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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 <div> <div>2011</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2011 calendar year, or tax year beginning 09-01-2011 and ending 08-31-2012				D Employer identification number	
B Check if applicable				75-0827446	
<input type="checkbox"/> Address change				E Telephone number	
<input type="checkbox"/> Name change				(325) 670-2000	
<input type="checkbox"/> Initial return				G Gross receipts \$ 370,007,630	
<input type="checkbox"/> Terminated					
<input type="checkbox"/> Amended return					
<input type="checkbox"/> Application pending					
C Name of organization HENDRICK MEDICAL CENTER					
Doing Business As					
Number and street (or P O box if mail is not delivered to street address)				Room/suite	
PO BOX 3117					
City or town, state or country, and ZIP + 4					
ABILENE, TX 79604					
F Name and address of principal officer STEPHEN KIMMELL 1900 PINE ST ABILENE, TX 79601				H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
				H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No	
				If "No," attach a list (see instructions)	
				H(c) Group exemption number ▶	
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527					
J Website: ▶ WWW.EHENDRICK.ORG					
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶				L Year of formation 1923	
				M State of legal domicile TX	

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO DELIVER HIGH QUALITY HEALTHCARE EMPHASIZING EXCELLENCE AND COMPASSION CONSISTENT WITH THE HEALING MINISTRY OF JESUS CHRIST		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	19
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	19
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,715
6 Total number of volunteers (estimate if necessary)	6	335	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	4,112,740	
b Net unrelated business taxable income from Form 990-T, line 34	7b	-426,576	
Revenue		Prior Year	Current Year
	8 Contributions and grants (Part VIII, line 1h)	748,456	737,268
	9 Program service revenue (Part VIII, line 2g)	306,661,944	320,416,835
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	8,256,662	2,212,788
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,589,689	9,229,907
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	322,256,751	332,596,798
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	530,672	183,271
	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)	117,959,880	121,454,543
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	158,325,858	176,031,323
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	276,816,410	297,669,137
	19 Revenue less expenses Subtract line 18 from line 12	45,440,341	34,927,661
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16)		441,177,451	466,987,632
21 Total liabilities (Part X, line 26)		160,061,108	156,603,937
22 Net assets or fund balances Subtract line 21 from line 20		281,116,343	310,383,695

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

Sign Here	***** Signature of officer			2013-07-15 Date	
	STEPHEN KIMMEL CFO Type or print name and title				
Paid Preparer's Use Only	Preparer's signature	M Paige Gerich	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4	BKD LLP 2800 Post Oak Blvd Ste 3200 HOUSTON, TX 77056			EIN
					Phone no (713) 499-4600

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

TO DELIVER HIGH QUALITY HEALTHCARE EMPHASIZING EXCELLENCE AND COMPASSION CONSISTENT WITH THE HEALING MINISTRY OF JESUS CHRIST

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 \$ 264,201,927 including grants of \$ 183,271) (Revenue \$ 326,040,935)

CHARITY CARE PROGRAM HENDRICK MEDICAL CENTER, IN KEEPING WITH ITS MISSION, VISION, AND VALUES AS A BAPTIST ORGANIZATION, HAS ALWAYS MAINTAINED A GENEROUS CHARITY CARE PROGRAM TO ASSURE THAT THOSE WITH THE INABILITY TO PAY HAVE ACCESS TO THE SERVICES PROVIDED BY HENDRICK THE CHARITY POLICY IN EFFECT DURING THE PERIOD COVERED BY THIS REPORT PROVIDES THAT FAMILIES WITH INCOMES BELOW 250% OF THE FEDERAL POVERTY GUIDELINES ARE ELIGIBLE FOR SERVICES, WITH NO PERSONAL FINANCIAL RESPONSIBILITY FAMILIES WITH INCOMES ABOVE 250% OF THE FEDERAL POVERTY GUIDELINES RECEIVE CARE WITH PARTIAL FINANCIAL RESPONSIBILITY INCREASING AS THE FAMILY INCOME EXCEEDS THE FEDERAL POVERTY GUIDELINES HENDRICK PROVIDES FINANCIAL COUNSELORS AND SOCIAL WORKERS TO HELP PATIENTS WITH HEALTHCARE NEEDS BY IDENTIFYING COMMUNITY RESOURCES AVAILABLE AND BY ASSISTING THEM IN THEIR EFFORTS TO IDENTIFY AND QUALIFY FOR GOVERNMENT-SPONSORED PROGRAMS PROVIDING GOVERNMENT PROGRAMS BELOW COST HENDRICK IS ALSO COMMITTED TO PARTICIPATING IN GOVERNMENT FUNDED PROGRAMS SUCH AS MEDICARE, MEDICAID, TRICARE, COUNTY INDIGENCY, ETC THE COST OF SERVICES OFTEN EXCEEDS THE REIMBURSEMENT PROVIDED BY THESE PROGRAMS PROFESSIONAL HEALTH EDUCATION HENDRICK MEDICAL CENTER HAS AFFILIATION AGREEMENTS AND PROVIDES FINANCIAL SUPPORT TO MANY PROFESSIONAL HEALTH EDUCATIONAL EFFORTS FOR THE PURPOSES OF ENHANCING THE KNOWLEDGE OF EXISTING HEALTH PROFESSIONALS AND EDUCATING NEW HEALTH PROFESSIONALS TO MEET THE INCREASING DEMAND HENDRICK’S EFFORTS ARE FOCUSED IN AREAS OF STUDY WHERE SHORTAGES COULD POTENTIALLY LIMIT THE CAPACITY OF THE HEALTHCARE SYSTEM TO MEET THE NEEDS OF THE TEXAS MIDWEST HENDRICK HAS PROVIDED FUNDING AND HAS ENTERED INTO EDUCATIONAL RELATED AFFILIATIONS AGREEMENTS SOME OF WHICH ARE IDENTIFIED 1 TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER - SCHOOL OF PHARMACY, BSN 2ND DEGREE PROGRAM AND BSN TRADITIONAL PROGRAM 2 PATTY HANKS SHELTON SCHOOL OF NURSING - RN, BSN, MSN AND MSN/FNP PROGRAMS 3 CISCO JR COLLEGE - LVN/ADN, SURGERY TECHNICIAN, PHARMACY TECHNICIAN, MEDICAL ASSISTANT AND RESPIRATORY THERAPY PROGRAMS 4 TEXAS STATE TECHNICAL COLLEGE - ADN, EMT, TRANSCRIPTION, NURSE CLERK, NURSE AIDE AND PHLEBOTOMY PROGRAMS 5 ABILENE CHRISTIAN UNIVERSITY - SPEECH/LANGUAGE PATHOLOGY, SOCIAL WORK, PSYCHOLOGY, EXERCISE HEALTH SCIENCE, BIBLE & FAMILY STUDIES, BODY & SOUL 6 HARDIN-SIMMONS UNIV - DOCTORATE OF PHYSICAL THERAPY, SOCIAL WORK, THEOLOGY, COMMUNICATION, ATHLETIC TRAINING 7 TEXAS STATE UNIVERSITY - RESPIRATORY THERAPY PROGRAM 8 HENDRICK SCHOOL OF RADIOGRAPHY A STUDENT LOAN PROGRAM IS AVAILABLE FOR STUDENTS ENROLLED IN THE SCHOOL STUDENTS ARE ELIGIBLE FOR A \$3,750.00 LOAN AT THE BEGINNING OF THEIR FIRST AND SECOND YEAR HENDRICK’S STUDENT LOAN PROGRAM IS TRANSITIONING INTO THE TUITION REIMBURSEMENT PROGRAM THE TRANSITION WILL BE COMPLETE AFTER DECEMBER 2011 9 ABILENE IND SCHOOL DISTRICT - HOLLAND MEDICAL HIGH SCHOOL A TUITION REIMBURSEMENT PROGRAM IS PROVIDED FOR STUDENTS IN CRITICAL NEED POSITIONS AT HENDRICK MEDICAL CENTER UPON VERIFICATION OF STUDENT LOAN DEBT

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 \$ 264,201,927

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, line 10? If "Yes," complete Schedule D, Part VI. 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	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	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	Yes
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I 	14b	Yes
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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance				
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>				
			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	190	
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	2,715	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a		No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?				
8				
9 Sponsoring organizations maintaining donor advised funds.				
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10 Section 501(c)(7) organizations. Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11 Section 501(c)(12) organizations. Enter				
a	Gross income from members or shareholders.	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?				
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?				
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14a		No
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	19		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	19
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ▶ _____
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ STEPHEN KIMMEL 1900 PINE ST ABILENE, TX 79601 (325) 670-2000

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

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

Form **990** (2011)

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	4,103,542	0	705,687

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 71

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

Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
STEWART DUGGER DEAN 1701 N MARKET STREET DALLAS, TX 75202	LEGAL	327,392
FULBRIGHT JAWORSKI 1301 MCKINNEY SUITE 1500 HOUSTON, TX 77010	LEGAL	165,588
EDWARD J KROGER 3100 WESLAYAN STE 300 HOUSTON, TX 77027	LEGAL	152,704
CONDLEY COMPANY BOX 2993 ABILENE, TX 79604	PUBLIC ACCOUNTING	133,227
TITLE LUTHER PARTNERSHIP 340 BEECH STREET ABILENE, TX 79601	ARCHITECTURE	1,158,205

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 ►14

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	95,950					
	e	Government grants (contributions)	1e						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	641,318					
	g	Noncash contributions included in lines 1a-1f \$ _____							
	h	Total. Add lines 1a-1f			737,268				
Program Service Revenue			Business Code						
	2a	NET PATIENT REVENUE	621110	304,755,901	301,150,094	3,605,807			
	b	FEES FOR PROVISION OF MEDICAL CARE	621110	13,848,752	13,848,752				
	c	RELATED RENTAL INCOME	621110	670,835	670,835				
	d	EHR INCENTIVE PAYMENT	621110	1,141,347	1,141,347				
	e								
	f	All other program service revenue							
	g	Total. Add lines 2a-2f			320,416,835				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			2,884,365	506,933	2,377,432		
	4	Income from investment of tax-exempt bond proceeds . .			0				
	5	Royalties			0				
	6a	(i) Real		(ii) Personal					
				43,396					
		b	Less rental expenses		43,396				
			c						
	d	Net rental income or (loss)							
	7a	(i) Securities		(ii) Other					
		36,618,436		77,423					
		b	Less cost or other basis and sales expenses		593,885				
			c		-155,115	-516,462			
	d	Net gain or (loss)			-671,577		-671,577		
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18		a					
				b					
				c	Net income or (loss) from fundraising events . .	0			
	9a	Gross income from gaming activities See Part IV, line 19		a					
				b					
				c	Net income or (loss) from gaming activities . .	0			
	10a	Gross sales of inventory, less returns and allowances		a					
				b					
				c	Net income or (loss) from sales of inventory . .	0			
	Miscellaneous Revenue		Business Code						
11a	CAFETERIA SALES	900099	2,307,393	2,307,393					
b	MISCELLANEOUS INCOME	900099	6,922,514	6,922,514					
c									
d	All other revenue								
e	Total. Add lines 11a-11d			9,229,907					
12	Total revenue. See Instructions			332,596,798	326,040,935	4,112,740	1,705,855		

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	183,271	183,271		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	3,724,784	3,106,898	617,886	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	96,822,335	81,730,989	15,091,346	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,657,238	2,280,386	376,852	
9	Other employee benefits	10,922,724	8,018,670	2,904,054	
10	Payroll taxes	7,327,462	6,303,719	1,023,743	
11	Fees for services (non-employees)				
a	Management	259,520	210,665	48,855	
b	Legal	725,693	194,713	530,980	
c	Accounting	170,418		170,418	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	50,183	26,466	23,717	
g	Other	28,959,400	24,635,071	4,324,329	
12	Advertising and promotion	758,398	471,057	287,341	
13	Office expenses	3,003,636	2,337,027	666,609	
14	Information technology	5,157,224	3,393,848	1,763,376	
15	Royalties	0			
16	Occupancy	3,440,813	3,316,906	123,907	
17	Travel	502,039	292,001	210,038	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	3,395,228	3,393,382	1,846	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	16,381,684	15,453,551	928,133	
23	Insurance	2,587,761		2,587,761	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	59,968,595	59,282,688	685,907	0
b	BAD DEBT EXPENSE	40,039,972	40,039,972		
c	EQUIPMENT	5,659,899	5,652,572	7,327	
d	DIETARY EXPENSE	2,393,839	2,390,826	3,013	
e					
f	All other expenses	2,577,021	1,487,249	1,089,772	
25	Total functional expenses. Add lines 1 through 24f	297,669,137	264,201,927	33,467,210	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

						(A)		(B)
						Beginning of year		End of year
Assets	1	Cash—non-interest-bearing				-961,623	1	-3,554,746
	2	Savings and temporary cash investments				9,420,754	2	3,928,122
	3	Pledges and grants receivable, net				3,858,773	3	2,615,651
	4	Accounts receivable, net				32,869,849	4	35,801,392
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				0	6	0
	7	Notes and loans receivable, net				994,218	7	1,166,699
	8	Inventories for sale or use				5,790,972	8	6,346,573
	9	Prepaid expenses and deferred charges				5,927,808	9	4,864,119
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	332,690,131				
	b	Less: accumulated depreciation	10b	144,327,455		155,187,549	10c	188,362,676
	11	Investments—publicly traded securities				74,273,214	11	85,417,029
	12	Investments—other securities. See Part IV, line 11				117,880,648	12	101,864,503
	13	Investments—program-related. See Part IV, line 11				0	13	0
	14	Intangible assets				4,222,703	14	6,652,165
	15	Other assets. See Part IV, line 11				31,712,586	15	33,523,449
	16	Total assets. Add lines 1 through 15 (must equal line 34)				441,177,451	16	466,987,632
Liabilities	17	Accounts payable and accrued expenses				23,334,760	17	17,330,795
	18	Grants payable				0	18	0
	19	Deferred revenue				450,951	19	107,701
	20	Tax-exempt bond liabilities				99,791,348	20	96,751,527
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				0	22	0
	23	Secured mortgages and notes payable to unrelated third parties				5,900,722	23	3,784,668
	24	Unsecured notes and loans payable to unrelated third parties				0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D				30,583,327	25	38,629,246
	26	Total liabilities. Add lines 17 through 25				160,061,108	26	156,603,937
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.							
	27	Unrestricted net assets				275,742,342	27	304,595,960
	28	Temporarily restricted net assets				2,097,876	28	2,141,425
	29	Permanently restricted net assets				3,276,125	29	3,646,310
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.							
	30	Capital stock or trust principal, or current funds					30	
	31	Paid-in or capital surplus, or land, building or equipment fund					31	
	32	Retained earnings, endowment, accumulated income, or other funds					32	
	33	Total net assets or fund balances				281,116,343	33	310,383,695
	34	Total liabilities and net assets/fund balances				441,177,451	34	466,987,632

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	332,596,798
2	Total expenses (must equal Part IX, column (A), line 25)	2	297,669,137
3	Revenue less expenses Subtract line 2 from line 1	3	34,927,661
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	281,116,343
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-5,660,309
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	310,383,695

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization HENDRICK MEDICAL CENTER	Employer identification number 75-0827446
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Part I

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))		14				
15 Public Support Percentage for 2010 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
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

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 HENDRICK MEDICAL CENTER	Employer identification number 75-0827446
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1

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

2

Political expenditures

▶ \$

3

Volunteer hours

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

1

Enter the amount of any excise tax incurred by the organization under section 4955

▶ \$

2

Enter the amount of any excise tax incurred by organization managers under section 4955

▶ \$

3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes ☐ No

4a

Was a correction made?

