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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
Hillcrest Baptist Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
100 Hillcrest Medical Blvd

City or town, state or country, and ZIP + 4
Waco, TX 76712

D Employer identification number
74-1161944

E Telephone number
(254) 215-9043

G Gross receipts $ 228,671,922

F Name and address of principal officer
Glenn Robinson
100 Hillcrest Medical Blvd
Waco,TX 76712

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 hillcrest net

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1916 | **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Scott & White provides personalized, comprehensive, high quality health care services enhanced by medical education and research through 12 acute care hospital sites, two additional announced facilities, a 240,000+ member regional health plan serving residents in a 29,000-square mile service area, and one of the nation's largest multi-specialty group practices with more than 178 clinics at 65 clinic locations providing care in 46 medical specialties Hillcrest Baptist Medical Center ("HBMC") is a subsidiary of Scott & White Memorial Hospital ("SWMH") Scott & White Healthcare ("SWHC")(EIN 26-4532547) is the parent corporation of SWMH and the Scott & White Healthcare System (the "System") The Scott & White Healthcare Foundation ("SWF") (EIN 27-3513154), a subsidiary of SWHC, raises funds for the priority programs and services of the entire Scott & White System The Scott & White Healthcare System provided at cost approximately $60 million in unreimbursed charity care

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	2,100
6	Total number of volunteers (estimate if necessary)	**6**	203
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	1,901,845	1,940,849
9	Program service revenue (Part VIII, line 2g)	229,101,515	219,837,150
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,717,481	1,758,289
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,704,437	4,285,190
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	236,425,278	227,821,478
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,634,464	5,101,513
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)	80,802,640	87,165,846
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)	147,666,590	124,895,208
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	232,103,694	217,162,567
19	Revenue less expenses Subtract line 18 from line 12	4,321,584	10,658,911
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	268,864,206	270,710,677
21	Total liabilities (Part X, line 26)	223,596,488	215,066,562
22	Net assets or fund balances Subtract line 21 from line 20	45,267,718	55,644,115

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

****** | 2013-07-12
Signature of officer | Date

Richard Perkins Chief Financial Officer
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 ▶			EIN ▶
			Phone no ▶

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

Hillcrest's mission statement "To personally provide the highest quality healthcare in a compassionate and Christian environment, enhanced by medical education and research "

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 $ 208,936,231 including grants of $ 1,940,849) (Revenue $ 221,751,365)

Scott & White provides personalized, comprehensive, high quality health care services enhanced by medical education and research through 12 acute care hospital sites, two additional announced facilities, a 240,000+ member regional health plan serving residents in a 29,000-square mile service area, and one of the nation's largest multi-specialty group practices with more than 178 clinics at 65 clinic locations providing care in 46 medical specialties Hillcrest Baptist Medical Center ("HBMC") is a subsidiary of Scott & White Memorial Hospital ("SWMH") Scott & White Healthcare ("SWHC")(EIN 26-4532547) is the parent corporation of SWMH and the Scott & White Healthcare System (the "System") The Scott & White Healthcare Foundation ("SWF")(EIN 27-3513154), a subsidiary of SWHC, raises funds for the priority programs and services of the entire Scott & White System The Scott & White Healthcare System provided at cost approximately $60 million in unreimbursed charity care, $46 million in unreimbursed Medicaid, $4 5 million in unreimbursed indigent care, $21 million in unreimbursed subsidized services, $63 million in unreimbursed health professions education, $13 million in unreimbursed research, $1 million in other community benefits, and had a Medicare shortfall of approximately $96 million in the fiscal year ending August 31, 2012 The Scott & White Healthcare System had more than 14,000 employees, including over 1,000 physicians and scientists and 300+ advanced practice professionals during the fiscal year ending August 31, 2012, and served over 537,000 patients accounting for 2 2 million patient visits Scott & White Memorial Hospital ("SWMH"), located in Temple, Texas, is the flagship hospital of the Scott & White Healthcare System and is the only Level I Trauma Center between Dallas and Austin, Texas The McLane Children's Hospital Scott & White is the only stand-alone children's hospital between Dallas and Austin, Texas Hillcrest Baptist Medical Center is a 237 bed acute care hospital HBMC had 13,211 admissions, 61,603 patient days, 2,716 newborn deliveries and 8,167 surgeries HBMC is a major level II trauma center, with a level III neonatal intensive care unit and the most sophisticated CT diagnostic technology available Scott & White System personnel strive to do more than merely meet the healthcare needs of patients Employees go into the community to educate about living a healthier life Targeted populations are provided information on specific needs For example, physicians specializing in geriatric care hold regular seminars discussing subjects such as preventing injury from falls, questions patients should be asking their doctor, how to maintain a healthy lifestyle with limited mobility, and more Health educational programs regarding prevention and treatment are offered free or at minimal cost to all community members in a variety of subject areas, such as weight loss, smoking cessation, education on coping with a diagnosis, support groups for families, child safety, heart disease education, diabetes education, sex education for teens, domestic violence prevention and many more Staff and physicians attend health fairs in the community and provide regular community presentations about health issues for different populations Clinics in the region offer healthy cooking classes led by a Scott & White dietician to instruct families in creating easy and cost effective healthy meals As an integrated health care delivery system, Scott & White is able to leverage the Scott & White Health Plan to provide health education information to the community and is actively working to make that information more widely available Scott & White uses various forms of media to promote health in the community The System website, blogs, social media, printed flyers, and newspaper and magazine articles written by staff and physicians throughout the year provide information that community members can use to enhance personal health A specific website has been created to instruct on wellness initiatives (wellness sw org) Also, Scott & White staff dedicate many hours serving on community boards and collaborative groups whose missions are to improve the overall health of the community In addition to these efforts, the System has designated specific funds to be used to enhance healthy initiatives occurring in each community For example, Scott & White provides substantial financial and in-kind support for multiple free clinics to assist in providing better access and more affordable healthcare to the medically underserved Scott & White is one of sixteen major U S health systems to be part of the National High Value Healthcare Collaborative ("HVHC") This partnership is designed to improve healthcare, lower costs and make best practices available to the national provider community The Dartmouth Institute for Health Policy and Clinical Practice leads the collaborative which is studying nine prevalent condition/disease specific areas that have been shown to have wide variation nationally in rates, costs and outcomes Additional high variation, high cost conditions that affect diverse populations will be added over time The healthcare systems in this group are responsible for 50 million patients and are using private dollars and research and grant funds to identify ways to get the most out of every healthcare dollar In June of 2012 the HVHC received a $26 million grant from the Center for Medicare and Medicaid Innovation ("CMMI") CMMI projects the service improvements funded by this grant will save $64 million over three years, largely due to reduced utilization and costs that have been shown to occur when patients are engaged and empowered to make health care decisions based on their own values and preferences Scott & White strives to better serve patients while decreasing costs to the healthcare system One way this is accomplished is through better communication between specialists and primary care physicians creating coordinated and integrated care Scott & White's electronic medical records (EMR) system allows specialists to review a patient's medical history and lab results and make recommendations to a primary care physician possibly eliminating an office visit If the specialist needs to see a patient the specialist has access to all tests and lab work prior to the office visit which can prevent a second or third specialty follow-up visit Scott & White is also using the EMR system to practice active rather than passive medicine The new EMR system allows Scott & White to automatically remind physicians that patients are due for preventive tests such as mammograms or cholesterol checks The system allows doctors and nurses to use e-mail to provide patients with test results or to answer questions that previously would have required an office visit The Scott & White Healthcare System has received numerous awards and accreditations Scott & White Memorial Hospital was ranked for the eighth time as one of the Top 100 Hospitals by Thomson Reuters For the second consecutive year, SWMH was named one of the nation's Best Regional Hospitals according to U S News & World Report Hillcrest Baptist Medical Center serves patients qualifying for federal Medicare and state Medicaid programs and other federal and state means tested assistance programs Services for indigent, uninsured and underinsured patients are provided according to provisions of the Scott & White Healthcare Financial Assistance Policy, which provides financial assistance to patients up to 375% of the Federal Poverty Guidelines

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** ▶ $ 208,936,231

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	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		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**	Yes	
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**		No
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**		No
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**		No
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**	227		
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**	2,100			
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**		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ 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	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	6		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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

☐ 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 ▶

Richard Perkins
3000 Herring St
Waco,TX 76708
(254) 202-9416

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Terry Maness Director, Chairman	1 00	X						0	0	0
(2) Billy H Davis Jr Director, Vice-Chairman	1 00	X						0	0	0
(3) David G Hoffman MD Director	1 00	X						0	0	0
(4) Lyndon L Olson Jr Director	1 00	X						0	0	0
(5) G Michael Reitmeier Director	1 00	X						0	0	0
(6) J Mark Rister MD Director	1 00	X						0	0	0
(7) Carey Hobbs Director/Treasurer	1 00	X						0	0	0
(8) John Speckmiear MD Director	40 00	X						0	403,501	53,327
(9) Glenn A Robinson Director, Chief Executive Officer	40 00	X						619,432	0	41,894
(10) Patricia M Currie Director,System Chief Operating Officer	40 00	X						0	480,343	46,740
(11) Glen R Couchman MD Director, System Chief Medical Officer	40 00	X						0	573,830	53,381
(12) Michael D Reis MD Director	1 00	X						0	432,640	48,214
(13) Richard W Perkins Chief Financial Officer	40 00			X				0	264,260	51,214
(14) James Morrison MD Chief Medical Officer	40 00				X			0	342,843	48,214
(15) David Blackwell Chief Human Resource Officer	40 00				X			0	162,044	37,689
(16) Brad Crye Senior Vice-President Operations	40 00				X			0	180,322	42,814
(17) Robert W Pryor MD System Chief Executive Officer	40 00				X			0	866,989	46,463

