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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 09-01-2011 and ending 08-31-2012

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

C Name of organization
Baptist Healthcare System Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2701 Eastpoint Parkway

City or town, state or country, and ZIP + 4
Louisville, KY 40223

D Employer identification number
61-0444707

E Telephone number
(502) 896-5000

G Gross receipts $ 7,874,877,611

F Name and address of principal officer
Tommy J Smith
2701 EASTPOINT PARKWAY
Louisville, KY 40223

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

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

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

J Website: ▶ www bhsi com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1918

M State of legal domicile KY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provide quality healthcare services by enhancing the health of the people/communities we serve

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	17
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	11,111
6	Total number of volunteers (estimate if necessary)	**6**	1,157
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,224,188
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	200,455

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	1,079,118	2,553,850
	9 Program service revenue (Part VIII, line 2g)	1,252,332,725	1,258,044,780
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	44,405,120	10,250,514
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	19,803,870	19,547,173
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,317,620,833	1,290,396,317
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,343,288	1,737,842
	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)	577,757,045	597,648,595
	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)	641,766,996	600,782,063
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,220,867,329	1,200,168,500
	19 Revenue less expenses Subtract line 18 from line 12	96,753,504	90,227,817

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	1,973,372,046	2,235,043,484
	21 Total liabilities (Part X, line 26)	726,972,964	848,848,005
	22 Net assets or fund balances Subtract line 21 from line 20	1,246,399,082	1,386,195,479

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 — 2013-05-01 Date

▶ CARL HERDE TREASURER/CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ ERNST & YOUNG US LLP 1100 HUNTINGTON CTR 41 S HIGH ST COLUMBUS, OH 43215			EIN ▶ Phone no ▶ (614) 224-5678

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

The mission of Baptist Healthcare System (BHS) is to exemplify our Christian heritage of providing quality healthcare services by enhancing the health of the people and the communities we serve The vision of BHS is to be nationally recognized as the healthcare leader in Kentucky BHS will live out its Christ-centered mission and achieve its vision guided by Integrity, Respect, Stewardship, Excellence and Collaboration

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 1,062,898,314 including grants of $ 1,737,842) (Revenue $ 1,266,819,602)

Since its inception in 1924, Baptist Healthcare System, Inc ("Baptist") is dedicated to providing accessible, quality healthcare to all patients regardless of their ability to pay The hospitals owned and operated by Baptist under tax identification number 61-0444707 include Hospital Location Baptist Hospital East Louisville, Kentucky Baptist Regional Medical Center Corbin, Kentucky Central Baptist Hospital Lexington, Kentucky Western Baptist Hospital Paducah, Kentucky VISION The vision of Baptist is to be the healthcare leader in Kentucky Having earned a reputation of providing high quality patient care and utilizing the latest in medical technology, patients seek out Baptist facilities for their care According to state statistics in 2011, Baptist is one of the largest healthcare providers in the state Kentucky 2011 Hospital Statistics Licensed Beds 1,548 Beds - Second largest number of beds of any health system in Kentucky Employees 9,760 Employees at end of fiscal year - One of the top employers in Kentucky Inpatient Care 70,462 Admissions/331,316 Days - Largest number of admissions in Kentucky at a system-owned or managed hospital - One out of every eight inpatients receiving care in Kentucky received care at a system-owned or managed hospital Obstetric (Deliveries) 9,035 Babies - Largest number of babies delivered in Kentucky at a system-owned or managed hospital - One in five babies in Kentucky was delivered at Baptist hospitals at a system-owned or managed hospital Cardiology (Open heart surgeries) 786 Cases - Second largest number of open-heart surgeries performed by any system-owned or managed hospital in Kentucky - One in seven open-heart surgeries in Kentucky was performed at a system-owned or managed hospital Emergency Visits 162,637 Registrations - The second largest number of emergency visits in Kentucky at a system-owned or managed hospital - One in thirteen ER patients was treated at a system-owned or managed hospital Outpatient Visits 732,670 Hospital Visits - One in eleven outpatients in Kentucky receiving care in an acute-care setting was seen at a system-owned or managed hospital MISSION As indicated by its mission statement, Baptist strives to continue its "Christian heritage of service and to enhance the health of the people and the communities we serve " Baptist is organized and operated exclusively for the benefit of each community and each hospital is considered a valuable community asset The Baptist Boards of Directors are comprised of local representatives who, along with the hospitals' management and employees, understand that they are responsible to the communities for providing high quality health care services Over the years, Baptist has gained a reputation for providing compassionate, high quality, cost efficient, patient friendly care RESPONSIVE TO COMMUNITY NEED Operating healthcare facilities in today's environment requires a delicate balance between producing a sufficient margin to allow for adequate staffing and investment in new technologies, while also providing enough resources to absorb the cost of care for those patients who do not have the ability to pay for the services In 2012, because of its ability to produce a modest operating margin, Baptist was able to re-invest over $120 million into the communities in new technology, construction, renovation and systems improvement Because of the need to generate a modest margin while caring for all patients, Baptist strives to fulfill its community responsibility of collecting appropriate reimbursement from all patients who have the necessary resources while providing a generous, yet accountable charity care policy to assist those patients who do not have the means to pay for the services rendered (See "Charity Care Policy" on the next page for further discussion) From a broad perspective, Baptist hospitals consistently provide a high level of quality care to every patient and enhance the health of the people it serves through health promotions, health screenings, medical research, and training of health professionals Other community benefits include - Maintaining necessary, but unprofitable services that meet community needs - Helping to recruit physicians to underserved areas - Helping patients coordinate services with other healthcare providers - Providing resources for support groups - Promoting and providing preventive care services - Monitoring clinical outcomes in order to ensure quality care - Committing resources to improving safety and processes of care - Providing services conveniently accessible by patients In addition, Baptist employees volunteer thousands of hours in community services and leadership Baptist's support for community activities underscores its commitment to improving the lives of those served Because Baptist and its employees contribute so much of their time, talents and resources to serve others, communities served by Baptist are better places to live and work Quantification of many of the community benefits is detailed further in "Part III - Statement of Program Service Accomplishments" However, what the Statement of Program Service Accomplishments doesn't measure is the economic benefit derived by each community from Baptist being one of the largest employers in the state The economic impact of the wages paid to Baptist employees is significant considering the dollars they spend on food, housing, services, and other products CHARITY CARE POLICY To further the mission of enhancing the health of the people and communities it serves, Baptist provides medically necessary inpatient and outpatient care to patients regardless of race, religion, sex, national origin, disability, age or their ability to pay Recognizing that not all patients have the ability to pay, Baptist has a charity care policy to accurately evaluate a patient's ability to pay for services received Baptist relies solely on the physician order to determine whether treatment is medically necessary and whether the patient is treated on an inpatient or outpatient basis Neither the patient's financial condition nor their ability to pay for services has any bearing upon whether, or how, the patient is treated in a Baptist facility Patients are transferred only when Baptist does not provide the specialized service that is required, or by specific request of the patient Baptist has notices posted throughout the hospital that clearly communicate Baptist's charity care policy Baptist employees are instructed in the application of the charity care policy and are trained to recognize situations that indicate the financial resources of a patient may be inadequate These employees freely and willingly volunteer information regarding the charity care policy to any patient who may express a concern regarding the ability to pay for services The policy provides that 1 Patients/guarantors with resources of less than 200% of the Poverty Guideline for their family size will receive full charity 2 Patients/guarantors with resources of 200% but less than 400% of the Poverty Guideline for their family size will qualify for partial charity The ratio of resources up to 400% of the Poverty Guideline determines the percentage of the bill that will be the responsibility of the applicant However, the liability is capped at 10% of the resources 3 Patients/guarantors with resources of 400% of the Poverty Guideline for their family size but no more than 1200% of the Poverty Guideline for their family of one will qualify for partial charity if the liability exceeds 20% of their resources In these situations, the patient/guarantor will be responsible for an amount not to exceed 20% of their resources 4 If eligible for a charity discount, a patient will receive the discount regardless of whether they pay the balance on the bill If necessary, payment arrangements may be made on the balance of the patient's bill in accordance with hospital procedures After reasonable efforts have been made, if charity care eligibility cannot be determined, good stewardship requires that the hospital initially begin the collection process However, immediately upon determining that the guarantor is eligible for charity care, collection efforts on the balance eligible for charity will cease and the appropriate balance will be designated as charity TAX-EXEMPT STATUS REQUIREMENTS The Internal Revenue Service Revenue Ruling 69-545 provides that a hospital can demonstrate it has met the community benefit standard by having a full-time emergency room open to the public regardless of ability to pay for services received Baptist operates Emergency Departments that are open 24 hours a day, 365 days a year and treated 162,637 emergency patients during fiscal year 2012 Baptist facilities and emergency departments post policies stating that patients will be treated regardless of their ability to pay Depending on the severity of a patient's condition, as a service to the pat

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

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

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 1,062,898,314

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
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, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **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? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**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? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	**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? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
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? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		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? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		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? *If "Yes," complete Schedule R, Part VI*	**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 . . . . . .

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	714		
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, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	11,111			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
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 ▶ _____ 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	20		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	17		
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	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ KY

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

☐ Own website ☐ Another's website ☑ Upon request

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

CARL G HERDE
2701 EASTPOINT PARKWAY
Louisville, KY 40223
(502) 896-5011

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			
See Additional Data Table										

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								7,755,686	0	895,468

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 344

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
Executive Health Resources PO Box 822688 PHILADELPHIA, PA 19182	Clinical compliance	2,127,923
PET CT Management LLC 7807 Shelbyville Rd Ste 201 LOUISVILLE, KY 40222	Mgmt & Eqpt Svcs	1,132,025
Kentucky Anesthesia Group 425 LEWIS HARGETTE CIRCLE LEXINGTON, KY 40503	Anesthesia services	1,429,403
Anesthesiology of Paducah 2507 Broadway PADUCAH, KY 42001	Anesthesia services	2,310,613
Central Ky Anesthesia 1800 Nicholasville Rd Ste 104 LEXINGTON, KY 40504	Anesthesia services	2,726,462

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 ▶ 82

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	791,250			
	e	Government grants (contributions)	1e	69,725			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,692,875			
	g	Noncash contributions included in lines 1a-1f $ 600,000					
	h	**Total.** Add lines 1a-1f		2,553,850			
Program Service Revenue			Business Code				
	2a	INS & PATIENT PMTS	621300	651,104,140	650,318,211	785,929	
	b	MEDICARE/MEDICAID PMTS	621300	584,604,586	584,604,586		
	c	INTERCO INT/MOB RENT	900099	10,781,015	10,781,015		
	d	OTHER PROGRAM SVC REV	900099	7,372,364	7,372,364		
	e	MGMT FEES-EXEMPT REV	561000	4,182,675	4,182,675		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		1,258,044,780			
	3	Investment income (including dividends, interest and other similar amounts)		13,985,693			13,985,693
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	6,579,965,283	780,832			
	b	Less cost or other basis and sales expenses	6,583,881,842	599,452			
	c	Gain or (loss)	-3,916,559	181,380			
	d	Net gain or (loss)			-3,735,179			-3,735,179
Other Revenue	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	CAFE & COFFEE SHOPS	722100	6,291,102			6,291,102
	b	PURCHASING PTRSHP REV	900099	4,075,357	4,021,573	53,784	
	c	DAY CARE CENTERS	624410	2,263,676		187,192	2,076,484
	d	All other revenue		6,917,038	5,539,178	197,283	1,180,577
	e	**Total.** Add lines 11a–11d		19,547,173			
	12	**Total revenue.** See Instructions		1,290,396,317	1,266,819,602	1,224,188	19,798,677

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	1,737,842	1,737,842		
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	6,717,743		6,717,743	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	100,815	100,815		
7	Other salaries and wages	460,821,769	413,014,852	47,806,917	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	21,469,240	18,965,154	2,504,086	
9	Other employee benefits	76,730,148	66,621,887	10,108,261	
10	Payroll taxes	31,808,880	28,098,820	3,710,060	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	1,829,574	13,208	1,816,366	
c	Accounting	167,559		167,559	
d	Lobbying	173,977		173,977	
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	25,139,559	14,568,525	10,571,034	
12	Advertising and promotion	6,814,152	121,095	6,693,057	
13	Office expenses	52,113,692	45,031,802	7,081,890	
14	Information technology	10,282,081		10,282,081	
15	Royalties . .	0			
16	Occupancy	21,148,407	20,279,169	869,238	
17	Travel	2,995,108	1,828,006	1,167,102	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	397,161	166,645	230,516	
20	Interest	12,703,452	12,703,452		
21	Payments to affiliates	2,437,483	1,989,944	447,539	
22	Depreciation, depletion, and amortization	83,873,293	65,411,403	18,461,890	
23	Insurance	9,999,504	9,999,504		
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	301,460,626	300,781,583	679,043	
b	PURCHASED SVC-NON MEDICAL	33,748,542	31,345,287	2,403,255	
c	PROVIDER TAX	20,208,849	20,208,849		
d	INCOME TAX	152,404		152,404	
e					
f	All other expenses	15,136,640	9,910,472	5,226,168	
25	**Total functional expenses.** Add lines 1 through 24f	1,200,168,500	1,062,898,314	137,270,186	0
26	**Joint costs.** Check here ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		38,117	1	37,943
	2	Savings and temporary cash investments		197,045,900	2	152,179,118
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		151,528,361	4	166,776,381
	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		22,713,527	8	24,619,744
	9	Prepaid expenses and deferred charges		13,990,715	9	13,968,232
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 1,698,420,684			
	b	Less accumulated depreciation	10b 1,004,587,594	659,085,369	10c	693,833,090
	11	Investments—publicly traded securities		646,175,299	11	703,565,221
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		133,572,539	13	201,101,568
	14	Intangible assets		13,275,904	14	13,371,904
	15	Other assets See Part IV, line 11		135,946,315	15	265,590,283
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		1,973,372,046	16	2,235,043,484
Liabilities	17	Accounts payable and accrued expenses		132,345,796	17	131,458,337
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		483,385,434	20	609,969,366
	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		111,241,734	25	107,420,302
	26	**Total liabilities.** Add lines 17 through 25		726,972,964	26	848,848,005
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		1,243,827,293	27	1,383,316,027
	28	Temporarily restricted net assets		2,571,789	28	2,879,452
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		1,246,399,082	33	1,386,195,479
	34	Total liabilities and net assets/fund balances		1,973,372,046	34	2,235,043,484

Part XI Reconcilliation 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	1,290,396,317
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,200,168,500
3	Revenue less expenses Subtract line 2 from line 1	3	90,227,817
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	1,246,399,082
5	Other changes in net assets or fund balances (explain in Schedule O)	5	49,568,580
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	1,386,195,479

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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 ☐ Separate basis ☑ Consolidated basis ☐ 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?	3a		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 . .	3b		

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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
Baptist Healthcare System Inc

Employer identification number
61-0444707

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?

