Equity securities		
Financials	4,548,776	3,513,389
Health care	4,082,963	-
Technology	5,122,211	2,972,727
Industrial and material	7,198,301	5,806,118
Consumer discretionary	4,173,330	5,107,831
Consumer staples	3,925,933	-
Energy and utilities	5,405,318	4,958,530
Other sectors	1,385,963	3,391,882
Interest receivable	219,992	-
	<u>\$ 103,958,146</u>	<u>\$ 32,093,392</u>

	2012	2011
Internally designated and held by trustee,		
supplemental retirement plan		
Cash and cash equivalents	\$ 144,177	\$ 7,914
Money market mutual funds	1,287	10,561
U S Treasury obligations	-	102,679
U S Agency obligations	-	400,974
Fixed income mutual funds	1,121,990	1,095,898
Interest receivable	6,676	4,674
	<u>\$ 1,274,130</u>	<u>\$ 1,622,700</u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

	2012	2011
Internally designated and held by trustee, self insurance		
Money market mutual funds	\$ 1,000,493	\$ 1,143,101
U S Treasury obligations	5,653,550	4,662,025
U S Agency obligations	2,219,782	2,231,031
Equity securities		
Financials	520,761	581,611
Health care	467,433	-
Technology	586,410	492,109
Industrial and materials	824,088	961,152
Consumer discretionary	477,778	845,556
Consumer staples	449,455	-
Energy and utilities	618,821	820,841
Other sectors	158,670	561,496
Corporate bonds	5,449,725	5,045,428
Interest receivable	114,966	111,502
	<u>\$ 18,541,932</u>	<u>\$ 17,455,852</u>
	2012	2011
Internally designated and held by trustee, deferred compensation plan		
Mutual funds		
Balanced	\$ 6,746,086	\$ 6,282,190
U S equity	3,851,270	1,745,233
International equity	1,355,959	1,926,057
Fixed income	2,196,605	3,754,773
	<u>\$ 14,149,920</u>	<u>\$ 13,708,253</u>
	2012	2011
Held by trustee, under bond indenture agreement		
Money market mutual funds	\$ 28,310,884	\$ 21,104,176
Repurchase agreement	9,061,249	9,059,866
	<u>\$ 37,372,133</u>	<u>\$ 30,164,042</u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

	2012	2011
Restricted by donor		
Cash and cash equivalents	\$ -	\$ 3,921,520
Money market mutual funds	-	281,984
U S Treasury obligations	-	9,543,749
U S Agency obligations	-	568,416
Corporate bonds	-	3,642,422
Interest receivable	-	121,306
	<u>\$ -</u>	<u>\$ 18,079,397</u>

Other Investments

Other investments include

	2012	2011
Money market mutual funds	\$ -	\$ 3,401,712
U S Treasury obligations	11,749,592	30,221,221
U S Agency obligations	13,186,604	12,720,102
Corporate bonds	13,259,057	10,703,309
Alternative investments	12,085,931	4,930,125
Equity securities		
Financials	452,518	335,323
Health care	406,178	-
Technology	509,564	283,722
Industrial and materials	716,096	554,145
Consumer discretionary	415,168	487,500
Consumer staples	390,557	-
Energy and utilities	537,728	473,250
Other sectors	137,877	323,726
International equity mutual funds	1,087,181	727,940
Interest receivable	253,245	485,334
	<u>55,187,296</u>	<u>65,647,409</u>
Less current portion	<u>4,028,901</u>	<u>8,019,446</u>
	<u>\$ 51,158,395</u>	<u>\$ 57,627,963</u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

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Alternative Investments

The fair value of the alternative investments has been estimated using the net asset value per share reported by the investment managers. Alternative investments held at June 30, 2012 and 2011, consist of the following:

2012				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The Endowment Exempt QP Fund II, L.P.	\$ 4,668,612	\$ -	Quarterly	40 Days
Mesrow Absolute Return Fund	5,250,787	-	Quarterly	95 Days
Permal Macro Holdings Institutional Limited	2,166,532	-	Monthly	5th day of month

2011				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The Endowment Exempt QP Fund II, L.P.	\$ 4,930,125	\$ -	Quarterly	40 Days

These are investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolios include investments in U.S. common stocks, global real estate projects and arbitrage investments. As of June 30, 2012, the System has requested that its investment in The Endowment Fund Exempt QP Fund II, L.P. be liquidated. The System will receive 95 percent of its investment initially, with the remaining 5 percent paid after the fund completes its next annual audit.

Investments in Affiliates

Investments in affiliates include a 50% interest in Champion and HealthSouth and a 51% interest in TREL, which are investments accounted for under the equity method of accounting. The balance of the investments in affiliates was \$6,354,441 and \$4,622,383 at June 30, 2012 and 2011, respectively.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

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Unaudited financial position and results of operations of the investees are summarized below

	2012	2011
Assets		
Current assets	\$ 10,969,939	\$ 9,861,823
Long-term assets	7,869,114	6,775,446
Total assets	<u>18,839,053</u>	<u>16,637,269</u>
Liabilities		
Current liabilities	6,161,563	7,010,531
Long-term liabilities	3,893,033	690,449
Total liabilities	<u>10,054,596</u>	<u>7,700,980</u>
Net Assets	<u>8,784,457</u>	<u>8,936,288</u>
Total liabilities and net assets	<u><u>\$ 18,839,053</u></u>	<u><u>\$ 16,637,268</u></u>
Total revenue	<u><u>\$ 38,654,864</u></u>	<u><u>\$ 37,423,301</u></u>
Excess (deficiency) of revenues over expenses	<u><u>\$ (4,976,675)</u></u>	<u><u>\$ 3,929,183</u></u>

Investment Return

Total investment return is comprised of the following

	2012	2011
Interest and dividend income	\$ 1,938,505	\$ 4,108,086
Net realized gains	2,372,258	1,902,253
Net unrealized gains (losses)	(1,517,069)	4,615,835
	<u><u>\$ 2,793,694</u></u>	<u><u>\$ 10,626,174</u></u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows

	2012	2011
Unrestricted net assets		
Operating income	\$ (532,488)	\$ 1,742,852
Other nonoperating income	3,344,823	8,757,964

Note 5: Risk Management

The Health System is self-insured for the first \$3,000,000 of each medical malpractice claim. The Health System purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the Health System's incident reporting system are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued malpractice losses have been estimated by professional insurance consultants.

In 2012, the Health System adopted the provisions of ASU 2010-24, *Health Care Entities* (Topic 954), *Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU eliminates the practice of netting claim liabilities with expected insurance recoveries for balance sheet presentation. Claim liabilities are to be determined without regard for recoveries and presented gross. Expected recoveries are presented separately. The Health System currently does not estimate any losses will exceed self-insured limits. There was no material impact to the Health System's results of operations or cash flows for the year ended June 30, 2012, as a result of the adoption of this guidance.

The Health System is also self-insured for employee health care and workers' compensation claims. A reserve has been established for unpaid claims and claims incurred, but not received, is reflected in estimated self-insurance costs in the consolidated balance sheets.