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			
(18) Cynthia B Dunlap System Chief Nursing Executive	40 00				X			0	202,857	38,845
(19) Dennis Laraway System Chief Financial Officer	40 00				X			0	444,702	42,397
(20) Dick L Dixon System Chief Financial Officer	40 00				X			0	313,365	48,214
(21) Matthew L Chambers System Chief Information Officer	40 00				X			0	188,235	6,084
(22) Marc R Hallee System Chief Human Resource Officer	40 00				X			0	450,015	6,951
(23) Bill Willis Senior Vice-President Clinic Operations	40 00					X		221,137	0	20,537
(24) Richard Warren Chief Information Officer	40 00					X		164,867	0	32,193
(25) Robert Brace Chief Compliance Officer	40 00					X		146,807	0	31,506
(26) David Gentsch Pharmacy Director	40 00					X		148,953	0	22,933
(27) Debra Wallace Patient Care Nurse	40 00					X		142,262	0	27,681
(28) Jason Jennings Former Chief Operating Officer	40 00						X	0	263,745	50,047
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,443,458	5,569,691	797,338

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 ▶ 35

			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**	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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**	Yes	

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Community Hospital Consulting 5801 Tennyson Pkwy Ste 550 Plano, TX 75024	Consulting Services	1,090,598
Total Trauma Care PLLC 50 Hillcrest Medical Blvd Ste 102 Waco, TX 76712	Physician Services	955,081
North Texas Healthcare Laundry PO Box 535849 Grand Prairie, TX 75053	Laundry Services	658,620
Hillcrest Surgical Associates PA 3000 Herring Waco, TX 76708	Physician Services	646,800
Central Texas Pathology Lab PO Box 21509 Waco, TX 767021509	Laboratory Services	504,706

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 ▶ 31

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	1,267,368			
	e	Government grants (contributions)	1e	473,516			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	199,965			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		1,940,849			
Program Service Revenue			Business Code				
	2a	Net Patient Care Reven	621990	219,837,150	219,837,150		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		219,837,150			
	3	Investment income (including dividends, interest and other similar amounts)		1,490,800			1,490,800
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties		21			21
			(i) Real / (ii) Personal				
	6a	Gross rents	1,296,670				
	b	Less rental expenses	786,355				
	c	Rental income or (loss)	510,315				
	d	Net rental income or (loss)		510,315			510,315
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	331,578				
	b	Less cost or other basis and sales expenses	64,089				
	c	Gain or (loss)	267,489				
	d	Net gain or (loss)		267,489			267,489
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					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Meaningful Use	900099	1,914,215	1,914,215		
	b	Food Service	900099	1,533,309			1,533,309
	c	Gift Shop	900099	327,330			327,330
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		3,774,854			
	12	**Total revenue.** See Instructions		227,821,478	221,751,365	0	4,129,264

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)
Check if Schedule O contains a response to any question in this Part IX . . . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	5,100,000	5,100,000		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	1,513	1,513		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,814,634	1,262,729	1,551,905	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	69,520,900	69,520,900		
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9	Other employee benefits	14,830,312	14,562,407	267,905	
10	Payroll taxes				
11	Fees for services (non-employees)				
a	Management				
b	Legal	38,242		38,242	
c	Accounting	279,306		279,306	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	278,394		278,394	
g	Other	16,532,162	13,538,328	2,993,834	
12	Advertising and promotion	37,699	37,699		
13	Office expenses	1,789,485	1,757,162	32,323	
14	Information technology	1,918,473	1,918,473		
15	Royalties . .				
16	Occupancy	8,903,527	8,742,704	160,823	
17	Travel	871,669	855,924	15,745	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	3,656	3,656		
20	Interest	13,300,389	13,300,389		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	11,417,732	11,417,732		
23	Insurance				
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	Patient Care	34,034,735	34,034,735		
b	Bad Debt	29,124,765	29,124,765		
c	Repairs/Maintenance	3,246,397	3,246,397		
d	Miscellaneous	2,473,643	510,718	1,962,925	
e					
f	All other expenses	644,934		644,934	
25	**Total functional expenses.** Add lines 1 through 24f	217,162,567	208,936,231	8,226,336	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		13,928,877	1	2,404,586
	2	Savings and temporary cash investments		500,000	2	14,486,567
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		21,683,349	4	24,012,104
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		120,862	7	91,011
	8	Inventories for sale or use		3,805,568	8	3,427,516
	9	Prepaid expenses and deferred charges		3,618,885	9	2,226,643
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 171,581,530			
	b	Less accumulated depreciation	10b 39,365,350	142,640,401	10c	132,216,180
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		73,969,625	12	80,308,544
	13	Investments—program-related See Part IV, line 11		6,243,988	13	2,320,726
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		2,352,651	15	9,216,800
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		268,864,206	16	270,710,677
Liabilities	17	Accounts payable and accrued expenses		20,592,587	17	16,632,957
	18	Grants payable			18	
	19	Deferred revenue		250,441	19	368,344
	20	Tax-exempt bond liabilities		176,746,555	20	192,374,716
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		19,962,712	23	0
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		6,044,193	25	5,690,545
	26	**Total liabilities.** Add lines 17 through 25		223,596,488	26	215,066,562
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		39,080,732	27	48,643,535
	28	Temporarily restricted net assets		4,616,875	28	5,433,392
	29	Permanently restricted net assets		1,570,111	29	1,567,188
		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		45,267,718	33	55,644,115
	34	Total liabilities and net assets/fund balances		268,864,206	34	270,710,677

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	227,821,478
2	Total expenses (must equal Part IX, column (A), line 25)	2	217,162,567
3	Revenue less expenses Subtract line 2 from line 1	3	10,658,911
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	45,267,718
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-282,514
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	55,644,115

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	Yes	
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	Yes	

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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
Hillcrest Baptist Medical Center	74-1161944

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		5,792
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			5,792
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
Explanation of Lobbying Activities	Part II-B, Line 1	Part II-B, Line 1(f) Hillcrest Baptist Medical Center ("HBMC") maintains memberships in the American Hospital Association, Texas Hospital Association and other national and state medical associations A percentage of the dues paid to those organization is attributed to lobbying activites and is reported as grant to other organizations for lobbying purposes Periodically, officers or employees of the organization make contact with legislators or government officials These contacts are generally by letter, with occasional contact in person or by phone The contacts are for the purpose of informing the legislator or official of the impact of proposed legislation or regulation and its ability to carry out its purpose

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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	1,570,111	1,561,185	1,546,959	1,542,197	
b Contributions		8,926	12,438	4,738	
c Investment earnings or losses	356		1,788	24	
d Grants or scholarships	1,513				
e Other expenditures for facilities and programs	1,764				
f Administrative expenses					
g End of year balance	1,567,190	1,570,111	1,561,185	1,546,959	

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Term endowment ▶

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		14,641,678		14,641,678
b Buildings		110,794,487	18,559,541	92,234,946
c Leasehold improvements				
d Equipment		42,435,714	19,890,049	22,545,665
e Other		3,709,651	915,760	2,793,891
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				132,216,180

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		
(3) Other		
(A) Wells Fargo	80,308,544	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	80,308,544	

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
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

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

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Other	4,374,849
Capital Lease	461,195
Intercompany	854,501
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	5,690,545

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
Description of Uncertain Tax Positions Under FIN 48	Part X	FIN 48 Footnote Scott & White evaluates its income tax positions in accordance with ASC 740-10, Income Taxes - Overall, regarding accounting for uncertainty in income taxes ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return There are no material uncertain tax positions as of August 31, 2012 or 2011

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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 375.000000000000 %	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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
	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)			14,809,142	26,540	14,782,602	7 860 %
b Medicaid (from Worksheet 3, column a)			30,677,522	20,850,268	9,827,254	5 230 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			881,290	747,590	133,700	0 070 %
d **Total** Charity Care and Means-Tested Government Programs			46,367,954	21,624,398	24,743,556	13 160 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			381,917		381,917	0 200 %
f Health professions education (from Worksheet 5)			2,478,026	517,616	1,960,410	1 040 %
g Subsidized health services (from Worksheet 6)			17,803,356	14,639,390	3,163,966	1 680 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total** Other Benefits			20,663,299	15,157,006	5,506,293	2 920 %
k **Total.** Add lines 7d and 7j			67,031,253	36,781,404	30,249,849	16 080 %

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	7,252,827		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0		
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	41,991,981		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	58,624,924		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-16,632,943		
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? 1

	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	Hillcrest Baptist Medical Center 100 Hillcrest Medical Blvd Waco, TX 76712	X	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)

Hillcrest Baptist Medical Center

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		No
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 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ 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		
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 100 000000000000%			
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 375 000000000000%			
	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 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
		Part I, Line 6a Hillcrest Baptist Medical Center ("HBMC") did not prepare a community benefit report for the fiscal year ending August 31, 2012 HBMC is located in McLennan County Texas, and McLennan County completes a county needs assessment annually The assessment is being used to reassess the current programs and services to better serve the community

Identifier	ReturnReference	Explanation
		Part I, Line 7 The costing method used for Schedule H is the cost to charge ratio, as calculated in Schedule H, Worksheet 2 This method was applied to the costs reported on lines 7a, 7b, 7c and 7g

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 29124765

Identifier	ReturnReference	Explanation
		Part III, Line 4 In the Hillcrest Baptist Medical Center's ("HBMC") accounting system, bad debt is recorded as the cost of forgone charges To calculate the cost of bad debt for purposes of Schedule H, Part III, line 2, the cost to charge ratio calculated in Worksheet 2 of the Schedule H Instructions was applied Due to patient screenings which occur prior to recording bad debt charges, bad debt expense should not contain community benefit expenditures Audited financial statement footnote The presentation of the provision for bad debts as a reduction of patient service revenue is based on an entity-wide assessment of the significance of patient revenue that is recognized without assessing patients' ability to pay Hillcrest has experienced an increase in write-off trends related to bad debt and charity across the system driven by changes in insurance plan structures shifting financial responsibility away from the health plan to individuals and general economic conditions There have been no significant changes to the charity care policies for the year ended August 31, 2012