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

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

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

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part 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

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Baptist Healthcare System Inc	61-0444707

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		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		87,451
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		86,526
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			173,977
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
Grants to other organizations for lobbying purposes	Part II-B Line 1f	Lobbying portion of Ky Hospital Assoc & American Hospital Assoc dues
Direct Contact	Part II-B line 1g	Fees paid for lobbyist and related expenses

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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 ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or 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	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	646,175,298	596,233,194	556,012,808	638,807,978	
b Contributions	10,698,499	3,759,866	14,427,582	788,978	
c Investment earnings or losses	58,290,845	69,420,829	40,798,181	-42,097,691	
d Grants or scholarships					
e Other expenditures for facilities and programs	9,462,014	18,794,907	13,347,504	40,094,347	
f Administrative expenses	2,137,407	1,871,845	1,657,873	1,392,110	
g End of year balance	703,565,221	648,747,137	596,233,194	556,012,808	

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ 99 000 %
- b Permanent endowment ▶
- c Term endowment ▶ 1 000 %

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

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		86,831,731		86,831,731
b Buildings		757,949,709	421,088,210	336,861,499
c Leasehold improvements				
d Equipment		784,790,709	583,499,384	201,291,325
e Other		68,848,535		68,848,535
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				693,833,090

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) INVESTMENT IN BCHS	26,989,066	C
(2) INVESTMENT IN BMA	52,120,383	C
(3) INVESTMENT IN WBMV	19,368,817	C
(4) INVESTMENT IN BPL	64,928,566	C
(5) INVESTMENT IN AEIX	14,175,200	C
(6) INVESTMENT IN BPS	12,503,463	C
(7) OTHER	11,016,073	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	201,101,568	

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

(a) Description	(b) Book value
(1) OTHER CURRENT ASSETS	13,710,799
(2) DUE FROM AFFILIATES	64,812,504
(3) TRUSTEE FUNDS-MALPRACTICE	48,856,799
(4) TRUSTEE FUNDS-WORKERS COMP	13,121,479
(5) TRUSTEE FUNDS-BOND INDENTURE	92,750,089
(6) INVESTMENTS IN JOINT VENTURES	2,003,740
(7) UNAMORTIZED ISSUE COSTS	4,389,467
(8) OTHER ASSETS	14,802,956
(9) THIRD PARTY RECEIVABLE	11,142,450
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	265,590,283

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
MALPRACTICE LIABILITY	65,473,301
WORKERS COMP LIABILITY	13,092,133
ACCRUED POST RETIREMENT/MISC	28,854,868
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	107,420,302

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

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

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

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

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

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

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, 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
Endowment Funds	Schedule D, Part V, Line 4	The endowment funds are used to support & enhance patient care at the hospitals, finance capital improvements, and provide educational & financial assistance to hospital employees

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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
Baptist Healthcare System Inc

Employer identification number
61-0444707

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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring 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)		38,993	47,007,357	9,170,506	37,836,851	3 150 %
b Medicaid (from Worksheet 3, column a)		26,204	107,387,051	87,792,048	19,595,003	1 630 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs		65,197	154,394,408	96,962,554	57,431,854	4 780 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		74,424	2,888,917	197,179	2,691,738	0 220 %
f Health professions education (from Worksheet 5)			379,832		379,832	0 030 %
g Subsidized health services (from Worksheet 6)		18,359	55,164,075	40,467,430	14,696,645	1 220 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,016,468		1,016,468	0 080 %
j **Total** Other Benefits		92,783	59,449,292	40,664,609	18,784,683	1 550 %
k **Total.** Add lines 7d and 7j		157,980	213,843,700	137,627,163	76,216,537	6 330 %

Part II Community 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
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	14,042,820		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	3,906,361		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	379,214,389		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	429,847,751		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-50,633,362		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 4

Name and address

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Baptist Hospital East 4000 Kresge Way Louisville, KY 40207	X	X					X		
2	Central Baptist Hospital 1740 Nicholasville Rd Lexington, KY 40503	X	X					X		
3	Western Baptist Hospital 2501 Kentucky Ave Paducah, KY 42003	X	X					X		
4	Baptist Regional Medical Center 1 Trillium Way Corbin, KY 40701	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Baptist Hospital East

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	**1**	Yes	
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☑ A definition of the community served by the hospital facility			
b ☑ Demographics of the community			
c ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☑ How data was obtained			
e ☑ The health needs of the community			
f ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☑ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☑ The process for consulting with persons representing the community's interests			
i ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11			
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**	Yes	
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**		No
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**	Yes	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☑ Hospital facility's website			
b ☑ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☑ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☑ Prioritization of health needs in the community			
h ☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**	Yes	
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?	**9**	Yes	
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			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Central Baptist Hospital

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1	Yes	
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☑ A definition of the community served by the hospital facility			
b ☑ Demographics of the community			
c ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☑ How data was obtained			
e ☑ The health needs of the community			
f ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☑ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☑ The process for consulting with persons representing the community's interests			
i ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11			
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	Yes	
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		No
5 Did the hospital facility make its Needs Assessment widely available to the public?	5	Yes	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☑ Hospital facility's website			
b ☑ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☑ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☑ Prioritization of health needs in the community			
h ☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		No
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?	9	Yes	
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			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Western Baptist Hospital

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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	1	Yes	
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☑ A definition of the community served by the hospital facility			
b ☑ Demographics of the community			
c ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☑ How data was obtained			
e ☑ The health needs of the community			
f ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☑ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☑ The process for consulting with persons representing the community's interests			
i ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11			
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	Yes	
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		No
5 Did the hospital facility make its Needs Assessment widely available to the public?	5	Yes	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☑ Hospital facility's website			
b ☑ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☑ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☑ Prioritization of health needs in the community			
h ☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		No
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?	9	Yes	
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			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

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)

Baptist Regional Medical Center

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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	1	Yes	
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☑ A definition of the community served by the hospital facility			
b ☑ Demographics of the community			
c ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☑ How data was obtained			
e ☑ The health needs of the community			
f ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☑ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☑ The process for consulting with persons representing the community's interests			
i ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11			
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	Yes	
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		No
5 Did the hospital facility make its Needs Assessment widely available to the public?	5	Yes	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☑ Hospital facility's website			
b ☑ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☑ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☑ Prioritization of health needs in the community			
h ☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		No
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?	9	Yes	
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			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
Schedule H, Part I, Line 6a		Each hospital within Baptist Healthcare System (61-0444707) prepares a community benefits report In addition, a summary community benefits report is prepared on a consolidated basis for all entities within Baptist Healthcare System, Inc

Identifier	ReturnReference	Explanation
Schedule H, Part I, Line 7g		No physician clinic costs are included in the costs of subsidized health services

Identifier	ReturnReference	Explanation
Schedule H, Part I, Line 7		Baptist Healthcare System utilizes a sophisticated cost accounting system that identifies the cost of delivering care at the individual procedure and item (supply) level for direct costs and a detailed step-down methodology to allocate overhead costs as accurately as possible Costs are determined for each patient based upon the specific procedures performed and items used for each patient Patients are also categorized by 1 patient type (inpatient and outpatient), 2 payer plan (42 unique categories of payer plans Charity, State-sponsored charity and the Uninsured are among the uniquely identified payer plans), and 3 clinical service (53 unique clinical services) The cost of care for uninsured patients who qualify for "full" charity care (under a State-sponsored or BHS sponsored charity program) is determined by calculating the cost of each uninsured charity patient (at the procedure and item level) and accumulating the cost of each patient For insured patients who also qualify for partial charity under the Baptist Healthcare System sponsored charity program, costs are allocated to each portion (insurance, partial charity, patient payments and bad debt) using the patient's payer plan cost-to-charge ratio (CCR) For example, this CCR is multiplied by the charges covered by insurance to determine the cost of insurance, multiplied by charges covered by partial charity to determine the cost of partial charity, multiplied by patient payments to determine the cost of paid services and multiplied by unpaid charges to determine the cost of bad debt The cost of care for uninsured patients who do NOT qualify for charity care (full or partial bad debt accounts) are allocated to each portion (patient paid portion and unpaid portion) using the patient's uninsured payer plan CCR For example, this CCR is multiplied by patient payments to determine the cost of paid services and multiplied by unpaid charges to determine the cost of bad debt Much care is taken to ensure that costs used for community benefit reporting are directly related to exempt-purpose patient care (excluding physician-related costs) and that costs are reported accurately For example, the cost of charity and Medicaid are removed from the calculation of the loss on subsidized services

Identifier	ReturnReference	Explanation
Schedule H, Part III, Line 4		A separate footnote for bad debt expense is not included in the audited financial statements However, beginning in 2012 BHS reported the provision for uncollectible accounts related to patient service revenue as a deduction from patent service revenue Costing methodology of bad debt is outlined in Schedule H, Part VI, line 1 The estimated amount of bad debt expense attributable to patients eligible under the organization's FAP was determined using a historical percent to total of net amounts written off as bad debt for those patients with a low propensity to pay or low income to total net amounts written off as bad debt

Identifier	ReturnReference	Explanation
Schedule H, Part III, Line 8		Medicare revenues and allowable costs were taken from the "as filed" Medicare cost report Much care is taken to ensure that all adjustments to remove non-allowable costs are taken Due to the fact that Medicare rates are non-negotiable and are established by the government, all of the shortfall for Medicare should be included as a community benefit

Identifier	ReturnReference	Explanation
Schedule H, Part III, line 9b		Patients and guarantors who qualify for a "full" charity discount will not be billed once the charity determination is made Patients and guarantors who qualify for a "partial" cha rity discount will be billed only for the non-discounted portion of their account Guarant ors who have an ability to pay for services will be billed based on the following guidelin es - Patients or guarantors may be asked to pay an estimated patient liability at point o f service - BHS facilities will accept and file claims for all insurances assigned to the organization with adequate proof of coverage This assignment does not relieve the guaran tor of responsibility for payment if the insurer fails to pay as prescribed by regulation, statute or patient-insurance contract Deductibles, co-payments and non-covered services will be the responsibility of guarantors - Statements will be sent to guarantors once pat ient liability is determined for insured or uninsured patients and necessary billing follo w-up calls will be made by BHS Patient Financial Services and/or a designated external ear ly out vendor over a period of time averaging from 90 to 120 days All statements will con tain information regarding the availability of financial assistance If applicable, effort will be made to assist uninsured patients to secure coverage through any governmental or other assistance programs - Patients requesting detailed charge information will be provi ded with an itemized bill - BHS Patient Financial Services will provide all patients the same information concerning services and charges - Patient accounts not resolved at the e nd of this cycle will be considered for placement with external collection agencies Colle ction agencies will continue to pursue patient balances while maintaining compliance with the Fair Debt Collection Practices Act and the ACA International's Code of Ethics and Prof essional Responsibility Schedule H, Part V, Section B, Line 3 - Baptist Hospital East Con tacts were made with the Health Departments responsible for the counties in the service ar ea There are four health departments responsible for the counties BHE serves Louisville Metro Public Health & Wellness (Jefferson County), the Bullitt County Health Department, t he Oldham County Public Health Department, and the North Central District Health Departmen t, which serves both Shelby and Spencer Counties Through these contacts, the public meeti ngs that were held, and public surveys conducted in Jefferson and Oldham Counties, BHE sol icited primary feedback on the health issues confronting its service area Schedule H, Par t V, Section B, Line 3 - Central Baptist Hospital Community input was provided through 1) The Matrix Group was retained to conduct a perception study within our community This was completed in 2011 2) Fayette County Health Department 3)From the larger community stakeh olders group, an eight(8) member CHIP Advisory Council was formed Schedule H, Part V, Sec tion B, Line 3 - Western Baptist Hospital Primary data was collected from a survey and a f ocus group Primary data was collected through the survey of McCracken County residents, i ncluding the hospital employee base Our committee hosted a community leader focus group F eb 17, 2012, including 16 key informants representing broad interests of the community S chedule H, Part V, Section B, Line 3 - Baptist Regional Medical Center Primary data was ob tained by Baptist Regional Medical Center through surveys targeting the community consider ed in the assessment The survey data was obtained over a four month time period Surveys were also conducted through the Whitley County Health Department and Laurel County Health Department/St Joseph Hospital of London Meetings were conducted with representatives fro m the local hospitals and health departments from Knox, Laurel and Whitley Schedule H, Pa rt V, Section B, Line 7 - Central Baptist Hospital Central Baptist Hospital works collabor atively with other community resources to provide, support and serve as a referral source to address the additional identified health needs that fall below the significant prevalen ce level for our service area It is not within the scope of Central Baptist Hospitals ser vices, expertise or resources to be able to address all of the risk factors that have been identified as influencers of our communitys health status But it is through networking a nd partnerships with other community stakeholder organizations and agencies that these iss ues are being addressed Impact issues such as unemployment and uninsured populations are being dealt with by economic development groups, Commerce Lexington, Kentucky Chamber of C ommerce, Lexington Fayette Urban County Government, and County Health Departments Safe ne ighborhoods/safe community issues are being examined by Lexington Fayette County Police De partment, Department of Parks and Recreation, Safe Kids Coalition, and Kentucky Department of Transportation Schedule H, Part V, Section B,

Identifier	ReturnReference	Explanation
Schedule H, Part III, line 9b		Line 7 - Western Baptist Hospital The use of illicit drugs or the abuse of prescription o r over-the-counter medications for purposes other than those for which they are indicated or in a manner or in quantities other than directed is a growing problem in McCracken Coun ty This particular issue presents a need that cannot be met by Western Baptist Hospital, but is better met by services already in the community including those at Four Rivers Beha vioral Health Schedule H, Part V, Section B, Line 7 - Baptist Regional Medical Center Com munity needs were identified and prioritized for the primary counties that we serve includ ing Whitley, Knox and Laurel Baptist Regional Medical Center can address and impact sever al of these needs by implementing programs, education and preventative screenings Baptist Regional Medical Center will not be able to address all of the identified needs (i e tee n births) of our community and may have to partner with other sources that are positioned better to address the remaining needs of our community

Identifier	ReturnReference	Explanation
Schedule H, Part VI, line 2		Baptist Healthcare System (BHS) conducts a tri-annual planning process that is driven by the strategic vision to be the health care leader in Kentucky Key industry and community issues (such as prominent health conditions present within each community, underserved areas and underprovided clinical services) are considered and analyzed for their impact on BHS and the four hospitals Frequently, outside experts reaffirm the assessment and assist in the development of plans to address the community need A course of action, including key strategies and goals, are shared with and approved by the BHS Board and the Hospital's administrative Boards

Identifier	ReturnReference	Explanation
Schedule H, Part VI, line 3		Following is a list of various methods/processes used to inform/educate patients on the availability of financial assistance - financial counselors advise and/or screen uninsured patients before or during hospital services, - a third party vendor advises and/or screens uninsured patients during hospital services, - financial counselors provide follow-up contact for patients missed during services, - the State-sponsored DSH form is provided to all ER uninsured patients, - telephone calls and in-person visits are handled by staff trained to discuss financial assistance, - information regarding financial assistance is included in patient statements - The BHS sponsored charity care program policy is posted in key areas of each hospital - The BHS sponsored charity care program policy is posted on the website of each hospital and the System