☐ Yes ☐ No

b

If "Yes," describe in Part IV

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

1

Enter the amount directly expended by the filing organization for section 527 exempt function activities

▶ \$

2

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

▶ \$

3

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

▶ \$

4

Did the filing organization file Form 1120-POL for this year?

☐ Yes ☐ No

5

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

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

Part II-A

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

- A

Check

☐

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

Check

☐

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

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

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

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

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

		(a)		(b)
		Yes	No	Amount
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		28,916
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			28,916
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE D
(Form 990)

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization HENDRICK MEDICAL CENTER	Employer identification number 75-0827446
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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?	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

► \$ _____

(ii)

Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

Part III

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

3

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

a

☐

Public exhibition

b

☐

Scholarly research

c

☐

Preservation for future generations

d

☐

Loan or exchange programs

e

☐

Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance	6,123,088	5,505,537	5,666,415	5,869,260	
b Contributions					
c Investment earnings or losses	92,266	617,551	-160,878	-202,845	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	6,215,354	6,123,088	5,505,537	5,666,415	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 47 300 %

b

Permanent endowment ▶ 16 720 %

c

Term endowment ▶ 35 980 %

3a

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

(i) unrelated organizations

(ii) related organizations

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

b

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

3b	Yes	
----	-----	--

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	17,445,239		17,445,239
b Buildings	0	101,526,173	40,791,204	60,734,969
c Leasehold improvements	0	5,782,273	2,345,317	3,436,956
d Equipment	0	194,404,695	101,190,934	93,213,761
e Other	0	13,531,751	0	13,531,751
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				188,362,676

Schedule D (Form 990) 2011

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	332,596,798
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	297,669,137
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	34,927,661
4	Net unrealized gains (losses) on investments	4	5,103,174
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	2,017,373
9	Total adjustments (net) Add lines 4 - 8	9	7,120,547
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	42,048,208

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	299,774,405
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	5,103,174
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	2,215,511
e	Add lines 2a through 2d	2e	7,318,685
3	Subtract line 2e from line 1	3	292,455,720
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	40,141,078
c	Add lines 4a and 4b	4c	40,141,078
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	332,596,798

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	257,726,197
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	155,094
e	Add lines 2a through 2d	2e	155,094
3	Subtract line 2e from line 1	3	257,571,103
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	40,098,034
c	Add lines 4a and 4b	4c	40,098,034
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	297,669,137

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
FIN 48 FINANCIAL STATEMENTS FOOTNOTE	SCH D, PART X	In accordance with ASC 740-10 FASB Interpretation (FIN) 48, Accounting for Uncertainty in Income Taxes, management evaluated Hendricks tax positions and concluded that Hendrick had taken no uncertain tax positions that required adjustment to the financial statements to comply with the provisions of this guidance. With a few exceptions, Hendrick is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009.
RECONCILIATION OF CHANGE IN NET ASSETS FROM FORM 990 TO FINANCIAL STMTS	SCH D, PART XI, LINE 8	CHANGE IN UNRESTRICTED HMCF NET ASSETS \$ 2,020,047 OTHER CHANGES 32,618 EQUITY IN EARNINGS OF SUBSIDIARY 7,752 CONTRIBUTIONS RECORDED TO NET ASSETS (43,044) ----- 2,017,373
RECONCILIATION OF REVENUE PER AUDITED F/S WITH REVENUE PER RETURN	SCH D, PART XII, LINES 2D AND 4B	REVENUE ON BOOKS, NOT ON RETURN CHANGE IN UNRESTRICTED HMCF NET ASSETS 2,020,047 REVENUE ON AUDIT, NOT ON RETURN 33,250 RENTAL EXPENSE IN REVENUE 43,396 OTHER CLASSIFICATION DIFFERENCES 86,200 OTHER CHANGES 32,618 ----- 2,215,511 REVENUE ON RETURN, NOT ON BOOKS BAD DEBT EXPENSE IN AUDIT REVENUE 40,098,034 CONTRIBUTIONS RECORDED TO NET ASSETS 43,044 ----- 40,141,078
RECONCILIATION OF EXPENSES PER AUDITED F/S WITH REVENUE PER RETURN	SCH D, PART XIII, LINES 2D AND 4B	EXPENSES ON BOOKS, NOT ON RETURN EXPENSE ON AUDIT, NOT ON RETURN 25,498 RENTAL EXPENSE IN REVENUE 43,396 OTHER CLASSIFICATION DIFFERENCES 86,200 ----- 155,094 EXPENSES ON RETURN, NOT ON BOOKS BAD DEBT EXPENSE IN AUDIT REVENUE 40,098,034
DESCRIBE THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS	PART V, LINE 4	CHILDREN'S HOSPITAL, MAINTENANCE, CANCER, NURSING, ETC

Additional Data

Software ID:
Software Version:
EIN: 75-0827446
Name: HENDRICK MEDICAL CENTER

Form 990, Schedule D, Part VII - Investments— Other Securities

(a) Description of security or cateory (including name of security)	(b)Book value	(c) Method of valuation Cost or end-of-year market value
AMHS HERITAGE LLC	4,082	C
INVESTMENT IN HMC F NET ASSETS	29,120,091	C
INVESTMENT IN SHA LLC	18,491,589	C
UNREALIZED GAIN/LOSS	1,632,698	F
SECTION 457B INVESTMENT	974,492	C
SECTION 457F INVESTMENT	402,161	C
BOND FUNDS	22,037,312	C
1ST NATL BANK INVEST TRUST	18,987,271	C
INVESTMENT IN HMOB	10,214,807	C

1

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶ _____

3 Enter total number of other organizations or entities ▶ _____

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

[illegible]

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐ Yes ☒ No

Additional Data

Software ID:
Software Version:
EIN: 75-0827446
Name: HENDRICK MEDICAL CENTER

Part V **Supplemental Information**
Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

SCHEDULE H
(Form 990)

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

Department of the Treasury
Internal Revenue Service

Name of the organization
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input checked="" type="checkbox"/> Other <u>250. %</u></div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input checked="" type="checkbox"/> Other <u>500. %</u></div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			14,447,993		14,447,993	5 610 %
b Medicaid (from Worksheet 3, column a)			21,629,186	12,673,969	8,955,217	3 470 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			36,077,179	12,673,969	23,403,210	9 080 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			85,028	474	84,554	0 030 %
f Health professions education (from Worksheet 5)			404,942	82,361	322,581	0 130 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			6,500		6,500	
j Total Other Benefits			496,470	82,835	413,635	0 160 %
k Total. Add lines 7d and 7j			36,573,649	12,756,804	23,816,845	9 240 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			35,004	30,000	5,004	
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			35,004	30,000	5,004	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	40,039,972	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	2,402,398	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	90,449,961	
6Enter Medicare allowable costs of care relating to payments on line 5	6	98,063,124	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-7,613,163	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

(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

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Hendrick 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 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	No
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 250 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

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

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size from largest to smallest)

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

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 III, LINE 4		Hendrick recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, Hendrick analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debt Management regularly reviews data about these major payor sources or revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, Hendrick analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debt, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid) For uninsured patients that do not qualify for charity care, Hendrick recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Hendrick records a significant provision for bad debt in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts AMOUNTS REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS AMOUNTS REPORTED IN LINE 3 ARE THE ORGANIZATION'S ESTIMATE OF THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO CHARITY CARE PATIENTS ESTIMATED AT 6%

Identifier	ReturnReference	Explanation
PART I, LINE 7, COLUMN F		BAD DEBT EXPENSE OF \$40,039,972 WAS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT WAS SUBTRACTED FROM TOTAL EXPENSE FOR THE CALCULATION OF "PERCENT OF TOTAL EXPENSE" IN THIS COLUMN

Identifier	ReturnReference	Explanation
PART III, LINE 8A		IT IS HENDRICK'S MISSION TO DELIVER HIGH QUALITY HEALTHCARE EMPHASIZING EXCELLENCE AND COMPASSION CONSISTENT WITH THE HEALING MINISTRY OF JESUS CHRIST THE ORGANIZATION GETS AN OPPORTUNITY TO FULFILL THIS MISSION DAILY BY SERVING A LARGE POPULATION OF MEDICARE PATIENTS THE PAYMENTS FROM MEDICARE DO NOT FULLY COVER THE COSTS INCURRED FOR TAKING CARE OF THESE PATIENTS, BUT THIS DOES NOT KEEP THE PATIENT FROM RECEIVING HIGH QUALITY HEALTHCARE THE ORGANIZATION HAD A MEDICARE SHORTFALL IN THE AMOUNT OF \$7,613,163 THE STATE OF TEXAS TREATS MEDICARE SHORTFALL AS COMMUNITY BENEFIT FOR MEETING STATUTORY REQUIREMENTS FOR CHARITY CARE AND COMMUNITY BENEFIT THE ORGANIZATION USES MEDICARE COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS (ROOM AND BOARD) BASED ON MEDICAID OR MEDICARE DAYS TO TOTAL DAYS, AND THE ANCILLARY PORTION IS APPORTIONED BASED ON PROGRAM CHARGES TO TOTAL CHARGES

Identifier	ReturnReference	Explanation
PART III, LINE 9B		IF THE PATIENT QUALIFIES FOR CHARITY CARE PER WRITTEN HOSPITAL CRITERIA, THE QUALIFYING BALANCE IS WRITTEN OFF TO CHARITY CARE AND NO FURTHER COLLECTION EFFORTS ARE MADE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		A COMMUNITY HEALTH ASSESSMENT SURVEY WAS COMMISSIONED BY HENDRICK IN THE FALL OF 2006 AND WAS CONDUCTED THE FOLLOWING SPRING THE PRIMARY OBJECTIVE WAS TO ESTABLISH A BENCHMARK FOR THE GENERAL HEALTH OF THE COMMUNITY THAT IS SERVED BY HENDRICK AND USE THE RESULTING DATA IN SUPPORT OF HENDRICK'S OWN SELF ASSESSMENT AS A NON-PROFIT ORGANIZATION TO EXECUTE THE PROJECT, HENDRICK PARTNERED WITH STAFF AND FACULTY FROM THE DEPARTMENT OF MANAGEMENT SCIENCE IN THE COLLEGE OF BUSINESS AT ABILENE CHRISTIAN UNIVERSITY A MODIFIED FORM OF THE BEHAVIORIAL RISK FACTORS SURVEILLANCE SYSTEM QUESTIONNAIRE DEVELOPED AT THE US CENTERS FOR DISEASE CONTROL AND PREVENTION WAS USED AS THE SURVEY INSTRUMENT THE QUESTIONNAIRE WAS MAILED TO A SAMPLE OF 8,000 HOUSEHOLDS IN TAYLOR COUNTY THE SAMPLE WAS SELECTED FROM A PROPRIETARY HOUSEHOLD LIST MAINTAINED BY THE ABILENE REPORTER NEWS AND ITS PARENT ORGANIZATION, E W SCRIPPS COMPANY A TOTAL OF 1,880 QUESTIONNAIRES WERE RETURNED FOR A RESPONSE RATE OF 23 5% THE ORGANIZATION IS IN THE PROCESS OF COMPLETING AN UPDATED COMMUNITY HEALTH NEEDS ASSESSMENT AND WILL BE ABLE TO PROVIDE UPDATED INFORMATION ON NEXT YEAR'S 990

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		HENDRICK PROVIDES MANY OPPORTUNITIES FOR PATIENT EDUCATION ON FINANCIAL ASSISTANCE THE PROGRAMS ARE OUTLINED ON HENDRICK'S WEBSITE, SIGNS AND BROCHURES ARE AT EVERY REGISTRATION POINT, PRE-ADMIT LETTERS ARE SENT TO SURGERY PATIENTS THAT CONTAIN FINANCIAL ASSISTANCE INFORMATION, AND APPLICATIONS ARE GIVEN TO EVERY UNINSURED TRAUMA CENTER PATIENT

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		HENDRICK IS ACTIVELY DELIVERING CARE FOR A 19 COUNTY SERVICE AREA WITH A BROAD RANGE OF DEMOGRAPHICS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		THE COMMUNITY BUILDING ACTIVITIES ARE USED TO POSITIVELY IMPACT THE COMMUNITY AND EDUCATE THE COMMUNITY ON HEALTH TOPICS. THESE ARE DESIGNED TO MEET THE SPECIFIC NEEDS OF THE COMMUNITY.