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

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

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Activity in the Health System's accrued self-insured liabilities during 2012 and 2011 is summarized as follows

	2012		
	Professional Liability	Employee Health	Workers' Compensation
Balance, beginning of year	\$ 10,429,100	\$ 3,150,043	\$ 1,124,175
Current year claims incurred and changes in estimates for claims incurred in prior years	5,816,433	25,162,350	1,784,417
Claims and expenses paid	<u>(6,485,242)</u>	<u>(24,059,978)</u>	<u>(1,361,929)</u>
Balance, end of year	<u><u>\$ 9,760,291</u></u>	<u><u>\$ 4,252,415</u></u>	<u><u>\$ 1,546,663</u></u>

	2011		
	Professional Liability	Employee Health	Workers' Compensation
Balance, beginning of year	\$ 10,006,942	\$ 3,622,503	\$ 660,987
Current year claims incurred and changes in estimates for claims incurred in prior years	1,875,268	19,083,693	1,664,744
Claims and expenses paid	<u>(1,453,110)</u>	<u>(19,556,153)</u>	<u>(1,201,556)</u>
Balance, end of year	<u><u>\$ 10,429,100</u></u>	<u><u>\$ 3,150,043</u></u>	<u><u>\$ 1,124,175</u></u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

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Note 6: Long-term Debt

	2012	2011
Revenue bonds, Series 2011 (A)	\$ 51,735,000	\$ -
Revenue bonds, Series 2007A (B)	64,870,000	65,050,000
Revenue bonds, Series 2007B (C)	23,000,000	23,000,000
Revenue bonds, Series 2003 (D)	9,410,000	13,765,000
Revenue bonds, Series 1997B (E)	40,000,000	40,000,000
Revenue bonds, Series 1992 (F)	23,650,000	25,095,000
Note payable, bank (G)	9,038,474	9,360,898
Note payable, bank (H)	1,185,792	2,385,792
Note payable, bank (I)	446,022	1,646,021
Note payable, bank (J)	-	5,021,642
Other notes payable	771,861	887,832
	<u>224,107,149</u>	<u>186,212,185</u>
Net bond premium	418,244	877,483
	<u>224,525,393</u>	<u>187,089,668</u>
Less current maturities	<u>8,424,495</u>	<u>9,095,758</u>
	<u><u>\$ 216,100,898</u></u>	<u><u>\$ 177,993,910</u></u>

- (A) Series 2011 Tyler Health Facilities Development Corporation Hospital Revenue Bonds (the 2011 Bonds) in the original amount of \$51,735,000 with a discount of \$427,709 dated October 12, 2011, interest ranging from 5.00% to 5.50%. The 2011 Bonds are payable in annual installments through July 1, 2027. All of the 2011 Bonds still outstanding may be redeemed at the Hospital's option on or after July 1, 2021, at face value. Proceeds of the 2011 Bonds are being used primarily to fund the construction of the Owen Heart Hospital, as well as funding certain other projects and to refinance existing bank debt.

The Tyler Health Facilities Development Corporation (the Corporation) issued the 2011 Bonds on behalf of the Hospital. The 2011 Bonds are secured by a pledge of the Hospital's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture. The 2011 Bonds have not been guaranteed by the Corporation.

- (B) Series 2007A Tyler Health Facilities Development Corporation Hospital Revenue Refunding Bonds (the 2007A Bonds) in the original amount of \$65,550,000 with a premium of \$1,239,990 dated May 16, 2007, interest ranging from 4.25% to 5.25%. The 2007A Bonds are payable in annual installments through July 1, 2033. All of the 2007A Bonds still outstanding may be redeemed at the Hospital's option on or after July 1, 2017, at face value.

Trinity Mother Frances Health System and Subsidiaries

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The Corporation issued the 2007A Bonds on behalf of the Hospital. The 2007A Bonds are secured by a pledge of the Hospital's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture, and a mortgage lien on the land and buildings constituting the main campus of the Hospital. The 2007A Bonds have not been guaranteed by the Corporation. The 2007A Bonds were issued to advance refund \$20,000,000 of outstanding 2003 Bonds and all of the outstanding 2001 Bonds, which totaled \$40,000,000 at the time of the advance refunding.

- (C) Series 2007B Tyler Health Facilities Development Corporation Hospital Revenue Refunding Bonds (the 2007B Bonds) in the original amount of \$23,000,000 with a premium of \$53,130 dated May 16, 2007, bearing interest at 5.00%. The 2007B Bonds are payable in annual installments from 2034 – 2037. All of the 2007B Bonds still outstanding may be redeemed at the Hospital's option on or after July 1, 2017, at face value.

The Corporation issued the 2007B Bonds on behalf of the Hospital. The 2007B Bonds are secured by a pledge of the Hospital's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture, and a mortgage lien on the land and buildings constituting the main campus of the Hospital. The 2007B Bonds have not been guaranteed by the Corporation.

- (D) Series 2003 Tyler Health Facilities Development Corporation Hospital Revenue Bonds (the 2003 Bonds) in the original amount of \$59,550,000 with a premium of \$1,203,954 dated May 8, 2003, interest ranging from 2.00% – 5.75%. The 2003 Bonds are payable in annual installments through July 1, 2033. All of the 2003 Bonds still outstanding may be redeemed at the Hospital's option on or after July 1, 2013, at face value.

The Corporation issued the 2003 Bonds on behalf of the Hospital. The 2003 Bonds are secured by a pledge of the Hospital's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture, and a mortgage lien on the land and buildings constituting the main campus of the Hospital. The 2003 Bonds have not been guaranteed by the Corporation. As mentioned previously, \$20,000,000 of the outstanding 2003 Bonds were advanced refunded through the issuance of the 2007A Bonds.

- (E) Series 1997B Tyler Health Facilities Development Corporation Hospital Revenue Bonds (the 1997B Bonds) in the original amount of \$40,000,000 dated December 29, 1997, which bear interest at a variable rate (currently 0.3%), not to exceed 12%. The Hospital may select a fixed interest rate mode for all or any portion of the bonds. The 1997B Bonds are due July 1, 2020, with mandatory annual principal redemptions required between fiscal years 2014 and 2020. All of the 1997B Bonds still outstanding may be redeemed at the Hospital's option prior to their stated maturity at face value.

The Corporation issued the 1997B Bonds on behalf of the Hospital. The 1997B Bonds are secured by a pledge of the Hospital's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture, and a letter of credit established with a bank. The 1997B Bonds have not been guaranteed by the Corporation.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

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These bonds include a put option that allows a bond holder to tender the bonds for payment each week. If tendered bonds are not remarketed, the Hospital must repay the bond holder. The Hospital entered a stand-by letter of credit (LOC) agreement to fund any obligations for bonds that are tendered and not remarketed. The LOC's expiration date is January 14, 2014.

Amounts drawn under this LOC are due in equal installments over a three year period, which begins the 367th day immediately succeeding the date of the advance. No amounts were drawn on the LOC during 2012 and 2011. As discussed in *Note 17*, the 1997B bonds were refunded subsequent to June 30, 2012.