Identifier	ReturnReference	Explanation
Schedule H, Part VI, line 4		Baptist Healthcare System is comprised of four regional hospitals Each one serves a unique and separate geographic area within Kentucky Baptist Hospital East (BHE) opened in 1975 and is located in St Matthews, approximately five miles east of downtown Louisville area BHE is strategically located near Interstate 64, a main access to downtown, and Interstate 264, a main beltway around Louisville The primary geographic service area for BHE consists of Jefferson, Oldham and Bullitt Kentucky counties BHE serves as a general acute care facility, specializing in services such as cardiovascular services, cancer care and comprehensive rehabilitation services that are much needed in the area In addition, BHE operates one of the busiest emergency rooms in the State of Kentucky Approximately 13 4% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 8 8%, as compared to the national average of 8 2% Approximately 5% of the patients seeking care at BHE are Medicaid and approximately 3% are uninsured Baptist Regional Medical Center (BRMC) opened in 1986 in Corbin, Kentucky It is located one-half mile off of Interstate 75, approximately three miles from downtown Corbin and near U S Highway 25, which is a main access to several of the surrounding communities The primary geographic service area for BRMC consists of the counties of Knox, Laurel and Whitley in Kentucky BRMC serves as a general acute care facility, specializing in services such as psychiatric, substance abuse, comprehensive rehabilitation and emergency care services The psychiatric program at BRMC has grown over the past several years and BRMC has plans to continue its growth Approximately 48% of the psychiatric program serves the Medicaid and uninsured populations Overall, approximately 28% and 12% of the patients seeking care at BRMC are Medicaid and uninsured, respectively Approximately 13 5% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 9 8%, as compared to the national average of 8 2% Central Baptist Hospital (CBH) opened in 1954 in Lexington, the second largest city in Kentucky It is located approximately five miles from Interstate 75 and Interstate 64 which provide access for the immediate Lexington metro area patients as well as patients from other areas of central and eastern Kentucky which the hospital serves The primary geographic service area for CBH consists of the Kentucky counties of Bourbon, Clark, Fayette, Franklin, Jessamine, Madison, Scott and Woodford In addition, Central serves as a regional referral center with approximately 38% of its discharges coming from Kentucky counties outside of the primary service area As such, CBH provides tertiary care services not offered by many hospitals in the surrounding areas including specialty cardiovascular, orthopedic and intensive care services Approximately 15% and 4% of the patients seeking care at CBH are Medicaid and uninsured, respectively Approximately 10 8% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 6 7%, as compared to the national average of 8 2% Western Baptist Hospital (WBH) was opened in 1953 in Paducah, Kentucky, the largest city in Western's service area The hospital is located approximately one and one-half miles from Interstate 24 Western is one of only two hospitals located in Paducah The primary geographic service area for Western consists of Ballard, Carlisle, Graves, Livingston, Lyon, Marshall and McCracken Counties in Kentucky and Massac County in Illinois WBH draws nearly 83% of its discharges from the primary service area WBH serves as a general acute care facility, specializing in services such as cardiovascular services, cancer care and skilled nursing that are much needed in the area Approximately 12% and 6% of the patients seeking care at WBH are Medicaid and uninsured, respectively Approximately 16 6% of the population of the local area surrounding the hospital is over 65 and the unemployment rate is 8 0%, as compared to the national average of 8 2%

Identifier	ReturnReference	Explanation
Schedule H, Part VI, line 5		The BHS Board of Directors is comprised of local representatives who, along with the hospital's management and employees, understand that they are responsible to provide high quality health care services to the communities they serve Operating healthcare facilities in today's environment requires a delicate balance between producing a sufficient margin to allow for adequate staffing and investment in new technologies, while also providing enough resources to absorb the cost of care for those patients who do not have the ability to pay for the services In 2012, because of its ability to produce a modest operating margin, BHS was able to re-invest nearly $120 million into the communities in new technology, construction, renovation and systems improvement BHS hospitals reach out to the community in many ways through - Conducting health fairs for local schools, businesses and churches - Participating in fund-raising and other events to help local agencies such as the American Heart Association, Metro United Way, American Cancer Society, Big Brothers and Big Sisters and the American Red Cross - Donating hospital space for community group meetings - Participating on community health assessment teams that are dedicated to identifying and addressing local health needs in each of the counties we serve - Hosting educational programs, including our pre-natal classes, and Safe Sitter program - Maintaining necessary, but unprofitable services that meet community needs - Helping to recruit physicians to underserved areas - Helping patients coordinate services with other healthcare providers - Providing resources for support groups, such as cancer recovery groups - Promoting and providing preventive care services - Monitoring clinical outcomes in order to ensure quality care - Committing resources to improving safety and processes of care - Providing services conveniently accessible by patients In addition, BHS employees volunteer thousands of hours in community services and leadership BHS's support for community activities underscores its commitment to improving the lives of those served Because BHS and its employees contribute so much of their time, talents and resources to serve others, communities served by BHS are better places to live and work Quantification of many of the community benefits is detailed elsewhere in this schedule However, what the quantifiable amount doesn't measure is the economic benefit derived by the community from BHS being one of the major employers in the area The economic impact of the wages paid to BHS employees is significant considering the dollars they spend on food, housing, services, and other products The Internal Revenue Service Revenue Ruling 69-545 provides that a hospital can demonstrate it has met the community benefit standard by having a full-time emergency room open to the public regardless of ability to pay for services received BHS hospitals operate an Emergency Department that is open 24 hours a day, 365 days a year and treated over 162,000 emergency patients during fiscal year 2012 BHS and its emergency department posts policies stating that patients will be treated regardless of their ability to pay Depending on the severity of a patient's condition, as a service to the patient BHS may verify insurance prior to rendering services in the emergency department Under no circumstances is emergency care delayed by discussions regarding insurance coverage or ability to pay for services In addition, BHS does not convey or intimate in any way to any emergency medical transportation service an unwillingness to treat any particular patient in need of medical attention

Identifier	ReturnReference	Explanation
Schedule H, Part VI, line 6		Baptist Healthcare System, Inc is a nonprofit, tax-exempt organization that owns and operates four hospitals Baptist Healthcare Affiliates, Inc is a nonprofit, tax-exempt affiliate that owns and operates an additional hospital Baptist Community Health Services, Inc is a nonprofit, tax-exempt affiliate that owns and operates rehabilitation centers, urgent care centers, and occupational and physical therapy clinics within the regions surrounding the hospitals Baptist Medical Associates, Inc , Baptist Physicians Lexington, Inc , Baptist Physicians Southeast, Inc and Western Baptist Medical Ventures, Inc are nonprofit, tax-exempt affiliates that own and operate physician practices Baptist Healthcare Foundation, Inc , Baptist Hospital Foundation of Greater Louisville, Inc , Central Baptist Hospital Foundation, Inc , Lexington Cardiac Research Foundation, Inc , and Western Baptist Hospital Foundation, Inc are nonprofit, tax-exempt affiliate corporations Bluegrass Family Health, Inc (BFH) is a nonprofit, taxable affiliate health maintenance organization Baptist Ventures, Inc is a for-profit, affiliate corporation Baptist Physicians' Surgery Center is a for-profit limited liability corporation, of which Baptist Community Health Services, Inc owns 53% PET/CT Management, LLC is a for-profit limited liability corporation, of which Baptist Healthcare System, Inc owns 83% Corbin Long Term Acute Care, LLC is a limited liability corporation of which Baptist Community Health Services, Inc is the sole member Baptist Eastpoint Surgery Center, LLC is a limited liability company which as of August 31, 2012 Baptist Community Health Services, Inc owns 77% Baptist Health Network, Inc (BHN), formed in 2010, is a non-profit corporation in which BHS is the sole member BHN is a network of healthcare providers, hospitals and physicians BHN's activities and purposes serve to support the charitable activities and operations of BHS Purchase Health Quality Collaborative, LLC ("PHQC"), formed in 2011, is a non-profit limited liability company whose sole member is BHS PHQC was formed to support a physician/hospital network established by PHP, working with Western to engage in clinical integration activities St Matthews Surgery Center, LLC is a limited liability company formed in October 2011 which as of August 31, 2012 Baptist Community Health Services, Inc owns 51% Mercy Regional Emergency Medical System, LLC ("MREMS"), formed in 1996, is a non-profit taxable corporation, which owns and operates an ambulance service in McCracken County, Kentucky in the service area of Western BHS owns a 50% interest in MREMS and the remaining 50% interest is owned by Mercy Health System, Inc d b a Lourdes Hospital All entities are located in the Commonwealth of Kentucky All entities described in Schedule H, Part VI, line 6 contributed a combined community benefit amount as follows Charity care at cost $41,631,000 Unreimbursed Medicaid 27,201,000 Community health improvement 2,963,000 Health professions education 380,000 Subsidized health services 16,805,000 Cash and in-kind contributions 1,077,000 ---------- Total community benefit $90,057,000 Other items that also contribute to the benefit of the community Bad debt at cost $21,049,000 Unreimbursed Medicare $89,034,000

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . ▶ 32

3 Enter total number of other organizations listed in the line 1 table . . . . ▶ 6

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
Description of Organization's Procedures for Monitoring the Use of Grants	Form 990, Schedule I, Part I, Line 2	Baptist Healthcare System provides only direct contributions and other general support, therefore, no monitoring of charitable contributions is performed

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Tommy Smith	(i)	912,570	243,713	126,081	118,149	36,053	1,436,566	89,386
	(ii)	0	0	0	0	0	0	0
(2) William Sisson	(i)	495,120	109,764	92,644	63,455	29,440	790,423	33,320
	(ii)	0	0	0	0	0	0	0
(3) Larry Barton	(i)	455,283	90,023	56,500	52,608	28,124	682,538	29,260
	(ii)	0	0	0	0	0	0	0
(4) Sue Stout Tamme	(i)	372,655	47,126	45,251	44,042	17,693	526,767	30,058
	(ii)	0	0	0	0	0	0	0
(5) John Henson	(i)	430,871	50,688	31,042	6,125	25,984	544,710	15,421
	(ii)	0	0	0	0	0	0	0
(6) Carl Herde	(i)	512,188	99,830	48,816	62,683	32,221	755,738	0
	(ii)	0	0	0	0	0	0	0
(7) Janet Norton	(i)	372,228	76,085	68,128	22,992	29,502	568,935	0
	(ii)	0	0	0	0	0	0	0
(8) Mary Lou Tipgos	(i)	107,004	25,000	6,756	11,932	16,778	167,470	0
	(ii)	0	0	0	0	0	0	0
(9) David Gray	(i)	445,797	32,412	37,695	21,522	32,879	570,305	0
	(ii)	0	0	0	0	0	0	0
(10) John R Barton MD	(i)	540,890	0	0	22,992	32,699	596,581	0
	(ii)	0	0	0	0	0	0	0
(11) Douglas A Milligan MD	(i)	531,580	0	0	20,052	25,309	576,941	0
	(ii)	0	0	0	0	0	0	0
(12) David Rhodes	(i)	333,755	54,461	34,282	25,932	30,143	478,573	0
	(ii)	0	0	0	0	0	0	0
(13) Preston Nunnelley MD	(i)	362,841	41,471	14,642	18,582	24,964	462,500	0
	(ii)	0	0	0	0	0	0	0
(14) Bernard Tamme	(i)	310,142	63,781	16,571	24,462	18,151	433,107	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Compensation Information	Schedule J, Line 4b	During calendar year 2011, five officers of BHS received a payout from a Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan The Plan is offered to a select group of management as determined by the BHS Executive Benefits Committee The amounts paid during 2011 were previously reported as compensation on the 990 and were included in W-2 wages in 2011, reported in Schedule J, Part II, column (F) and is a portion of the amount reported in column B (iii) The following individuals received a payout from a Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan Larry Barton 29,260 William Sisson 33,320 Susan Stout Tamme 30,058 John Henson 15,421 Tommy Smith 89,386 In addition, five officers who participate in the Supplemental Executive Retirement Plan accrued amounts for 2012 which is a portion of the amount reported as deferred compensation in Schedule J, column C Other retirement and deferred compensation reported in Schedule J, column C include amounts for the Retirement Accumulation Plan and Thrift Plan The following individuals participated in and accrued amounts from the Supplemental Executive Retirement Plan Tommy Smith 92,217 William Sisson 37,523 Susan Stout Tamme 18,110 Larry Barton 31,086 Carl Herde 38,221

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KY Economic Development Finance Authority	61-0600439	49126KFM8	02-19-2009	502,227,848	See Part VI		X		X		X
B	KY Economic Development Finance Authority	61-0600439	49126KHR5	12-14-2011	136,101,238	See Part VI		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	9,145,000	0		
2	Amount of bonds defeased	0	0		
3	Total proceeds of issue	502,247,678	136,426,657		
4	Gross proceeds in reserve funds	0	0		
5	Capitalized interest from proceeds	0	0		
6	Proceeds in refunding escrow	0	0		
7	Issuance costs from proceeds	4,753,545	1,458,951		
8	Credit enhancement from proceeds	661,234	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	99,994,925	42,216,000		
11	Other spent proceeds	396,837,974	1,617		
12	Other unspent proceeds	0	92,750,089		
13	Year of substantial completion	2010			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X			X				
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		0 100 %		0 %				
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		0 %		0 %				
6	Total of lines 4 and 5		0 100 %		0 %				
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?	X			X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider	0		0					
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider	0		0					
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?	X		X					

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule K, Part I, Line A	0	Description of Purpose Series 2009A and 2009B Revenue Bonds were issued to redeem the 1/99, 1/05 & 12/05 Bonds and for the costs of acquiring and constructing hospital facilities and equipment
Schedule K, Part I, Line B	0	Description of Purpose Series 2011 Fixed Rate Hospital Revenue Bonds were issued for the costs of certain hospital projects, including a portion of the costs of constructing and equipping a new medical structure connected to the existing hospital building at Central Baptist Hospital