Identifier	ReturnReference	Explanation
		Part III, Line 8 Hillcrest Baptist Medical Center ("HBMC") is a nonprofit hospital that voluntarily participates in the Medicare program Medicare payments received do not cover the costs incurred to provide services to Medicare patients In reporting the community benefit portion of the American Hospital Association/Texas Hospital Association survey, the Medicare short-fall is included in community benefit reporting Costing methodology/source The Medicare revenue and costs are from the Medicare Cost Report which has a year-end August 31, 2012 All payments to providers of services must be based on the reasonable cost of services covered under title XVIII of the Social Security Act Reasonable cost includes all necessary and proper costs incurred in rendering the services Reasonable cost takes into account both direct and indirect costs of providers of services, including normal standby costs The general services or overhead cost is stepped down and allocated through statistical data to equitably allocate the expenses to the hospital service departments

Identifier	ReturnReference	Explanation
		Part III, Line 9b The Scott & White Healthcare Sysytem's Financial Assistance Policy, which includes Hillcrest Baptist Medical Center, has a section for coordination with collection policies It states "not withstanding any other provision of any other policy or provision at S&W regarding billing and collection matters, S&W will not engage in extraordinary collection actions before it makes reasonable efforts to determine whether an individual who has an unpaid billing from S&W is eligible for financial assistance under this Policy "Reasonable efforts" includes notification to the patient by S&W of this Policy upon admission or discharge and in written and oral communications with the patient regarding the patient's billings, including invoices, telephone calls, and such other communications as may be set forth in future guidance from the U S Department of the Treasury or Internal Revenue Service "

Identifier	ReturnReference	Explanation
Hillcrest Baptist Medical Center		Part V, Section B, Line 13g In addition to the methods of publication listed in question 13, Hillcrest Baptist Medical Center ("HBMC") annually posts a notice in the principal newspaper of its service area

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Hillcrest Baptist Medical Center ("HBMC") utilizes multiple sources in order to identify, define, develop and provide services to our community based on the demographic, economic status and health of those living within HBMC's service area Once every three years HBMC in cooperation with McLennan County's Health District and other prominent health care provider organizations conduct a Community Needs Assessment In analyzing the results, HBMC is able to glean the community's overall health status as well as identify community members who are medically underserved as a result of economic conditions, limited access or unattended chronic health problems From the analysis a listing of prioritized health needs is developed along with an implementation strategy that describes how HBMC plans to meet the health needs During the period between assessments, HBMC monitors the plan's effectiveness and seeks input from members of the community, physicians, public health leaders and our patients Recommendations to continue, modify or alter the plan are generated from this input and as well as other contributing factors such as a changing population with respect to health risk factors, incidence of health issues, provider access, and service availability

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Hillcrest Baptist Medical Center ("HBMC") provides patients with information regarding eligibility for financial assistance in a number of ways Patients are notified of the Financial Assistance Policy upon admission or discharge and in written and oral communications with the patient regarding patient billing statements including phone contact information for patients seeking information regarding billings, invoices and telephone calls Hillcrest personnel attempt to screen uninsured patients for eligibility for financial assistance, as well as alternative funding sources, prior to providing services When screening prior to services is not possible, Hillcrest personnel attempt to screen uninsured patients prior to billing Hillcrest financial counselors contacting patients regarding outstanding accounts attempt to screen patients for eligibility for financial assistance and opportunities for alternative funding sources

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The Scott & White Healthcare System provides care for patients in 35 counties in the state of Texas covering 29,000+ square miles Eighty-five percent of the patients come from the primary service area including the counties of Bell, Brazos, Coryell, Falls, Lampasas, McLennan, Milam, and Williamson Eight percent of patients come from the secondary service area including Blanco, Bosque, Brown, Burleson, Burnet, Comanche, Grimes, Hamilton, Hays, Hill, Hood, Johnson, Lee, Leon, Limestone, Llano, Madison, Mills, Robertson, San Saba, Somervell, Travis and Washington counties In Scott & White's primary service area, the total population is 1,268,822 and the median household income is $46,930 Twenty-seven percent of the population is under the age of 17, 42% is between the ages of 18 and 44, 21% is between the ages of 45 and 64, and 10% of the population is over 65 The top three ethnicities in the primary service area are Caucasion Non-Hispanic with 61 08% of the population, 20 67% are Hispanic and 12% are African American

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Hillcrest Baptist Medical Center ("HBMC") is operated in a manner that furthers exempt purposes The HBMC Board of Directors is comprised of persons residing in the service area Surplus funds are reinvested in facilities, equipment and programs to further HBMC's exempt purposes HBMC maintains an emergency room following EMTALA requirements and has an open medical staff HBMC is operated for the benefit of the public and no part of income inures to any private individual or serves a private interest Surplus funds are used to improve the quality of patient care, expand facilities, advance medical training and education and fund research Scott & White Healthcare has a Financial Assistance Policy that all hospitals in the Scott & White Healthcare System follow, including HBMC, which provides assistance to individuals with incomes up to 375% of the Federal Poverty Guidelines

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Scott & White provides personalized, comprehensive, high quality health c are services enhanced by medical education and research through 12 acute care hospital sit es, two additional announced facilities, a 240,000+ member regional health plan serving re sidents in a 29,000-square mile service area, and one of the nation's largest multi-specia lty group practices with more than 178 clinics at 65 clinic locations providing care in 46 medical specialties Hillcrest Baptist Medical Center ("HBMC") is a subsidiary of Scott & White Memorial Hospital ("SWMH") Scott & White Healthcare ("SWHC")(EIN 26-4532547) is t he parent corporation of SWMH and the Scott & White Healthcare System (the "System") The Scott & White Healthcare Foundation ("SWF") (EIN 27-3513154), a subsidiary of SWHC, raises funds for the priority programs and services of the entire Scott & White System The Scot t & White Healthcare System provided at cost approximately $60 million in unreimbursed ch arity care, $46 million in unreimbursed Medicaid, $4 5 million in unreimbursed indigent ca re, $21 million in unreimbursed subsidized services, $63 million in unreimbursed health pr ofessions education, $13 million in unreimbursed research, $1 million in other community b enefits, and had a Medicare shortfall of approximately $96 million in the fiscal year endi ng August 31, 2012 The Scott & White Healthcare System employs over 1,000 physicians and scientists and 300+ advanced practice professionals The System has more than 14,000 emplo yees and in the fiscal year ending August 31, 2012 served over 537,000 unique patients acc ounting for 2 2 million patient visits Scott & White Memorial Hospital, located in Temple , Texas, is the flagship hospital of the Scott & White Healthcare System and is the only L evel I Trauma Center between Dallas and Austin, Texas The McLane Children's Hospital Scot t & White is the only stand-alone children's hospital between Dallas and Austin, Texas Hi llcrest Baptist Medical Center had 64,503 patient observation days (excluding newborns), 8 ,167 surgical cases, 13,211 admissions and 54,326 emergency room visits for the fiscal yea r ending August 31, 2012 Hillcrest Baptist Medical Center serves the community by offerin g free wellness screenings and health fairs Most of these health fairs are offered at loc al schools and at various times throughout the year HBMC also sponsors the Waco stroke su pport group, the Jingle Bell Run/Walk for Arthritis and the Waco Heart Walk Scott & White strives to do more than merely meet the healthcare needs of patients Employees go into t he community to educate about living a healthier life Targeted populations are provided i nformation on their specific needs For example, physicians specializing in geriatric care hold regular seminars discussing subjects such as preventing injury from falls, questions patients should be asking their doctor, how to maintain a healthy lifestyle with limited mobility, and more Health educational programs regarding prevention and treatment are off ered free or at minimal cost to all community members in a variety of subject areas, such as weight loss, smoking cessation, education on coping with a diagnosis, support groups fo r families, child safety, heart disease education, diabetes education, sex education for t eens, domestic violence prevention and many more Staff and physicians attend health fairs in the community and provide regular community presentations about health issues for diff erent populations Clinics in the region offer healthy cooking classes led by a Scott & Wh ite dietician to instruct families in creating easy and cost effective healthy meals As a n integrated health care delivery system, Scott & White is able to leverage the Scott & Wh ite Health Plan to provide health education information to the community and is actively w orking to make that information more widely available Scott & White uses various forms of media to promote health in the community The System website, blogs, social media, printe d flyers, and newspaper and magazine articles written by staff and physicians throughout t he year provide information that community members can use to enhance personal health A s pecific website has been created specifically to instruct on wellness initiatives (wellnes s sw org) Also, Scott & White staff dedicate many hours of service serving on community b oards and collaborative groups whose missions are to improve the overall health of the com munity In addition to these efforts, the hospital has designated specific funds to be use d to enhance healthy initiatives occurring in each community For example, Scott & White p rovides substantial financial and in-kind support for multiple free clinics to assist in p roviding better access and more affordable healthcare to the medically underserved Scott & White is one of sixteen major U S health systems to be part of the National High Value Healthcare Collaborative ("HVHC") This partnershi

Identifier	ReturnReference	Explanation
		p is designed to improve healthcare, lower costs and move best practices out to the nation al provider community The Dartmouth Institute for Health Policy and Clinical Practice lea ds the collaborative which is studying nine prevalent condition/disease specific areas tha t have been shown to have wide variation in rates, costs and outcomes nationally Addition al high variation, high cost conditions that affect diverse populations will be added over time The healthcare systems in this group are responsible for 50 million patients and ar e using private dollars and research and grant funds to identify ways to get the most out of every healthcare dollar In June of 2012 the HVHC received a $26 million grant from the Center for Medicare and Medicaid Innovation ("CMMI") CMMI projects the project funded by this grant will save $64 million over three years, largely due to reduced utilization and costs that have been shown to occur when patients are engaged and empowered to make healt h care decisions based on their own values and preferences The entire Scott & White Health care System serves patients qualifying for federal Medicare and state Medicaid programs an d other federal and state means tested assistance programs Services for indigent patients and uninsured and underinsured patients are provided according to provisions of the Scott & White Healthcare Financial Assistance Policy, which provides assistance to individuals with incomes up to 375% of the Federal Poverty Guidelines Scott & White also serves priva te pay patients and contracts with health plans and insurance companies to provide medical services for their participants

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Hillcrest Physician Services100 Hillcrest Medical Blvd Waco,TX 76712	74-2967081	501 (c) (3)	4,500,000				To fund medical services
(2) Hillcrest Family Health Center100 Hillcrest Medical Blvd Waco,TX 76712	74-2730350	501 (c) (3)	600,000				To fund medical services