Identifier	ReturnReference	Explanation
OTHER INFORMATION		HENDRICK IS ABLE TO FURTHER ITS EXEMPT PURPOSE BY PROVIDING MORE PHYSICIAN COVERAGE IN NEEDED AREAS, REINVEST BACK INTO THE COMMUNITY WITH EDUCATIONAL OPPORTUNITIES, AND OTHER IN-KIND CONTRIBUTIONS THE COMMUNITY BOARD BRINGS PERSPECTIVE AND NEEDS OF THE COMMUNITY

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM ROLES		HENDRICK MEDICAL CENTER IS PART OF AN ORGANIZATION OF AFFILIATED COMPANIES THAT PROVIDE MEDICAL AND OTHER HEALTH CARE RELATED SERVICES TO TAYLOR COUNTY AND SURROUNDING COUNTY SERVICE AREAS. THE PRIMARY BUSINESS AREAS ARE INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES, SUB-ACUTE CARE, INPATIENT AND OUTPATIENT REHABILITATION, LONG-TERM CARE, NURSING HOME CARE, HOME HEALTH CARE, HOSPICE CARE, MEDICAL OFFICE BUILDING LEASING, DURABLE MEDICAL EQUIPMENT SALES AND LEASING, PHYSICIAN PRACTICES AND A REGIONAL HEALTH MAINTENANCE ORGANIZATION. AFFILIATES INCLUDE HENDRICK MEDICAL DEVELOPMENT CORPORATION, HENDRICK MEDICAL CENTER FOUNDATION, HENDRICK PROVIDER NETWORK, HENDRICK MEDICAL OFFICE BUILDINGS, LLC, HENDRICK ANESTHESIA NETWORK, HENDRICK HOSPICE CARE, HENDRICK SOUTHWESTERN HEALTH DEVELOPMENT CORPORATION, HENDRICK CENTER FOR EXTENDED CARE, AND HENDRICK HEALTH NETWORK.

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT		TX

Identifier	ReturnReference	Explanation
PART V, QUESTION 19D		The Medical Center uses an average of the effective discount derived from application of general commercial contracted rates to determine maximum amounts that may be charged to FAP-eligible patients. In all cases, amounts charged to patients will be below the lowest negotiated commercial insurance rate, the average lowest negotiated commercial insurance rate, and Medicare rates.

Identifier	ReturnReference	Explanation
PART V, LINE 15, 16, & 17		NEITHER THE HENDRICK MEDICAL CENTER, NOR THIRD PARTIES AUTHORIZED BY HMC, TAKE ANY ACTIONS UPON NON-PAYMENT FROM A PATIENT BEFORE MAKING A REASONABLE EFFORT TO DETERMINE IF THE PATIENT IS ELIGIBLE FOR THE FACILITY'S FINANCIAL ASSISTANCE POLICY

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
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

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) CISCO COLLEGE717 E INDUSTRIAL ABILENE,TX 79602	75-1164343	GOVERNMENTAL	75,301				RESPIRATORY SCHOOL
(2) CONNECTING CARING 402 CYPRESS ST SUITE 420 ABILENE,TX 79601	14-1959607	501(c)(3)	35,004				FRIENDSHIP HOUSE

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

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
SCH I, PART I, QUESTION 2	DESCRIBE PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS IN THE U S	THE ORGANIZATION EVALUATES AND MONITORS DONEES BASED ON PUBLIC AND PRIVATE DATA

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Tim Lancaster	(i) (ii)	504,819 0	194,723 0	172,179 0	116,043	13,988	1,001,752 0	143,843
(2) Stephen Kimmel	(i) (ii)	306,648	94,025	94,440	46,317	24,070	565,500	65,868
(3) Joe Pearson	(i) (ii)	217,700	71,984	74,740	45,061	210,507	619,992	45,800
(4) Mike McBroom	(i) (ii)	199,457	60,123	8,075	6,084	13,103	286,842	
(5) Jo Rake	(i) (ii)	172,177	52,701	18,136	5,633	16,229	264,876	
(6) Lisa Harp	(i) (ii)	114,062	28,068	15,548	12,893	12,575	183,146	12,465
(7) Rosemaria Levinsky	(i) (ii)	175,011	57,959	22,776	19,782	10,548	286,076	19,196
(8) Terisita Kolin	(i) (ii)	168,208	0	507	4,592	6,765	180,072	
(9) Robert Harlow	(i) (ii)	162,195	0	1,576	2,787	15,580	182,138	
(10) Tim Riley	(i) (ii)	143,179	74,142	31,076	26,385	13,889	288,671	27,467
(11) Bob Prewit	(i) (ii)	100,495	38,045	14,870	13,766	12,366	179,542	11,001
(12) Lilia Regala	(i) (ii)	160,311	50	538	4,460	5,987	171,346	
(13) Winona Migliavacca	(i) (ii)	119,874	16,329	10,507	3,622	6,360	156,692	
(14) Melissa Howell	(i) (ii)	145,181	50	690	3,773	6,662	156,356	
(15) Stephen Faehnle MD	(i) (ii)	202,508	49,206	8,654	6,199	19,661	286,228	

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
BENEFITS PROVIDED BY THE ORGANIZATION	PART I, QUESTION 1A	Housing allowance is provided to Mike McBroom. Any taxable amounts are recorded on Form W-2 as taxable compensation. Social club dues are paid for Tim Lancaster and Stephen Kimmel. Any non-business portion of the dues is included on Form W-2. Any personal expenses charged to the account are reimbursed by the individual.
PARTICIPATION IN OR PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	PART I, QUESTION 4B	PARTICIPANTS IN 457(F) REPORTED IN W-2 DEFERRED COMPENSATION ----- JOE PEARSON 45,800 37,903 STEPHEN KIMMEL 65,868 38,967 TIM LANCASTER 143,843 108,693 LISA HARP 12,465 9,058 ROSEMARIA LEVINSKY 19,196 13,922 BOB PREWIT 11,001 8,090 TIM RILEY 27,467 21,208

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
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

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	TARRANT COUNTY CULTURAL EDU FACILITIES FIN CORP	04-3833551	87638QCA5	09-02-2009	33,940,000	TO REFINANCE BONDS & FINANCE C		X		X		X
B	TARRANT COUNTY CULTURAL EDU FACILITIES FIN CORP	04-3833551	87638QCS6	09-02-2009	44,795,000	TO REFINANCE BONDS & FINANCE C		X		X		X
C	TARRANT COUNTY CULTURAL EDU FACILITIES FIN CORP	04-3833551	87638QDM8	09-02-2009	25,000,000	TO REFINANCE BONDS & FINANCE C		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0		0			
2	Amount of bonds defeased	0		0		0			
3	Total proceeds of issue	33,819,674		43,952,147		24,881,900			
4	Gross proceeds in reserve funds	3,621,810		4,251,690		0			
5	Capitalized interest from proceeds	0		0		0			
6	Proceeds in refunding escrow	0		0		0			
7	Issuance costs from proceeds	402,500		472,500		365,000			
8	Credit enhancement from proceeds	0		0		0			
9	Working capital expenditures from proceeds	0		0		0			
10	Capital expenditures from proceeds	17,048,479		20,012,432		3,048,610			
11	Other spent proceeds	0		0		0			
12	Other unspent proceeds	0		0		0			
13	Year of substantial completion	2012		2012		2012			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X			X	X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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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
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Identifier	Return Reference	Explanation
MEMBERS OR STOCKHOLDERS WHO CAN ELECT MEMBERS OF THE GOVERNING BODY	FORM 990, PART VI, QUESTION 7A	ARTICLE 1, SECTION 4 OF THE BYLAWS PROVIDES, IN PART, THAT THE BAPTIST GENERAL CONVENTION OF TEXAS APPOINTS AT LEAST 75% OF THE MEMBERS OF THE BOARD OF TRUSTEES
DECISIONS OF GOVERNING BODY SUBJECT TO APPROVAL BY MEMBERS OR STOCKHOLDERS	FORM 990 PART VI, QUESTION 7B	ARTICLE VII OF THE RESTATED ARTICLES OF INCORPORATION PROVIDES, IN PART, THAT AN AMENDMENT OF ARTICLE II RELATING TO THE PURPOSE OF THE CORPORATION AND ARTICLE VI RELATING TO THE NUMBER AND METHOD OF THE ELECTION OR APPOINTMENT OF THE BOARD OF TRUSTEES SHALL OCCUR ONLY WITH THE CONSENT OF THE BAPTIST GENERAL CONVENTION OF TEXAS OR ITS EXECUTIVE BOARD
PROCESS TO REVIEW THE FORM 990	FORM 990, PART VI, QUESTION 11B	THE ORGANIZATION ENGAGES AN OUTSIDE ACCOUNTING FIRM TO PREPARE FORM 990 ONCE PREPARED, THE FORM IS REVIEWED BY THE ORGANIZATION'S INTERNAL ACCOUNTANTS AND ADMINISTRATIVE MANAGEMENT PRIOR TO FILING
PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, QUESTION 12C	THE ORGANIZATION SENDS OUT A CONFLICT OF INTEREST QUESTIONNAIRE ANNUALLY TO ALL TRUSTEES OF THE BOARD AND TO THE EXECUTIVE EMPLOYEES THE QUESTIONNAIRES ARE REVIEWED BY OUR OUTSIDE AUDITORS PRIOR TO THE ANNUAL AUDIT AND BY THE ORGANIZATION'S DIRECTOR OF COMPLIANCE TO IDENTIFY POSSIBLE CONFLICTS OF INTEREST AND OTHER FINANCIAL RELATIONSHIPS UNDER THE CONFLICT OF INTEREST POLICY
REVIEW OF CEO OR TOP MGMT OFFICIAL COMPENSATION	FORM 990, PART VI, QUESTIONS 15A & 15B	A COMPREHENSIVE REVIEW OF COMPENSATION IS CONDUCTED BY AN INDEPENDENT PARTY AT LEAST EVERY THREE YEARS THIS REPORT PRESENTS THE RESULTS OF THE ANALYSIS OF SALARY , INCENTIVE, TOTAL CASH COMPENSATION (SALARY PLUS INCENTIVE), BENEFITS, AND TOTAL COMPENSATION (TOTAL CASH AND BENEFITS) INTEGRATED HEALTHCARE STRATEGIES (IHS) WORKS WITH THE PERSONNEL COMMITTEE TO FORMALLY DEFINE AN EXECUTIVE TOTAL COMPENSATION PHILOSOPHY HENDRICK HEALTH SYSTEM'S CURRENT PHILOSOPHY IS TO USE RANGES BUILT AROUND THE MEDIAN OF THE MARKET WITH A 50% SPREAD FROM MINIMUM TO MAXIMUM INCENTIVE OPPORTUNITY LEVELS ARE COMPETITIVE WITH PRACTICES OF PEER GROUPS AND BENEFITS WILL BE DELIVERED AT MARKET COMPETITIVE LEVELS SEVERANCE AND PERQUISITES REFLECT A CONSERVATIVE PHILOSOPHY THE COMMITTEE DETERMINED THAT THE PEER GROUP WOULD BE PRIMARILY REGIONAL NOT-FOR-PROFIT HOSPITALS OF SIMILAR SIZE AND COMPLEXITY NATIONAL PEER GROUP WILL BE USED FOR REFERENCE PURPOSES WHERE APPROPRIATE THE HENDRICK HEALTH SYSTEM PERSONNEL COMMITTEE IS DELEGATED THE RESPONSIBILITY FOR THE EXECUTIVE COMPENSATION PROGRAM BY THE BOARD OF TRUSTEES THE COMMITTEE SETS THE OVERALL EXECUTIVE COMPENSATION PHILOSOPHY TO BE IMPLEMENTED BY HENDRICK HEALTH SYSTEM, SETS COMPENSATION COMPONENTS FOR THE PRESIDENT & CEO, REVIEWS, DISCUSSES AND MAKES DECISIONS BASED ON THE PRESIDENT & CEO'S RECOMMENDATIONS FOR HIS DIRECT REPORTS, REPORTS A SUMMARY OF THE PROCESS BACK TO THE BOARD OF TRUSTEES ALONG WITH THE ACTUAL COMPENSATION APPROVED FOR THE PRESIDENT AND CEO, AND APPROVES ALL INCENTIVE GOALS AND AWARDS
GOVERNING DOCUMENTS TO THE PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	CHANGE IN INTEREST OF HMCF NET ASSETS 376,326 EQUITY CONTRIBUTION TO HAN (1,592,656) EQUITY CONTRIBUTION TO HPN (11,557,388) EQUITY CONTRIBUTION TO HMDC (96,461) REVALUATION OF ESTATE RECEIVABLE 46,279 UNREALIZED GAINS AND LOSSES 5,103,174 EQUITY IN EARNINGS OF SUBSIDIARY 7,752 CHANGE IN UNRESTRICTED HMCF NET ASSETS 2,020,047 OTHER CHANGES IN NET ASSETS 32,618 ----- TOTAL (5,660,309)
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Scott Hibbs TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Shelly Utely TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Ron Fogle TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Hillary Moore TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Ward Hayes TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Terry Beal TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Joe Crawford TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Leland Robinson TITLE Director HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Tim Lancaster TITLE President HOURS 8
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Stephen Kimmel TITLE CFO/Senior VP HOURS 8
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Joe Pearson TITLE Vice President HOURS 30
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mike McBroom TITLE Vice President HOURS 2
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Jo Rake TITLE Vice President HOURS 2

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
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

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) HENDRICK MEDICAL OFFICE BUILDING PO BOX 3117 ABILENE, TX 79604 75-2856740	BLDG RENTAL	TX	84,540	20,347,416	HMC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) HENDRICK MEDICAL CENTER FOUNDATION PO BOX 3117 ABILENE, TX 79604 23-7413284	FUNDRAISING	TX	501(C)(3)	11A	HMC	Yes	
(2) HENDRICK ANESTHESIA NETWORK PO BOX 3117 ABILENE, TX 79604 75-2728889	ANESTHESIA	TX	501(C)(3)	9	HMC	Yes	
(3) HENDRICK PROVIDER NETWORK PO BOX 3117 ABILENE, TX 79604 75-2660403	PHYS GROUP	TX	501(C)(3)	9	HMC	Yes	
(4) HENDRICK CENTER FOR EXTENDED CARE PO BOX 3117 ABILENE, TX 79604 75-2434172	HOSPITAL	TX	501(C)(3)	3	HMC	Yes	
(5) HENDRICK MEDICAL DEVELOPMENT CORPORATION PO BOX 3117 ABILENE, TX 79604 75-1586080	SUPPORT SVCS	TX	501(C)(3)	11A	NA	Yes	
(6) SERVICE ORGANIZATION OF BIG COUNTRY 2950 50TH ST LUBBOCK, TX 79413 26-0746318	SUPPORT	TX	501(C)(3)	11A	NA		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) SHA LLC 12940 NORTH HWY 183 AUSTIN, TX 78750 75-2569094	HEALTH SERVICES	TX	NA	UNRELATED	659,883	26,547,119		No	0		No	26 448 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) HENDRICK HEALTH NETWORK PO BOX 3117 ABILENE, TX 79604 72-1619011	HEALTH INSURANCE	TX	NA	C-CORPORATION	7,752	0	100 000 %