- (F) Series 1992 Tyler Health Facilities Development Corporation Hospital Revenue Bonds (the 1992 Bonds) in the original amount of \$45,000,000 dated April 15, 1992, bearing interest at 5.00%. The 1992 Bonds are due in varying amounts including mandatory sinking fund payments through July 1, 2022.

In 2003, \$4,140,000 of the 1992 Bonds outstanding was redeemed and the remaining \$33,620,000 of the 1992 Bonds outstanding was tendered as part of a total return swap transaction (see *Note 7*).

The Corporation issued the 1992 Bonds on behalf of the Hospital. The 1992 Bonds are secured by a pledge of the Hospital's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture. The 1992 Bonds have not been guaranteed by the Corporation. As discussed in *Note 17*, the 1997B bonds were refunded subsequent to June 30, 2012.

- (G) Note payable to bank for the System, originally due in equal monthly installments of \$67,864, including interest at 5.2%, from May 1, 2009 through March 1, 2014, with a lump-sum payment of \$8,467,286, representing the entire balance of principal and unpaid interest, due on April 1, 2014. The note was modified on March 2, 2011. The new terms require payment of equal monthly installments of \$67,855 including interest at 5.25% from April 1, 2011 through April 1, 2029. Any outstanding principal balance and accrued interest is due in full on April 1, 2029. The note is secured by certain property and equipment.
- (H) Note payable to bank for the Clinic, due in equal monthly installments of \$100,000 plus interest at varying rates of LIBOR plus 0.85%, (currently 1.04%). Any outstanding principal balance and accrued interest is due in full at maturity on October 1, 2013. The note is secured by certain equipment.
- (I) Note payable to bank for the Clinic, due in equal monthly installments of \$100,000 plus interest at varying rates of LIBOR plus 0.85%, (currently 1.04%). Any outstanding principal balance and accrued interest is due in full at maturity on August 1, 2013. The note is secured by certain equipment.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

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- (J) Tax-exempt note payable to bank for the System, due in equal monthly installments of \$43,471, including interest at 4.99%, from October 30, 2009 through September 30, 2014, with a lump-sum payment of \$4,110,804, representing the entire balance of principal and unpaid interest, due on September 30, 2014. This note was paid in full during the year ended June 30, 2012.

The indenture and loan agreements require that certain funds be established with a trustee. Accordingly, these funds are included as assets limited as to use and held by trustee in the consolidated balance sheets. The agreements and the LOC also require the Hospital to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.25, minimum days cash on hand, restrictions on transfers of assets out of the obligated group and restrictions on the incurrence of additional debt and disposition of assets.

Should the Health System be required to utilize the LOC to fund non-remarketed 1997B Bonds, the potential maturities and sinking fund requirements would be different than scheduled maturities.

The following table compares the potentially accelerated maturities and scheduled maturities of the Health System's long-term debt:

	Accelerated Maturities	Scheduled Maturities
2013	\$ 8,424,495	\$ 8,424,495
2014	20,486,417	7,153,084
2015	20,697,833	7,364,500
2016	21,027,318	7,693,984
2017	8,140,341	8,140,341
Thereafter	145,330,745	185,330,745
	<u>\$ 224,107,149</u>	<u>\$ 224,107,149</u>

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 7: Derivative Financial Instruments

In 2008, as a strategy to take advantage of the lower variable interest rates available in the market and to more closely correlate its fixed and variable rate debt to its fixed and variable rate investments, the Hospital entered into a total return swap agreement for its fixed rate debt related to the 1992 Bonds issue (the Total Return Swap). The Total Return Swap agreement included two components, the first of which provides for the Hospital to receive interest from the counterparty of between 6.0% and 6.1% on an amortizing notional amount of \$26,450,000 and to pay interest to the counterparty at a floating rate tied to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). The terms of the agreement have undergone several revisions. The most recent revision on April 15, 2011, changed the amount paid by the Hospital to SIFMA, plus between 65 and 200 basis points depending on the Hospital's bond rating on an amortizing notional amount of \$25,095,000. As of June 30, 2012, the amount paid by the Hospital is SIFMA plus 200 basis points. The maturity date is April 15, 2014.

The agreement contains an early termination option. Under the agreement, the Hospital pays or receives the net interest amount monthly, with the monthly settlements included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

The Total Return Swap also includes a total return component. The terms of this component were not changed as a result of the various amendments. As the 1992 Bonds are paid, and upon the termination of the agreement for any 1992 Bonds still outstanding, the Hospital will pay the difference in the fair value of the bonds and 100% of par, if fair value is less than par. If fair value exceeds the par amount of the applicable bonds, the counterparty will pay the Hospital 85% of the difference.

The Hospital has elected not to apply hedge accounting treatment to the Total Return Swap. Therefore, the change in the fair value is recognized as a gain (loss) in the accompanying consolidated statements of operations and changes in net assets, as a component of excess of revenues over expenses. The Total Return Swap requires collateral posting if it has a negative value. No collateral was required to be posted as of June 30, 2012 and 2011. At June 30, 2012 and 2011, the amount of collateral posted in previous periods that was recoverable by the Hospital was \$0 and \$1,249,297, respectively.

As a strategy to lower the overall interest expense incurred on its existing long-term debt, the Hospital entered into a nonamortizing basis swap during 2007 (the Basis Swap). The Basis Swap agreement provides for the Hospital to receive interest from the counterparty of 67% of LIBOR, plus 0.274% on a notional amount of \$75,000,000 and to pay interest to the counterparty at a floating rate tied to SIFMA. Under the Basis Swap agreement, the Hospital pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The Basis Swap agreement was amended on April 12, 2012, reducing the notional amount from \$75,000,000 to \$37,500,000. In conjunction with this reduction in the notional amount, the Hospital paid a termination fee of \$1,137,000.

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The Basis Swap does not qualify for hedge accounting treatment. Therefore, the change in the fair value of the swap is recognized as a gain or loss in the accompanying consolidated statements of operations and changes in net assets, as a component of excess of revenues over expenses.

The agreement terminates on June 7, 2027, but can be terminated by the Hospital on any business day provided that the Hospital has given prior written notice of at least five days to the counterparty.

The Basis Swap requires the Hospital to post collateral to the extent the swap liability exceeds \$5,000,000.

The following table presents certain information regarding the Hospital's interest rate swap agreements:

	2012	2011
Fair value of Total Return Swap included as a component of other long-term assets on the consolidated balance sheets	\$ 155,017	\$ 158,821
Fair value of Basis Swap included as a component of other long-term liabilities on the consolidated balance sheets	\$ (1,101,336)	\$ (3,174,162)
Net gain recognized in excess of revenues over expenses as a component of other nonoperating income (expense)	\$ 1,031,422	\$ 1,796,186

Note 8: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Interest in the net assets of the Foundation	\$ 9,963,630	\$ 7,894,152
Construction of heart hospital	-	18,079,397
	\$ 9,963,630	\$ 25,973,549

During the year ended June 30, 2011, the Health System received a donation of approximately \$18,000,000 restricted for construction of a heart hospital on the Hospital's main campus. Construction on the heart hospital commenced in spring 2011 and the project is expected to be completed as of December 2012.