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

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

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS		ALL TRANSACTIONS REPORTED ON PART IV ARE REPORTED AS ARMS-LENGTH FOR FAIR MARKET VALUE (A) NAME OF PERSON JUANITA BAKER (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION ROBERT BAKER, DIRECTOR OF BHS HAS A FAMILY MEMBER EMPLOYED BY BHS (A) NAME OF PERSON NICOLE JACKSON-GARY (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION FRANCES HAMILTON, DIRECTOR OF BHS HAS A FAMILY MEMBER EMPLOYED BY BHS (A) NAME OF PERSON FAMILY PRACTICE PROPERTIES (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION JEFFREY FOXX, DIRECTOR OF BHS IS AN OWNER OF FAMILY PRACTICE PROPERTIES (A) NAME OF PERSON BB&T INSURANCE SERVICES (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DANNY MCMAHAN, DIRECTOR OF BHS IS AN OFFICER OF BB&T INSURANCE SERVICES (A) NAME OF PERSON BAPTIST PHYSICIANS SURGERY CENTER (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION WILLIAM SISSON, OFFICER OF BHS IS A BOARD MEMBER OF BAPTIST PHYSICIANS SURGERY CENTER, A FOR-PROFIT LIMITED LIABILITY CORPORATION (A) NAME OF PERSON BRANDON SISSON (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION WILLIAM SISSON, OFFICER OF BHS HAS A FAMILY MEMBER EMPLOYED BY BHS (A) NAME OF PERSON PET/CT MANAGEMENT (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION SUE STOUT TAMME, OFFICER OF BHS IS A BOARD MEMBER OF PET/CT MANAGEMENT, A FOR-PROFIT LIMITED LIABILITY CORPORATION (A) NAME OF PERSON BAPTIST EASTPOINT SURGERY CENTER, LLC (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION SUE STOUT TAMME, OFFICER OF BHS IS A BOARD MEMBER OF BAPTIST EASTPOINT SURGERY CENTER, LLC (A) NAME OF PERSON SUSAN D WHITE CONSULTING (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION VICTORIA BUSTER, DIRECTOR OF BHS HAS A FAMILY MEMBER WHO IS A VENDOR OF BHS

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

▶Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Part I Types of Property

		(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial	X	1	600,000	fair market value
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (_____)				
26	Other ▶ (_____)				
27	Other ▶ (_____)				
28	Other ▶ (_____)				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . 29 1

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31		No
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation

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SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Baptist Healthcare System Inc

Employer identification number
61-0444707

Identifier	Return Reference	Explanation
Description of Relationships	Form 990, Part VI, Sect A, line 2	The Board of Directors is made up of executives from related organizations The following individuals have a business relationship in that they serve on the Board of Directors of the organization and are officers and/or directors of a related organization Tommy Smith, William Sisson, Susan Stout Tamme, Carl Herde, Janet Norton, David Gray, Robert Baker, Lindsey Ingram Jr, Victoria Buster, and John Logan
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	Form 990, Part VI, Sect B, line 11b	A copy of the 990 is provided to the board of directors prior to the filing of the return Any questions or comments are addressed by explanation or a change to the form
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST	Form 990, Part VI, Sect B, line 12c	Annually the secretary of Baptist Healthcare System, Inc (BHS) sends out a conflict of interest questionnaire to each of the directors and officers serving on the board of BHS After completion, they are returned to the secretary and reviewed by the Board or the Governance Effectiveness Committee for any potential conflicts A conflict of interest is any circumstance, relationship (financial or otherwise), activity or decision (made in the course of governance, management or professional responsibilities or otherwise) that adversely influences or appears to adversely influence the ability of a Covered Person to 1) make objective decisions on behalf of BHS and/or 2) act in the best interests of BHS in a manner consistent with the tax-exempt purposes of BHS The Board or Committee will determine by a majority vote of disinterested directors whether the disclosed Financial or Special Interest may result in a Conflict of Interest
COMPENSATION DETERMINATION PROCESS	Form 990, Part VI, Sect B, line 15a & 15b	Annually in September, the Baptist Healthcare System, Inc Compensation Committee reviews the compensation, including base compensation and incentive compensation for the CEO and all officers and key employees of Baptist Healthcare System, Inc except for the Secretary and Assistant Secretary Compensation for these employees is reviewed and approved by the CEO of Baptist Healthcare System, Inc The Baptist Healthcare System, Inc Compensation Committee is comprised of independent Board Members The Committee retains a Compensation Consultant to advise the Committee and who provides data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated healthcare organizations The Committee reviews this information in approving annual base and incentive compensation and other items of reportable compensation described on Schedule J of the IRS Form 990 The decisions of the Committee regarding compensation are contemporaneously documented in the minutes of the Committee Annually, the Committee Chairperson and the Compensation Consultant provide a report on executive compensation to the full Board of Directors of Baptist Healthcare System, Inc
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	Form 990, Part VI, Sect C, line 19	In adherence to the Master Trust Indenture among Baptist Healthcare System, Inc , Baptist Healthcare Affiliates, Inc and U S Bank National Association, as Master Trustee, Dated as of February 1, 2009, Baptist Healthcare System, Inc reports its financial results on a quarterly basis to the Master Trustee who in turn makes them available through Electronic Municipal Market Access Additionally, the organization will provide any documents open to public inspection upon request
HOURS WORKED FOR RELATED ORGANIZATION	Form 990, Part VII	Officers for Baptist Healthcare System, Inc provide services to Baptist Healthcare System, Inc and its subsidiaries Hours worked are not tracked on an entity by entity basis Therefore, all officers' hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors represent aggregate hours worked per week for all entities
Other Changes in Net Assets	Form 990, Part XI, line 5	Net unrealized gain on investments 50,459,020 Capital Distribution-Baptist Community Hlth Svcs 1,310,000 Capital Distribution-PET/CT Management LLC 329,590 Funding for Strategic and Capital Needs 882,378 Post Retirement Change (3,414,696) ---------- Total to Form 990, Part XI, Line 5 49,566,292

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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
Baptist Healthcare System Inc

Employer identification number
61-0444707

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Purchase Health Quality Collaborative 2501 Kentucky Avenue Paducah, KY 42001 45-4290974	Phys Ntwrk	KY	-470,172	0	BHSI

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Baptist EastMilestone LLC 750 Cypress Station Dr Louisville, KY 40207 61-1355065	Fitness center	KY	NA	N/A								
(2) Baptist Physicians' Surgery Center LLC 1720 Nicholasville Rd 101 Lexington, KY 40503 04-3665929	Amb Surg Ctr	KY	NA	N/A								
(3) Baptist Eastpoint Surgery Center LLC 2400 Eastpoint Parkway Louisville, KY 40223 26-0834852	Amb Surg Ctr	KY	NA	N/A								
(4) Medical Associates of Middletown LLC 4000 Kresge Way Louisville, KY 40207 20-0399400	Med Office Bldg	KY	BHSI	Related	22,679	1,213,419		No		Yes		35 000 %
(5) PETCT Management LLC 7807 Shelbyville Rd Ste 201 Louisville, KY 40222 20-0154982	MGMT/EQUIP SVCS	KY	BHSI	Related	326,002	521,581		No			No	82 920 %
(6) St Matthews Surgery Center LLC 4130 Dutchmans Lane Ste 200 Louisville, KY 40207 45-3714318	Amb Surg Ctr	KY	NA	N/A								

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
(1) Baptist Ventures Inc 2701 Eastpoint Parkway Louisville, KY 40223 61-1217018	Management Co	KY	BHSI	C Corp	305,834	3,602,588	100 000 %
(2) Baptist Health Network Inc 4000 Kresge Way Louisville, KY 40207 27-2939694	ACO	KY	BHSI	C Corp	-547,675	0	100 000 %
(3) Bluegrass Family Health Inc 651 Perimeter Park Ste 300 Lexington, KY 40517 61-1241101	Insurance	KY	BHSI	C CORP	184,276,237	79,747,627	100 000 %

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

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

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

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

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Robert Baker Director	1 0	X						3,000	0	0
William H Brigance Director	1 0	X						3,000	0	0
Tom Davis Director (Effective 1/1/12)	1 0	X						0	0	0
Tommy Elliott Director (Effective 1/1/12)	1 0	X						0	0	0
Frances V Hamilton Director	1 0	X						3,000	0	0
Brenda Hammons Director	1 0	X						3,000	0	0
Jeff Holland Director	1 0	X						3,000	0	0
Robert L Hook Jr Director	1 0	X						3,000	0	0
Chris Hutson Director	1 0	X						3,000	0	0
Lindsey Ingram Jr Director	1 0	X						3,000	0	0
Glenn Leveridge Director	1 0	X						3,000	0	0
John Logan Director	1 0	X						3,000	0	0
Danny McMahan Director	1 0	X						3,000	0	0
Frank R Purdy III Director	1 0	X						3,000	0	0
Steven Reed Director	1 0	X						3,000	0	0
James D Rickard Director	1 0	X						3,000	0	0
Marcia Milby Ridings Director (Effective 1/1/12)	1 0	X						0	0	0
Edmund C Roberts Jr Director	1 0	X						3,000	0	0
Judge Eugene Siler Jr Director (Effective 1/1/12)	1 0	X						0	0	0
Don Walker Director	1 0	X						3,000	0	0
Thelma White Director thru 12-31-11	1 0	X						3,000	0	0
Victoria Buster Director thru 12-31-11	1 0	X						3,000	0	0
William T Daniel II MD Director thru 12-31-11	1 0	X						3,000	0	0
W Jeffrey Foxx MD Director thru 12-31-11	1 0	X						3,000	0	0
Tommy Smith President/CEO	4 0 0			X				1,282,364	0	154,202

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
William Sisson Vice President	40 0			X				697,528	0	92,895
Larry Barton Vice President	40 0			X				601,806	0	80,732
Sue Stout Tamme Vice President	40 0			X				465,032	0	61,735
John Henson Vice President	40 0			X				512,601	0	32,109
Carl Herde Treasurer/CFO	40 0			X				660,834	0	94,904
Janet Norton Secretary	40 0			X				516,441	0	52,494
Mary Lou Tipgos Assistant Secretary	40 0			X				138,760	0	28,710
David Gray Vice President	40 0			X				515,904	0	54,401
John R Barton MD Physician	40 0					X		540,890	0	55,691
Douglas A Milligan MD Physician	40 0					X		531,580	0	45,361
David Rhodes VP Human Resources	40 0					X		422,498	0	56,075
Preston Nunnelley MD VP-Chief Medical Officer	40 0					X		418,954	0	43,546
Bernard Tamme VP Managed Care	40 0					X		390,494	0	42,613

Additional Data

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	**(b)** Book value
OTHER CURRENT ASSETS	13,710,799
DUE FROM AFFILIATES	64,812,504
TRUSTEE FUNDS-MALPRACTICE	48,856,799
TRUSTEE FUNDS-WORKERS COMP	13,121,479
TRUSTEE FUNDS-BOND INDENTURE	92,750,089
INVESTMENTS IN JOINT VENTURES	2,003,740
UNAMORTIZED ISSUE COSTS	4,389,467
OTHER ASSETS	14,802,956
THIRD PARTY RECEIVABLE	11,142,450

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
BAPTIST HOSP FND OF GTR LOUISVILLE4000 Kresge Way Louisville, KY 40207	20-0292291	501(c)(3)	513,168				General support
PADUCAH JUNIOR COLLEGEPO Box 7380 Paducah, KY 42002	61-6001156	501(c)(3)	101,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
WESTERN BAPTIST HOSPITAL FOUNDATION2501 Kentucky Ave Paducah, KY 42003	26-4057759	501(c)(3)	95,880				General support
REFUGE MINISTRIES INCPO Box 25007 Lexington, KY 40524	37-1547506	501(c)(3)	90,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
CHILDREN'S CHARITY FUND OF THE BLUEGRASS INC2724 Martinique Ln Lexington, KY 40509	31-1078176	501(c)(3)	66,667				General support
UNIVERSITY OF KENTUCKY HOSPITALPO Box 119 Lexington, KY 40501	99-9999999	501(c)(3)	66,667				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
HOPE CENTERPO Box 6 Lexington, KY 40588	61- 1107296	501(c)(3)	50,000				General support
ST NICHOLAS FAMILY CLINIC 1733 Broadway Paducah, KY 42001	61- 1260945	501(c)(3)	49,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
AMERICAN HEART ASSOC240 Whittington Pkwy Louisville, KY 40222	13-5613797	501(c)(3)	42,500				General support
LEXINGTON STRIDES AHEAD COMM LXNGTN INC330 E Main St Ste 205 Lexington, KY 40507	61-1322448	501(c)(6)	39,500				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
GREATER PADUCAH ECON DEV CNCLPO Box 1155 Paducah, KY 42002	61-1181577	501(c)(6)	37,500				General support
KENTUCKY BAPTIST CONVENTION 13420 Eastpoint Ctr Dr Louisville, KY 40223	61-0549873	501(c)(3)	37,423				Conference co-sponsor

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MISSION LEXINGTON1321 Trent Blvd Lexington, KY 40517	20-2824933	501(c)(3)	35,500				General support
AMERICAN CANCER SOCIETY 1504 College Way Lexington, KY 40502	64-0329009	501(c)(3)	30,900				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
HEARTLAND CARES INC619 North 30th St Paducah, KY 42001	31-1525402	501(c)(3)	25,000				General support
WOMEN LEADING KENTUCKYPO Box 961 Lexington, KY 40511	86-1120254	501(c)(3)	25,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MARCH OF DIMES 196 W Lowry ln Lexington, KY 40503	13-1846366	501(c)(3)	19,000				General support
METRO UNITED WAY334 E Broadway Louisville, KY 40202	61-0444680	501(c)(3)	17,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
FUND FOR THE ARTS623 W Main St Louisville, KY 40202	61-0479626	501(c)(3)	16,000				General support
AMERICAN DIABETES ASSOC PO Box 21903 Lexington, KY 40522	13-1623888	501(c)(3)	15,500				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
GREATER LOUISVILLE INC 614 W Main St Ste 600 Louisville, KY 40202	23-7084835	501(c)(4)	15,460				General support
FOUR RIVERS CENTER FOR THE PERFORMING ARTS PO Box 2194 Paducah, KY 42002	61-1293428	501(c)(3)	15,100				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
ACADEMY OF PREACHERS500 N Watterson Trl Louisville, KY 40243	99-9999999	501(c)(3)	15,000				General support
RETREAT AND REFRESH STROKE CAMP425 W Giles Peoria, IL 61614	64-0954851	501(c)(3)	15,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
KOMEN FOR THE CURE5005 LBJ Freeway Dallas,TX 75244	75-1835298	501(c)(3)	13,100				General support
SUPPLIES OVER SEAS1500 Arlington Ave Louisville,KY 40206	99-9999999	501(c)(3)	12,500				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
JCTC FOUNDATION 109 East Broadway Louisville, KY 40202	23-7035648	501(c)(3)	11,500				General support
FRATERNAL ORDER OF POLICE1097 Duval St Lexington, KY 40515	61-6019386	501(c)(8)	10,400				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
LEXINGTON AFF OF SGK FOR THE CURE PO Box 998 Lexington, KY 40588	75-2854969	501(c)(3)	10,000				General support
LEXINGTON CANCER FOUNDATION1504 College Way Lexington, KY 40502	56-2472701	501(c)(3)	10,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
PACA CHARITY BALLPO Box 2108 Richmond, KY 40475	51-0172717	501(c)(3)	10,000				Charity ball
HOMES FOR OUR TROOPS6 Main St Taunton, MA 02780	54-2143612	501(c)(3)	10,000				Swings for Soldiers Classic