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

Yes

1b

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

1i

Yes

1j

No

1k

No

1l

No

1m

No

1n

No

1o

No

1p

No

1q

Yes

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)			

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
------------	------------------	-------------	--

Software ID:
Software Version:
EIN: 75-0827446
Name: HENDRICK 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	
HENDRICK MEDICAL CENTER FOUNDATION PO BOX 3117 ABILENE, TX 79604 23-7413284	FUNDRAISING	TX	501(C)(3)	11A	HMC	Yes	
HENDRICK ANESTHESIA NETWORK PO BOX 3117 ABILENE, TX 79604 75-2728889	ANESTHESIA	TX	501(C)(3)	9	HMC	Yes	
HENDRICK PROVIDER NETWORK PO BOX 3117 ABILENE, TX 79604 75-2660403	PHYS GROUP	TX	501(C)(3)	9	HMC	Yes	
HENDRICK CENTER FOR EXTENDED CARE PO BOX 3117 ABILENE, TX 79604 75-2434172	HOSPITAL	TX	501(C)(3)	3	HMC	Yes	
HENDRICK MEDICAL DEVELOPMENT CORPORATION PO BOX 3117 ABILENE, TX 79604 75-1586080	SUPPORT SVCS	TX	501(C)(3)	11A	NA	Yes	
SERVICE ORGANIZATION OF BIG COUNTRY 2950 50TH ST LUBBOCK, TX 79413 26-0746318	SUPPORT	TX	501(C)(3)	11A	NA		No

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) HENDRICK PROVIDER NETWORK	A	155,591	ACTUAL VALUE
(2) HENDRICK CENTER FOR EXTENDED CARE	A	75,788	ACTUAL VALUE
(3) HENDRICK MEDICAL CENTER FOUNDATION	C	95,950	ACTUAL VALUE
(4) HENDRICK MEDICAL DEVELOPMENT CORP	I	7,433	ACTUAL VALUE
(5) HENDRICK ANESTHESIA NETWORK	B	1,592,656	ACTUAL VALUE
(6) HENDRICK PROVIDER NETWORK	B	11,557,388	ACTUAL VALUE
(7) HENDRICK MEDICAL DEVELOPMENT CORP	B	96,461	ACTUAL VALUE



**HENDRICK MEDICAL CENTER
ABILENE, TEXAS**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEARS ENDED AUGUST 31, 2012 AND 2011**

HENDRICK MEDICAL CENTER
Abilene, Texas

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Years Ended August 31, 2012 and 2011

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December 21, 2012

**Board of Trustees
Hendrick Medical Center
Abilene, Texas**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Hendrick Medical Center as of August 31, 2012, and 2011, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of Hendrick Medical Center Consolidated System 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 (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of Hendrick Medical Center Consolidated System, and the financial statements of the parent company presented herein are not a valid substitute for those consolidated financial statements.

In order to report Hendrick's financial position and activities separately from its wholly owned and controlled subsidiaries, Hendrick has elected to report one subsidiary under the equity method of accounting and not include the remaining subsidiaries. Accounting principles generally accepted in the United States of America require that wholly owned and controlled subsidiaries be consolidated. The effects on the financial statements of not consolidating the subsidiaries is discussed in **NOTE 14** to the financial statements.

In our opinion, except for the effects of not consolidating the subsidiaries discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hendrick Medical Center as of August 31, 2012 and 2011, the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Condley and Company, LLP

Certified Public Accountants

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF FINANCIAL POSITION

	<u>August 31.</u>	
<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 2,464,261	\$ 5,935,049
Patient accounts receivable, net of allowance for doubtful accounts of \$98,282,862 in 2012, and \$78,117,194 in 2011	33,249,017	30,310,305
Securities under agreements to resell	18,244,205	13,675,916
Assets limited as to use	10,141,021	11,482,471
Inventories	6,346,573	5,790,972
Other current assets	8,885,785	9,860,273
Total Current Assets	<u>79,330,862</u>	<u>77,054,986</u>
Long-Term Assets		
Assets Limited As To Use		
Held by trustee	14,368,283	14,364,436
Self-insurance trusts	13,182,275	12,032,362
Board designated funds	11,606,032	38,480,880
Total Assets Limited As To Use	39,156,590	64,877,678
Less amount required to meet current obligations	<u>(10,141,021)</u>	<u>(11,482,471)</u>
Long-Term Assets Limited As To Use	<u>29,015,569</u>	<u>53,395,207</u>
Other Assets		
Interest in net assets of Hendrick Medical Center Foundation	29,120,091	26,723,719
Long-term investments	125,974,226	116,295,954
Long-term pledges receivable, net of unamortized discount	1,964,416	1,918,137
Due from affiliates	4,615,483	4,183,588
Property, plant and equipment, net	188,362,676	155,187,549
Goodwill	2,553,216	0
Other assets	6,051,093	6,418,311
Total Other Assets	<u>358,641,201</u>	<u>310,727,258</u>
TOTAL ASSETS	<u>\$ 466,987,632</u>	<u>\$ 441,177,451</u>

The accompanying notes are an integral part of the financial statements

	August 31.	
	2012	2011
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current portion of notes and leases payable	\$ 946,774	\$ 1,174,926
Current portion of bonds payable	3,235,000	3,095,000
Accounts payable and accrued expenses	17,665,802	23,183,479
Funds held for others - current portion	57,401	63,587
Estimated third-party settlements	6,406,129	7,776,101
Current portion of reserves for self-insurance	2,800,205	3,088,430
Total Current Liabilities	<u>31,111,311</u>	<u>38,381,523</u>
Long-Term Liabilities		
Long-Term Debt		
Notes and leases payable, net of current portion	2,837,894	4,725,796
Bonds payable, net of current portion	<u>93,516,527</u>	<u>96,696,348</u>
Total Long-Term Debt	<u>96,354,421</u>	<u>101,422,144</u>
Other Liabilities		
Due to affiliates	20,287,818	12,314,480
Long-term portion of reserves for self-insurance	7,039,000	5,877,166
Other liabilities	<u>1,811,387</u>	<u>2,065,795</u>
Total Other Liabilities	<u>29,138,205</u>	<u>20,257,441</u>
Total Liabilities	<u>156,603,937</u>	<u>160,061,108</u>
Net Assets		
Unrestricted	304,595,960	275,742,342
Temporarily restricted	2,141,425	2,097,876
Permanently restricted	<u>3,646,310</u>	<u>3,276,125</u>
Total Net Assets	<u>310,383,695</u>	<u>281,116,343</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 466,987,632</u>	<u>\$ 441,177,451</u>

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF OPERATIONS

	<u>Year Ended August 31,</u>	
	<u>2012</u>	<u>2011</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue and sales (net of contractual allowances and discounts)	\$ 297,291,139	\$ 283,109,898
Provision for bad debt	<u>(40,098,034)</u>	<u>(34,815,299)</u>
Net patient service revenue less provision for bad debt	257,193,105	248,294,599
Electronic health records incentive payments	1,141,347	0
Other operating revenue	<u>30,573,891</u>	<u>31,159,167</u>
Total Unrestricted Revenues, Gains and Other Support	<u>288,908,343</u>	<u>279,453,766</u>
Expenses		
Salaries	100,083,048	96,310,419
Employee benefits	21,487,124	21,713,249
Supplies	64,839,268	67,237,496
Purchased services	25,084,107	20,608,231
Professional fees	5,038,124	2,974,478
Utilities	2,796,952	2,236,303
Insurance	2,587,761	1,787,284
General and administrative	4,000,168	3,492,840
Repair and maintenance	9,876,747	9,347,963
Rent and lease	1,326,283	1,090,763
Interest expense	3,733,146	2,582,500
Taxes	135,635	99,617
Depreciation and amortization	16,425,080	11,349,463
Other operating expenses	370,816	628,274
Bad debt expense (recoveries)	<u>(58,062)</u>	<u>14,579</u>
Total Expenses	<u>257,726,197</u>	<u>241,473,459</u>
Operating Income	<u>31,182,146</u>	<u>37,980,307</u>
Other Income (Expense)		
Donations	12,069	92,763
Baptist General Convention contributions	176,421	166,609
Investment income	8,789,709	8,482,001
Equity in earnings of unconsolidated subsidiary	84,539	200,132
Change in interest in unrestricted net assets of Hendrick Medical Center Foundation	2,020,047	1,892,298
Miscellaneous non-operating expense	<u>(216,723)</u>	<u>(649,996)</u>
Total Other Income	<u>10,866,062</u>	<u>10,183,807</u>
Excess of Revenues Over Expenses	42,048,208	48,164,114
Net assets released from restriction used for capital expansion	0	10,475,695
Net assets released from restriction used for other designated purposes	51,915	30,451
Equity contributions (to) from Hendrick Medical Development Corporation	(96,461)	1,744,257
Equity contributions to Hendrick Retirement Village, Inc	0	(29,621)
Equity contributions to Hendrick Provider Network	(11,557,388)	(5,793,513)
Equity contributions to Hendrick Anesthesiology Network	<u>(1,592,656)</u>	<u>(797,231)</u>
Increase in Unrestricted Net Assets	<u>\$ 28,853,618</u>	<u>\$ 53,794,152</u>

The accompanying notes are an integral part of the financial statements

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended August 31, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
NET ASSETS AT AUGUST 31, 2010	\$ 221,948,190	\$ 12,903,900	\$ 3,042,121	\$ 237,894,211
Excess of revenues over expenses	48,164,114			48,164,114
Contributions for various programs		32,800		32,800
Revaluation of estate receivable		47,114		47,114
Net assets released from restriction	10,506,146	(10,506,146)		0
Change in interest in net assets of Hendrick Medical Center Foundation		(379,792)	234,004	(145,788)
Equity contributions from Hendrick Medical Development Corporation	1,744,257			1,744,257
Equity contributions to Hendrick Anesthesiology Network	(797,231)			(797,231)
Equity contributions to Hendrick Retirement Village, Inc	(29,621)			(29,621)
Equity contributions to Hendrick Provider Network	(5,793,513)			(5,793,513)
Increase (Decrease) in Net Assets	53,794,152	(10,806,024)	234,004	43,222,132
NET ASSETS AT AUGUST 31, 2011	275,742,342	2,097,876	3,276,125	281,116,343
Excess of revenues over expenses	42,048,208			42,048,208
Contributions for various programs		43,044		43,044
Revaluation of estate receivable		46,279		46,279
Net assets released from restriction	51,915	(51,915)		0
Change in interest in net assets of Hendrick Medical Center Foundation		6,141	370,185	376,326
Equity contributions to Hendrick Medical Development Corporation	(96,461)			(96,461)
Equity contributions to Hendrick Anesthesiology Network	(1,592,656)			(1,592,656)
Equity contributions to Hendrick Provider Network	(11,557,388)			(11,557,388)
Increase in Net Assets	28,853,618	43,549	370,185	29,267,352
NET ASSETS AT AUGUST 31, 2012	\$ 304,595,960	\$ 2,141,425	\$ 3,646,310	\$ 310,383,695

The accompanying notes are an integral part of the financial statements

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF CASH FLOWS

	Year Ended August 31.	
	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 29,267,352	\$ 43,222,132
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Operating depreciation and amortization	16,425,080	11,349,463
Bond discount amortization	55,179	57,671
Net realized and unrealized gain on assets	(3,863,857)	(5,478,055)
Non-cash earnings on investments	(2,735,999)	(1,047,947)
Provision for bad debts	40,039,972	34,815,299
Change in interest in net assets of Hendrick Medical Center Foundation	(2,396,372)	(1,746,509)
Equity in earnings of unconsolidated subsidiary	(84,539)	(200,132)
Non-cash equity contributions to affiliates	13,246,505	4,876,108
Non-cash transactions with affiliates	0	(1,126,377)
Investment income on assets limited as to use	(733,743)	(1,546,625)
Transfer of assets limited as to use	21,000,000	0
(Increase) Decrease in		
Patient accounts receivable	(42,978,684)	(38,980,675)
Other current assets	974,488	(2,496,226)
Inventories	(555,601)	(261,625)
Due from affiliates	(431,895)	(3,057,211)
Goodwill	(2,553,216)	0
Other assets	1,610,340	891,076
Increase (Decrease) in		
Accounts payable and accrued expenses	(5,517,677)	1,098,386
Estimated third-party payor settlements	(1,369,972)	1,476,259
Reserves for self-insurance	873,609	194,581
Funds held for others	(6,186)	27,345
Other liabilities	(254,408)	385,040
Due to affiliates	7,973,338	2,789,628
Net Cash Provided by Operating Activities	67,983,714	45,241,606
Cash Flows From Investing Activities		
Capital expenditures	(50,194,092)	(28,955,460)
Capital expenditures from assets limited as to use	(21,000,000)	(23,083,759)
Proceeds from sale of assets	77,423	18,585
Proceeds from sale of investments	36,618,436	20,021,961
Purchase of investments	(46,348,735)	(51,112,369)
Release of assets limited as to use	27,817,905	38,676,849
Capital contributions to corporate joint ventures	0	(3,000,000)
Equity distributions from corporate joint venture	32,120	4,904,989
Disbursements of notes receivable to affiliates	(61,491,880)	(38,573,295)
Collections of notes receivable from affiliates	48,245,375	39,308,462
Net Cash Used by Investing Activities	(66,243,448)	(41,794,037)

The accompanying notes are an integral part of the financial statements

	Year Ended August 31.	
	2012	2011
Cash Flows From Financing Activities		
Proceeds from borrowings	566.754	2.283.051
Principal payments on notes and leases payable	(2.682.808)	(1.125.107)
Principal payments on notes and bonds payable from assets limited as to use	(3.095.000)	(2.970.000)
Net Cash Used by Financing Activities	(5.211.054)	(1.812.056)
Net Increase (Decrease) in Cash and Cash Equivalents	(3.470.788)	1.635.513
Cash and Cash Equivalents at Beginning of Year	5.935.049	4.299.536
Cash and Cash Equivalents at End of Year	\$ 2.464.261	\$ 5.935.049

**HENDRICK MEDICAL CENTER
ABILENE, TEXAS**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011**

HENDRICK MEDICAL CENTER
Abilene, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of Hendrick Medical Center ("Hendrick") conform to accounting principles generally accepted in the United States of America and are based upon accounting practices generally followed by hospitals. The more significant accounting policies are summarized as follows:

Organization

Hendrick Medical Center, located in Abilene, Texas, is a not-for-profit acute care hospital. The primary business of the Hospital includes inpatient, outpatient and emergency care services for residents of Taylor and surrounding counties. Admitting physicians are primarily practitioners in the local area.