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

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

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
(1) Scholarships	3	1,513		Cost	

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

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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**		No
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**		No
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				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Health Club dues are paid for some officers and are reported as compensation to the officer Any personal expenses are required to be reimbursed to the organization
Supplemental Information	Part III	Hillcrest Baptist Medical Center paid Community Hospital Corporation, a management company, $619,432 for the services of President, Glenn Robinson Community Hospital Corporation is an unrelated organization

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest Baptist Medical Center

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
John Speckmiear MD	(I)	0	0	0	0	0	0	0
	(II)	269,064	92,767	41,670	34,811	18,516	456,828	0
Glenn A Robinson	(I)	479,412	0	140,020	17,150	24,744	661,326	0
	(II)	0	0	0	0	0	0	0
Patricia M Currie	(I)	0	0	0	0	0	0	0
	(II)	479,377	0	966	31,850	14,890	527,083	0
Glen R Couchman MD	(I)	0	0	0	0	0	0	0
	(II)	572,024	0	1,806	31,850	21,531	627,211	0
Michael D Reis MD	(I)	0	0	0	0	0	0	0
	(II)	429,184	0	3,456	31,850	16,364	480,854	0
Richard W Perkins	(I)	0	0	0	0	0	0	0
	(II)	262,454	0	1,806	31,850	19,364	315,474	0
James Morrison MD	(I)	0	0	0	0	0	0	0
	(II)	341,877	0	966	31,850	16,364	391,057	0
David Blackwell	(I)	0	0	0	0	0	0	0
	(II)	159,272	0	2,772	21,699	15,990	199,733	0
Brad Crye	(I)	0	0	0	0	0	0	0
	(II)	179,692	0	630	24,497	18,317	223,136	0
Robert W Pryor MD	(I)	0	0	0	0	0	0	0
	(II)	864,217	0	2,772	31,850	14,613	913,452	0
Cynthia B Dunlap	(I)	0	0	0	0	0	0	0
	(II)	201,891	0	966	26,914	11,931	241,702	0
Dennis Laraway	(I)	0	0	0	0	0	0	0
	(II)	444,256	0	446	31,850	10,547	487,099	0
Dick L Dixon	(I)	0	0	0	0	0	0	0
	(II)	311,559	0	1,806	31,850	16,364	361,579	0
Matthew L Chambers	(I)	0	0	0	0	0	0	0
	(II)	172,585	10,000	5,650	0	6,084	194,319	0
Marc R Hallee	(I)	0	0	0	0	0	0	0
	(II)	346,430	90,000	13,585	0	6,951	456,966	0
Bill Willis	(I)	81,736	0	139,401	4,326	16,211	241,674	0
	(II)	0	0	0	0	0	0	0
Richard Warren	(I)	163,601	0	1,266	11,656	20,537	197,060	0
	(II)	0	0	0	0	0	0	0
Robert Brace	(I)	140,049	5,686	1,072	9,945	21,561	178,313	0
	(II)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** 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 compensation				
David Gentsch	(I)	145,925	2,317	711	9,787	13,146	171,886	0
	(II)	0	0	0	0	0	0	0
Debra Wallace	(I)	122,947	19,256	59	8,864	18,817	169,943	0
	(II)	0	0	0	0	0	0	0
Jason Jennings	(I)	0	0	0	0	0	0	0
	(II)	261,170	0	2,575	31,850	18,197	313,792	0

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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	Waco Health Facilities Development Corporation	74-2267504	929836AN4	12-28-2006	215,015,134	Construction of replacment campus		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	215,015,134			
4	Gross proceeds in reserve funds	15,343,934			
5	Capitalized interest from proceeds	11,565,969			
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	3,540,558			
8	Credit enhancement from proceeds	5,977,757			
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	178,586,916			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2009			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		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?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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 %							
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 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X							
b	Name of provider	Natixis Funding Corp							
c	Term of GIC	28 600000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?	X							
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and 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

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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
(1) Billy H Davis Jr	Director	297,360	Lease of medical office building		No
(2) Julie Couchman	Family of Key Employee	35,406	Employee of the Scott & White Healthcare System		No
(3) Jarrod Pryor	Family of Key Employee	67,026	Employee of the Scott & White Healthcare System		No
(4) Brett Dixon	Family of Key Employee	14,995	Employee of the Scott & White Healthcare System		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 3	The bylaws of Hillcrest Baptist Medical Center ("HBMC") allow for management to be delegated, provided the management company and all corporate powers be under the ultimate direction of the HBMC Board of Directors The Chief Executive Officer, Glenn Robinson, is employed by Community Hospital Corporation ("CHC") the management company of HBMC

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Hillcrest Baptist Medical Center's ("HBMC") members are Hillcrest Health Systems Inc and Scott & White Memorial Hospital, organizations exempt from tax under IRC section 501(c)(3) and public charities under IRC section 509(a)(3)

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Hillcrest Health System, Inc and Scott & White Memorial Hospital are the two members of Hillcrest Baptist Medicale Center Half of the directors for Hillcrest Baptist Medical Center are elected by Scott & White Healthcare, the sole corporate member of Scott & White Memorial Hospital and parent corporation of the Scott & White Healthcare System, and the other half are elected by Hillcrest Health Systems, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	Hillcrest Baptist Medical Center's ("HBMC") members are Hillcrest Health Systems Inc ("HHS") and Scott & White Memorial Hospital ("SWMH"), organizations exempt from tax under IRC section 501(c)(3) and public charities under IRC section 509(a)(3) Scott & White Healthcare ("SWHC") is the sole corporate member of SWMH, and the parent corporation of the Scott & White Healthcare System Actions taken by the HBMC Board of Directors are subject to oversight and approval of both HHS and SWHC

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	A copy of Form 990 was provided to the Hillcrest Baptist Medical Center's ("HBMC") Board of Directors for review prior to filing with the IRS A meeting was held to allow the Directors to ask questions and provide feedback with respect to the information presented in the Form 990

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Annually, a written questionnaire is provided to all persons identified as being subject to the Scott & White Healthcare System Conflict of Interest Policy (Tax), requesting responses to questions designed to identify potential conflicts Responses are monitored and reviewed by System personnel and follow-ups are initiated as required The Conflict of Interest Policy (Tax) is reviewed before each board meeting or board committee meeting Board members or persons having business with the Board are asked to identify conflicts which may arise with respect to business conducted by the Board or committee during the meeting

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The compensation review process is performed annually All physician compensation is reviewed including pay, production data and total compensation The physician compensation is then benchmarked against industry standards using data from ten different industry surveys This review is performed by an independent consultant and presented to the Scott & White Healthcare Board of Trustees Compensation Committee Scott & White Healthcare ("SWHC")(EIN 26-4532547) is the parent corporation of Scott & White Memorial Hospital Hospital ("SWMH") SWMH is one of the two corporate members of HBMC Compensation for the Scott and White Healthcare System (the "System") Officers along with regional Chief Executive Officers and Chief Medical Officers are reviewed annually An independent consultant compares total compensation to benchmark surveys The Scott & White Healthcare Board of Trustees Compensation Committee reviews the compensation and comparability data annually

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Hillcrest Baptist Medical Center's ("HBMC") governing documents and Conflict of Interest Policy (Tax) are available to the public upon request HBMC does not have separately audited financial statements, but the consolidated audited financial statements of Hillcrest Baptist Medical Center are available at http //www dacbond com and upon request

Identifier	Return Reference	Explanation
Estimated Average Hours Worked	Form 990, Part VII Column B	Average hours per week recorded in column B for the Officers, Directors, Key Employees and Highly Compensated Employees represent total hours worked for the entire Scott & White Healthcare System

Identifier	Return Reference	Explanation
Compensation of Officers and Directors	Form 990, Part VII Column D	Officers and Directors are not compensated in their capacity as Directors and Officers of the Corporation However, some of the directors provide medical or administrative services for the corporation pursuant to employment agreements, and compensation is paid to them in their capacity as medical or administrative personnel

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 103,723 Transfer to Captive -1,199,831 Investment in Supporting Foundation 813,594 Total to Form 990, Part XI, Line 5 -282,514

Identifier	Return Reference	Explanation
	Form 5471	Disclosure Statement Related to Forms 5471, Information Return of U S Persons With Respect to Certain Foreign Corporations, Filed on Behalf of the Taxpayer Under the constructive ownership rules of IRC Sections 958(a) and (b) The taxpayer is required to file Forms 5471, Information Return of U S Persons With Respect to Certain Foreign Corporations, as a Category 5 filer with respect to certain controlled foreign corporations (CFCs) These filing requirements are or will be satisfied through the filing of Forms 5471 for these CFCs by other U S taxpayers identified below who have the same filing requirement Taxpayer Name Scott & White Memorial Hospital Taxpayer Address 2401 S 31st Street Temple, TX 76508 Taxpayer Identification Number of U S tax return with which the Forms 5471 were or will be filed 74-1166904 IRS Service Center where U S tax return was or will be filed efile

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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) Scott & White Properties Opportunities LLC 2401 S 31st Street Temple, TX 76508 45-2920812	Investment	TX			Scott & White Properties Holdings Inc
(2) Scott & White Properties Management LLC 2401 S 31st Street Temple, TX 76508 45-2920980	Investment	TX			Scott & White Properties Opportunities LLC

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

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

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

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

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

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

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

		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		No
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		No
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	Yes	
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		No
r Other transfer of cash or property from related organization(s)	1r		No