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
GOD'S PANTRY 1685 Jaggie Fox Way Lexington, KY 40511	31-0979404	501(c)(3)	8,000				General support
LEXINGTON MEDICAL SOCIETY 2628 Wilhite Ct Ste 201 Lexington, KY 40503	61-6032171	501(c)(6)	7,000				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
PADUCAH SYMPHONY2101 Broadway Paducah, KY 42001	61-0965156	501(c)(3)	6,000				General support
PADUCAH AREA CHAMBER OF COMMERCEPO Box 810 Paducah, KY 42001	61-0210420	501(c)(6)	5,573				General support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
CENTER FOR WOMEN & FAMILIESPO Box 2048 Louisville, KY 40201	61-0444846	501(c)(3)	5,500				General support
AMERICAN LUNG ASSN OF THE MIDLAND STATES 1950 Arlingate ln Columbus, OH 43228	31-4379531	501(c)(3)	5,080				General support

Additional Data

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	**(b)** Relationship between interested person and the organization	**(c)** Amount of transaction $	**(d)** Description of transaction	**(e)** Sharing of organization's revenues?	
				Yes	**No**
Juanita Baker	Family member of director	27,363	Wages		No
Nicole Jackson-Gary	Family member of director	39,073	Wages		No
Family Practice Properties	Director is owner	683,379	Lease agreement		No
BBT Insurance Services	Director is officer	276,595	Insurance brokering services		No
Baptist Physicians Surgery Center	Board member	1,044,979	Lease agreement		No
Brandon Sisson	Family member of officer	34,379	Wages		No
PETCT Management	Board member	1,086,415	Equipment services		No
Baptist Eastpoint Surgery Center L	Board member	906,335	Mgmt fees & lease agreement		No
Susan D White Consulting	Family member of director	124,282	Consulting services		No

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-0444707
Name: Baptist Healthcare System Inc

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	
Baptist Healthcare Affiliates Inc 2701 Eastpoint Parkway Louisville, KY 40223 61-1226399	Hospital	KY	501(c)(3)	Line 3	BHSI	Yes	
Baptist Community Health Services Inc 2701 Eastpoint Parkway Louisville, KY 40223 61-1141242	Med SRVCS	KY	501(c)(3)	Line 11a	BHSI	Yes	
Baptist Medical Associates Inc 2701 Eastpoint Parkway Louisville, KY 40223 20-5497203	Phys SRVCS	KY	501(c)(3)	Line 3	BHSI	Yes	
Baptist Physicians Lexington Inc 2701 Eastpoint Parkway Louisville, KY 40223 20-5494939	Phys SRVCS	KY	501(c)(3)	Line 3	BHSI	Yes	
Baptist Physicians Southeast Inc 2701 Eastpoint Parkway Louisville, KY 40223 26-0766344	Phys SRVCS	KY	501(c)(3)	Line 3	BHSI	Yes	
Western Baptist Medical Ventures Inc 2701 Eastpoint Parkway Louisville, KY 40223 61-1194899	Phys SRVCS	KY	501(c)(3)	Line 3	BHSI	Yes	
Baptist Healthcare Foundation Inc 2701 Eastpoint Parkway Louisville, KY 40223 31-1122867	Fundraising	KY	501(c)(3)	Line 11a	BHSI	Yes	
Baptist Hosp Fnd of Grt Louisville Inc 4000 Kresge Way Louisville, KY 40207 20-0292291	Fundraising	KY	501(c)(3)	Line 11a	BHSI	Yes	
Central Baptist Hospital Foundation Inc 1740 Nicholasville Rd Lexington, KY 40503 61-1480774	Fundraising	KY	501(c)(3)	Line 11a	BHSI	Yes	
Lexington Cardiac Research Fnd Inc 1740 Nicholasville Rd Lexington, KY 40503 20-4242792	Med research	KY	501(c)(3)	Line 11a	BHSI	Yes	
Western Baptist Hospital Foundation Inc 2501 Kentucky Ave Paducah, KY 42003 26-4057759	Fundraising	KY	501(c)(3)	Line 11a	BHSI	Yes	
Mercy Reg Emergency Med Sys LLC 126 Lone Oak Rd Paducah, KY 42001 61-1310466	Amb SRVCS	KY	501(c)(3)	Line 11a	BHSI	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Baptist Ventures Inc	a	59,706	Cost
(2)	Baptist Hospital Foundation of Greater Louisv	b	513,168	Cost
(3)	Western Baptist Hospital Foundation	c	137,812	cost
(4)	Baptist Hospital Foundation of Greater Louisv	c	647,688	cost
(5)	Baptist Ventures Inc	d	90,594	cost
(6)	Baptist Community Health Services Inc	i	2,344,591	cost
(7)	Baptist Physicians Lexington Inc	i	793,027	cost
(8)	Baptist Physicians Lexington Inc	j	266,900	cost
(9)	PETCT Management LLC	o	1,086,415	cost
(10)	Baptist Medical Associates Inc	o	6,938,312	cost
(11)	Baptist Healthcare Affiliates Inc	p	5,454,625	cost
(12)	Baptist Community Health Services Inc	p	3,340,233	cost
(13)	Baptist Physicians Lexington Inc	p	3,654,574	cost
(14)	Western Baptist Medical Ventures Inc	p	82,676	cost
(15)	Baptist Healthcare Affiliates Inc	q	379,342	cost
(16)	Baptist Health Network	q	547,675	cost
(17)	Baptist Community Health Services Inc	q	9,859,434	cost
(18)	Western Baptist Medical Ventures Inc	q	5,692,068	cost
(19)	Baptist Medical Associates Inc	q	20,073,291	cost
(20)	Baptist Physicians Lexington Inc	q	28,452,653	cost

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(21)	Baptist Physicians Southeast Inc	q	6,573,681	cost
(22)	Baptist Healthcare Affiliates Inc	r	1,489,001	cost
(23)	Baptist Community Health Services Inc	r	1,320,000	cost
(24)	Baptist Hospital Foundation of Greater Louisv	r	85,908	cost
(25)	Baptist Ventures Inc	r	74,265	cost
(26)	PETCT Management LLC	r	329,590	cost
(27)	Western Baptist Hospital Foundation	b	95,880	cost

Baptist Healthcare System, Inc. and Affiliates

Independent Accountants' Report and
Consolidated Financial Statements
and Supplemental Consolidating Schedules
August 31, 2012 and 2011

BKD LLP
CPAs & Advisors

Baptist Healthcare System, Inc. and Affiliates

August 31, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

220 W Main Street, Suite 1700
PO Box 1178
Louisville KY 40201-1178
502 581 0235 Fax 502 581 0723 www.bkd.com

Independent Accountants' Report

Board of Directors, Audit Committee and Management
Baptist Healthcare System, Inc and Affiliates
Louisville, Kentucky

We have audited the accompanying consolidated balance sheets of Baptist Healthcare System, Inc and Affiliates (Baptist) as of August 31, 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 Baptist'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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Baptist as of August 31, 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

BKD, LLP

December 3, 2012

Baptist Healthcare System, Inc. and Affiliates

Consolidated Balance Sheets

August 31, 2012 and 2011

Assets	2012	2011
	(In Thousands)	
Current assets		
Cash and cash equivalents	$ 110,537	$ 157,289
Investments	121,605	118,881
Assets limited as to use – required for current obligations	9,000	9,000
Patient accounts receivable, net of allowance for uncollectible accounts, 2012 – $56,585, 2011 – $59,958	189,351	170,901
Inventories	26,681	24,249
Estimated third-party receivable	12,199	-
Other	50,335	32,343
Total current assets	519,708	512,663
Assets limited as to use		
Designated by board for capital improvements	710,553	652,355
Held by trustee		
Under bond indenture	92,750	-
Under medical malpractice self-insurance	48,857	43,965
Under workers' compensation self-insurance	13,121	12,580
Total assets limited as to use	865,281	708,900
Less amount required to meet current obligations	9,000	9,000
Assets limited as to use – noncurrent portion	856,281	699,900
Property and equipment, net	736,728	702,498
Other assets	64,967	42,758
Total assets	$ 2,177,684	$ 1,957,819
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 74,899	$ 65,071
Accrued expenses	86,673	91,479
Estimated third-party payer settlements	-	14,051
Accrued interest payable	752	477
Current installments of long-term debt	9,630	9,145
Current portion of liability for medical malpractice	9,000	9,000
Other	23,097	26,995
Total current liabilities	204,051	216,218
Long-term debt	600,339	474,240
Other liabilities	98,506	87,237
Net assets		
Unrestricted net assets attributable to Baptist	1,263,029	1,170,363
Unrestricted net assets attributable to noncontrolling interest	1,654	1,141
Total unrestricted net assets	1,264,683	1,171,504
Temporarily restricted	10,105	8,620
Total net assets	1,274,788	1,180,124
Total liabilities and net assets	$ 2,177,684	$ 1,957,819

Baptist Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets

Years Ended August 31, 2012 and 2011

	2012	2011 (Restated – Note 1)
	(In Thousands)	
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual discounts and allowances)	$ 1,466,772	$ 1,382,920
Less provision for uncollectible accounts	59,676	81,894
Net patient service revenue	1,407,096	1,301,026
Premium revenue	173,030	181,453
Other	65,724	55,212
Net assets released from restrictions used for operations	1,337	1,070
Total revenues, gains and other support	1,647,187	1,538,761
Expenses		
Health care services	1,032,154	977,858
General and administrative	466,068	428,581
Depreciation and amortization	91,559	89,568
Interest	13,469	13,933
Provider tax	21,260	21,258
Total expenses	1,624,510	1,531,198
Operating income	22,677	7,563
Other gains (losses)		
Investment return	63,092	77,165
Other	(2,580)	(192)
Total other gains (losses)	60,512	76,973
Excess of revenues, gains and other support over expenses before provision (benefit) for income tax	83,189	84,536
Provision (benefit) for income tax	(12,891)	(761)
Excess of revenues, gains and other support over expenses	96,080	85,297

Continued on next page

Baptist Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets

Years Ended August 31, 2012 and 2011

	2012	2011 (Restated –Note 1)
	(In Thousands)	
Post-retirement benefit plan		
Net loss arising during period	$ (3,973)	$ (758)
Plus amortization of prior service cost, transition obligation and loss included in net periodic pension cost	558	705
Change in post-retirement benefit plan	(3,415)	(53)
Increase in unrestricted net assets attributable to Baptist	92,665	85,244
Unrestricted net assets attributable to noncontrolling interest		
Excess of revenues over expenses	1,372	542
Contributions from noncontrolling interest	465	65
Distributions to noncontrolling interest	(1,324)	(684)
Increase (decrease) in unrestricted net assets attributable to noncontrolling interest	513	(77)
Increase in unrestricted net assets	93,178	85,167
Temporarily restricted net assets		
Contributions, interest income and other	2,823	2,110
Net assets released from restrictions used for operations	(1,337)	(1,070)
Increase in temporarily restricted net assets	1,486	1,040
Change in net assets	94,664	86,207
Net assets – beginning of year	1,180,124	1,093,917
Net assets – end of year	$ 1,274,788	$ 1,180,124

Baptist Healthcare System, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended August 31, 2012 and 2011

	2012	2011
	(In Thousands)	
Operating activities		
Change in net assets	$ 94,664	$ 86,207
Change in net assets attributable to noncontrolling interest	(513)	77
Change in net assets attributable to Baptist	94,151	86,284
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	91,559	89,568
Net realized and unrealized gains on investments and assets limited as to use	(48,973)	(60,999)
Equity in the net earnings of joint ventures	(4,862)	(4,729)
Loss on sale or disposition of property and equipment	28	213
Changes in		
Noncontrolling interest	1,372	542
Patient accounts receivable, net	(18,450)	(3,462)
Inventories and other current assets	(20,424)	10,752
Other assets	(20,624)	(10,509)
Accounts payable, accrued expenses and accrued interest payable	5,298	17,853
Estimated third-party payer settlements	(26,250)	1,132
Other current liabilities	(3,898)	(32,826)
Other liabilities	11,269	10,571
Net cash provided by operating activities	60,196	104,390
Investing activities		
Purchases of investments	(6,913,402)	(6,015,565)
Proceeds from disposition of investments	6,803,270	5,959,964
Purchases of property and equipment	(126,684)	(95,540)
Proceeds from sale of property and equipment	821	54
Contributions from noncontolling interest	465	65
Investment in joint ventures	(60)	(20)
Distributions to noncontrolling interest	(1,324)	(685)
Distributions from joint ventures	4,493	4,530
Net cash used in investing activities	(232,421)	(147,197)
Financing activities		
Proceeds from issuance of bonds	140,000	-
Net cost of issuance of bonds	(1,483)	-
Original issue discount	(3,899)	-
Principal payments on long-term debt	(9,145)	(8,755)
Net cash provided by (used in) financing activities	125,473	(8,755)
Decrease in cash and cash equivalents	(46,752)	(51,562)
Cash and cash equivalents, beginning of year	157,289	208,851
Cash and cash equivalents, end of year	$ 110,537	$ 157,289
Supplemental cash flow information		
Interest paid (net of capitalized amount of $4,789 in 2012 and $0 in 2011)	$ 13,194	$ 13,985
Income taxes paid	$ 327	$ 216
Purchases of property and equipment in accounts payable (not reflected above)	$ 11,082	$ 2,374

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

Note 1: Description of Organization and Summary of Significant Accounting Policies

Organization

Baptist Healthcare System, Inc. (Baptist) is a nonprofit, tax-exempt organization that owns and operates four hospitals including Baptist Hospital East, Baptist Regional Medical Center, Central Baptist Hospital and Western Baptist Hospital. Baptist Healthcare Affiliates, Inc. is a nonprofit, tax-exempt affiliate that owns and operates an additional hospital, Baptist Hospital Northeast.

Baptist Community Health Services, Inc. is a nonprofit, tax-exempt affiliate that owns and operates rehabilitation centers, urgent care centers, and occupational and physical therapy clinics within the regions surrounding the hospitals. Baptist Community Health Services, Inc. also owns Oak Tree Hospital at Baptist Regional Medical Center, an accredited long-term care hospital, owns 53% of Baptist Physicians' Surgery Center, a for-profit limited liability corporation, owns 77% of Baptist Eastpoint Surgery Center, LLC and owns 51% of St. Matthews Surgery Center, LLC.

Baptist Medical Associates, Inc., Baptist Physicians Lexington, Inc., Baptist Physicians Southeast and Western Baptist Medical Ventures, Inc. are nonprofit, tax-exempt affiliates that own and operate physician practices.

Baptist Healthcare Foundation, Inc., Baptist Hospital Foundation of Greater Louisville, Inc., Central Baptist Hospital Foundation, Inc., Cardiac Research Foundation, Inc., and Western Baptist Hospital Foundation, Inc. are nonprofit, tax-exempt affiliate corporations.