Basis of Presentation

Hendrick has adopted ASC 958-210, *Financial Statements of Not-for-Profit Organizations*. This standard has been applied on a retroactive basis. ASC 958-210 requires Hendrick to classify net assets based on the existence or absence of donor imposed restrictions. These classifications of net assets are described as follows:

Unrestricted - All resources over which the governing board has discretionary control.

Temporarily Restricted - Resources that have donor imposed restrictions that permits Hendrick to expend the assets as specified and is satisfied either by the passage of time or by actions of Hendrick.

Permanently Restricted - Resources that include a donor imposed restriction that stipulates that resources be maintained permanently but permits Hendrick to use or expend part or all of the income (or other economic benefit) derived from the donated assets.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements or with third-party payors.

Hendrick routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Method of Providing for Uncollectible Accounts

The provision for uncollectible accounts, including Medicare, Medicaid and Champus contractuals, bad debts, charity and other third-party contractual deductions, is made using the reserve method and is based upon management's continuing review of accounts receivable.

Inventories

The inventories of Hendrick are valued at amounts which, in the aggregate, approximate the lower of cost or market on a first-in, first-out method

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside for self insurance reserves, and board designated funds for various purposes over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of Hendrick have been reclassified in the Statements of Financial Position at August 31, 2012 and 2011.

Interest in Net Assets of Hendrick Medical Center Foundation

Hendrick Medical Center Foundation ("HMCF") is a financially interrelated organization to Hendrick. It also serves as a fundraising organization for the benefit of Hendrick and related affiliates. In compliance with ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, Hendrick reports its interest in the net assets of HMCF on its Statements of Financial Position and any increase or decrease in HMCF's net assets as "Change in interest in net assets of Hendrick Medical Center Foundation" on the Statements of Operations.

Investments and Investment Income

Donated investments are recorded at fair value at the date of receipt. Marketable equity securities included in investment portfolios are carried at their fair value, when readily available, at the statement of financial position date. Alternative investments are valued primarily by the respective fund managers based on the underlying investments. Investments in corporate joint ventures are accounted for using the equity method.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

Repurchase Agreements

Hendrick has entered into purchases of securities under agreements to resell substantially identical securities (repurchase agreements). Securities purchased under agreements to resell at August 31, 2012, consist of U.S. agencies and bonds. The amounts advanced under these agreements represent short-term securities and are reported in the accompanying statements of financial position as a current asset. The securities underlying the agreements are book entry securities. The securities are held in a third-party custodian's account designated under a written custodial agreement that explicitly recognizes Hendrick's interest in the securities. At August 31, 2012, these agreements matured within ninety days and no material amount of agreements to resell securities purchased was outstanding with any individual dealer.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred net of interest income earned on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are included in the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Other Assets

Other assets including the current and non-current portions in the amount of \$14,936,878 as of August 31, 2012 consisted of the following \$4,864,119 of prepaid expenses, \$2,761,871 of bond insurance, \$2,484,549 in notes receivable from third-parties, net of allowances, \$1,194,124 of bond issuance costs, and other miscellaneous billings and receivables of \$3,632,215

Other assets including the current and non-current portions in the amount of \$16,278,584 as of August 31, 2011 consisted of the following \$5,927,807 of prepaid expenses, \$2,948,073 of bond insurance, \$2,484,549 in notes receivable from third-parties, net of allowances, \$1,274,630 of bond issuance costs, and other miscellaneous billings and receivables of \$3,643,525

Goodwill

Goodwill represents the excess of the cost over the fair market value of the net assets acquired of a cardiology practice, which was acquired on January 1, 2012. The acquisition was made in conjunction with affiliates Hendrick Provider Network and Hendrick Medical Office Buildings, L L C at a total purchase price of \$10,519,227. Hendrick received tangible assets in the amount of \$322,270, and intangibles including use of the trade name of \$142,953 and goodwill of \$2,553,216. Other assets received in the transaction were recorded on the books of the related entities noted above.

In accordance with ASC 350-10, *Goodwill and Other Intangible Assets*, goodwill is not amortized, but tests its recorded goodwill for impairment on an annual basis, or more often if indicators of potential impairment exist, by determining if the carrying value of the practice exceeds its estimated fair value. Factors that could trigger an interim impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the practice's overall business, significant negative industry or economic trends and a sustained period where market capitalization, plus an appropriate control premium, is less than net assets. See **NOTE 7** for further details regarding changes in carrying value of goodwill.

Estimated Professional, Employee Injury, and General Liability Costs

The provision for estimated self-insured professional, employee injury and general liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Funds Held For Others

"Funds held for others" consist of amounts held for the benefit of others. The earnings from the balances (if any) are disbursed to recipients designated by the third party.

In accordance with ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, Hendrick holds all contributions to be used for the benefit of other organizations as a liability on the Statements of Financial Position.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Hendrick 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 Hendrick in perpetuity.

Hendrick has adopted ASC 958-205, *Endowments of Not-for-Profit Organizations. Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The Board of Trustees determined that the majority of Hendrick's net assets do not meet the definition of endowment funds under UPMIFA.

Temporarily restricted net assets consist of restricted contributions for specific purposes, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets including earnings off permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to Hendrick are reported at fair value at the date the promise is received. Unconditional promises to give and indications of intentions to give are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Charity Care

Hendrick provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. See **NOTE 12** for further disclosure of Hendrick's charity care policy.

Net Patient Service Revenue

Hendrick has agreements with third-party payors that provide for payments to Hendrick at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Electronic Health Records Implementation

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act (ARRA). The HITECH Act includes provisions designed to increase the use of electronic health records ("EHR") by both physicians and hospitals. Hendrick intends to comply with the EHR meaningful use requirements of the HITECH Act in time to qualify for the maximum available Medicare and Medicaid incentive payments. Hendrick's compliance will result in significant costs including professional services focused on successfully designing and implementing EHR solutions along with costs associated with the hardware and software components of the project. During the year ended August 31, 2012, Hendrick recognized \$1,141,347 in other operating revenues related to Medicaid EHR incentive payments. Hendrick has incurred and will continue to incur both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives. The timing of these expenditures does not necessarily correlate with the timing of receipt of the incentive payments and the recognition of revenues. For the year ended August 31, 2012, Hendrick estimates that they capitalized approximately \$2.6 million and incurred approximately \$3,851,726 of additional operating expenses including depreciation related to implementation of EHR initiatives. Hendrick currently estimates that, at a minimum, total costs incurred to comply will be recovered through improved reimbursement amounts over the projected lifecycle of this initiative.

Income Taxes

Hendrick is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Unrelated business income of Hendrick is considered taxable. In accordance with ASC 740-10 FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, management evaluated Hendrick's tax positions and concluded that Hendrick had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With a few exceptions, Hendrick is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009.

Medicaid Supplemental Payments

For the years ended August 31, 2012 and 2011, Hendrick received \$7,464,761 and \$6,996,441, respectively, in supplemental Medicaid payments through the upper payment limits guidance. These payments are included in "Other Operating Revenue" on the "Statement of Operations." Due to a changing regulatory environment, it is uncertain that these funds will continue in subsequent periods.

Excess of Revenues Over Expenses

The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, normally include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Subsequent Events

Hendrick has evaluated subsequent events through December 21, 2012, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

ASU 2010-23

Hendrick adopted Financial Accounting Standards Board (FASB) Emerging Issues Taskforce's Accounting Standards Update No. 2010-23, *Measuring Charity Care for Disclosure* retrospectively for the years ended August 31, 2012 and 2011. This guidance is required to be implemented for non-public entities for periods beginning after December 15, 2010. The amendments require health care entities use cost 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. Disclosure requirements are included in **NOTE 12**.

ASU 2010-24

The FASB issued Accounting Standards Update No. 2010-24 *Insurance Claims and Related Insurance Recoveries*. This update addressed current diversity in practice related to the accounting by health care entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Most health care entities have netted anticipated insurance recoveries against the related accrued liability, although some entities have presented the anticipated insurance recovery and related liability on a gross basis. The amendments are consistent with the guidance on netting receivables and payables in ASC Subtopic 210-02, Balance sheet – Offsetting. This amendment clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. This amendment was adopted by Hendrick for the year ended August 31, 2012. This did not have a material effect on the financial statements due to Hendrick being self-insured up to \$3,000,000.

ASU 2011-04

In May, 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. The guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This

guidance is effective for annual periods beginning after December 15, 2011. The guidance will primarily impact Hendrick's disclosures, but otherwise is not expected to have a material impact on Hendrick's financial statements.

ASU 2011-11

The FASB issued updated accounting guidance related to disclosures regarding offsetting assets and liabilities. The guidance enhances disclosures by requiring improved information about financial instruments and derivative instruments that are offset in accordance with sections 210-20-45 or 815-10-45 or are subject to an enforceable master netting arrangement or similar agreement which will enable users of financial statements to understand the effect of those arrangements on its financial position. This guidance is effective for annual periods beginning after January 1, 2013. The guidance is not expected to have a material impact on Hendrick's financial statements or disclosures.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on Hendrick's present or future financial statements.

Use of Estimates

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

Reclassifications

The accompanying financial statements for the year ended August 31, 2011, reflect reclassifications of certain balances or amounts from one category to another to conform with classifications implemented by management in the fiscal year ended August 31, 2012. The reclassifications do not affect excess of revenues over expenses or net assets.

NOTE 2: ASSETS LIMITED AS TO USE

The composition of assets limited as to use at August 31, is set forth below. Investments are stated at fair value at August 31, 2012 and 2011. Unrealized gains and losses on investments are recognized in the statements of operations for the years ended August 31, 2012 and 2011.

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Held by trustee				
Under Series 2009 bond indenture agreement				
Cash and short-term investments	\$ 7,660,515	\$ 7,660,515	\$ 8,278,536	\$ 8,278,536
U.S. agencies and bonds	5,331,115	5,320,496	4,983,304	4,927,671
Under deferred compensation trust				
Mutual funds	1,376,653	1,376,653	1,102,596	1,102,596
Total Held by Trustee	14,368,283	14,357,664	14,364,436	14,308,803

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Self-insurance trusts				
Cash and short-term investments	124,769	124,769	290,852	290,852
U S agencies and bonds	5,083,206	4,855,405	4,900,806	4,695,838
Corporate stocks and bonds	5,735,690	4,679,678	4,745,704	4,091,011
Mutual funds	2,238,610	1,880,725	2,095,000	1,776,985
Total Self-insurance Trusts	13,182,275	11,540,577	12,032,362	10,854,686
Board designated funds				
Cash and short-term investments	80,623	80,623	3,242,312	3,242,312
U S agencies and bonds	3,205,368	2,978,102	4,468,604	4,202,944
Mutual funds	7,668,806	7,653,361	28,829,328	28,800,000
Pledges receivable - capital expansion	651,235	651,235	1,940,636	1,540,636
Total Board designated funds	11,606,032	11,363,321	38,480,880	37,785,892
TOTAL ASSETS LIMITED AS TO USE	\$ 39,156,590	\$ 37,261,562	\$ 64,877,678	\$ 62,949,381

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2012

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 171,873	\$ 11,613	\$ 281,201	\$ 43,805
U S agencies and bonds	2,661,769	23,337	0	0
Mutual funds	469,828	931	720,590	73,977
Total temporarily impaired securities	\$ 3,303,470	\$ 35,881	\$ 1,001,791	\$ 117,782

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2011

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 969,532	\$ 104,676	\$ 345,967	\$ 40,704
U S agencies and bonds	3,078,257	26,396	0	0
Mutual funds	39,198	174	654,004	51,415
Total temporarily impaired securities	\$ 4,086,987	\$ 131,246	\$ 999,971	\$ 92,119

Management believes the unrealized losses are temporary and are caused by market and interest rate fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

NOTE 3: INVESTMENTS

Fair value (when available) and cost for investments at August 31, are summarized as follows

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Corporate joint ventures	\$ 18,495,671	\$ 18,495,671	\$ 16,847,579	\$ 16,847,579
Hendrick Medical Office Buildings, L L C	10,214,807	10,214,807	10,130,268	10,130,268
U S agencies and bonds	9,661,326	9,153,563	11,051,375	10,449,049
Corporate stocks and bonds	52,332,573	46,979,289	48,981,294	50,317,483
Municipal bonds	4,796,773	4,573,419	3,388,588	3,297,569
Mutual funds	20,846,870	20,654,774	18,105,304	18,270,580
Alternative investments	9,626,206	11,070,794	7,791,546	9,433,006
	<u>\$ 125,974,226</u>	<u>\$ 121,142,317</u>	<u>\$ 116,295,954</u>	<u>\$ 118,745,534</u>

Fair value for corporate joint ventures and Hendrick Medical Office Buildings, L L C are not readily available at August 31, 2012 and 2011

Hendrick has investments in certain investments that are considered "alternative investments" Fair market valuations are typically more difficult to ascertain and support, therefore the risk of market fluctuation can be greater for these types of investments

Hendrick has investments in two unconsolidated entities which are being recognized as "Long-term investments" on the Statements of Financial Position The investment in corporate joint ventures is as follows at August 31,

	2012	2011
S H A , L L C dba First Care – 33.33% common and preferred stock membership interest in a health maintenance organization	\$ 18,491,589	\$ 16,844,877
Premier Purchasing Partners L P – interest in purchasing group partnership and AMHS Heritage, L L C	4,082	2,702
TOTAL	<u>\$ 18,495,671</u>	<u>\$ 16,847,579</u>

S H A , L L C dba FirstCare reflected total assets of \$111,495,603 and \$75,378,080, total liabilities of \$62,493,073 and \$31,482,415, and total equity of \$49,002,530 and \$44,895,665 as of August 31, 2012 and 2011, respectively Hendrick contributed \$0 and \$3,000,000 to the entity during the years ended August 31, 2012 and 2011, respectively, and Hendrick's portion of net income totaled \$1,646,713 for the year ended August 31, 2012 and net loss of \$264,364 for the year ended August 31, 2011 associated with the entity

Investment income (expense) is comprised of the following for the years ending August 31.