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

Return to Form

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest Baptist Medical Center

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

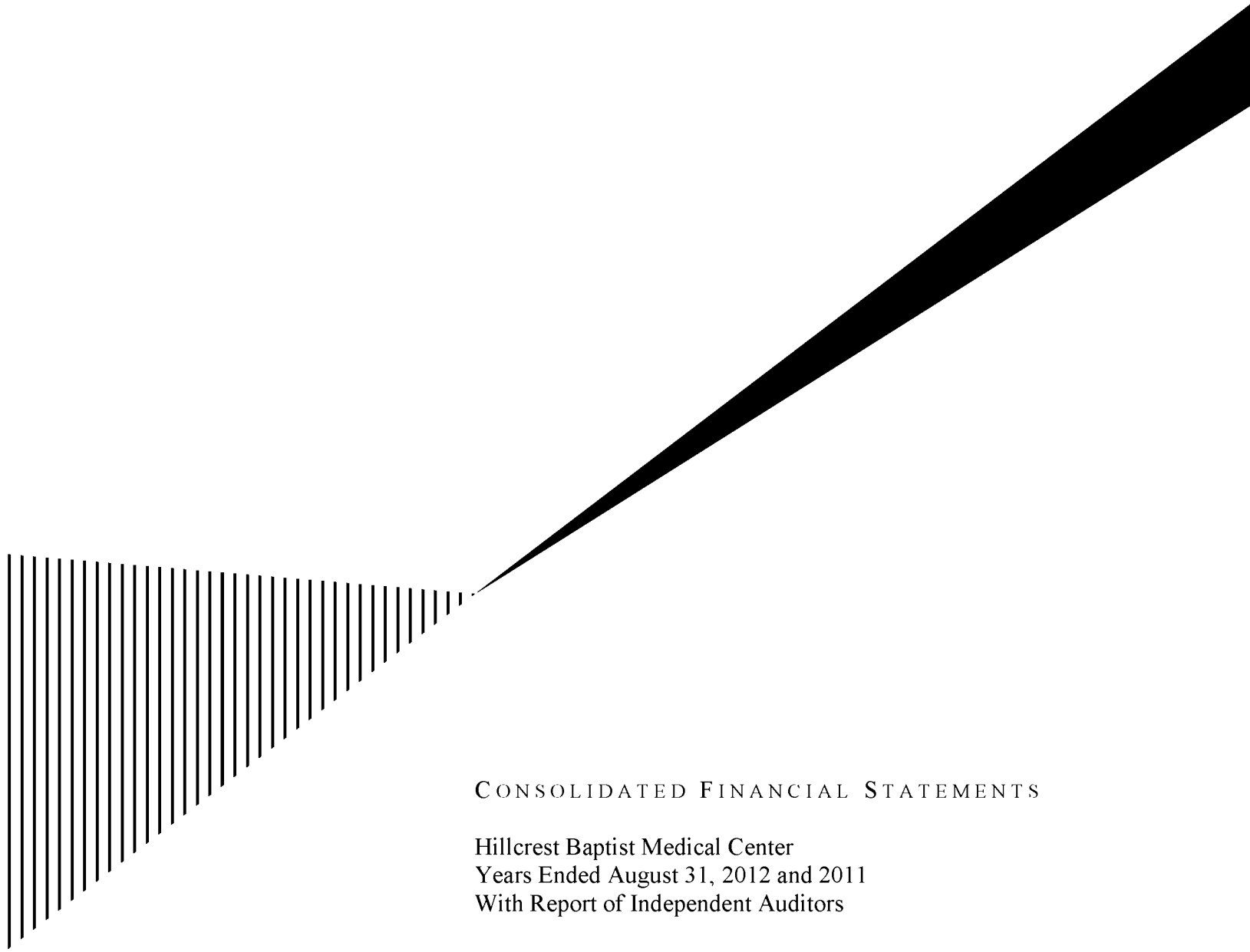
(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Scott & White Healthcare 2401 S 31st Street Temple, TX 76508 26-4532547	Operational Support	TX	501 (c)(3)	Line 11a, I	N/A		No
Scott & White Memorial Hospital 2401 S 31st Street Temple, TX 76508 74-1166904	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Scott & White Clinic 2401 S 31st Street Temple, TX 76508 74-2958277	Physician Services	TX	501 (c)(3)	Line 9	Scott & White Healthcare	Yes	
Scott & White Continuing Care Hospital 2401 S 31st Street Temple, TX 76508 20-2850920	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Scott & White Hospital-Round Rock 2401 S 31st Street Temple, TX 76508 20-3749695	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Hillcrest Family Health Center 100 Hillcrest Medical Blvd Waco, TX 76712 74-2730350	Hospital Services	TX	501 (c)(3)	Line 3	Hillcrest Baptist Medical Center	Yes	
Scott & White Hospital-Brenham 2401 S 31st Street Temple, TX 76508 74-2519752	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Scott & White Healthcare Foundation 2401 S 31st Street Temple, TX 76508 27-3513154	Fundraising	TX	501 (c)(3)	Line 7	Scott & White Healthcare	Yes	
Scott & White Healthplan 2401 S 31st Street Temple, TX 76508 74-2052197	HMO/Insurance	TX	501 (c)(4)		Scott & White Healthcare	Yes	
Scott & White Hospital-Taylor 2401 S 31st Street Temple, TX 76508 74-1595711	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Scott & White Hospital-Llano 2401 S 31st Street Temple, TX 76508 27-3026151	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Scott & White Hospital-College Station 2401 S 31st Street Temple, TX 76508 27-4434451	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Scott & White EMS Inc 2401 S 31st Street Temple, TX 76508 75-3242749	Emergency Transportation	TX	501 (c)(3)	Line 9	Scott & White Memorial Hospital	Yes	
Brenham Hospital Services Corporation 2401 S 31st Street Temple, TX 76508 74-2605157	Operational Support	TX	501 (c)(3)	Line 11a, I	Scott & White Healthcare	Yes	
Scott & White Foundation-Brenham 2401 S 31st Street Temple, TX 76508 74-2460815	Fundraising	TX	501 (c)(3)	Line 7	Scott & White Hospital-Brenham	Yes	
Brenham Care Center 2401 S 31st Street Temple, TX 76508 74-2663229	Healthcare	TX	501 (c)(3)	Line 9	Scott & White Hospital-Brenham	Yes	
Hillcrest Physician Services 100 Hillcrest Medical Blvd Waco, TX 76712 74-2967081	Physician Services	TX	501 (c)(3)	Line 11c, III-FI	Hillcrest Baptist Medical Center	Yes	
Scott & White Lake of the Hills Regional Medical Center 2401 S 31st Street Temple, TX 76508 45-1608264	Hospital Services	TX	501 (c)(3)	Line 3	Scott & White Healthcare	Yes	
Hillcrest Health Foundation 100 Hillcrest Medical Blvd Waco, TX 76712 31-1804708	Fundraising	TX	501 (c)(3)	Line 11a			No
Hillcrest Health System 100 Hillcrest Medical Blvd Waco, TX 76712 74-2924512	Operational Support	TX	501 (c)(3)	Line 11a			No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Percentage ownership
Scott & White Properties Holdings Inc 2401 S 31st Street Temple, TX 76508 45-2920596	Investment	TX	N/A	C			
Scott & White Properties Inc 2401 S 31st Street Temple, TX 76508 74-2497061	Hotel Services	TX	N/A	C			
Scott & White Assurance Ltd 23 Lime Tree Bay Grand Cayman, Grand Cayman CJ 98-0589956	Investment	CJ	N/A	C			
Hillcrest Holdings Inc 3000 Herring St Waco, TX 76708 74-2793367	Operational Support	TX	N/A	C			
Atumida 2401 S 31st Street Temple, TX 76508 27-0583030	Research	TX	N/A	C			
Insurance Company of Scott & White 2401 S 31st Street Temple, TX 76508 74-3092083	Investment	TX	N/A	C			
Charitable Remainder Trust #1 PO Box 6101 Temple, TX 765036101 52-6854329	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #2 PO Box 6101 Temple, TX 765036101 20-6463694	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #3 PO Box 6101 Temple, TX 765036101 41-6504860	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #4 PO Box 6101 Temple, TX 765036101 74-2751167	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #5 PO Box 6101 Temple, TX 765036101 74-6391353	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #6 PO Box 6101 Temple, TX 765036101 74-6397360	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #7 PO Box 6101 Temple, TX 765036101 74-2751168	Investment Trust	TX	N/A	T			
Charitable Remainder Trust #8 PO Box 6101 Temple, TX 765036101 74-6423552	Investment Trust	TX	N/A	T			
Phil and June Hivnor Charitable 2401 S 31st Street Temple, TX 765080001 90-0850773	Investment Trust	TX	N/A	T			
Nelda I Staller Charitable Remainder Unitrust No 1 2401 S 31st Street Temple, TX 765080001 32-6224724	Investment Trust	TX	N/A	T			

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)	Scott & White Memorial Hospital	O	11,600,817	Cost
(2)	Hillcrest Health Systems Inc	C	850,000	Cost
(3)	Hillcrest Family Health Center	A	5,899	Cost
(4)	Hillcrest Family Health Center	B	600,000	Cost
(5)	Hillcrest Physician Services	B	4,500,000	Cost
(6)	Hillcrest Family Health Center	I	921,304	Cost
(7)	Hillcrest Physician Services	I	645,185	Cost
(8)	Hillcrest Family Health Center	N	5,994,998	Cost
(9)	Hillcrest Physician Services	N	1,658,564	Cost
(10)	Hillcrest Family Health Center	P	242,660	Cost



CONSOLIDATED FINANCIAL STATEMENTS

Hillcrest Baptist Medical Center
Years Ended August 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Hillcrest Baptist Medical Center

Consolidated Financial Statements

Years Ended August 31, 2012 and 2011

Contents

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Report of Independent Auditors

The Board of Directors
Hillcrest Baptist Medical Center

We have audited the accompanying consolidated balance sheets of Hillcrest Baptist Medical Center (the Organization) as of August 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of the Organization's management Our responsibility is to express an opinion on these financial statements based on our audit

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization at August 31, 2012 and 2011, and the consolidated changes in its net assets and its cash flows for the years then ended, in conformity with U S generally accepted accounting principles

As discussed in Note 2 to the consolidated financial statements, effective September 1, 2011, the Organization adopted authoritative guidance issued by the Financial Accounting Standards Board related to presentation and disclosure of patient service revenues and provision for bad debt

Ernst & Young LLP

December 21, 2012

Hillcrest Baptist Medical Center

Consolidated Balance Sheets
(In Thousands)