Bluegrass Family Health, Inc. (BFH) is a nonprofit, taxable affiliate health maintenance organization. Baptist Ventures, Inc. is a for-profit, affiliate corporation that primarily provides hospital management services. Baptist Health Network, Inc. is a non-profit affiliate corporation that operates a network of health care providers, hospitals and physicians. PET/CT Management, LLC is a for-profit limited liability corporation, of which Baptist Healthcare System, Inc. owns 83%. Purchase Health Quality Collaborative, LLC supports clinical integration and cooperation among hospital and physician providers in the Western Kentucky service area.

All entities are located in the Commonwealth of Kentucky.

Basis of Presentation

The accompanying consolidated financial statements represent the consolidated operations of Baptist Healthcare System, Inc., the affiliates in which it has sole ownership or membership and the entities in which it has greater than 50% equity interest with commensurate control (collectively, Baptist). All significant intercompany accounts and transactions are eliminated in consolidation.

Change in Accounting Principle

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

Consolidated Statement of Operations	As Previously Reported	Adjustments	Revised
Net patient service revenue	$ 1,382,920	$ (81,894)	$ 1,301,026
Total revenues, gains and other support	$ 1,620,655	$ (81,894)	$ 1,538,761
Provision for uncollectible accounts	$ 81,894	$ (81,894)	$ -
Total expenses	$ 1,613,092	$ (81,894)	$ 1,531,198

Mission and Vision Statement

Baptist's mission is to continue the Christian heritage of service and to enhance the health of the people and communities it serves. Baptist is guided by the vision to be the health care leader in Kentucky. Baptist will live out its Christ-centered mission and achieve its vision guided by Integrity, Respect, Stewardship, Excellence and Collaboration.

Cash Equivalents

Baptist considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At August 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and in all debt securities are considered available-for-sale securities and are carried at fair value in the consolidated balance sheets Investments in an equity investee are reported on the equity method of accounting Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value

Investment income or loss (including realized gains and losses on investments, dividends, interest and unrealized gains and losses on available-for-sale investments) is included in the excess of revenues, gains and other support over expenses unless donor or law restricts the income or loss

Patient Accounts Receivable

Baptist reports patient accounts receivable for services rendered at net realizable amounts from third-party payers and patients In evaluating the ability to collect accounts receivable, Baptist analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate provisions and allowances Management regularly reviews data regarding these major payer sources of revenue in evaluating the sufficiency of the allowances

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis

Assets Limited as to Use

Assets limited as to use are recorded at fair value and include (1) assets set aside by the board for capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes, (2) assets held by trustee under bond indenture and (3) assets held by trustee for the medical malpractice and workers' compensation self-insurance funding arrangements Amounts required to meet current liabilities are reported as current assets in the consolidated balance sheets

Baptist invests in various securities including money market funds, U S Government securities, corporate debt instruments, corporate stocks and mutual funds and these are classified as available-for-sale The unrealized gains and losses of these securities are recognized as net investment return in the consolidated statements of operations and changes in net assets Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets

Property and Equipment

Property and equipment are recorded at cost and 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 the donor restricts use of the assets Monetary gifts that must be used to acquire property and equipment are reported as donor-restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

Baptist capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing for the project, net of interest earned on investments acquired with the proceeds of the borrowing or based on the weighted-average rates paid for long-term borrowing Total interest capitalized and incurred was

	2012	2011
	(In Thousands)	
Interest expense capitalized on borrowings for project	$ 5,114	$ -
Interest income capitalized from investment of proceeds on borrowings for project	(325)	-
Net interest capitalized	$ 4,789	$ -

	2012	2011
	(In Thousands)	
Net interest capitalized	$ 4,789	$ -
Interest charged to expense	13,469	13,933
Total interest incurred	$ 18,258	$ 13,933

Long-Lived Asset Impairment

Baptist 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 of future cash flows is expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value No asset impairment was recognized during the years ended August 31, 2012 and 2011

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt and are amortized over the term of the respective debt using the effective-interest method Deferred financing costs are reported in the consolidated balance sheets in other assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by Baptist has been limited by donors to a specific time period or purpose Investment income from restricted funds is included in temporarily restricted net assets when earned

Charity Care

Baptist provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates Baptist also provides discounts from established rates to all uninsured patients Because Baptist does not pursue collection of charity or uninsured discounts, such amounts are not reported as revenue Total unreimbursed costs of charity and discounts to the uninsured were approximately $60,764,000 and $47,048,000 for the years ended August 31, 2012 and 2011, respectively

Net Patient Service Revenue

Baptist has agreements with third-party payers that may provide for payments at amounts different from its established rates Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers for services rendered and include estimated retroactive 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 final settlements are determined

Premium Revenue

Baptist, through BFH, enters into membership contracts with employer groups The contracts contain varying terms subject to cancellation by the employer group or BFH upon 60 days' written notice Premiums are due at the beginning of each month and are recognized as revenue during the period in which BFH is obligated to provide services to members

Premiums billed and collected in advance recorded as unearned premiums are included in the consolidated balance sheets in other current liabilities

Estimated medical claims incurred but not reported are included in the consolidated balance sheets in accounts payable

Donor-Restricted Gifts

Contributions are reported at fair value in the period received or unconditionally pledged Donor-restricted stipulations that limit the use of contributions are initially reported as temporarily restricted net assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction

Estimated Malpractice Costs

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and is reported in the consolidated statements of operations and changes in net assets as a general and administrative expense The liability for self-insured malpractice claims includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported and are reported in the consolidated balance sheets in other liabilities

Income Taxes

The Baptist nonprofit, tax exempt entities are recognized as exempt from income taxes under Section 501 of the Internal Revenue Code (Code) However, these entities are subject to federal income tax on income earned through unrelated business activities In addition, the Baptist nonprofit, taxable and for-profit entities are subject to federal and state income taxes The net tax liability is recorded in the consolidated balance sheets in other current liabilities

On October 15, 2012, BFH received a $16,163,747 Federal income tax refund for years 2003-2007 On June 9, 2008, the Internal Revenue Service (IRS) issued a determination letter classifying BFH as an organization described in Section 501(c)(4) of the Code and therefore exempt from Federal income tax under Section 501(a) The IRS National Office revoked that determination letter effective December 31, 2008, but agreed that BFH was not subject to U S Federal income tax examinations by tax authorities prior to fiscal year 2009 and all Federal income taxes plus interest were to be refunded to BFH for tax years 2003-2007 In addition, BFH wrote off $1,578,081 in Federal income tax receivables previously recognized for overpayments and potential carrybacks related to the tax years covered by the refund The net amount of $15,317,569 was recorded in the consolidated statement of operations in the provision (benefit) for income tax The following table indicates the components of the amount recorded

	Amount
Federal income tax refund for years 2003-2007	$ 16,163,747
Interest income	1,381,179
Refunded interest paid	5,611
Refunded penalties paid	2,909
Fees	(2,235,877)
Benefit for income tax	15,317,569
Adjustment for previously recognized tax receivable	(1,578,075)
Provision for income tax for fiscal year 2012	(848,993)
Total benefit for income tax	$ 12,890,501

Use of Estimates

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 net patient service revenue, malpractice, workers' compensation, litigation matters, post-retirement benefits and medical service claims incurred but not yet reported

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Litigation

During the normal course of business, Baptist may be subject to allegations that result in litigation Some of these allegations are in areas not covered by Baptist's self-insurance program or by commercial insurance Based on the advice and assistance from professional and legal counsel, Baptist assesses the probable outcome of unresolved litigation and records an estimate of the ultimate expected loss Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 consolidated financial statement presentation A reclassification for trading securities activity from operating activities to investing activities was made in the consolidated statement of cash flows for 2011 to conform to the 2012 consolidated statement of cash flows presentation These reclassifications had no effect on the change in net assets

Note 2: Patient Service Revenue

Patient service revenues are derived from services provided to patients who are directly responsible for payment or are covered by various insurance programs including the Medicare and Medicaid programs Baptist has agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to Baptist under these agreements includes prospectively determined rates per discharge and/or per day, discounts from established charges, fee schedules and other methods

Baptist recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered These payment arrangements include

Medicare Substantially all inpatient and outpatient services are paid at prospectively determined rates These rates vary according to the patient classification system that is based on clinical, diagnostic, acuity and other factors Certain defined medical education costs are paid based on a cost reimbursement methodology Baptist is also reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by Baptist and audits thereof by the Medicare administrative contractor

Medicaid Inpatient services are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Outpatient services are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for other services Baptist is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by Baptist and audits thereof 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

Other third-party payers Baptist has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to Baptist under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates

Patient liability Baptist recognizes patient deductible and co-payment revenue for patients who have third-party insurance A provision for uncollectible accounts is recorded in the period of service on the basis of its past experience, which indicates that some patients are unwilling to pay the portion of their bill for which they are financially responsible Baptist offers financial assistance programs to patients who are unable to pay the portion of their bill for which they are financially responsible and records a provision for charity in the period of service on the basis of its past experience

Baptist recognizes patient service revenue associated with services provided to patients who do not have third-party payer coverage as follows

Uninsured patients Baptist provides a significant discount from standard charges to all uninsured patients who receive medically necessary care An uninsured discount provision is recorded in the period of service The amount for which the patient is responsible is recognized as patient service revenue Baptist offers financial assistance programs to patients who are unable to pay the portion of their bill for which they are financially responsible and records a provision for charity in the period of service on the basis of its past experience A provision for uncollectible accounts is recorded in the period of service on the basis of past experience for patients who are unwilling to pay the portion of their bill for which they are financially responsible

In 2012, the Department of Health and Human Services reached a $700 million settlement to compensate approximately 500 hospitals for past underpayments related to an error in Medicare's rural floor budget neutrality adjustment for fiscal years 1999 through 2011. The Centers for Medicare and Medicaid Services has agreed to settle related lawsuits involving approximately 2,000 hospitals due to the fact they incorrectly applied an adjustment from 1999 to 2006 in a way that was not budget neutral and progressively reduced Medicare payments for inpatient hospital services over time. In 2012, Baptist received approximately $14.7 million for its portion of the settlement, which is recorded in patient service revenue in the accompanying consolidated financial statements. Legal fees related to the settlement were approximately $3.7 million, which is recorded in general and administrative expenses in the consolidated statements of operations and changes in net assets.

The following table indicates patient service revenue by payer, net of contractual allowances, uninsured discounts and charity (but before the provision from uncollectible accounts) for the years ended August 31, 2012 and 2011:

Patient service revenue	**2012**	**2011**
	(In thousands)	
Medicare	$ 520,876	$ 481,284
Medicaid	84,914	81,612
Other third-party payers	557,706	497,524
Total third-party payers	1,163,496	1,060,420
Patient liability (a)	303,276	322,500
Patient service revenue	$ 1,466,772	$ 1,382,920

(a) Patient liability represents revenue due from both insured patients for co-payments, patient deductibles and other services for which the patient's insurance has deemed the responsibility of the patient and from uninsured patients after the uninsured discount and applicable financial assistance. Patient liability is reported in this table prior to the provision for uncollectible accounts.

The provision for uninsured discounts, charity care and uncollectible accounts were as follows:

	Years Ended August 31,		
Provision for	**2012**	**2011**	**Change**
	(In Thousands)		
Uninsured discounts	$ 52,906	$ 30,869	$ 22,037
Charity	93,821	65,234	28,587
Uncollectible accounts	59,676	81,894	(22,218)
Total	$ 206,403	$ 177,997	$ 28,406

Note 3: Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program (EHRIP), enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology. 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. Payments under both programs are contingent upon hospitals and physicians 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.

Baptist recognizes EHRIP 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 fiscal year 2011, Baptist met the requirements for the first-year Medicaid EHRIP payments and recorded revenue of approximately $3.8 million. In fiscal year 2012, Baptist completed the first-year requirements under the Medicare EHRIP and second-year requirements under the Medicaid EHRIP and recorded revenue of approximately $12.9 million and $2.4 million, respectively. EHRIP revenue is included in other revenue within other operating revenues in the consolidated statements of operations and changes in net assets.

Note 4: Concentration of Credit Risk

Accounts Receivable

The portion of accounts receivable due from patients (patient liability portion) is reduced by various allowances.

For receivables associated with uninsured patients who are receiving medically necessary care, Baptist provides a significant discount from standard charges and records a provision and allowance for uninsured discounts.

For receivables associated with patients who qualify for a government or Baptist sponsored financial assistance charity program, which includes both the portion of accounts due from uninsured patients after the Baptist uninsured discount and the portion due from insured patients which the patients third-party insurance did not cover (deductible and co-payment balances), Baptist records a provision and allowance for charity care.

For receivables associated with patients who do not qualify for a government or Baptist sponsored financial assistance charity program, Baptist records a provision and allowance for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unwilling to pay the portion of their bill for which they are financially responsible The difference between the total amount due from the patient and the amount actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts

Baptist's total allowances for uninsured discounts, charity and uncollectible accounts was 72% and 71% of the total patient liability portion of accounts receivable at August 31, 2012 and 2011, respectively

The percentages of receivables from patients and third-party payers at August 31, 2012 and 2011 were as follows

Net patient accounts receivable	2012	2011
Medicare	29 1%	34 7%
Medicaid	9 3	5 7
Other third-party payers	43 4	41 3
Total third-party payers	81 8	81 7
Patient liability (a)	18 2	18 3
Patient accounts receivable, net of allowance for uncollectible accounts	100 0%	100 0%

(a) Patient liability represents the portion due from both insured patients for co-payments, patient deductibles and other services for which the patient's insurance has deemed the responsibility of the patient and from uninsured patients after the uninsured discount and applicable financial assistance

Bank Balances

Baptist considers all liquid investments with original maturities of three months or less to be cash equivalents At August 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit

Pursuant to legislation enacted in 2010, the FDIC fully insures all noninterest bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC insured institutions

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 At August 31, 2012, Baptist's interest-bearing cash, cash equivalents and certificates of deposit accounts exceeded federally insured limits by approximately $172,292,000 Baptist also has repurchase agreements of approximately $43,739,000 that are not covered under FDIC insurance included in cash and cash equivalents

Note 5: Investments, Assets Limited as to Use, and Investment Return

Investments

	2012	2011
	(In Thousands)	
Cash	$ 1,337	$ 5,347
Money market funds	1,163	447
Mutual funds	37,375	31,850
U S Treasury and agency obligations	34,057	32,679
U S and foreign common and preferred stocks	196	190
U S and foreign corporate bonds	47,477	48,368
Investments	$ 121,605	$ 118,881

Assets Limited as to Use

	2012	2011
	(In Thousands)	
Designated by board for capital improvements		
Cash	$ 2,669	$ 317
Money market funds	8,841	5,855
Mutual funds	266,255	292,699
U S Treasury and agency obligations	106,033	60,973
U S common and preferred stocks	145,417	115,989
Foreign common and preferred stocks	11,508	13,831
U S corporate bonds	140,962	130,070
Foreign corporate bonds	28,868	32,621
Total designated by board for capital improvements	710,553	652,355
Held by trustee		
Under bond indenture agreements–certificate of deposit and other cash equivalents	92,750	-
Under medical malpractice self-insurance funding arrangement – money market funds	48,857	43,965
Under workers' compensation self-insurance funding arrangement – (a)	13,121	12,580
Total assets limited as to use	$ 865,281	$ 708,900