	2012	2011
Interest income	\$ 1,647,555	\$ 1,603,479
Dividend income	1,081,624	1,088,885
Equity in earnings (losses) from corporate joint ventures	1,680,212	(210,593)
Unrealized/Realized losses on equity securities and joint ventures	<u>4,380,318</u>	<u>6,000,230</u>
Total Investment Income	<u>\$ 8,789,709</u>	<u>\$ 8,482,001</u>

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2012

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 10,239,680	\$ 961,907	\$ 6,239,597	\$ 958,803
Mutual funds	4,946,362	627,874	0	0
Alternative investments	4,012,541	48,012	1,175,910	2,063,757
Municipal bonds	<u>351,624</u>	<u>35</u>	<u>0</u>	<u>0</u>
Total temporarily impaired securities	<u>\$ 19,550,207</u>	<u>\$ 1,637,828</u>	<u>\$ 7,415,507</u>	<u>\$ 3,022,560</u>

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2011

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 14,466,266	\$ 1,449,764	\$ 5,488,032	\$ 580,235
Mutual funds	5,599,244	492,901	0	0
Alternative investments	3,386,477	2,017,351	72,227	168,518
Municipal bonds	<u>1,252,384</u>	<u>14,582</u>	<u>0</u>	<u>0</u>
Total temporarily impaired securities	<u>\$ 24,704,371</u>	<u>\$ 3,974,598</u>	<u>\$ 5,560,259</u>	<u>\$ 748,753</u>

Management believes the unrealized losses are temporary and are caused by interest rate fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

NOTE 4: HENDRICK MEDICAL CENTER FOUNDATION

Hendrick has an interest in net assets of Hendrick Medical Center Foundation ("Foundation") included on the Statements of Financial Position as of August 31, 2012 and 2011. Foundation is a financially interrelated organization to Hendrick and also serves as a fundraising organization for the benefit of Hendrick and related affiliates. A financial summary of the Foundation as of and for the year ended August 31, follows:

	2012	2011
Assets	\$ 40,288,406	\$ 34,922,884
Liabilities	\$ 11,023,335	\$ 8,065,647
Net assets		
Unrestricted	25,421,349	23,389,841
Temporarily restricted	61,473	55,332
Permanently restricted	3,782,249	3,412,064
Total net assets	29,265,071	26,857,237
Total liabilities and net assets	\$ 40,288,406	\$ 34,922,884
Total unrestricted revenues, gains and other support	\$ 3,154,266	\$ 2,846,132
Unrestricted expenses and other changes	(1,122,758)	4,020,818
Changes in temporarily and permanently restricted net assets	376,326	(5,127,211)
Total change in net assets	\$ 2,407,834	\$ 1,739,739

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable are as follows at August 31:

	2012	2011
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 4,187,666	\$ 5,626,971
Less: Unamortized discount	(1,062,665)	(1,258,848)
	3,125,001	4,368,123
Less: Allowance for uncollectibles	(509,350)	(509,350)
NET UNCONDITIONAL PROMISES TO GIVE	\$ 2,615,651	\$ 3,858,773
Amounts due in		
Less than one year	\$ 535,084	\$ 1,198,418
One to five years	672,582	1,448,553
More than five years	2,980,000	2,980,000
TOTAL	\$ 4,187,666	\$ 5,626,971

Pledges receivable (gross) were provided for the following at August 31.

	<u>2012</u>	<u>2011</u>
Capital expansion	\$ 1,207,666	\$ 2,646,971
Long-term unconditional pledge	<u>2,980,000</u>	<u>2,980,000</u>
Total pledges before unamortized discount and allowance for uncollectibles	<u>\$ 4,187,666</u>	<u>\$ 5,626,971</u>

Pledges receivable totaling \$651,235 and \$1,940,636 are carried as board designated funds under the category "Assets Limited As To Use" on the Statements of Financial Position as of August 31, 2012 and 2011, respectively

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

A summary of the costs and the related accumulated depreciation at August 31, follows

	<u>2012</u>	<u>2011</u>
Land	\$ 17,445,239	\$ 14,997,437
Buildings and improvements	107,308,445	78,222,341
Fixed equipment	78,860,107	33,086,978
Major moveable equipment	115,544,589	98,032,530
Construction in progress	<u>13,531,751</u>	<u>71,566,178</u>
Total	332,690,131	295,905,464
Less accumulated depreciation	<u>(144,327,455)</u>	<u>(140,717,915)</u>
NET PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 188,362,676</u>	<u>\$ 155,187,549</u>

Depreciation expense for the years ended August 31, 2012 and 2011 was \$16,425,080 and \$11,349,463, respectively

NOTE 7: GOODWILL

The changes in the carrying amount of goodwill for the years ended August 31, 2012 and 2011, are as follows

	<u>Goodwill</u>	<u>Accumulated Impairment</u>	<u>Total</u>
Balance as of August 31, 2011	\$ 0	\$ 0	\$ 0
Acquisition	<u>2,553,216</u>		<u>2,553,216</u>
Balance as of August 31, 2012	<u>\$ 2,553,216</u>	<u>\$ 0</u>	<u>\$ 2,553,216</u>

Goodwill was tested as of August 31, 2012 and determined to be unimpaired

NOTE 8: NOTES AND CAPITAL LEASES PAYABLE

Notes and capital leases payable as of August 31, consist of the following

	<u>2012</u>	<u>2011</u>
Capital lease payable		
Pyxis - payable in monthly installments of \$44,243 and \$10,672 including interest at 4.91% with balances due June 30, 2015 and February 28, 2017 - secured by equipment	\$ 1,917,766	\$ 1,851,682
Notes payable		
Hendrick Medical Development Corporation - payable in monthly installments of interest only at 9% with the principal due at maturity on October 2, 2019 - secured by real property	1,000,000	1,000,000
Aramark - payable in 10 annual installments of \$293,000 at 0% interest, contract expires February 8, 2017 - unsecured	0	1,869,972
Development Corporation of Abilene - forgiven in annual installments of 7% of salaries, plus non-mandatory, borrower-provided benefits, expanded for research using the previous twelve months at 0% interest with balance due July 31, 2017 - unsecured	65,686	88,492
Development Corporation of Abilene - forgiven in annual installments of \$149,232 at 0% interest with balance due July 31, 2015 - unsecured	298,462	447,694
First Financial Bank, N.A., Abilene - payable in various monthly installments at various interest rates, payable upon student graduation - unsecured	<u>502,754</u>	<u>642,882</u>
	3,784,668	5,900,722
Less current portion	<u>(946,774)</u>	<u>(1,174,926)</u>
LONG-TERM PORTION	\$ <u>2,837,894</u>	\$ <u>4,725,796</u>

Principal payment requirements for notes and capital leases payable for the fiscal years ending 2013 through 2017 and thereafter are \$946,774, \$938,622, \$668,990, \$1,162,336, and \$67,946, respectively

Hendrick is the lessee of equipment under capital leases expiring in 2015 and 2017. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives.

Following is a summary of property held under capital leases

Equipment	\$	2,921,358
Less accumulated amortization		<u>(1,018,869)</u>
	\$	<u>1,902,489</u>

Minimum future lease payments under capital leases, at August 31, 2012, for the remaining years of the lease term are

<u>Year Ended August 31,</u>		
2013	\$	658,980
2014		658,980
2015		570,494
2016		128,064
2017		<u>64,032</u>
Less amount representing interest		<u>(162,784)</u>
Present value of net minimum lease payments	\$	<u>1,917,766</u>

The effective interest rate on the capital lease is 4.91%, and the capital lease is collateralized by the equipment

NOTE 9: BONDS PAYABLE

At August 31, bonds payable consist of the following

	<u>2012</u>	<u>2011</u>
Tarrant County Cultural Education Facilities Finance Corporation Hospital Revenue Bonds Series 2009A, 2009B, and 2009C - net of unamortized discount of \$98,070, \$724,147, and \$96,256 - payable at annual rates of 3% to 5.25%. Series 2009C payable annually at a daily variable rate of interest - secured by municipal bond insurance policies	\$ 96,751,527	\$ 99,791,348
Less current portion	<u>(3,235,000)</u>	<u>(3,095,000)</u>
LONG-TERM PORTION	<u>\$ 93,516,527</u>	<u>\$ 96,696,348</u>

Bond discount is being amortized on the straight-line method over the life of the bond issuance. Amortization was \$55,179 and \$57,671 for the years ended August 31, 2012 and 2011, respectively.

Principal payment requirements for the fiscal years ending 2013 through 2017 and thereafter are \$3,235,000, \$3,400,000, \$3,575,000, \$3,730,000 and \$83,730,000, respectively.

The Tarrant County Cultural Education Facilities Finance Corporation Hospital Revenue Bonds Series 2009A and Series 2009B were issued on September 2, 2009 in the amounts of \$33,940,000 and \$44,795,000, respectively. The Bonds mature on September 1, 2026 and September 1, 2031, respectively. The Tarrant County Cultural Educational Facilities Finance Corporation Variable Rate Hospital Revenue Bonds Series 2009C were issued on September 9, 2009 in the amount of \$25,000,000 and they mature on September 1, 2026. Bond proceeds were used to refinance the Abilene Health Facilities Development

Corporation Hospital Refunding and Improvement Bonds Series 1995A, 1995B and 1995C, and to finance construction projects

The bond trust indenture requires Hendrick to maintain a letter of credit for repayment of the Series 2009C bonds JPMorgan Chase Bank, N A has issued the letter of credit in the amount of \$25,353,425 as of August 31, 2012 The letter of credit fee is 1.25% per annum, matures September 17, 2013, and is secured by real property

Under the terms of the Series 2009 bond trust indentures, Hendrick is also required to maintain certain deposits with a trustee Such deposits are included with assets limited as to use The bond indentures also place limits on the incurrence of additional borrowings and require that Hendrick satisfy certain measures of financial performance as long as the bonds are outstanding

Hendrick's bonds are subject to mandatory sinking redemption in the amounts set forth in the following table

Fiscal Year Ending August 31,	Series 2009A	Series 2009B	Series 2009C
2013	\$ 2,590,000	\$ 290,000	\$ 355,000
2014	2,660,000	265,000	475,000
2015	1,610,000	410,000	1,555,000
2016	1,675,000	595,000	1,460,000
2017	1,745,000	480,000	1,680,000
2018	1,815,000	625,000	1,640,000
2019	1,895,000	575,000	1,800,000
2020	1,980,000	715,000	1,780,000
2021	2,080,000	660,000	1,955,000
2022	2,180,000	690,000	2,055,000
2023	2,285,000	705,000	2,185,000
2024	2,405,000	730,000	2,305,000
2025	2,525,000	780,000	2,415,000
2026	1,325,000	2,170,000	2,520,000
2027	0	6,285,000	0
2028	0	6,625,000	0
2029	0	6,985,000	0
2030	0	7,365,000	0
2031	0	7,770,000	0
	<u>\$ 28,770,000</u>	<u>\$ 44,720,000</u>	<u>\$ 24,180,000</u>

Interest charged to operations on notes and bonds payable for the years ended August 31, 2012 and 2011, was \$3,733,146 and \$2,582,500, respectively Interest capitalized during the construction phase totaled \$1,061,367 and \$2,193,663 for the years ended August 31, 2012 and 2011, respectively

NOTE 10: EMPLOYEE RETIREMENT PLANS

Hendrick sponsors a defined contribution pension plan with Guidestone available to substantially all employees Hendrick's contributions to the plan match the employee's contribution to the plan up to either 3% or 5% (depending on the date of employment) of the covered employee's annual salary depending upon the employee's contribution Pension expense for the years ended August 31, 2012 and 2011, was \$2,717,560 and \$2,856,898, respectively Hendrick funds pension plan requirements to the fiduciary monthly

Hendrick has entered into deferred compensation contracts with certain officers to provide compensation benefits to the officers after retirement at the age of fifty-five (55) years or older Employees benefit expense related to these agreements was \$405,011 and \$383,007 in 2012 and 2011, respectively

Hendrick also provides a 457B and 457F plan for the benefit of their executives. The balance of the 457B plan totaled \$974,492 and \$635,466 at August 31, 2012 and 2011, respectively. The balance of the 457F plan totaled \$402,161 and \$467,130 at August 31, 2012 and 2011, respectively. Both of the plans are funded entirely by the employees and are included on the Statements of Financial Position under "Assets Limited As To Use" with a corresponding liability included in "Other liabilities".

NOTE 11: NET PATIENT SERVICE REVENUE AND THIRD PARTY SETTLEMENTS

Hendrick has agreements with third-party payors that provide for reimbursement to Hendrick at amounts different from its established rates. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, fee schedules, per diems, discounts from established charges and prompt payment discounts. Contractual adjustments under third-party reimbursement programs represent the difference between Hendrick's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Services rendered to Medicare recipients are primarily reimbursed according to prospectively determined rates on both inpatient and outpatient services. These rates vary according to patient classification systems which are based on clinical, diagnostic, and other factors. Hendrick is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Hendrick and audits thereof by the Medicare fiscal intermediary which can take several years to completely settle.

Inpatient services rendered to Medicaid recipients are primarily reimbursed according to prospectively determined rates per discharge. These rates vary according to a patient classification system which is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed through various payment systems including fee schedules, prospective rates, and a cost based method. Hendrick is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Hendrick and audits thereof by the Medicaid fiscal intermediary which can take several years to completely settle.

Hendrick has also entered into contractual agreements with certain other commercial insurance carriers, preferred provider organizations, and major Abilene region employers. The basis for payment to Hendrick under these agreements includes prospectively determined rates per discharge, per diems, fee schedules, discounted fee-for-service rates and other similar contractual arrangements. These revenues are also subject to review and audit by the payors.

Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenue from the Medicare program accounted for approximately 50 percent of Hendrick's net patient service revenue for the years ended August 31, 2012 and 2011. Revenue from the Medicaid program accounted for approximately 9 percent of Hendrick's net patient service revenue for the years ended August 31, 2012 and 2011.