	August 31 2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ **14,938**	$ 13,182
Assets limited as to use, current portion	**1,516**	5,962
Accounts receivable		
Patients, less allowance for doubtful accounts ($34,835 in 2012 and $29,409 in 2011)	**27,254**	23,562
Other	**4,216**	2,605
Supplies	**3,428**	3,806
Total current assets	**51,352**	49,117
Assets limited as to use		
For restricted purposes	**17**	17
Internally designated for specific purposes	**11,680**	11,562
Held by trustees under bond agreements	**41,613**	35,842
	53,310	47,421
Less current portion	**(1,516)**	(5,962)
	51,794	41,459
Long-term investments	**30,297**	29,839
Property and equipment, net	**132,242**	142,679
Interest in net assets of Hillcrest Health Foundation	**6,983**	6,170
Other assets	**2,435**	4,079
Total assets	$ **275,103**	$ 273,343
Liabilities and net assets		
Current liabilities		
Accounts payable	$ **9,526**	$ 9,471
Accrued expenses and other liabilities	**10,061**	12,744
Due to third-party payors	**1,515**	1,751
Current portion of long-term debt	**5,714**	5,426
Due to Hillcrest Health System	**500**	750
Total current liabilities	**27,316**	30,142
Long-term debt, less current portion	**187,151**	192,262
Due to Hillcrest Health System	**–**	500
Other liabilities	**3,254**	3,134
Total liabilities	**217,721**	226,038
Net assets		
Unrestricted	**50,382**	41,118
Temporarily restricted	**5,430**	4,617
Permanently restricted	**1,570**	1,570
Total net assets	**57,382**	47,305
Total liabilities and net assets	$ **275,103**	$ 273,343

See accompanying notes

Hillcrest Baptist Medical Center

Consolidated Statements of Operations
(In Thousands)

	Year Ended August 31	
	2012	**2011**
Unrestricted revenue and other support		
Net patient service revenue	**$ 248,128**	$ 254,562
Provision for bad debt	**(31,406)**	(44,196)
Net patient revenue less provision for bad debt	**216,722**	210,366
Other operating revenue	**6,379**	4,649
Total unrestricted revenue and other support	**223,101**	215,015
Operating expenses		
Salaries and wages	**88,455**	86,722
Employee benefits	**18,502**	17,675
Supplies	**37,876**	37,184
Purchased services	**43,621**	44,145
Staff enrichment	**1,830**	1,472
Depreciation	**12,035**	12,212
Interest expense	**13,304**	13,448
Total operating expenses	**215,623**	212,858
Operating income	**7,478**	2,157
Nonoperating gains (losses)		
Contributions, gifts, and bequests	**1**	2
Other nonoperating loss	**(143)**	(225)
Investment income, net	**1,494**	1,717
	1,352	1,494
Excess of revenues and gains over expenses and losses	**$ 8,830**	$ 3,651

See accompanying notes.

Hillcrest Baptist Medical Center

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Year Ended August 31	
	2012	**2011**
Unrestricted net assets		
Excess of revenues and gains over expenses and losses	**$ 8,830**	$ 3,651
Unrealized gain (loss) on other-than-trading securities	**104**	(290)
Net assets released from restriction for the purchase of property, plant, and equipment	**330**	50
Increase in unrestricted net assets	**9,264**	3,411
Temporarily restricted net assets		
Changes in net assets of supporting foundation	**813**	639
Increase in temporarily restricted net assets	**813**	639
Permanently restricted net assets		
Changes in net assets of supporting foundation	–	9
Increase in permanently restricted net assets	–	9
Increase in net assets	**10,077**	4,059
Net assets at beginning of year	**47,305**	43,246
Net assets at end of year	**$ 57,382**	$ 47,305

See accompanying notes.

Hillcrest Baptist Medical Center

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended August 31	
	2012	**2011**
Operating activities		
Increase in net assets	**$ 10,077**	$ 4,059
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in net unrealized (gain) loss on other-than-trading securities	**(104)**	290
Change in interest in net assets of related foundation	**(813)**	(648)
Depreciation	**12,035**	12,212
Amortization of bond discount	**685**	641
Gain on sale or disposal of assets, net	**(267)**	(5)
Provision for bad debts	**31,406**	44,196
Changes in operating assets and liabilities		
Accounts receivable	**(35,099)**	(40,194)
Other assets	**30**	(837)
Supplies	**378**	(239)
Accounts payable	**55**	(2,987)
Accrued expenses and other liabilities	**(3,332)**	(2,026)
Due to third-party payors	**(236)**	(463)
Net cash provided by operating activities	**14,815**	13,999
Investing activities		
Increase in assets limited as to use – other-than-trading	**(5,786)**	(6,005)
Purchases of long-term investments, net	**(458)**	(7,899)
Property and equipment acquired, net	**(1,639)**	(3,284)
Proceeds from sale of property and equipment	**332**	29
Net cash used in investing activities	**(7,551)**	(17,159)
Financing activities		
Repayment of long-term debt	**(5,508)**	(5,224)
Net cash used in financing activities	**(5,508)**	(5,224)
Net increase (decrease) in cash and cash equivalents	**1,756**	(8,384)
Cash and cash equivalents at beginning of year	**13,182**	21,566
Cash and cash equivalents at end of year	**$ 14,938**	$ 13,182

See accompanying notes.

Hillcrest Baptist Medical Center

Notes to Consolidated Financial Statements

August 31, 2012

1. Organization

The consolidated financial statements of Hillcrest Baptist Medical Center (the Organization) include the accounts of Hillcrest Baptist Medical Center and its wholly owned subsidiaries Entities included in the consolidated financial statements include the following

Entity	Description	Tax Status
Hillcrest Baptist Medical Center (HBMC)	Acute care hospital with a rehab unit and a skilled nursing unit	Tax-exempt
Hillcrest Family Health Center (HFHC)	Physician clinics	Tax-exempt
Hillcrest Physician Services (HPS)	Specialty physician services	Tax-exempt
Hillcrest Health Holdings, Inc (HHH)	Dormant entity	Taxable

HBMC is the sole corporate member of HFHC and HPS and the sole shareholder of HHH

The Organization primarily earns revenues by providing inpatient, outpatient, emergency care, and physician services to patients in Waco, Texas, and surrounding areas in central Texas

The Organization includes a fully accredited 284-bed acute care hospital, a 73-bed post-acute care campus, and eight clinics located in central Texas The Organization includes a relatively new replacement hospital, opened for service on April 4, 2009, financed by FHA Insured Revenue Bonds

HBMC has two corporate members Scott & White Healthcare (SWHC), a Texas nonprofit corporation, has an 80% membership interest in HBMC, and Hillcrest Health System, Inc (HHS), a Texas nonprofit corporation, has a 20% membership interest in HBMC (SWHC and HHS are collectively referred to as the Members) SWHC's interest in the Organization is a controlling, but not sole, interest HBMC is governed by a volunteer, 12-member Board of Directors, to which HHS and SWHC each appoint six members

The Membership Interest Agreement between SWHC and HHS stipulates that in the event the HBMC Board of Directors determines that additional capital contributions are required from the

1. Organization (continued)

Members, SWHC will be required to make 100% of the required contributions approved by the Board of Directors, up to an additional $30 million, without having the effect of diluting HHS's interest in the Organization or increasing SWHC's interest in the Organization, unless such contribution is made after the Organization's FHA Insured Revenue Bonds are refinanced

Principles of Consolidation

All entities in which the Organization has sole membership or shareholder interest are consolidated in the accompanying consolidated financial statements All significant intercompany accounts and transactions among entities included in the consolidated financial statements have been eliminated in consolidation

2. Significant Accounting Policies

Cash Equivalents

The Organization considers all undesignated, highly liquid investments with maturities of three months or less when purchased to be cash equivalents Cash and cash equivalents on the consolidated balance sheets at August 31, 2012 and 2011, include $400,000 and $500,000 in certificates of deposit, respectively

Supplies

Supplies are stated at cost (first-in, first-out method), which is not in excess of market value

Patient Accounts Receivable

Patient accounts receivable are stated at estimated net realizable value Significant concentrations of patient accounts receivable from government-related programs were 40 7% and 35 0% at August 31, 2012 and 2011, respectively

The Organization maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The provision for uncollectible accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators

2. Significant Accounting Policies (continued)

Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon the payor composition and aging of receivables as of the reporting date with consideration of the historical payment and write-off experience by payor category The results of these reviews are then used to make any modifications to the provision for uncollectible receivables to establish an appropriate allowance for uncollectible accounts

Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts, as necessary, allowances associated with its receivables The majority of uncollectible accounts are from uninsured patients and patient co-pays and deductibles

A summary of activity in the Organization's allowance for doubtful accounts is as follows (in thousands)

	Balances at Beginning of Year	Provision for Bad Debt, Net of Recoveries	Accounts Written Off	Balances at End of Year
Year ended August 31, 2012	**$ 29,409,000**	**$ 93,611,000**	**$ (88,185,000)**	**$ 34,835,000**
Year ended August 31, 2011	25,561,000	95,127,000	(91,279,000)	29,409,000

Investments

Approximately 48% and 52% of investments at August 31, 2012, and 52% and 48% of investments at August 31, 2011, are held under master trust agreements with Wells Fargo and Bank of New York, respectively The investments held under the master trust agreements are diversified among fixed-income securities and money market instruments and are reported at estimated fair value All investments held by the Organization have been classified as other-than-trading Investments in other-than-trading fixed-income securities with stated maturities are presented in the table below by their contractual maturity (in thousands)

Less than 1 year	$ 26,723
1–5 years	10,745
6–10 years	42,858
	$ 80,326

2. Significant Accounting Policies (continued)

All interest and dividends and all realized gains and losses on investments are included in investment income in the accompanying consolidated statements of operations Unrealized (losses) gains on investments were $104,000 and $(290,000) for the years ended August 31, 2012 and 2011, respectively, and are shown as a change in unrestricted net assets in the accompanying consolidated statements of changes in net assets Investment income included in the accompanying consolidated statements of operations consists of the following for the years ended August 31 (in thousands)