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During the years ended June 30, 2012 and 2011, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$18,060,756 and \$274,271, respectively.

Permanently restricted net assets are comprised of the Health System's interest in the permanently restricted net assets of the Foundation and amounted to \$2,101,746 at June 30, 2012 and 2011.

Note 9: Charity Care

The costs of charity care provided under the Health System's charity care policy is presented in the following table. The cost of charity care was estimated by applying the ratio of cost to gross charges to the gross uncompensated care charges.

In support of its mission, the Health System voluntarily provides care without charge or at amounts less than its established charges to patients meeting certain criteria under its charity care policy. Because the Health System does not pursue collection of amounts determined to be charity care, such amounts are not reported as net patient service revenue.

In addition, the Health System provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and many times the payments are less than the cost of rendering the services provided.

Uncompensated costs relating to these services are as follows:

	2012	2011
Charity allowances	\$ 24,095,377	\$ 22,847,145
State Medicaid program	30,062,772	35,117,189
	<u>\$ 54,158,149</u>	<u>\$ 57,964,334</u>

In addition to these uncompensated costs, the Health System also commits significant time and resources to endeavors and critical services, which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include:

- Health screening and assessments
- Community education activities
- Pediatric center to provide immunizations and support a child abuse intervention program
- Women's center to provide prenatal and postnatal care, along with bilingual parenting education
- Various support groups

Trinity Mother Frances Health System and Subsidiaries

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Note 10: Functional Expenses

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

	<u>2012</u>	<u>2011</u>
Health care services	\$ 439,190,644	\$ 418,685,089
General and administrative	<u>176,474,394</u>	<u>167,520,695</u>
	<u><u>\$ 615,665,038</u></u>	<u><u>\$ 597,066,432</u></u>

Note 11: Pension and Other Post-Retirement Benefit Obligations

Defined Contribution Pension Plans

The System has two defined contribution pension plans that cover substantially all full-time employees. One plan is organized under section 403(b) of the Internal Revenue Code (IRC), which receives employee pretax and elective employer contributions for the Hospital, RMSA, and the Clinic employees.

The other defined contribution plan is organized under Section 401(a) of the IRC. All employees are eligible and are automatically enrolled in the plan. Employees become fully vested after three years of service. Employer contributions vary by years of service. The System contributes 1.25% for employees with less than five years of service, 1.75% for five to ten years of service and 2.25% for over ten years of service. Service Based Employer Contributions (SBEC) varies by years of service. The System also makes a matching contribution to this plan, equal to 50% of an employee's elective deferral into the 403(b) plan, up to a maximum of 2% of the employees' eligible compensation.

Pension expense related to these plans was \$8,249,858 and \$7,554,892 for 2012 and 2011, respectively.

Defined Benefit Pension Plans

The System also has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements (the Employee Plan). The System's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the System may determine to be appropriate from time to time. This plan was frozen as of December 31, 2009.

The System expects to contribute approximately \$1,000,000 to the Employee Plan in 2013.

Trinity Mother Frances Health System and Subsidiaries

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The System also has a supplemental executive retirement plan (SERP) covering certain members of management. The System's funding policy is to contribute the amount of pension benefit payments at the time the benefit is paid. The System expects to contribute approximately \$420,000 to the SERP in 2013, with funds already designated for that purpose.

Distributions were made to certain SERP beneficiaries that resulted in a settlement charge of \$81,886 and \$441,758 for that plan in 2012 and 2011, respectively.

The System uses a June 30 measurement date for the plans. Information about the plans' funded status is as follows:

	Employee Plan		SERP	
	2012	2011	2012	2011
Change in benefit obligation				
Beginning of year	\$ 141,648,437	\$ 139,264,306	\$ 1,952,052	\$ 9,056,075
Service cost	256,953	241,319	280,052	327,085
Interest cost	7,922,417	7,607,009	32,791	107,881
Amendments	-	-	187,863	-
Actuarial (gain) loss	43,276,226	(3,102,560)	85,093	(29,284)
Benefits paid	(2,986,212)	(2,361,637)	(931,836)	(6,728,786)
Curtailments	-	-	-	(780,919)
End of year	<u>\$ 190,117,821</u>	<u>\$ 141,648,437</u>	<u>\$ 1,606,015</u>	<u>\$ 1,952,052</u>
Change in fair value of plan assets				
Beginning of year	\$ 110,128,603	\$ 90,562,295	\$ -	\$ -
Actuarial return on plan assets	(1,160,212)	18,511,592	-	-
Employer contributions	1,000,008	3,416,353	931,836	6,728,786
Benefits paid	(2,986,212)	(2,361,637)	(931,836)	(6,728,786)
End of year	<u>106,982,187</u>	<u>110,128,603</u>	<u>-</u>	<u>-</u>
Funded status, end of year	<u>\$ (83,135,634)</u>	<u>\$ (31,519,834)</u>	<u>\$ (1,606,015)</u>	<u>\$ (1,952,052)</u>

A significant portion of the actuarial loss in 2012 was due to the reduction of the discount rate used to measure the June 30, 2012, pension obligation as compared to the rate used at June 30, 2011.

Liabilities recognized in the System's consolidated balance sheets:

	Employee Plan		SERP	
	2012	2011	2012	2011
Current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,380</u>	<u>\$ 892,603</u>
Noncurrent liabilities	<u>\$ 83,135,634</u>	<u>\$ 31,519,834</u>	<u>\$ 1,183,635</u>	<u>\$ 1,059,449</u>

Trinity Mother Frances Health System and Subsidiaries

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Amounts recognized in the System's unrestricted net assets not yet recognized as components of net periodic benefit cost consist of

	Employee Plan		SERP	
	2012	2011	2012	2011
Net loss	\$ 79,486,383	\$ 29,583,355	\$ 165,120	\$ 174,934
Prior service cost	-	-	625,451	911,077
	<u>\$ 79,486,383</u>	<u>\$ 29,583,355</u>	<u>\$ 790,571</u>	<u>\$ 1,086,011</u>

The following is information for pension plans with an accumulated benefit obligation in excess of plan assets

	Employee Plan		SERP	
	2012	2011	2012	2011
Projected benefit obligation	<u>\$ 190,117,821</u>	<u>\$ 141,648,437</u>	<u>\$ 1,606,015</u>	<u>\$ 1,952,052</u>
Accumulated benefit obligation	<u>\$ 190,117,821</u>	<u>\$ 141,648,437</u>	<u>\$ 1,606,015</u>	<u>\$ 1,952,052</u>
Fair value of plan assets	<u>\$ 106,982,187</u>	<u>\$ 110,128,603</u>	<u>\$ -</u>	<u>\$ -</u>
Components of net periodic benefit cost				
Service cost	\$ 256,953	\$ 241,319	\$ 280,052	\$ 327,085
Interest cost	7,922,417	7,607,009	32,791	107,881
Expected return on plan assets	(7,124,494)	(6,621,355)	-	-
Amortization of prior service	-	-	473,489	1,508,097
Amortization of net loss	1,657,904	3,522,956	13,021	37,393
Settlement and curtailment recognition	-	-	81,886	441,758
Net periodic benefit cost	<u>\$ 2,712,780</u>	<u>\$ 4,749,929</u>	<u>\$ 881,239</u>	<u>\$ 2,422,214</u>