The laws and regulations under which the Medicare and Medicaid programs operate are complex, subject to frequent change and subject to interpretation. As part of operating under these programs, there is a possibility that governmental authorities may review Hendrick's compliance with these laws and regulations. Such review may result in adjustments to reimbursement previously received and subject Hendrick to fines and penalties. Management believes they have complied with the requirements of the Medicare and Medicaid programs.

A summary of activity related to third party payor settlements is included below for the year ended August 31.

	<u>2012</u>	<u>2011</u>
Beginning of year receivable (payable) balance	\$ (7,776,101)	\$ (6,299,842)
Activity related to prior years' settlements		
Payments	619,214	159,585
Changes in prior years' estimates	1,980,027	851,166
Activity related to current year settlements		
Current year estimated settlements	<u>(1,229,269)</u>	<u>(2,487,010)</u>
End of year receivable (payable) balance	\$ <u>(6,406,129)</u>	\$ <u>(7,776,101)</u>

A summary of third party payor settlement amounts by payor as of August 31 is included below

	<u>2012</u>	<u>2011</u>
Receivable		
Medicare	\$ <u>0</u>	\$ <u>84,167</u>
Total receivable	0	84,167
Payable		
Medicare	(4,850,273)	(6,868,354)
Medicaid	(843,105)	(279,163)
Commercial	<u>(712,751)</u>	<u>(712,751)</u>
Total payable	<u>(6,406,129)</u>	<u>(7,860,268)</u>
Net payable	\$ <u>(6,406,129)</u>	\$ <u>(7,776,101)</u>

A summary of gross and net patient service revenue for the years ended August 31, follows

	<u>2012</u>	<u>2011</u>
Inpatient routine	\$ 99,833,586	\$ 71,126,187
Inpatient ancillary	526,167,842	500,207,133
Outpatient	<u>491,024,835</u>	<u>444,475,225</u>
Gross Patient Service Revenue	<u>1,117,026,263</u>	<u>1,015,808,545</u>
Less provisions for		
Bad debt	(40,098,034)	(34,815,299)
Contractual adjustment under third-party reimbursement programs	(582,692,910)	(522,647,116)
Charity allowances	(65,824,485)	(57,101,791)
Administrative adjustments	<u>(171,217,729)</u>	<u>(152,949,740)</u>
Total Deductions from Revenue	<u>(859,833,158)</u>	<u>(767,513,946)</u>
NET PATIENT SERVICE REVENUE	\$ <u>257,193,105</u>	\$ <u>248,294,599</u>

Hendrick recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, Hendrick analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debt. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Hendrick analyzes contractually due amounts and provides an allowance for doubtful accounts.

and a provision for bad debt, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid)

For uninsured patients that do not qualify for charity care, Hendrick recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Hendrick records a significant provision for bad debt in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debt), recognized in the period is as follows for the years ending August 31:

	2012	2011
Third-party payors	\$ 267,270,558	\$ 262,936,329
Self-pay	30,020,581	20,173,569
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 297,291,139</u>	<u>\$ 283,109,898</u>

There were no significant changes in assumptions in calculating the allowance for self-pay patients between the years ended August 31, 2012 and 2011.

NOTE 12: CHARITY SERVICES

Hendrick provides total and partial income based discounts through its charity program. A patient may qualify for 100% assistance or a lesser percentage based on application criteria. The policy is primarily based on the household income of the applicant with respect to the Federal Poverty Income Levels (FPIL) as published by the Department of Health and Human Services. Hendrick utilizes a charity discount sliding scale to determine assistance amounts where applicants with household income below 250% of the FPIL could be eligible for full assistance and those with household income of 500% or higher of the FPIL will not be eligible for charity assistance. Applicants for the charity program are also required to provide complete and accurate information regarding their financial circumstances by completing a *Request for Assistance* form. Misrepresentation of these facts may be cause for denial of assistance. Charity assistance is only considered after all efforts to obtain third party coverage have been exhausted. The charity program does not discriminate based on race, creed, religion, sex, or national origin.

Hendrick maintains records to identify and monitor the level of charity services it provides. These records include the amount of charges foregone for services and supplies furnished without regard to the patient's ability to pay. The estimated direct and indirect costs and expenses incurred to provide charity services for the years ended August 31, 2012 and 2011 were \$13,754,229 and \$11,931,595, respectively. These direct and indirect costs are based on management's estimate of the ratio of cost to gross charges of providing charity services. Costs were estimated by taking total costs incurred in providing patient care, less direct known costs that were not associated with patient care such as indirect marketing, bad debt, and other items unrelated to patient care. This ratio was applied to the provisions for charity care, which is based on gross charges.

Charity care totaled \$65,824,485 and \$57,101,791 for the years ended August 31, 2012 and 2011, respectively.

There were no contributions restricted solely for the purposes of providing charity services during the year.

NOTE 13: ESTIMATED PROFESSIONAL, EMPLOYEE INJURY AND GENERAL LIABILITY

Hendrick has established a self-insurance plan for the purpose of providing professional and general liability insurance. Professional insurance actuary consultants have been retained to determine funding requirements. The amounts funded have been placed in a self-insurance trust account that is being administered by a trustee. The self-insurance trust account is reported in "Assets Limited As To Use". In addition to the self-insurance trust, Hendrick purchased professional and general liability insurance to cover losses in excess of \$3,000,000 per occurrence.

Hendrick has established an employee injury program known as ProCare. ProCare demonstrates Hendrick's active stance in keeping a safe and healthy workplace and providing adequate reimbursement when workplace injury or illness does occur. Hendrick no longer subscribes to the Workers Compensation Act of the State of Texas, and Hendrick provides the ProCare program on a voluntary basis. A ProCare trust has been established to fund losses resulting from employee injury. The trust account is reported within self-insurance trusts in "Assets Limited As To Use". Excess employee injury coverage has been obtained for losses in excess of \$1,000,000 per occurrence.

Hendrick is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against Hendrick and are currently in various stages of litigation. Additional claims may be asserted against Hendrick arising from services provided to patients through August 31, 2012. Hendrick is unable to determine the ultimate cost of the resolution of such potential claims. It is the opinion of management and an independent actuarial consultant that estimated professional liability costs accrued at August 31, 2012, are adequate to provide for potential losses resulting from pending or threatened litigation.

There was no charge to operating expenses for professional, employee injury and general liability costs for fiscal years 2012 and 2011.

NOTE 14: AFFILIATES UNDER COMMON CONTROL

As of August 31, 2012, Hendrick is under common management control with the following entities:

- 1) Hendrick Medical Development Corporation
- 2) Hendrick Medical Center Foundation
- 3) Hendrick Provider Network
- 4) Hendrick Anesthesiology Network
- 5) Hendrick Hospice Care
- 6) Hendrick Southwestern Health Development Corporation
- 7) Hendrick Center for Extended Care
- 8) Hendrick Medical Office Buildings, L.L.C.
- 9) Hendrick Health Network

Hendrick Health Network is consolidated in the accompanying financial statements. The resulting effect is not material to the financial presentation of Hendrick Medical Center. During the year ended August 31, 2011, Hendrick Retirement Village, Inc. and Hendrick Managed Care Network, L.L.C., which were previously affiliates under common control with Hendrick, were dissolved.

If the wholly owned and controlled subsidiaries were consolidated in the accompanying financial statements, total assets would be stated at \$493,293,806 and \$461,803,002 as of August 31, 2012 and 2011. Total liabilities would be stated at \$157,498,443 and \$160,233,880, and net assets at \$335,795,363 and \$301,569,122 as of August 31, 2012 and 2011. The increase in net assets for the years ended August 31, 2012 and 2011 would total \$34,226,241 and \$41,253,310, respectively.

Related Party Transactions

Hendrick made equity transfers to Hendrick Provider Network, Hendrick Anesthesiology Network, and Hendrick Medical Development Center during the year ended August 31, 2012 totaling \$11,557,388, \$1,592,656, and \$96,461, respectively. Hendrick made equity transfers to Hendrick Provider Network, Hendrick Anesthesiology Network, and Hendrick Retirement Village, Inc. during the year ended August 31,

2011, totaling \$5,793,513, \$797,231, and \$29,621, respectively. During the year ended August 31, 2011, Hendrick received equity transfers from Hendrick Medical Development Corporation totaling \$1,744,257.

At various times during the year, Hendrick had note receivable balances from affiliates. These balances were \$0 at August 31, 2012 and 2011. Interest income related to notes receivable from affiliates totaled \$121,687 and \$134,390 for the years ended August 31, 2012 and 2011, respectively.

The due from and due to affiliates are separately identified in the accompanying financial statements. The due from receivables and due to payables represent various income and expenses relating to the operations of other affiliates of Hendrick.

The due from affiliates receivable at August 31, are as follows:

	<u>2012</u>	<u>2011</u>
Hendrick Medical Office Buildings, L L C	\$ 4,615,483	\$ 4,183,588
TOTAL DUE FROM AFFILIATES	\$ 4,615,483	\$ 4,183,588

The due to affiliates payable at August 31, are as follows:

	<u>2012</u>	<u>2011</u>
Hendrick Southwestern Health Development Corporation	\$ 1,824,546	\$ 1,802,685
Hendrick Hospice Care	6,172,713	5,392,138
Hendrick Center for Extended Care	3,424,837	2,838,724
Hendrick Medical Center Foundation	<u>8,865,722</u>	<u>2,280,933</u>
TOTAL DUE TO AFFILIATES	\$ 20,287,818	\$ 12,314,480

Operating revenue from affiliates totaled \$4,078,777 and \$3,720,164 for the years ended August 31, 2012 and 2011, respectively. Rental income from affiliates totaled \$561,900 and \$488,654 for the years ended August 31, 2012 and 2011, respectively.

Hendrick expenditures to affiliates related to supplies and purchased services totaled \$4,883,511 and \$5,466,790 for the years ended August 31, 2012 and 2011, respectively. Rental expenditures to affiliates were \$585,866 and \$536,783 for the years ended August 31, 2012 and 2011, respectively. Interest expense totaling \$553,588 and \$366,492 was paid to affiliates by Hendrick during the years ended August 31, 2012 and 2011, respectively.

Hendrick conducts business with members of the Board in the ordinary course of business. All such transactions are fully disclosed and considered arms-length transactions.

NOTE 15: STATEMENT OF CASH FLOW SUPPLEMENTARY INFORMATION

Interest expense paid by Hendrick for the years ended August 31, 2012 and 2011, was \$4,845,138 and \$4,838,082, respectively.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Hendrick has entered into contractual commitments for certain construction projects. As of August 31, 2012, the outstanding commitments on the contracts amount to \$2,963,686.

Minimum rental payments incurred under operating leases for the years ended August 31, 2012 and 2011, were \$6,058,719 and \$5,579,198, respectively. Payment requirements for operating leases for the fiscal years ending 2013 through 2017 and thereafter are \$5,552,458, \$3,329,219, \$2,488,712, \$1,608,364, and \$1,455,521.

Hendrick has entered into contractual commitments with certain physicians to provide guaranteed levels of income. As of August 31, 2012, the outstanding commitments on the contracts amount to \$917,535. The balance is included in "Other assets" on the Statements of Financial Position.

Hendrick made a conditional pledge to an unrelated third party to provide premises on a rent-free basis and monthly operating support of \$15,833 for five years beginning May 1, 2009. The pledge is conditional upon the third party accepting certain patients, maintaining minimum office hours and staffing requirements. The conditional amount of support that Hendrick may be committed to totals \$189,996 for the year ending August 31, 2013 and \$126,664 for the year ending August 31, 2014.

Funds Held for Others

Hendrick is acting as an agent to facilitate construction for the Texas Tech School of Nursing project and, as such, has reported a liability totaling \$10,623,584 and \$7,662,550 as of August 31, 2012 and 2011, respectively, on the Hendrick Medical Center Foundation's Statement of Financial Position under "Funds held for others" that reflects the present value of pledges and cash received for the project.

Hendrick entered into an agreement in September 2011 with the Abilene Community Partners and the Texas Tech University Health Sciences Center to establish the Texas Tech University School of Nursing. Hendrick Medical Center has made a conditional promise to donate the land on which the school will be built, and upon completion the facilities will be conveyed to Texas Tech University Health Sciences Center. The approximate book value of the land is \$2,835,072.

Debt Guarantees

Hendrick guarantees up to \$4,500,000 in debt obligations for Texas Healthcare Linens, L.L.C. in which Hendrick Southwestern Health Development Corporation owns a 33% interest.

Should Hendrick be required to pay any portion of the total amount of loans it has guaranteed, the organization could attempt to recover some or all of the amounts from guaranteed parties. Hendrick holds no collateral in respect to the guarantees. The fair value of the guaranty as of August 31, 2012 was determined to be immaterial.

Compliance

The health care industry is subject to numerous laws and regulations of Federal, state, and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers.

During the year the Office of the Inspector General (OIG) identified certain billing errors related to specific drug charges resulting in the repayment of \$349,349. Hendrick then conducted an internal review to determine that an additional \$986,662 of charges were at risk and will be paid back to the respective payors. A payable was recorded in the amount of \$1,336,011 as of August 31, 2011 and throughout the year ended August 31, 2012 amounts were paid and settled reducing the liability to \$712,751 as of August 31, 2012.

NOTE 17: CONCENTRATIONS OF CREDIT RISK

Hendrick maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Hendrick also maintains accounts at a stock brokerage firm. The accounts contain cash and securities. Cash and security balances are insured up to \$100,000 and \$500,000, respectively, by the Securities Investor Protection Corporation. At various times during the year, Hendrick may have balances at the financial institutions and stock brokerage firms in excess of insured limits.

Hendrick grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at August 31, is as follows:

	2012	2011
Medicare	28.02 %	28.72 %
Medicaid	6.62	5.45
Other third-party payors	32.28	30.66
Patients	33.08	35.17
TOTAL	100.00 %	100.00 %

NOTE 18: FUNCTIONAL EXPENSES

Hendrick provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended August 31.

	2012	2011
Health care services	\$ 187,145,208	\$ 181,105,094
General and administrative	70,580,989	60,368,365
TOTAL	\$ 257,726,197	\$ 241,473,459

NOTE 19: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Hendrick in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Assets limited as to use: These assets consist primarily of cash, U.S. Treasury obligations, notes and bonds. Fair market values are obtained from independent brokers.

Long-term investments: Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Notes receivable from affiliates: The notes receivable from affiliates bear interest at variable rates and therefore the carrying amount reported in the statement of financial position approximates its fair value.