	2012	2011
Realized losses, net	$ (61)	$ (28)
Dividends and interest	1,555	1,745
	$ 1,494	$ 1,717

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or estimated fair value at the date of donation Depreciation is computed on the straight-line method using the estimated economic lives of the depreciable assets, generally ranging from 2 to 40 years

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized Routine maintenance and repair items are charged to operating expenses

The estimated useful lives of the classes of depreciable assets are as follows

Land improvements	2 to 25 years
Buildings and improvements	5 to 40 years
Fixed and movable equipment	3 to 20 years

2. Significant Accounting Policies (continued)

The Organization evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable The assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted value of cash flows expected to result from the use of the assets and their eventual disposition No impairment charges were recorded during the years ended August 31, 2012 and 2011

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity

Net Patient Service Revenue

Revenue is recognized in the period in which services are performed Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations Net patient service revenue is reported net of provision for bad debt

Charity Care

The Organization provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity policy Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue The Organization provides care without charge to certain patients that qualify under the local charity care policy For the years ended August 31, 2012 and 2011, the Organization estimates that its costs of care provided under its charity care programs approximated $14,187,000 and $12,446,000, respectively HPS estimates that its costs of care provided under its charity care programs were $179,000 and $485,000 for the years ended August 31, 2012 and 2011, respectively The Organization's management estimates its costs of care provided under its

2. Significant Accounting Policies (continued)

charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Organization's gross charity care charges provided The Organization's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Organization's charity care policies To the extent the Organization receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Organization does not include these patients' charges in its cost of care provided under its charity care program Additionally, the Organization does not report a charity care patient's charges in revenues or in the provision for doubtful accounts as it is the Organization's policy not to pursue collection of amounts related to these patients Previously, the Organization reported its estimates of services provided under its charity care programs based on the difference between standard rate charges and the amount ultimately collected related to services provided to patients who were financially and medically indigent (charity care) In addition to charity care provided to the community, the Organization's unreimbursed cost for the treatment of Medicaid patients was $17,695,000 and $12,127,000, respectively, for the fiscal years ended August 31, 2012 and 2011

Health Insurance Program Reimbursement

Revenue from the Medicare program accounted for approximately 31% and 27% and revenue from the Medicaid program accounted for approximately 8% and 10% of the Organization's net patient service revenue for the years ended August 31, 2012 and 2011, respectively Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation Federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries Medicare and Medicaid cost report settlements are estimated in the period that services are provided to beneficiaries As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Net patient service revenue for the years ended August 31, 2012 and 2011 increased by approximately $2,201,000 and approximately $1,974,000, respectively, due to changes in allowances previously estimated as a result of the final settlements for years that are no longer subject to audits, reviews, and investigations The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing

2. Significant Accounting Policies (continued)

Medicare cost reports filed by the Organization for all years before 2007 have been audited and settled as of August 31, 2012 Medicaid cost reports filed by the Organization for all years before 2009 have been audited and settled as of August 31, 2012 Amounts due to the Medicare and Medicaid programs totaled approximately $1,515,000 and $1,751,000 at August 31, 2012 and 2011, respectively, and are included in due to third-party payors in the accompanying consolidated balance sheets

Meaningful Use of Certified Electronic Health Record (EHR)

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period ending in 2016 Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology Providers must demonstrate continued meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments

The Organization accounts for EHR incentive payments as other operating revenue The Organization utilizes a grant accounting model to recognize EHR incentive revenues and records incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that the respective eligible provider will meet the meaningful use objectives for the reporting period and that the grants will be received The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30 The Organization attested for meaningful use for both Medicaid and Medicare and received incentive payments of approximately $2,300,000 during the year ended August 31, 2012 Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit In addition, the System's compliance with the meaningful use criteria is subject to audit by the federal government

2. Significant Accounting Policies (continued)

Self-Insured Employee Health Claims

The Organization is self-insured for its exposure to risk of loss from employee health claims An estimated provision is accrued for employee health claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported

Income Taxes

The Organization and most of its subsidiaries have been recognized as exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision of state law However, these entities are subject to federal income tax on any unrelated business taxable income Consolidated subsidiaries that are not exempt from income taxes had no tax liability

HHH has a net operating loss (NOL) carryforward of approximately $15 million, which results in a potential deferred tax asset of approximately $5 million The deferred tax asset is subject to a full valuation allowance given HHH's dormant status, therefore, it has not been reflected in the financial statements of the Organization

The Organization accounts for income taxes pursuant to Accounting Standards Codification (ASC) 740, *Income Taxes,* which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return There were no material uncertain tax positions at August 31, 2012 and 2011

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses in the accompanying consolidated statements of operations, which includes all changes in unrestricted net assets other than unrealized gains and losses on other-than-trading securities

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Organization to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including

2. Significant Accounting Policies (continued)

the notes thereto, and related disclosures of commitments and contingencies, if any The Organization considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following recognition of net patient revenues, including contractual allowances, provisions for bad debt, reserves for losses and expenses related to health care professional and general liabilities, and determination of fair values of certain financial instruments Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates Actual results could differ materially from these estimates

Subsequent Events

In preparing the accompanying consolidated financial statements, the Organization has reviewed events that have occurred after August 31, 2012 and through December 21, 2012, the date the financial statements were available for issuance As of such date, the Organization was not aware of any subsequent events requiring additional recognition or disclosure

New Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure.* ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs This ASU is effective for fiscal years beginning after December 15, 2010, with retrospective application required Effective September 1, 2011, the Organization adopted this guidance and has included the additional required retrospective footnote disclosures The adoption of ASU 2010-23 did not have an impact on the Organization's consolidated financial statements

In January 2010, the FASB released ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ASU 2010-06 was issued to improve disclosure requirements related to the fair value measurements and disclosures topic (overall Subtopic 820-10) of the ASC The new disclosures are effective for interim and annual

2. Significant Accounting Policies (continued)

reporting periods beginning after December 15, 2009, except for the disclosures in the rollforward of activity in Level 3 fair value measurements Those disclosures are effective for fiscal years beginning after December 15, 2010 Effective September 1, 2011, the Organization adopted this guidance and has included the additional required footnote disclosures The adoption of ASU 2010-06 did not have an impact on the Organization's consolidated financial statements

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in the ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities In addition, the amount of the claim liability must be determined without consideration of insurance recoveries This ASU is effective for fiscal years beginning after December 15, 2010 Effective September 1, 2011, the Organization adopted this guidance The adoption of ASU 2010-24 did not have a material impact on the Organization's consolidated financial statements

Effective for the year ended August 31, 2012, the Organization adopted ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Health Care Entities (Topic 954) Allowance for Doubtful Accounts for Certain Health Entities* ASU 2011-07 requires health care entities to change the presentation of their statements of operations by reclassifying the provision for bad debt associated with patient service revenues from an operating expense to a deduction from patient service revenues (net of contractual allowances and discounts) In addition, enhanced disclosures are required for the entity's revenue recognition policies and assessing bad debts The standard also requires disclosure of patient service revenues by major payor source as well as qualitative and quantitative information about changes in the allowance for uncollectible accounts The provision for bad debt associated with patient service revenue has been reclassified from an operating expense to a deduction from patient service revenues, and the prior year has been reclassified to conform to this presentation

3. Contingent Professional Liabilities

Prior to August 31, 2010, the Organization was self-insured for the first $3,000,000 per occurrence and $9,000,000 in aggregate of medical malpractice claims The Organization purchased commercial insurance coverage above the self-insurance limits Losses from asserted and unasserted claims identified under the Organization's incident reporting system were accrued based on estimates that incorporate the Organization's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors On

3. Contingent Professional Liabilities (continued)

August 31, 2010, the Organization transferred its liability of $5,887,000 to Scott & White Assurance, a related party Beginning August 31, 2010, the Organization purchased coverage from SWHC for professional and general liability claims The costs of professional and general liability coverage are allocated by SWHC to the Organization based on actuarially determined estimates and totaled $1,682,000 and $2,012,000 for the years ended August 31, 2012 and 2011, respectively In 2010, the Organization had internally designated investments of approximately $14,000,000 for contingent professional liability reserves Approximately $5,887,000 was transferred to Scott & White Assurance, and the remainder was redesignated by the Board of Directors into other board-designated assets and included in assets limited as to use in the consolidated balance sheets

4. Property and Equipment

Property and equipment and related accumulated depreciation are as follows (in thousands)

	Year Ended August 31	
	2012	**2011**
Land and improvements	**$ 16,816**	$ 16,869
Buildings and improvements	**110,794**	110,702
Fixed and movable equipment	**42,512**	41,867
Construction-in-progress	**1,536**	675
	171,658	170,113
Less accumulated depreciation	**(39,416)**	(27,434)
	$ 132,242	$ 142,679

The Organization accounts for asset retirement obligations under the provisions of ASC 410, *Asset Retirement and Environmental Obligations* The asset retirement obligation as of August 31, 2012 and 2011, was $2,860,000 and $2,861,000, respectively The asset retirement obligation is recorded in other liabilities in the accompanying consolidated balance sheets and relates to expected future asbestos remediation

The Organization also has capital leases that are included in property and equipment, net in the consolidated balance sheets At August 31, 2012 and 2011, the cost of the assets held under capital leases was approximately $533,000, and the accumulated depreciation of the capital lease assets was approximately $364,000 and $258,000, respectively

5. Long-Term Debt

Long-term debt at August 31 is as follows (in thousands)

	2012	2011
FHA Insured Revenue Bonds, Series 2006, interest at rates ranging from 4 25% to 5 27%, interest payable semiannually and principal payable annually through 2035	**$ 226,890**	$ 231,910
Capital lease obligations	**490**	979
	227,380	232,889
Unamortized discount	**(34,515)**	(35,201)
Less current maturities	**(5,714)**	(5,426)
Long-term portion of debt	**$ 187,151**	$ 192,262