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Other changes in plan assets and benefit obligations recognized in other comprehensive income were as follows

	Employee Plan		SERP	
	2012	2011	2012	2011
Net loss	\$ 51,560,932	\$ (14,992,797)	\$ 85,093	\$ (29,284)
Amortization of net loss	(1,657,904)	(3,522,956)	(13,021)	(37,393)
Prior service cost	-	-	187,863	-
Amortization of prior service cost	-	-	(473,489)	(1,508,097)
Amount recognized due to settlement	-	-	(81,886)	(419,074)
Amount recognized due to curtailment	-	-	-	(803,603)
Total recognized in other changes in net assets	<u>\$ -49,903,028</u>	<u>\$ (18,515,753)</u>	<u>\$ (295,440)</u>	<u>\$ (2,797,451)</u>
Total recognized in net periodic benefit cost and other changes in net assets	<u>\$ 52,615,808</u>	<u>\$ (13,765,824)</u>	<u>\$ 585,799</u>	<u>\$ (375,237)</u>

There are no plan assets expected to be returned to the Health System in the year ended June 30, 2013

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year for both plans is \$7,463,899 and \$2,170,000 at June 30, 2012 and 2011, respectively. In addition, SERP-related settlement expense of \$50,000 is expected to be recognized in 2013.

Significant assumptions include

	Employee Plan		SERP	
	2012	2011	2012	2011
Weighted-average assumptions used to determine benefit obligations				
Discount rate	4.05%	5.64%	1.01 – 2.37%	1.78%
Rate of compensation increase	N/A	N/A	5.00%	5.00%
Weighted-average assumptions used to determine benefit costs				
Discount rate	5.64%	5.45%	1.01 – 2.37%	1.10 – 2.36%
Expected return on plan assets	7.00%	7.25 – 7.75%	N/A	N/A
Rate of compensation increase	N/A	N/A	5.00%	5.00%

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The System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the System at June 30, 2012, are

	Employee Plan	SERP
2013	\$ 4,102,409	\$ 422,380
2014	4,694,559	454,824
2015	5,244,945	1,370,311
2016	5,818,444	201,362
2017	6,529,114	201,362
2018 – 2022	41,760,049	1,006,810

Plan assets of the Employee Plan are held in the Texas Hospital Association Retirement Trust for member hospitals, which invests plan assets for the plans of approximately 40 participating hospitals. The investment objectives for the trust are to provide returns, which improve the funded status of the participating hospital's plans over time and reduce pension costs and to receive favorable performance from the pension fund's active managers in exchange for the fees paid to the investment management fund

Based on the risk posture of the Texas Hospital Association Retirement Trust, the trustees developed asset mix targets, which reflect the holdings of the System. The asset mix target at June 30, 2012 and 2011, was

	2012	2011
Equity securities	36%	40%
Debt securities	48%	60%
Cash equivalents	2%	0%
Alternative investments	14%	0%

Pension Plan Assets

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

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include interest in a pooled investment trust fund. Level 2 inputs include the net asset value reported by fund managers.

In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. The Health System did not hold any Level 1 or Level 3 securities in pension plans at June 30, 2012 and 2011. The fair values of the pension plan assets at June 30, 2012 and 2011, were as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
June 30, 2012				
Investment in Texas Hospital Association Retirement Trust	\$ 106,982,187	\$ -	\$ 106,982,187	\$ -
June 30, 2011				
Investment in Texas Hospital Association Retirement Trust	\$ 110,128,603	\$ -	\$ 110,128,603	\$ -

A nonqualified plan trust has been created for the purpose of funding SERP-obligations. However, certain rights are retained by general creditors of the System with respect to assets held in trust and, therefore, the trust assets would not be treated as sufficiently separated from the employer to constitute plan assets under Accounting Standards Codification (ASC) Topic 715, *Compensation – Retirement Benefits*. The assets held in this trust are reported on the accompanying consolidated balance sheets as a component of assets limited as to use (see Note 4).

Other Post-retirement Obligations

The Health System has entered into agreements with certain current and former employees to pay for health insurance and long-term care insurance in retirement. The estimated cost of these obligations was approximately \$1,100,000 at June 30, 2012 and 2011, respectively, and has been recorded in other liabilities in the accompanying consolidated balance sheets.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Deferred Compensation Plans

The Health System offers a nonqualified deferred compensation plan organized under section 457(b) of the IRC for certain physicians and executives of the Clinic and RMSA. Benefits generally vest immediately. The assets of the plan are recorded in assets limited as to use, internally designated and held by trustee, deferred compensation plan in the accompanying consolidated balance sheets and are approximately \$7,222,000 and \$6,181,000 at June 30, 2012 and 2011, respectively. There is an offsetting liability recorded in accrued expenses in the accompanying consolidated balance sheets.

Investment income related to the plans and corresponding changes in the offsetting liability are recorded as a component of employee benefits in the accompanying consolidated statements of operations and changes in net assets.

The Health System offers a nonqualified deferred compensation plan organized under section 457(f) of the IRC for certain physicians and executives of the Clinic. Benefits generally vest 24 months after termination of employment subject to certain limitations. The assets of the plan are recorded in assets limited as to use, internally designated and held by trustee, deferred compensation plan in the accompanying consolidated balance sheets and are approximately \$7,038,000 and \$7,526,000 at June 30, 2012 and 2011, respectively. There is an offsetting liability recorded in other long-term liabilities in the consolidated balance sheets. Investment income related to the plans and corresponding changes in the offsetting liability are recorded as a component of employee benefits in the accompanying consolidated statements of operations and changes in net assets.

Note 12: Deferred Payments

The Clinic acquired the assets of various physician practices between 1996 and 2004. The purchase of assets included intangible assets representing the value of physician's covenants not to compete executed in connection with the physician's employment agreements. The value of the noncompete agreements depends on the length of time the physician complies with the restrictions on competition.

The amounts allocated to each physician will only be paid if the physician remains an employee of the Clinic for five years from the date of the agreement and complies in full with the restrictions on competition. After termination, payments are made in equal annual installments over four to seven years based on the specific provisions of each agreement.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Interest accrues on the unpaid balance of the amount due to physicians from the date of the agreement at 8% annually. The interest accrued is due and payable annually each December 31, except at the election of the physician employees to defer receipt. The related liability is included in other liabilities on the consolidated balance sheets and totaled \$1,707,840 and \$1,879,847 at June 30, 2012 and 2011, respectively.

Note 13: Related Party Transactions

The Health System leases space and provides various services to CCHT. The annual rent from CCHT is \$987,360. The Health System also has a management agreement with CCHT to provide management services with an original term of 14 years, expiring in 2018. The annual management fee is \$300,000, paid monthly. Amounts due the Health System pursuant to these agreements were \$1,299,471 and \$1,156,900 at June 30, 2012 and 2011, respectively.