(a) Assets under workers' compensation self-insurance funding arrangement are invested in securities in the same proportion as assets designated by board for capital improvements

Investment Return

Total investment return for assets whose use is limited and investments are reflected in the consolidated statements of operations and changes in net assets and are comprised of the following for the years ended August 31, 2012 and 2011

	2012	2011
	(In Thousands)	
Excess of revenues, gains and other support over expenses		
Interest and dividend income	$ 14,120	$ 16,166
Realized gains on sale of securities	(3,937)	28,731
Change in net unrealized gains on available-for-sale securities	52,909	32,268
Total investment income	$ 63,092	$ 77,165

Certain investments in debt and marketable equity securities are reported in the consolidated financial statements at an amount less than their historical cost Total fair value of these investments at August 31, 2012 and 2011, was $125,393,366 and $387,623,000, which is approximately 13% and 47%, respectively, of the investment portfolio

Baptist's investments are exposed to various risks, such as interest rate, market and credit Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in these risks in the near term could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets

Note 6: Fair Value of Assets and Liabilities

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements* (Topic 820) 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

Cash and Cash Equivalents, Investments and Assets Limited as to Use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy Level 1 securities include money market funds, common stocks, preferred stocks and mutual funds

Where 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 and are classified within Level 2 of the valuation hierarchy Level 2 securities include U S Treasury obligations, municipal bonds, corporate bonds, corporate short-term obligations and mutual funds

For these Level 2 securities, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference to data market research publications For the index mutual fund, included in Level 2, that has sufficient activity or liquidity within the fund, fair value is determined using the net asset value (or its equivalent) provided by the fund

Where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the valuation hierarchy Baptist does not hold Level 3 securities

Cash and Cash Equivalents

	2012				
	Investments Subject to ASC Topic 820			Investments not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash and cash equivalents	$ 4,167	$ -	$ -	$ 106,370	$ 110,537

Investments

	Investments Subject to ASC Topic 820			Investments not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash	$ -	$ -	$ -	$ 1,337	$ 1,337
Money market funds	-	-	-	1,163	1,163
Mutual funds	37,375	-	-	-	37,375
U S Treasury and agency obligations	-	34,057	-	-	34,057
U S and foreign common and preferred stocks	196	-	-	-	196
U S and foreign corporate bonds	-	47,477	-	-	47,477
Investments	$ 37,571	$ 81,534	$ -	$ 2,500	$ 121,605

Assets Limited as to Use

	Investments Subject to ASC Topic 820			Investments not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash	$ -	$ -	$ -	$ 95,467	$ 95,467
Money market funds	58,419	-	-	-	58,419
Mutual funds	60,910	210,046	-	-	270,956
U S Treasury and agency obligations	-	107,908	-	-	107,908
U S common and preferred stocks	147,986	-	-	-	147,986
Foreign common and preferred stocks	11,711	-	-	-	11,711
U S corporate bonds	-	143,455	-	-	143,455
Foreign corporate bonds	-	29,379	-	-	29,379
Assets limited as to use	$ 279,026	$ 490,788	$ -	$ 95,467	$ 865,281

Investments reported in assets limited as to use are diversified among many industries However, at August 31, 2012, approximately $101,805,000 of the total $143,455,000 U S corporate bonds and approximately $28,879,000 of the total $29,379,000 foreign corporate bonds is invested in the finance and insurance industry At August 31, 2011, approximately $95,672,000 of the total $132,437,000 U S corporate bonds and approximately $32,867,000 of the total $33,215,000 foreign corporate bonds is invested in the finance and insurance industry

Cash and Cash Equivalents

	2011				
	Investments Subject to ASC Topic 820			Investments not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash and cash equivalents	$ 1,277	$ -	$ -	$ 156,012	$ 157,289

Investments

	Investments Subject to ASC Topic 820			Investments not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash	$ -	$ -	$ -	$ 5,347	$ 5,347
Money market funds	-	-	-	447	447
Mutual funds	31,850	-	-	-	31,850
U S Treasury and agency obligations	-	32,679	-	-	32,679
U S and foreign common and preferred stocks	190	-	-	-	190
U S and foreign corporate bonds	-	48,368	-	-	48,368
Investments	$ 32,040	$ 81,047	$ -	$ 5,794	$ 118,881

Assets Limited as to Use

	Investments Subject to ASC Topic 820			Investments not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
			(In Thousands)		
Cash	$ -	$ -	$ -	$ 322	$ 322
Money market funds	50,641	-	-	-	50,641
Mutual funds	110,382	187,638	-	-	298,020
U S Treasury and agency obligations	-	62,083	-	-	62,083
U S common and preferred stocks	118,099	-	-	-	118,099
Foreign common and preferred stocks	14,083	-	-	-	14,083
U S corporate bonds	-	132,437	-	-	132,437
Foreign corporate bonds	-	33,215	-	-	33,215
Assets limited as to use	$ 293,205	$ 415,373	$ -	$ 322	$ 708,900

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

Long-Term Debt

Fair value is estimated based on the borrowing rates currently available to Baptist for bank loans with similar terms and maturities

The following table presents estimated fair values of Baptist's financial instruments at August 31, 2012 and 2011

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(In Thousands)		
Financial assets				
Cash and cash equivalents	$ 110,537	$ 110,537	$ 157,289	$ 157,289
Investments	$ 121,605	$ 121,605	$ 118,881	$ 118,881
Assets limited as to use	$ 865,281	$ 865,281	$ 708,900	$ 708,900
Financial liabilities				
Revenue bonds, Series 2009A	$ 189,690	$ 214,782	$ 198,835	$ 217,471
Revenue bonds, Series 2009B	$ 284,435	$ 284,435	$ 284,435	$ 284,435
Revenue bonds, Series 2011	$ 140,000	$ 153,193	$ -	$ -

Note 7: Property and Equipment, Net

	2012	2011
	(In Thousands)	
Land	$ 88,165	$ 84,319
Land and leasehold improvements	33,433	31,422
Buildings	569,924	539,211
Building services equipment	202,473	195,637
Fixed equipment	98,154	97,326
Major moveable equipment	744,793	718,336
Construction in progress	68,930	36,413
Total	1,805,872	1,702,664
Less accumulated depreciation	1,069,144	1,000,166
Property and equipment, net	$ 736,728	$ 702,498

As of August 31, 2012, Baptist has entered into contractual agreements for the purchase of equipment and the construction of hospital facilities for approximately $12,330,000

Included in the consolidated balance sheets in accounts payable are purchases of property and equipment of $11,082,000 and $2,374,000 at August 31, 2012 and 2011, respectively

Note 8: Medical Malpractice Claims

Baptist is self-insured with respect to medical malpractice risks and has established an irrevocable trust fund for the payment of medical malpractice claim settlements Professional insurance consultants have been retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund

Baptist is self-insured for the first $6,000,000 per occurrence and not to exceed $20,000,000 in the aggregate for all Baptist hospitals combined Baptist participates in the American Excess Insurance Exchange (AEIX), Risk Retention Group, a Vermont-chartered "captive" insurance company organized as a reciprocal for coverage above the self-insurance limits Baptist currently has an 8% ownership in AEIX, the value of which is reported using the equity method of accounting

The total current liability for medical malpractice claims reported and claims incurred but not reported was approximately $9,000,000 at August 31, 2012 and 2011 The total long-term liability for medical malpractice claims reported and claims incurred but not reported was approximately $56,473,000 and $50,070,000 at August 31, 2012 and 2011, respectively Net malpractice expense recognized was approximately $11,311,000 and $9,372,000 for the years ended August 31, 2012 and 2011, respectively Earnings on investments of the malpractice self-insurance trust fund amounted to approximately $573,000 and $263,000 for the years ended August 31, 2012 and 2011, respectively

Note 9: Workers' Compensation

Baptist is self-insured with respect to workers' compensation risks and has established an irrevocable trust fund for the payment of workers' compensation claim settlements Professional insurance consultants have been retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund

The total accrued liability for incurred and incurred but not reported workers' compensation claims and related costs of settlement was approximately $13,092,000 and $13,295,000 at August 31, 2012 and 2011, respectively, and is included in long-term liabilities in the consolidated financial statements Net workers' compensation expense recognized was approximately $2,979,000 and $2,742,000 for the years ended August 31, 2012 and 2011, respectively

Note 10: Long-Term Debt

The bonds are collateralized by a pledge of revenues The agreements also contain several covenants, the most significant of which places limitations on additional indebtedness and required levels of unrestricted cash Baptist was in compliance with all debt covenants at August 31, 2012

	2012	2011
	(In Thousands)	
Revenue Bonds, Series 2009A (A)	$ 189,690	$ 198,835
Revenue Bonds, Series 2009B (B)	284,435	284,435
Revenue Bonds, Series 2011 (C)	140,000	-
Total debt	614,125	483,270
Less current installments of long-term debt	(9,630)	(9,145)
Less unamortized discount	(4,156)	-
Add unamortized premium	-	115
Total long-term debt	$ 600,339	$ 474,240

(A) The Series 2009A Revenue Bonds were issued on February 19, 2009, to redeem the Series 1999A Bonds and to deposit $99,287,000 into the project fund used to reimburse Baptist for the costs of acquiring and constructing hospital facilities and equipment Interest on the bonds is fixed and is payable semi-annually on each February 15 and August 15, commencing August 15, 2009 Interest rates range from 3 000% to 5 625% Principal payments began August 2011 with a maturity date of August 2027

(B) The Series 2009B Variable Rate Demand Hospital Revenue Bonds were issued on February 19, 2009. Principal payments begin August 2027 through August 2038. The 2009B Bonds are secured by direct letters of credit issued by Branch Banking and Trust Company for $154,906,515 and JP Morgan Chase Bank, N.A. for $133,619,675, which expire February 19, 2016, and June 30, 2013, respectively. If the 2009B Bonds fail to remarket and Baptist draws on the letters of credit, JP Morgan Chase Bank, N.A. requires Baptist to repay principal and interest over 12 equal quarterly installments commencing 367 days after the liquidity drawing and Branch Banking and Trust Co. requires monthly interest payments and after 367 days, principal and interest in 24 equal monthly installments. Interest for the 2009B-1 and 2009B-2 Bonds ($131,725,000) which are re-priced daily was 0.18% at August 31, 2012. Interest for the 2009B-3 and 2009B-4 Bonds ($152,710,000) which are re-priced weekly was 0.13% and 0.14% at August 31, 2012. On November 30, 2012, Baptist received a letter of commitment from JP Morgan Chase Bank, N.A. to extend its direct pay letters of credit in the amount of $131,725,000 plus interest coverage through December 31, 2015, subject to certain financial and acceptance conditions.

(C) The Series 2011 Fixed Rate Hospital Revenue Bonds were issued on December 15, 2011, in the amount of $140,000,000 to pay or reimburse Baptist for the costs of certain hospital projects, including a portion of the costs of constructing and equipping a new seven-story, approximately 400,000 square foot medical structure connected to the existing hospital building at Central Baptist Hospital. Principal payments for the 2042 term bond in the amount of $63,060,000 will begin August 15, 2039, with a maturity date of August 15, 2042. The 2042 term bonds will bear an interest rate of 5.00%. Principal payments for 2046 term bond in the amount of $76,940,000 will begin August 15, 2043, with a maturity date of August 15, 2046. The 2046 bonds will bear an interest rate of 5.25%. Interest on the bonds is fixed and is payable semi-annually on each February 15 and August 15, commencing February 15, 2012.

The aggregate amount at August 31, 2012, of required funding for principal payments of long-term debt is as follows:

	Series 2009A	Series 2009B	Series 2011	Total
2013	$ 9,630	$ -	$ -	$ 9,630
2014	10,095	-	-	10,095
2015	10,600	-	-	10,600
2016	11,115	-	-	11,115
2017	11,680	-	-	11,680
Thereafter	136,570	284,435	140,000	561,005
Total	$ 189,690	$ 284,435	$ 140,000	$ 614,125

Note 11: Operating Leases

Baptist has certain equipment that is leased under noncancelable operating leases with terms greater than one year Rental expense under operating leases was $15,080,000 and $14,936,000 for the years ended August 31, 2012 and 2011, respectively

As of August 31, 2012, future minimum rental payments are as follows

Year Ending August 31,	Amount (In Thousands)
2013	$ 8,910
2014	7,883
2015	5,393
2016	3,387
2017	1,707
Thereafter	1,485
Total	$ 28,765

Note 12: Employee Benefit Plans

Baptist employees who meet eligibility requirements are covered by a Retirement Accumulation Plan (RAP), which includes a defined contribution plan funded entirely by Baptist and a 401(k) plan to which the employees of BFH are the only participants permitted to make 401(k) deferrals The finance committee of the board of directors of Baptist controls and manages the operation of the RAP Participants are immediately fully vested in participant contributions and related earnings and are fully vested in Baptist contributions after five years of service, or after reaching age 65, whichever occurs first Contributions by Baptist were approximately $17,861,000 and $16,678,000 for the years ended August 31, 2012 and 2011, respectively

Baptist offers a Thrift 403(b) Plan to which employees may defer up to 10% of their earnings on a pre-tax basis Baptist matches $ 50 on each dollar for the first 4% of the employees' contributions and $ 25 on each dollar for contributions of 5 – 6% of the employees' contributions Employees are immediately vested in their contributions and related earnings Employee vesting in employer contributions is graduated with full vesting after five years

Baptist provides an Executive Severance and Deferred Compensation Plan, a nonqualified plan designed to provide severance benefits for select management or highly compensated employees of Baptist and to provide deferred compensation for those adversely affected by the required compensation limits of qualified retirement plans or Section 403(b) plans The total accrued liability was $394,000 and $401,000 at August 31, 2012 and 2011, respectively

Note 13: Post-retirement Benefit Plan

Baptist has a post-retirement benefit plan covering all employees who meet the eligibility requirements The plan provides for a continuation of medical benefits at the division from which the employee retires until the retiree reaches the age of 65 and for death benefits that vary with retirement date and position

The post-retirement medical benefits plan is contributory, with retiree contributions adjusted annually Funding by Baptist is on a cash basis as benefits are paid Baptist contributed approximately $1,026,000 and $1,020,000 for the years ended August 31, 2012 and 2011, respectively Baptist expects to contribute approximately $1,076,000 to the plan in 2013

Baptist uses an August 31 measurement date for the plan Information about the plan's funded status follows