The Organization holds and is the primary obligor on Series 2006 Waco Health Facilities Development Corporation (Waco) FHA Insured Revenue Bonds with a par value of $240,130,000, consisting of Series A Bonds of $208,375,000 and Series B Bonds of $31,755,000 (the Series 2006 Bonds) The proceeds of the Series A Bonds were used to construct a replacement campus, and the proceeds of the Series B Bonds were used to refund previously held bonds Through the purchase price allocation at the effective date of the Membership Interest Agreement between SWHC and HHS, a discount in the amount of $36,679,000 was recorded on the Series 2006 Bonds The discount recorded was based on the difference in the fair value and par value of the Series 2006 Bonds at the date of the Membership Interest Agreement and is being amortized over the term of the Series 2006 Bonds using the effective interest method The amortization of the discount on the Series 2006 Bonds effectively increases the interest recognized on the Series 2006 Bonds to rates ranging from 4 66% to 6 92% The Series 2006 Bonds are subject to optional early redemption after August 1, 2016, at par value The Series 2006 Bonds are nonrecourse to the Members As required under the Series 2006 Revenue Bond master indenture, the Organization purchased a guaranteed investment contract held in trust equal to one year of debt service The guaranteed investment contract has a value of $17,615,000 at August 31, 2012 and 2011, and is included in assets held by trustees under bond agreements on the accompanying consolidated balance sheets

5. Long-Term Debt (continued)

The Series 2006 Bonds are secured by the Organization's gross revenues and FHA mortgage insurance The Organization's obligations are secured by (1) a deed of trust giving a first lien on the Organization's interest in certain real property to the bond trustee and (2) a security agreement granting a security interest in certain personal property and other assets of the Organization, including the Organization's accounts receivable

As required under the Regulatory Agreement between the Organization and the Secretary of Housing and Urban Development, the Organization is funding a Mortgage Reserve Fund (MRF) As of August 31, 2012 and 2011, the MRF had a balance of $7,045,000 and $4,034,000, respectively, and these amounts are included in assets held by trustees under bond agreements on the accompanying balance sheets

The bond indenture contains certain restrictive covenants Management believes the Organization is in compliance with all covenants

The maturities of long-term debt as of August 31, 2012, are shown below (in thousands)

2013	$ 5,714
2014	5,651
2015	5,885
2016	6,210
2017	6,430
Thereafter	197,490
	227,380
Less unamortized discount	(34,515)
	$ 192,865

Total interest costs incurred during the years ended August 31, 2012 and 2011, were approximately $13,304,000 and $13,448,000, respectively Interest paid during the years ended August 31, 2012 and 2011, was approximately $13,326,000 and $12,846,000, respectively

The estimated fair value of the Organization's debt is $240,783,000 and $228,955,000 at August 31, 2012 and 2011, respectively At August 31, 2012, the fair values were derived from market quotes obtained from an investment banker

6. Employee Benefit Plans

Defined Contribution Plans

The Organization has a 401(k) defined contribution plan, which covers all employees who have worked at least 1,000 hours during the year Participants' benefits from Organization contributions become 100% vested after three years of service The Organization contributes an amount equal to 3% of each participant's base pay, plus another 1% to match contributions by the employee, up to 3% The Organization's contribution expense to the 401(k) plan for the years ended August 31, 2012 and 2011, was approximately $4,225,000 and $4,197,000, respectively

7. Investments

Certain cash and investments, whereby their use is limited due to Board designations or other purposes as set forth below, are reported as assets limited as to use For all of the Organization's investments, carrying values are at estimated fair values and are summarized below (in thousands)

	August 31	
	2012	**2011**
Assets limited as to use		
For restricted purposes	**$ 17**	$ 17
Internally designated for specific purposes	**11,680**	11,562
Held by trustees under bond agreements	**41,613**	35,842
	$ 53,310	$ 47,421

The Organization's investments, including assets limited as to use, at August 31, 2012 and 2011, include (in thousands)

	August 31	
	2012	**2011**
Money market and other	**$ 27,772**	$ 21,904
U S government agency securities	**32,402**	32,150
Corporate debt securities	**5,818**	5,591
Guaranteed investment contract	**17,615**	17,615
	$ 83,607	$ 77,260

7. Investments (continued)

In December 2009, the Organization sold the Hillcrest Medical Tower and adjacent surface parking lots and an adjacent parking garage to the city of Waco for $3,260,000 The proceeds from the sale are classified as assets limited as to use for internally designated specific purposes at August 31, 2012 and 2011, respectively

8. Fair Values of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement The three levels of the fair value hierarchy defined by the guidance are listed below in order of priority

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date Money market securities and listed corporate debt securities are included in this category

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date U S government agency and sponsored entity debt securities are included in this category

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources

The Organization estimates the value of its U S government agency securities using Level 2 inputs In addition, the U S government agency securities are valued primarily using a market approach using inputs such as an evaluated bid prices provided by third-party pricing services where quoted market values are not available

8. Fair Values of Financial Instruments (continued)

The Organization currently has one financial asset classified as Level 3, which is held by a third party at a contracted amount, bearing interest at a contracted rate Valuation of this asset is based on discounted cash flows

	Financial Assets at Fair Value as of August 31, 2012		
	Level 1	**Level 2**	**Level 3**
	(In Thousands)		
Money market and other	**$ 24,491**	**$ –**	**$ –**
Corporate debt securities	**5,818**	**–**	**–**
U S government agency securities	**–**	**32,402**	**–**
Guaranteed investment contract	**–**	**–**	**17,615**
	$ 30,309	**$ 32,402**	**$ 17,615**

	Financial Assets at Fair Value as of August 31, 2011		
	Level 1	**Level 2**	**Level 3**
	(In Thousands)		
Money market and other	$ 18,631	$ –	$ –
Corporate debt securities	5,591	–	–
U S government agency securities	–	32,150	–
Guaranteed investment contract	–	–	17,615
	$ 24,222	$ 32,150	$ 17,615

Assets limited as to use not included in the tables above include approximately $3,281,000 and $3,273,000 at August 31, 2012 and 2011, respectively, in cash and cash equivalents

8. Fair Values of Financial Instruments (continued)

The following table presents a reconciliation of the beginning and ending balances of the Organization's Level 3 assets (in thousands)

	Level 3 Assets
Balance as of August 31, 2010	$ 17,615
Interest income	844
Transfers out of Level 3	(844)
Balance as of August 31, 2011	17,615
Interest income	844
Transfers out of Level 3	(844)
Balance as of August 31, 2012	$ 17,615

9. Operating Expenses

The functional classification of the Organization's operating expenses is as follows (in thousands)

	Year Ended August 31	
	2012	**2011**
Clinical care	**$ 32,717**	$ 31,250
Hospital care	**124,851**	122,612
Shared services support	**58,055**	58,996
	$ 215,623	$ 212,858

10. Related Parties

In connection with the acquisition of the Organization by SWHC on April 1, 2009, the Organization and SWHC entered into a licensing agreement with HHS allowing the Organization to continue to use the Hillcrest name The Organization agreed to pay $5,000,000 to HHS under this agreement, which is payable over a five-year period Approximately $1,500,000 was paid in April 2009, $1,250,000 in April 2010, $1,000,000 in April 2011, and $750,000 in April 2012 At August 31, 2012, $500,000 is recorded as a current payable to HHS

10. Related Parties (continued)

The Scott & White Health Plan (the Health Plan) is a wholly owned subsidiary of SWHC Through SWHC's interest in the Organization, the Organization and the Health Plan are considered related parties The Organization and the Health Plan operate under a fee-for-service arrangement Under this arrangement, the Organization receives fees for actual services rendered to Health Plan participants based on agreed-upon fee schedules Beginning January 1, 2010, the Organization began paying administrative fees for its self-insured employee health claims to the Health Plan For the year ended August 31, 2012 and 2011, fees paid were approximately $630,000 and $483,000, respectively, and are included in operating expenses on the accompanying consolidated statements of operations

HHS is the sole corporate member of Hillcrest Health Foundation During the years ended August 31, 2012 and 2011, Hillcrest Health Foundation distributed approximately $417,000 and $212,000, respectively, to the Organization, these amounts are included in other operating revenue and nonoperating gains on the accompanying consolidated statements of operations Additionally, HHS disbursed approximately $850,000 and $1,100,000 to the Organization to provide support for primary care services in the years ended August 31, 2012 and 2011, respectively These amounts are included in other operating revenue on the accompanying consolidated statements of operations

SWHC provides certain various services to the Organization During the years ended August 31, 2012 and 2011, the Organization paid SWHC approximately $11,601,000 and $9,979,000, respectively

Receivables due from the Health Plan and the Scott & White RightCare program were $1,782,000 and $344,000 for the years ended August 31, 2012 and 2011, respectively

11. Commitments and Contingencies

Operating Leases

The Organization leases equipment, property space, and medical office buildings under operating leases These payments are due monthly and have various end dates, with the latest through August 2020 Rent expense for the years ended August 31, 2012 and 2011, totaled approximately $6,723,000 and $6,691,000, respectively

11. Commitments and Contingencies (continued)

Future minimum lease commitments under operating leases that have initial or remaining lease terms in excess of one year are as follows as of August 31, 2012 (in thousands)

2013	$ 4,925
2014	3,771
2015	2,311
2016	1,665
2017	1,666
Thereafter	4,097
	$ 18,435

Other

The Organization is a defendant in various legal proceedings arising in the ordinary course of business Although the results of litigation cannot be predicted with certainty, management believes the outcome of pending litigation will not have a material adverse effect on the Organization's consolidated financial statements

12. Interest in Net Assets of Hillcrest Health Foundation

The Organization accounts for its interest in Hillcrest Health Foundation (HHF) under ASC 958, *Not-For-Profit Entities* HHF provides assistance and benefit, financial or otherwise, to the Organization HHF is a separate legal entity controlled by its own distinct Board of Directors and is not controlled by the Organization, any of the Organization's subsidiaries, or their Boards of Directors

The Organization has made the determination that HHF controls the timing and the amount of the distributions, therefore, the interest in the net assets of HHF has been classified as temporarily or permanently restricted At August 31, 2012 and 2011, the Organization's interest in the net assets of HHF was approximately $6,983,000 and $6,170,000, respectively

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