Amounts due from affiliates, classified as current receivables, at June 30, 2012 and 2011, are shown below:

	2012	2011
The Foundation	\$ 387,063	\$ 367,175
CCHT	1,299,471	1,156,900
Champion	610,056	842,211
Other	364,819	1,065,029
	<u>\$ 2,661,409</u>	<u>\$ 3,431,315</u>

The Health System holds a noncontrolling membership interest in the Pinewoods Service Organization and the Service Organization of North and East Texas (collectively, the Service Organizations). The primary purpose of the Service Organizations is to improve the health care of residents in east Texas through multiple means. A member of management of the Health System serves on the Board of Directors of the Service Organizations. During 2012 and 2011, the Health System contributed approximately \$6,982,000 and \$8,415,000, respectively, to the Service Organizations.

The System has provided an unlimited guarantee of the debt of Champion. Champion has entered into a note payable with a bank with a principal balance of \$2,676,493 and \$636,181 at June 30, 2012 and 2011, respectively. The Health System, along with the other member of Champion, has jointly and severally guaranteed this debt on behalf of Champion.

There were two members of the Board of Directors that received consulting fees totaling \$110,000 during the years ended June 30, 2012 and 2011.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 14: Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *5*.

Admitting Physicians

Over 61% of the Hospital's revenue is generated from patients referred by the Clinic and its physicians.

Litigation

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

Deferred Compensation Agreement

As discussed in *Note 11*, the amount of annual expense accrued for deferred compensation is based on an estimate of the total amounts payable under the contracts over the lifetimes of the beneficiaries.

Self-insured Employee Health Care and Workers' Compensation

Estimates related to the accrual for self-insured employee health care claims and workers' compensation claims are discussed in *Note 5*.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Defined Benefit Pension Plan

Estimates related to the Health System's obligation for its defined benefit pension plan are described in *Note 11*

Investments

The Health System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Health Care Reform

During 2010, Congress passed legislation that will significantly reform the United States of America health care system. The legislation will require certain changes through 2014 to private and public health care insurance plans. While the impact of these regulatory changes cannot currently be determined, it is reasonably possible that these changes will have a significant impact on the Health System's net patient service revenues and operations.

Current Economic Conditions

The current economic environment presents health systems with unprecedented circumstances and challenges, which, in some cases, have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Health System.

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

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values (including defined benefit pension plan investments) and allowances for accounts and contributions receivable that could negatively impact the Health System's ability to meet debt covenants or maintain sufficient liquidity.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 15: Fair Value of Assets and Liabilities

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

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

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include investments in money market mutual funds, equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include investments in U.S. Treasury and Agency obligations, corporate bonds and alternative investments. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Health System did not hold any Level 3 securities at June 30, 2012 and 2011.

Quoted market prices are used to determine the fair value of Level 1 items. For Level 2 investments, inputs include maturity and coupon rates and/or closing prices of similar securities from comparable industry financial data and the net asset value reported by investment managers.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following table presents the fair value measurements of assets and liabilities recognized in the consolidated balance sheets measured at fair value on a recurring basis and the level within the Topic 820 fair value hierarchy in which the fair value measurements fall at June 30, 2012 and 2011

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2012				
Money market mutual funds	\$ 29,312.664	\$ 29,312.664	\$ -	\$ -
U S Treasury obligations	29,173.262	-	29,173.262	-
U S Agency obligations	34,800.818	-	34,800.818	-
Corporate bonds	25,235.685	-	25,235.685	-
Equity Securities				
Financials	5,522.055	5,522.055	-	-
Health care	4,956.574	4,956.574	-	-
Technology	6,218.185	6,218.185	-	-
Industrial and materials	8,738.485	8,738.485	-	-
Consumer discretionary	5,066.276	5,066.276	-	-
Consumer staples	4,765.945	4,765.945	-	-
Energy and utilities	6,561.867	6,561.867	-	-
Other sectors	1,682.510	1,682.510	-	-
Mutual funds	35,650.646	35,650.646	-	-
Alternative investments	12,085.931	-	12,085.931	-
Interest rate swap agreements	(946.319)	-	(946.319)	-
June 30, 2011				
Money market mutual funds	\$ 26,435.269	\$ 26,435.269	\$ -	\$ -
U S Treasury obligations	45,945.789	-	45,945.789	-
U S Agency obligations	16,023.615	-	16,023.615	-
Corporate bonds	19,391.159	-	19,391.159	-
Equity securities				
Financials	4,430.323	4,430.323	-	-
Technology	3,748.558	3,748.558	-	-
Industrial and materials	7,321.415	7,321.415	-	-
Consumer discretionary	6,440.887	6,440.887	-	-
Energy and utilities	6,252.621	6,252.621	-	-
Other sectors	4,277.104	4,277.104	-	-
Mutual funds	16,307.073	16,307.073	-	-
Alternative investment	4,930.125	-	4,930.125	-
Interest rate swap agreements	(3,015.341)	-	(3,015.341)	-

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Topic 820 permits entities to choose to measure many financial instruments and certain other items at fair value. The Health System elected the fair value option for its alternative investments. The fair values of these investments have been estimated using the net asset value per share of the investments. The alternative investments may be sold at the Hospital's option at the end of any quarter during the calendar year.

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

Long-lived Assets

The fair value is estimated using a discounted cash flow model based on internal projections and is classified within Level 2 of hierarchy. There were no long-lived assets measured at fair value at June 30, 2011.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2012				
Long-lived assets	\$ 2,250,000	\$ -	\$ 2,250,000	\$ -

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value:

Cash and Cash Equivalents

The carrying amount approximates fair value.

Interest in Net Assets of the Foundation

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Long-term Debt

Fair value is estimated, based on the borrowing rates currently available to the Health System for debt with similar terms and maturities. The following table presents estimated fair values of the Health System's financial instruments, not previously disclosed, at June 30, 2012 and 2011.

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 46,470,196	\$ 46,470,196	\$ 74,948,382	\$ 74,948,382
Investments and assets limited as to use	230,483,557	230,483,557	178,771,045	178,771,045
Interest rate swap agreement	155,017	155,017	158,821	158,821
Interest in net assets of the Foundation	12,065,376	12,065,376	9,995,898	9,995,898
Financial Liabilities				
Long-term debt	224,525,393	277,356,014	187,089,668	208,051,948
Interest rate swap agreement	1,101,336	1,101,336	3,174,162	3,174,162

Note 16: Commitments

During the year ended June 30, 2011, the Health System contracted with a vendor to implement a new information technology system which incorporated electronic health records. The commitment to implement the project is approximately \$54,000,000 through 2015. Amounts expended on this project through June 30, 2012, were \$21,867,818.

The Health System has commenced construction on a heart hospital on the main campus. The total cost of the project is estimated to be approximately \$50,000,000, and construction is expected to be completed in fall 2012. The estimated remaining costs to complete this facility at June 30, 2012, are \$32,224,518.

Trinity Mother Frances Health System and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 17: Subsequent Events

Subsequent to June 30, 2012, management determined that the fair market value of certain property located in Corsicana, Texas was less than its carrying value. As such, an impairment loss was recognized in the 2012 financial statements.