Change in Accumulated Benefit Obligation

	2012	2011
	(In Thousands)	
Accumulated benefit obligation – beginning of year	$ 24,899	$ 23,077
Changes recognized in operating income		
Service cost	911	923
Interest cost	1,174	1,161
Amortization of transitional obligation	113	114
Amortization of prior service cost	139	139
Amortization of loss	306	452
Net periodic benefit cost	2,643	2,789
Employer contributions	(1,026)	(1,020)
Net plan expense	1,617	1,769
Changes recognized in unrestricted net assets		
Amortization of transitional obligation	(113)	(114)
Amortization of prior service cost	(139)	(139)
Amortization of loss	(306)	(452)
Net loss arising during the period	3,973	758
Change in unrestricted net assets	3,415	53
Accumulated benefit obligation – end of year	$ 29,931	$ 24,899

Fair Value of Plan Assets and Funded Status

	2012	2011
	(In Thousands)	
Fair value – beginning of year	$ -	$ -
Employer contributions	(1,026)	(1,020)
Benefits paid, net	1,026	1,020
Fair value – end of year	$ -	$ -
Funded status at year end	$ (29,931)	$ (24,899)

Liabilities Recognized in the Consolidated Balance Sheets

	2012	2011
	(In Thousands)	
Accrued expenses – current	$ 1,076	$ 1,026
Other liabilities – noncurrent	28,855	23,873
Total liabilities	$ 29,931	$ 24,899

Amounts Recognized in Unrestricted Net Assets Not Yet Recognized as Components of Net Periodic Benefit Cost

	2012	2011
	(In Thousands)	
Transition obligation	$ 113	$ 227
Prior service cost	884	1,023
Accumulated loss	10,849	7,181
Total	$ 11,846	$ 8,431

The estimated prior service cost, transition obligation and accumulated loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are approximately $139,000, $113,000 and $635,000, respectively

Significant Assumptions Include

	2012	2011
Weighted-average discount rate to determine benefit obligation	3.62%	5.02%
Weighted-average assumptions used to determine benefit costs	5.02%	4.90%

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for each of the years ended August 31, 2012 and 2011. The rate was assumed to be 7.5% and decrease gradually to 4.5% by the year 2028 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement plan costs and benefit obligation. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2012	2011
	(In Thousands)	
Effect on total of service cost and interest cost	$ 184	$ 184
Effect on post-retirement benefit obligation	$ 2,146	$ 1,785

As of August 31, 2012, the following future benefit payments are expected to be paid:

Years Ending August 31,	Amount
	(In Thousands)
2013	$ 1,076
2014	1,134
2015	1,288
2016	1,362
2017	1,576
2018-2021	9,560
Total	$ 15,996

Note 14: Temporarily Restricted Net Assets

	2012	2011
	(In Thousands)	
Health care services		
Capital purchases	$ 6,050	$ 4,811
Indigent care	618	568
Health research and education	2,037	1,433
Other	1,400	1,807
Total	$ 10,105	$ 8,619

Note 15: Significant Estimates and Concentrations

Current Economic Conditions

The continued economic situation continues to present hospitals with difficult 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

In addition, the 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 Baptist's future operating results Further, the effect of economic conditions on the Commonwealth of Kentucky may have an adverse effect on cash flows related to the Medicaid program

Given the potential 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, post-retirement benefit plan liabilities and allowances for patient accounts receivable that could negatively impact the financial position of Baptist

Note 16: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the consolidated financial statements were issued

Acquisitions

On September 1, 2012, Baptist acquired the net assets of Pattie A Clay Infirmary Association and Pattie A Clay Foundation (collectively referred to as Pattie A Clay), a not-for-profit hospital that provides inpatient, outpatient, and emergency services to patients in the Richmond, Kentucky and surrounding area As a result of the acquisition, Baptist will expand its service area, achieve cost savings through the use of Baptist relationships and provide more comprehensive health care services to the communities within Richmond, Kentucky and surrounding areas The acquisition was accomplished by Pattie A Clay becoming a member of Baptist, and no consideration was or will be transferred for the acquisition In connection with the acquisition, Baptist agreed to fund at least $50,000,000 of capital improvements benefiting Pattie A Clay within five years from the date of the acquisition and provide $3,000,000 of funds to the foundation at Pattie A Clay As of the report date, Baptist was unable to make any further disclosures such as the fair value of the net assets and pro forma revenue and earnings, as Baptist is currently in the process of completing acquisition accounting in accordance with ASC 958-805

On October 30, 2012, Baptist acquired the net assets of Trover Clinic Foundation, Mutual Credit Services, and Western Kentucky Medical Management Services (collectively referred to as Trover), a not-for-profit hospital that provides inpatient, outpatient and emergency services in Madisonville, Kentucky and surrounding areas As a result of the acquisition, Baptist will expand its service area, achieve cost savings through the use of Baptist relationships and provide more comprehensive health care services to the communities within Madisonville, Kentucky and surrounding areas The acquisition was accomplished by Trover becoming a member of Baptist, and no consideration was or will be transferred for the acquisition As of the report date, Baptist was unable to make any further disclosures such as the fair value of the net assets and pro forma revenue and earnings, as Baptist is currently in the process of completing acquisition accounting in accordance with ASC 958-805

Supplementary Information

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Independent Accountants' Report on Supplementary Information

Board of Directors, Audit Committee and Management
Baptist Healthcare System, Inc and Affiliates
Louisville, Kentucky

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The accompanying supplementary consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

BKD, LLP

December 3, 2012

Baptist Healthcare System, Inc. and Affiliates

Consolidating Schedule of Assets, Liabilities and Changes in Net Assets Information

August 31, 2012

	Baptist Hospital East	Baptist Hospital Northeast	Baptist Regional Med Ctr	Central Baptist Hospital	Western Baptist Hospital	Support Services	Eliminations and Reclassifications	Total Obligated Group	Other Affiliates	Eliminations	Total
Assets											
Current assets											
Cash and cash equivalents	$ 15,356	$ 38	$ 488	$ 11,358	$ 5,327	$ 70,442	$ -	$ 103,009	$ 7,528	$ -	$ 110,537
Investments	-	-	-	-	-	49,959	-	49,959	71,646	-	121,605
Assets limited as to use – required for current obligations	-	-	-	-	-	9,000	-	9,000	-	-	9,000
Patient accounts receivable – net	62,771	5,895	15,894	52,601	35,509	-	-	172,670	16,681	-	189,351
Inventories	8,819	1,049	2,261	7,909	5,633	-	-	25,671	1,010	-	26,681
Estimated third-party receivable	1,155	1,047	1,693	3,442	4,852	-	-	12,189	10	-	12,199
Other	3,077	524	6,683	1,509	2,556	13,980	(145)	28,184	27,148	(4,997)	50,335
Total current assets	91,178	8,553	27,019	76,819	53,877	143,381	(145)	400,682	124,023	(4,997)	519,708
Assets limited as to use											
Designated by board for capital improvements	5,066	-	-	-	6	698,493	-	703,565	6,988	-	710,553
Held by trustee											
Under bond indenture	-	-	-	-	-	92,750	-	92,750	-	-	92,750
Under medical malpractice self-insurance	-	-	-	-	-	48,857	-	48,857	-	-	48,857
Under workers' compensation self-insurance	-	-	-	-	-	13,121	-	13,121	-	-	13,121
Total assets limited as to use	5,066	-	-	-	6	853,221	-	858,293	6,988	-	865,281
Less amount required to meet current obligations	-	-	-	-	-	9,000	-	9,000	-	-	9,000
Assets limited as to use – noncurrent portion	5,066	-	-	-	6	844,221	-	849,293	6,988	-	856,281
Intercompany accounts	4,586	-	601	4,512	-	125,028	(127,329)	7,398	(1,853)	(5,545)	-
Property and equipment, net	212,728	19,880	42,941	216,847	140,404	80,914	8,314	722,028	14,700	-	736,728
Other assets	85,228	6,260	16,348	65,838	26,830	49,901	(8,314)	242,091	9,932	(187,056)	64,967
Total assets	$ 398,786	$ 34,693	$ 86,909	$ 364,016	$ 221,117	$ 1,243,445	$ (127,474)	$ 2,221,492	$ 153,790	$ (197,598)	$ 2,177,684
Liabilities and Net Assets											
Current liabilities											
Accounts payable	$ 17,193	$ 1,292	$ 3,753	$ 14,980	$ 9,236	$ 1,783	$ (75)	$ 48,162	$ 26,829	$ (92)	$ 74,899
Accrued expenses	18,617	2,174	10,367	13,057	10,190	19,967		74,372	12,301	-	86,673
Estimated third-party payer settlements	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	752	-	752	-	-	752
Current installments of long-term debt	-	-	-	-	-	9,630	-	9,630	-	-	9,630
Current portion of liability for medical malpractice	-	-	-	-	-	9,000	-	9,000	-	-	9,000
Other	2,547	269	810	968	1,699	5,684	(70)	11,907	11,190	-	23,097
Total current liabilities	38,357	3,735	14,930	29,005	21,125	46,816	(145)	153,823	50,320	(92)	204,051
Long-term debt	-	-	-	-	-	600,339	-	600,339	-	-	600,339
Intercompany accounts	5,439	27,746	66,410	10,087	17,647	-	(127,329)	-	14,087	(14,087)	-
Other liabilities	-	-	-	-	-	98,420	-	98,420	86	-	98,506
Net assets											
Unrestricted net assets attributable to Baptist	354,831	3,020	5,333	323,215	181,598	497,842	-	1,365,839	80,609	(183,419)	1,263,029
Unrestricted net assets attributable to noncontrolling interest	-	-	-	-	-	-	-	-	1,654	-	1,654
Temporarily restricted	159	192	236	1,709	747	28	-	3,071	7,034	-	10,105
Total net assets	354,990	3,212	5,569	324,924	182,345	497,870	-	1,368,910	89,297	(183,419)	1,274,788
Total liabilities and net assets	$ 398,786	$ 34,693	$ 86,909	$ 364,016	$ 221,117	$ 1,243,445	$ (127,474)	$ 2,221,492	$ 153,790	$ (197,598)	$ 2,177,684

Baptist Healthcare System, Inc. and Affiliates

Consolidating Schedule of Statement of Operations and Changes in Net Assets Information

August 31, 2012

	Baptist Hospital East	Baptist Hospital Northeast	Baptist Regional Med Ctr	Central Baptist Hospital	Western Baptist Hospital	Support Services	Eliminations and Reclassifications	Total Obligated Group	Other Affiliates	Eliminations	Total
Unrestricted revenues gains and other support											
Patient service revenue (net of contractural discounts and allowances)	$ 481 354	$ 48 849	$ 130 357	$ 415 659	$ 242 028	$ -	$	$ 1 318 247	$ 148 525	$ -	$ 1 466 772
Less provision for uncollectible accounts	15 237	3 493	6 943	12 747	12 606	-	-	51 026	8 650	-	59 676
Net patient service revenue	466 117	45 356	123 414	402 912	229 422	-	-	1 267 221	139 875	-	1 407 096
Premium revenue									173 030		173 030
Other	15 551	2 263	12 054	13 553	8 479	99 485	(94 477)	56 908	32 571	(23 755)	65 724
Net assets released from restrictions used for operations	200	21	49	270	141	2	-	683	654	-	1 337
Total revenues gains and other support	481 868	47 640	135 517	416 735	238 042	99 487	(94 477)	1 324 812	346 130	(23 755)	1 647 187
Expenses											
Health care services	280 935	25 904	60 598	219 109	123 314	-	-	709 860	341 347	(19 053)	1 032 154
General and administrative	130 150	17 496	56 005	121 870	78 449	97 433	(89 035)	412 368	58 341	(4 641)	466 068
Depreciation and amortization	30 519	3 355	7 670	25 861	19 466	763	-	87 634	3 925	-	91 559
Interest	279	562	3 273	526	801	13 173	(5 442)	13 172	357	(60)	13 469
Provider tax	7 306	842	2 086	6 625	4 192	-	-	21 051	209	-	21 260
Total expenses	449 189	48 159	129 632	373 991	226 222	111 369	(94 477)	1 244 085	404 179	(23 754)	1 624 510
Operating income	32 679	(519)	5 885	42 744	11 820	(11 882)	-	80 727	(58 049)	(1)	22 677
Other gains (losses)											
Investment return	266	4	38	311	126	59 789	-	60 534	2 558	-	63 092
Other	(1 093)	(354)	5	(49)	(431)	-	-	(1 922)	(658)	-	(2 580)
Total other gains (losses)	(827)	(350)	43	262	(305)	59 789	-	58 612	1 900	-	60 512
Excess of revenues gains and other support over expenses before provision (benfit) for income tax	31 852	(869)	5 928	43 006	11 515	47 907		139 339	(56 149)	(1)	83 189
Provision (benefit) for income tax	-	-	-	-	-	152	-	152	(13 043)	-	(12 891)
Excess of revenues gains and other support over expenses	31 852	(869)	5 928	43 006	11 515	47 755	-	139 187	(43 106)	(1)	96 080
Post-retirement benefit plan											
Net loss arising during period	-	-	-	-	-	(3 973)	-	(3 973)	-	-	(3 973)
Plus amortization of prior service cost transition obligation and loss included in net periodic pension plan	-	-	-	-	-	558	-	558	-	-	558
Change in post-retirement benefit plan	-	-	-	-	-	(3 415)	-	(3 415)	-	-	(3 415)
Net asset transfers	(5 127)	(412)	(2 303)	(2 977)	(1 880)	14 338	-	1 639	61 051	(62 690)	-
Increase (decrease) in unrestricted net assets	26 725	(1 281)	3 625	40 029	9 635	58 678	-	137 411	17 945	(62 691)	92 665
Unrestricted net assets attributable to noncontolling interest											
Excess of revenues over expenses	-	-	-	-	-	-	-	-	1 372	-	1 372
Contributions from noncontrolling interest	-	-	-	-	-	-	-	-	465	-	465
Distributions to noncontrolling interest	-	-	-	-	-	-	-	-	(1 324)	-	(1 324)
Increase (decrease) in unrestricted net assets attributable to noncontrolling interest	-	-	-	-	-	-	-	-	513	-	513
Temporarily restricted net assets											
Contributions interest income and other	186	26	58	570	150	5	-	995	1 828	-	2 823
Net assets released from restrictions used for operations	(200)	(21)	(49)	(270)	(141)	(2)	-	(683)	(654)	-	(1 337)
Increase (decrease) in temporarily restricted net assets	(14)	5	9	300	9	3	-	312	1 174		1 486
Change in net assets	26 711	(1 276)	3 634	40 329	9 644	58 681	-	137 723	19 632	(62 691)	94 664
Net assets – beginning of year	328 279	4 488	1 935	284 595	172 701	439 189	-	1 231 187	69 665	(120 728)	1 180 124
Net assets – end of year	$ 354 990	$ 3 212	$ 5 569	$ 324 924	$ 182 345	$ 497 870	$ -	$ 1 368 910	$ 89 297	$ (183 419)	$ 1 274 788