Accounts payable, accrued expenses and reserves for self-insurance: The carrying amount reported in the statement of financial position for these categories approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the statement of financial position for estimated third-party payor settlements approximates its fair value

Long-term debt: Fair values of Hendrick's Series 2009 bonds are based on current traded value. The fair value of Hendrick's remaining long-term debt is estimated using discounted cash flow analyses, based on Hendrick's current incremental borrowing rates for similar types of borrowing arrangements

Funds held for others: The carrying amount reported in the statement of financial position for funds held for others approximates its fair value

The carrying amounts and fair values of Hendrick's financial instruments at August 31, are as follows

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 2,464,261	\$ 2,464,261	\$ 5,935,049	\$ 5,935,049
Assets limited as to use	39,156,590	39,156,590	64,877,678	64,877,678
Long-term investments	125,974,226	125,974,226	116,295,954	116,295,954
Accounts payable and accrued expenses	17,665,802	17,665,802	23,183,479	23,183,479
Reserves for self-insurance	9,839,205	9,839,205	8,965,596	8,965,596
Notes payable and capital lease obligations	3,784,668	3,861,618	5,900,722	6,832,022
Bonds payable	96,751,527	107,015,260	99,791,348	103,514,572
Funds held for others	57,401	57,401	63,587	63,587
Estimated third-party settlements	6,406,129	6,406,129	7,776,101	7,776,101

NOTE 20: FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Hendrick uses various methods including market, income, and cost approaches. Based on these approaches, Hendrick often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Hendrick utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Hendrick is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For fiscal years ended August 31, 2012 and 2011, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Pledges receivable: Pledges receivable are valued at the actual amount pledged by the donor discounted to account for their estimated present value using a discount rate of the prime rate for the years ended August 31, 2012 and 2011. Pledges have also been reduced by an allowance for uncollectible accounts as determined by management.

Equity and fixed income securities including municipal and U.S. government agencies: valued at the close price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Mutual and exchange traded funds: value at the net asset value of shares held at year end at the closing price reported on the active market.

Corporate joint ventures: valued at cost which approximates fair value. Cost is obtained from company prepared financial statements.

Cash surrender value of life insurance: valued at the estimated cash value of the life insurance policy as calculated by the respective holder of the life insurance policy based on using observable and unobservable inputs as of August 31, 2012 and 2011.

Alternative investments: valued at net asset value ("NAV") per unit as determined by the fund administrator using observable and unobservable inputs as of August 31, 2012 and 2011.

The tables below present the balances of assets measured at fair value on a recurring basis

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	08/31/12			
Long-term investments				
Corporate joint ventures	\$ 18,495,671	\$	\$	\$ 18,495,671
Hendrick Medical Office Buildings, L L C	10,214,807			10,214,807
U S agencies and bonds	9,661,326		9,661,326	
Corporate stocks and bonds				
Consumer discretionary	6,037,111	6,037,111		
Consumer staples	5,828,667	5,828,667		
Energy	5,307,819	5,307,819		
Financial	7,830,827	6,483,044	1,347,783	
Health care	8,418,708	6,888,914	1,529,794	
Industrials	4,878,005	4,404,553	473,452	
Information technology	7,873,498	7,006,851	866,647	
Materials	1,690,990	1,690,990		
Telecommunications	2,989,086	2,098,992	890,094	
Utilities	1,477,862	1,477,862		
Total corporate stocks and bonds	52,332,573	47,224,803	5,107,770	0
Mutual funds				
High yield bond	5,114,439	5,114,439		
Intermediate-term bond	4,628,778	4,628,778		
Municipal short-term Bond	11,103,653	11,103,653		
Total mutual funds	20,846,870	20,846,870	0	0
Municipal bonds	4,796,773		4,796,773	
Alternative investments				
Hedge funds	7,269,426			7,269,426
Private equity	1,150,748			1,150,748
Real estate	587,782			587,782
Commodities	279,162			279,162
Other	339,088			339,088
Total alternative investments	9,626,206	0	0	9,626,206
Assets limited as to use				
Bond indenture - short-term investment	7,660,515	7,660,515		
Bond indenture -U S agencies and bonds	5,331,115		5,331,115	
Deferred compensation - mutual funds – large blend	1,376,653	1,376,653		

Description	08/31/12	(Level 1)	(Level 2)	(Level 3)
Board designated - U S agencies and bonds	3,205,368		3,205,368	
Board designated - mutual funds – intermediate-term bond	7,668,806	7,668,806		
Pledges receivable	651,235			651,235
Board designated - cash and short-term investments	80,623	80,623		
Self insurance - cash	124,769	124,769		
Self insurance - U S agencies and bonds	5,083,206		5,083,206	
Self insurance – equities				
Consumer discretionary	1,356,931	1,356,931		
Consumer staples	231,169	231,169		
Energy	189,214	189,214		
Financial	782,615	782,615		
Health care	494,199	494,199		
Industrials	360,591	360,591		
Information technology	1,322,761	1,322,761		
Materials	487,067	487,067		
Telecommunications	257,630	257,630		
Utilities	253,513	253,513		
Total self-insurance – equities	5,735,690	5,735,690	0	0
Self insurance - mutual funds				
Diverse emerging markets	436,415	436,415		
Foreign large blend	353,021	353,021		
Foreign large value	375,647	375,647		
Intermediate-term bond	105,244	105,244		
Mid cap blend	786,537	786,537		
Small growth	181,746	181,746		
Total self-insurance-mutual funds	2,238,610	2,238,610	0	0
Total	\$ 165,130,816	\$ 92,957,339	\$ 33,185,558	\$ 38,987,919

Level 3 Activity				
	Corporate Joint Ventures	Hendrick Medical Office Building, LLC	Alternative Investments	Pledges Receivable
Beginning balance	\$ 16,847,579	\$ 10,130,268	\$ 7,791,546	\$ 1,940,636
Investment income	1,078,971	84,539		
Equity distributions	(32,120)		(390,626)	
Capital contributions	33,500		2,379,452	
Unrealized gain (loss)	567,741		(154,166)	
Payments received				(1,439,305)
Change in discount				149,904
Ending balance	\$ 18,495,671	\$ 10,214,807	\$ 9,626,206	\$ 651,235

		Fair Value Measurements at Reporting Date Using		
Description	08/31/11	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Long-term investments</i>				
Corporate joint ventures	\$ 16,847,579	\$	\$	\$ 16,847,579
Hendrick Medical Office Buildings, L L C	10,130,268			10,130,268
U S agencies and bonds	11,051,375		11,051,375	
Corporate stocks and bonds				
Consumer discretionary	5,081,330	4,501,890	579,440	
Consumer staples	5,119,031	5,119,031		
Energy	5,825,524	5,825,524		
Financial	8,038,139	6,425,289	1,612,850	
Health care	7,443,896	6,876,971	566,925	
Industrials	5,319,748	4,618,876	700,872	
Information technology	6,910,054	6,658,881	251,173	
Materials	1,873,451	1,873,451		
Telecommunications	2,078,161	2,078,161		
Utilities	1,291,960	1,291,960		
Total corporate stocks and bonds	48,981,294	45,270,034	3,711,260	0
Mutual funds				
High yield bond	3,728,743	3,728,743		
Intermediate-term bond	3,276,561	3,276,561		
Municipal short-term Bond	11,100,000	11,100,000		
Total mutual funds	18,105,304	18,105,304	0	0
Municipal bonds	3,388,588		3,388,588	
Alternative investments				
Hedge funds	5,028,005			5,028,005
Private equity	1,149,076			1,149,076
Real estate	490,671			490,671
Commodities	503,597			503,597
Other	620,197			620,197
Total alternative investments	7,791,546	0	0	7,791,546
<i>Assets limited as to use</i>				
Bond indenture - short-term investment	8,278,536	8,278,536		
Bond indenture -U S agencies and bonds	4,983,304		4,983,304	
Deferred compensation - mutual funds – large blend	1,102,596	1,102,596		
Board designated - U S agencies and bonds	4,468,604		4,468,604	

Description	08/31/11	(Level 1)	(Level 2)	(Level 3)
Board designated - mutual funds – intermediate-term bond	28,829,328	28,829,328		
Pledges receivable	1,940,636			1,940,636
Board designated - cash and short-term investments	3,242,312	3,242,312		
Self insurance - cash	290,852	290,852		
Self insurance - U S agencies and bonds	4,900,806		4,900,806	
Self insurance – equities				
Consumer discretionary	764,145	764,145		
Consumer staples	147,434	147,434		
Energy	371,414	371,414		
Financial	780,823	780,823		
Health Care	626,735	626,735		
Industrials	526,658	526,658		
Information technology	790,450	790,450		
Materials	475,263	475,263		
Telecommunications	262,782	262,782		
Total self-insurance – equities	4,745,704	4,745,704	0	0
Self-insurance - mutual funds				
Diverse emerging markets	499,703	499,703		
Foreign large blend	668,140	668,140		
Intermediate-term bond	12,996	12,996		
Mid cap blend	678,152	678,152		
Small growth	196,811	196,811		
Ultra short bond	39,198	39,198		
Total self-insurance-mutual funds	2,095,000	2,095,000	0	0
Total	\$ 181,173,632	\$ 111,959,666	\$ 32,503,937	\$ 36,710,029

Level 3 Activity				
	Corporate Joint Ventures	Hendrick Medical Office Building, LLC	Alternative Investments	CSV of Life Insurance Policy
Beginning balance	\$ 19,034,463	\$ 9,930,136	\$ 6,252,302	\$ 69,125
Investment income (expense)	(141,940)	200,132		
Equity distributions	(4,904,989)		(1,750,572)	
Capital contributions	3,000,000		4,875,873	
Unrealized gain (loss)	1,350,377		(1,586,057)	11,227
Policy liquidation				(80,352)
Transfer to note receivable	(1,490,332)			
Ending balance	\$ 16,847,579	\$ 10,130,268	\$ 7,791,546	\$ 0

		Level 3 Activity
		Pledges Receivable
Beginning balance	\$	3,945,997
Payments received		(1,621,133)
Pledges written off		(509,350)
Change in discount		125,122
Ending balance	\$	<u>1,940,636</u>

NOTE 21: PROMISES TO CONTRIBUTE AND RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, are restricted for the following

	2012	2011
Long-term pledge of gift	\$ 1,964,416	\$ 1,918,137
Annuitants whose assets are held in trust	23,489	17,348
Congestive heart failure program	19,030	35,347
Other grants	<u>134,490</u>	<u>127,044</u>
TOTAL	<u>\$ 2,141,425</u>	<u>\$ 2,097,876</u>

Pledges receivable at August 31, 2012 and 2011, totaling \$1,964,416 and \$1,918,137, respectively, consists of a \$2,980,000 unconditional long-term pledge which has been reduced by a present value discount of \$1,015,584 and \$1,061,863

Permanently restricted net assets at August 31, 2012 and 2011, are restricted in the amount of \$3,646,310 and \$3,276,125 respectively, for investments to be held in perpetuity. The income from these investments is expendable to support health care services. Permanently restricted net assets have been determined by Hendrick to represent all endowment funds held at August 31, 2012 and 2011.

Changes in endowment net assets consist of the following for the year ended August 31,

	2012	2011
Endowment net assets, beginning of year	\$ 3,276,125	\$ 3,042,121
Change in interest in Hendrick Medical Center Foundation	<u>370,185</u>	<u>234,004</u>
Endowment net assets, end of year	<u>\$ 3,646,310</u>	<u>\$ 3,276,125</u>

Hendrick's interest in the net assets of Hendrick Medical Center Foundation includes the following pledges accounted for by Hendrick Medical Center Foundation

	<u>2012</u>	<u>2011</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 2,666,241	\$ 5,532,729
Less unamortized discount	<u>(131,603)</u>	<u>(247,427)</u>
	2,534,638	5,285,302
Less Allowance for uncollectibles	<u>(2,332)</u>	<u>(202,183)</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 2,532,306</u>	<u>\$ 5,083,119</u>
Amounts due in		
Less than one year	\$ 636,955	\$ 480,546
One to five years	<u>2,029,286</u>	<u>5,052,183</u>
TOTAL	<u>\$ 2,666,241</u>	<u>\$ 5,532,729</u>

Pledges receivable (gross) were provided for the following at August 31.

	<u>2012</u>	<u>2011</u>
	\$ 0	\$ 80,000
	26,241	152,729
	<u>2,640,000</u>	<u>5,300,000</u>
Total pledges before unamortized discount and allowance for uncollectibles	<u>\$ 2,666,241</u>	<u>\$ 5,532,729</u>

Additional Data

Software ID:

Software Version:

EIN: 75-0827446

Name: HENDRICK MEDICAL CENTER

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Scott Hibbs Director	20	X								
Mike Woodard Director	20	X								
David Scott Director	20	X								
J V Martin Director	20	X								
David Morris Director	20	X								
Lanny Vinson Director	20	X								
Shelly Utely Director	20	X								
Ron Fogle Director	20	X								
Hillary Moore Director	20	X								
Dennis Laster Director	20	X								
Ward Hayes Director	20	X								
Terry Beal Director	20	X								
Joe Alcorta Director	20	X								
Cathy Ashby Director	20	X								
Joe Crawford Director	20	X								
Kelly Kinard Director	20	X								
Tim Laws Director	20	X								
Leland Robinson Director	20	X								
Pat Kelley Director	20	X								
Tim Lancaster President	400			X				871,721	0	130,031
Stephen Kimmel CFO /Senior VP	400			X				495,113		70,387
Joe Pearson Vice President	200			X				364,424		255,568
Mike McBroom Vice President	400			X				267,655		19,187
Jo Rake Vice President	400			X				243,014		21,862
Lisa Harp Vice President	400			X				157,678		25,468

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Rosemaria Levinsky Vice President	40 0			X				255,746		30,330
Tim Riley Vice President	40 0			X				248,397		40,274
Bob Prewit Vice President	40 0			X				153,410		26,132
Stephen Faehnle MD Vice President	40 0			X				260,368		25,860
Terisita Kolin RN	40 0					X		168,715		11,357
Robert Harlow Physicist	40 0					X		163,771		18,367
Lilia Regala RN	40 0					X		160,899		10,447
Winona Migliavacca Director, Surgical Serv	40 0					X		146,710		9,982
Melissa Howell Pharmacy Coordinator	40 0					X		145,921		10,435