Also subsequent to June 30, 2012, the Health System refinanced its 1992 and 1997B hospital revenue bonds. The unpaid principal balance of the 1992 and 1997B bonds at June 30, 2012 was \$63,650,000. Funds used to repay these bonds included a Health System contribution of approximately \$885,000, trustee funds totaling approximately \$4,939,000 and the principal balance of two new bank loans totaling approximately \$57,429,000.

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Independent Auditors' Report on Supplementary Information

Board of Governors
Trinity Mother Frances Health
System and Subsidiaries
Tyler, Texas

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying supplementary consolidating information listed in the table contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

November 14, 2012

Trinity Mother Frances Health System and Subsidiaries

Balance Sheet – Consolidating Information

June 30, 2012

	The System	Consolidated Hospital Group (Obligated Group)	Trinity Clinic	Jacksonville	Winnsboro	TRHA	Trincare, Inc	HOT	Eliminations	Consolidated
Assets										
Current Assets										
Cash and cash equivalents	\$ 862	\$ 41,586,095	\$ 5,980,108	\$ 58,555	\$ 544,785	\$ 1,045	\$ (11,512)	\$ 550,280	\$ -	\$ 46,470,196
Short-term investments	-	4,028,901	-	-	-	-	-	-	-	4,028,901
Assets limited as-to-use: current	-	5,985,197	1,257,964	-	-	-	-	-	-	5,221,161
Patient accounts receivable, net of allowance of \$89,612,000	-	55,456,796	10,967,905	4,588,047	1,755,665	-	775,698	-	-	71,520,109
Collateral receivable	-	-	-	-	-	-	-	-	-	-
Due from affiliates	206,717	2,454,692	-	-	-	-	-	-	-	2,661,409
Inventories	-	5,471,277	500,494	170,955	501,204	-	157,052	-	-	6,580,980
Prepaid expenses and other	2,796,151	2,740,872	412,805	197,508	556,796	-	54,542	(161,440)	-	6,576,854
Total current assets	5,005,750	115,701,850	16,899,274	4,994,641	5,156,450	1,045	955,780	168,840	-	142,859,590
Assets Limited As To Use										
Internally designated for capital acquisitions	-	102,504,958	1,455,208	-	-	-	-	-	-	105,958,146
Internally designated and held by trustee: supplemental retirement plan	-	1,274,150	-	-	-	-	-	-	-	1,274,150
Internally designated and held by trustee: self-insurance	-	9,955,772	8,588,160	-	-	-	-	-	-	18,541,952
Internally designated and held by trustee: deferred compensation plan	-	500,150	15,550,790	-	-	-	-	-	-	14,149,920
Held by trustee under bond indenture agreement	-	57,572,155	-	-	-	-	-	-	-	57,572,155
Restricted by donor	-	-	-	-	-	-	-	-	-	-
Less: amount required to meet current obligations	-	151,704,105	25,502,158	-	-	-	-	-	-	175,296,261
	-	5,985,197	1,257,964	-	-	-	-	-	-	5,221,161
Total assets limited as-to-use	-	147,720,906	22,554,194	-	-	-	-	-	-	170,075,100
Property and Equipment At Cost										
Land and land improvements	-	56,460,989	-	-	650,895	-	-	-	-	57,091,884
Buildings and leasehold improvements	-	505,942,488	5,451,665	-	5,950,517	-	-	-	-	515,544,670
Equipment	-	240,821,950	6,751,578	9,660,106	4,551,069	-	456,590	184,571	-	262,205,244
Construction in progress	-	55,299,018	9,170	-	-	-	-	-	-	55,309,088
Less: accumulated depreciation	-	654,525,525	12,212,215	9,660,106	8,952,481	-	456,590	184,571	-	665,950,886
	-	550,525,828	7,998,749	8,219,654	2,275,057	-	116,286	184,571	-	549,517,905
Total property and equipment, net	-	505,999,497	4,215,464	1,440,472	6,659,444	-	520,104	-	-	516,652,981
Intercompany Receivables	7,807,550	125,206,222	91,994,588	28,115,475	-	-	55,644	944	(251,156,221)	-
Other Assets										
Interest in net assets of Trinity Mother Frances Health System Foundation Center for Health Care Philanthropy (the Foundation)	12,065,576	-	-	-	-	-	-	-	-	12,065,576
Other investments	-	51,158,595	-	-	-	-	-	-	-	51,158,595
Investment in affiliates	1,299,109	5,105,946	-	-	-	-	-	-	(48,614)	6,554,441
Interest rate swap agreement	-	155,017	-	-	-	-	-	-	-	155,017
Deterred financing costs and other	44,859	2,440,915	427,625	-	-	-	-	-	-	2,915,599
Total other assets	15,409,544	58,858,275	427,625	-	-	-	-	-	(48,614)	72,646,628
Total assets	<u>\$ 24,220,424</u>	<u>\$ 747,486,728</u>	<u>\$ 155,889,145</u>	<u>\$ 54,548,586</u>	<u>\$ 9,795,894</u>	<u>\$ 1,045</u>	<u>\$ 1,507,528</u>	<u>\$ 169,784</u>	<u>\$ (251,204,855)</u>	<u>\$ 702,214,299</u>

Trinity Mother Frances Health System and Subsidiaries

Balance Sheet – Consolidating Information (Continued)

June 30, 2012

	The System	Consolidated Hospital Group (Obligated Group)	Trinity Clinic	Jacksonville	Winnsboro	TRHA	Tricare, Inc	HOT	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)										
Current Liabilities										
Current maturities of long-term debt	\$ 41,564	\$ 6,457,110	\$ 1,646,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,424,495
Accounts payable	157,569	58,951,209	442,454	2,157,460	58,815	5,651	159	105,551	-	42,156,826
Accrued expenses	-	25,098,291	16,848,874	-	155,989	-	22,210	-	-	41,005,564
Estimated amounts due to third-party payers	-	528,170	-	846,957	1,976,852	-	-	-	-	6,551,050
Estimated self-insurance costs	-	7,555,889	1,257,964	88,798	59,720	-	-	-	-	8,922,571
Pension liability	-	422,580	-	-	-	-	-	-	-	422,580
Total current liabilities	478,933	80,895,049	20,175,515	5,075,215	2,511,554	5,651	22,569	105,551	-	107,265,595
Intercompany Payables	107,560,828	12,958,650	107,545,482	17,204,457	5,520,659	89,800	657,800	18,585	(251,156,221)	-
Estimated Self Insurance Costs	-	575,222	2,650,675	188,696	84,405	-	-	-	-	6,656,998
Long term Debt	8,697,110	207,417,996	(14,208)	-	-	-	-	-	-	216,100,898
Interest Rate Swap Agreement	-	1,101,556	-	-	-	-	-	-	-	1,101,556
Other Liabilities	1,100,000	-	8,745,555	-	-	-	-	-	-	9,845,555
Pension Liability	-	655,504,448	18,788,821	-	-	-	-	-	-	84,519,269
Total liabilities	117,656,871	571,654,681	157,671,418	20,466,548	8,116,418	95,451	689,169	122,116	(251,156,221)	425,267,251
Net Assets (Deficit)										
Unrestricted	(105,481,825)	575,852,047	(21,782,275)	14,082,258	1,679,476	(94,586)	627,559	47,668	(48,614)	264,881,692
Temporarily restricted	996,550	-	-	-	-	-	-	-	-	996,550
Permanently restricted	2,101,746	-	-	-	-	-	-	-	-	2,101,746
Total net assets (deficit)	(95,416,447)	575,852,047	(21,782,275)	14,082,258	1,679,476	(94,586)	627,559	47,668	(48,614)	276,947,068
Total liabilities and net assets (deficit)	\$ 24,220,424	\$ 747,486,728	\$ 155,889,145	\$ 54,548,586	\$ 9,795,894	\$ 1,045	\$ 1,507,528	\$ 169,784	\$ (251,204,835)	\$ 702,214,299

Trinity Mother Frances Health System and Subsidiaries

Statement of Operations – Consolidating Information Year Ended June 30, 2012

	The System	Consolidated Hospital Group (Obligated Group)	Trinity Clinic	Jacksonville	Winnboro	TRHA	Tricare, Inc	HOT	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support										
Net patient service revenue	\$ -	\$ 488,555,562	\$ 110,209,878	\$ 55,086,481	\$ 19,790,281	\$ -	\$ 5,291,850	\$ -	\$ -	\$ 656,914,052
Less: provision for uncollectible accounts	-	55,075,696	6,574,527	6,750,566	2,245,570	-	256,215	-	-	50,677,972
Net patient service revenue less provision for uncollectible accounts	-	432,479,866	103,635,351	48,335,915	17,544,711	-	5,035,635	-	-	606,256,060
Other operating revenue	54,874,181	56,120,214	17,841,769	2,715,575	1,141,488	-	561,558	4,200	(75,242,691)	57,815,872
Equity in earnings of affiliate	(4,785,254)	4,049,075	-	-	-	-	-	-	-	(756,161)
Interest income	-	1,915,741	-	-	-	-	-	-	-	1,915,741
Total unrestricted revenues, gains and other support	50,088,947	495,546,894	121,677,520	51,051,488	18,688,599	-	5,416,955	4,200	(75,242,691)	645,251,512
Expenses										
Salaries and wages	25,645,952	141,557,757	20,405,895	8,045,980	6,191,465	-	886,755	-	(1,701,485)	199,028,275
Physician compensation	198,551	50,625,595	106,560,155	6,651,479	5,151,917	-	-	-	(15,516,489)	151,648,988
Employee benefits	5,526,515	34,958,540	4,785,848	2,014,514	1,492,275	-	250,147	-	-	49,005,657
Purchased services and professional fees	9,266,104	86,405,946	2,555,194	5,646,705	5,526,576	-	1,487,555	5,014	(55,477,905)	55,195,189
Supplies and other	10,211,484	119,518,117	9,500,617	5,674,729	2,582,441	2,915	207,244	(1,111)	(2,247,884)	145,248,552
Depreciation and amortization	1,656,945	25,886,575	759,555	458,077	906,705	-	55,540	-	-	27,660,995
Impairment loss	-	55,287	1,057,494	-	-	-	-	-	-	1,582,781
Interest	490,425	5,842,556	660,774	-	-	-	-	-	(498,952)	6,494,625
Equity in income of consolidated subsidiary	(2,091)	-	-	-	-	-	-	-	2,091	-
Total expenses	50,975,645	445,157,755	146,021,528	28,469,484	19,451,575	2,915	2,865,057	5905	(75,240,600)	615,665,055
Operating Income (Loss)	(884,698)	50,409,141	(24,344,208)	2,582,004	(742,974)	(2,915)	551,918	297	(2,091)	29,586,474
Other Income (Expense)										
Investment return	50	5,540,201	4,592	-	-	-	-	-	-	5,544,825
Change in fair value of interest rate swap agreements	-	1,051,422	-	-	-	-	-	-	-	1,051,422
Contributions	(207,015)	(5,927,220)	-	(1,010,457)	(157,879)	-	-	-	-	(7,282,551)
Total other income (expense)	(206,985)	(1,555,597)	4,592	(1,010,457)	(157,879)	-	-	-	-	(2,906,506)
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (1,091,685)</u>	<u>\$ 50,853,544</u>	<u>\$ (24,339,616)</u>	<u>\$ 1,571,567</u>	<u>\$ (880,855)</u>	<u>\$ (2,915)</u>	<u>\$ 551,918</u>	<u>\$ 297</u>	<u>\$ (2,091)</u>	<u>\$ 26,660,168</u>

Trinity Mother Frances Health System and Subsidiaries

Statement of Changes in Net Assets – Consolidating Information Year Ended June 30, 2012

	The System	Hospital Group (Obligated Group)	Trinity Clinic	Jacksonville	Winnnsboro	TRHA	Trincare, Inc	HOT	Eliminations	Consolidated
Unrestricted Net Assets										
Excess (deficiency) of revenues over expenses	\$ (1,091,685)	\$ 50,855,544	\$ (24,559,616)	\$ 1,571,567	\$ (880,855)	\$ (2,915)	\$ 551,918	\$ 297	\$ (2,091)	\$ 26,660,168
Net assets released from restrictions	-	18,060,756	-	-	-	-	-	-	-	18,060,756
Contributions for purchase of property and equipment	-	910,561	-	-	-	-	-	-	-	910,561
Change in pension liability	-	(49,607,588)	-	-	-	-	-	-	-	(49,607,588)
Transfer (to) from affiliate	(18,201,579)	-	18,201,579	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	(19,295,062)	20,217,275	(6,158,257)	1,571,567	(880,855)	(2,915)	551,918	297	(2,091)	(5,976,105)
Temporarily Restricted Net Assets										
Contributions received	-	-	-	-	-	-	-	-	-	-
The Foundation	2,069,478	-	-	-	-	-	-	-	-	2,069,478
Investment return	-	(18,641)	-	-	-	-	-	-	-	(18,641)
Net assets released from restrictions	-	(18,060,756)	-	-	-	-	-	-	-	(18,060,756)
Increase in temporarily restricted net assets	2,069,478	(18,079,507)	-	-	-	-	-	-	-	(16,009,919)
Permanently Restricted Net Assets										
The Foundation	-	-	-	-	-	-	-	-	-	-
Increase in permanently restricted net assets	-	-	-	-	-	-	-	-	-	-
Change in Net Assets	(17,225,584)	2,157,876	(6,158,257)	1,571,567	(880,855)	(2,915)	551,918	297	(2,091)	(19,986,022)
Net Assets (Deficit) Beginning of Year	(76,192,865)	575,714,171	(15,644,056)	12,510,671	2,560,529	(91,471)	75,441	47,571	(46,525)	296,955,090
Net Assets (Deficit) End of Year	<u>\$ (93,416,447)</u>	<u>\$ 575,852,047</u>	<u>\$ (21,782,275)</u>	<u>\$ 14,082,258</u>	<u>\$ 1,679,476</u>	<u>\$ (94,386)</u>	<u>\$ 627,559</u>	<u>\$ 47,668</u>	<u>\$ (48,614)</u>	<u>\$ 276,947,068</u>
	-	-	-	-	-	-	-	-	-	-