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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 10-01-2011 and ending 09-30-2012 | | | | D Employer identification number | |
| B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input checked="" type="checkbox"/> Amended return <input type="checkbox"/> Application pending | | C Name of organization Shannon Medical Center | | 75-2559845 | |
| | | Doing Business As | | E Telephone number (325) 481-8644 | |
| | | Number and street (or P O box if mail is not delivered to street address) 120 E HARRIS AVENUE | Room/suite | G Gross receipts \$ 249,309,467 | |
| | | City or town, state or country, and ZIP + 4 SAN ANGELO, TX 76903 | | | |
| | | F Name and address of principal officer BRYAN HORNER 120 E HARRIS AVENUE SAN ANGELO, TX 76903 | | 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) | |
| | | I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | H(c) Group exemption number ▶ | |
| J Website: ▶ SHANNONHEALTH.COM | | | | | |
| 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 1994 | M State of legal domicile TX |

| | |
|---------------|----------------|
| Part I | Summary |
|---------------|----------------|

| | | | |
|---|---|-------------|---------------------------|
| Activities & Governance | 1 Briefly describe the organization's mission or most significant activities FOUNDED ON A LEGACY OF CARING, SHANNON IS A LOCALLY OWNED HEALTHCARE SYSTEM DEDICATED TO PROVIDING EXCEPTIONAL HEALTHCARE FOR OUR FAMILY, FRIENDS AND NEIGHBORS | | |
| | | | |
| | | | |
| | 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 | 15 |
| | 4 Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 11 |
| | 5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) | 5 | 2,012 |
| 6 Total number of volunteers (estimate if necessary) | 6 | 130 | |
| 7a Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | 325,610 | |
| 7b Net unrelated business taxable income from Form 990-T, line 34 | 7b | -31,582 | |
| Revenue | 8 Contributions and grants (Part VIII, line 1h) | Prior Year | Current Year |
| | 9 Program service revenue (Part VIII, line 2g) | 87,802 | 296,558 |
| | 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 226,867,384 | 228,539,051 |
| | 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 2,070,667 | 2,221,159 |
| | 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 3,616,606 | 5,009,250 |
| | | 232,642,459 | 236,066,018 |
| Expenses | 13 Grants and similar amounts paid (Part IX, column (A), lines 1–3) | 243,804 | 121,970 |
| | 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) | 88,378,080 | 89,308,251 |
| | 16a Professional fundraising fees (Part IX, column (A), line 11e) | 0 | 0 |
| | 16b 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) | 110,114,453 | 121,380,958 |
| | 18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 198,736,337 | 210,811,179 |
| | 19 Revenue less expenses Subtract line 18 from line 12 | 33,906,122 | 25,254,839 |
| | Net Assets or Fund Balances | | Beginning of Current Year |
| 20 Total assets (Part X, line 16) | | 264,993,302 | 301,748,880 |
| 21 Total liabilities (Part X, line 26) | | 49,297,983 | 45,995,486 |
| 22 Net assets or fund balances Subtract line 21 from line 20 | | 215,695,319 | 255,753,394 |

| | |
|----------------|------------------------|
| 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 | | | 2014-05-15 Date | |
| | SHANE PLYMELL 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 |

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

FOUNDED ON A LEGACY OF CARING, SHANNON IS A LOCALLY OWNED HEALTHCARE SYSTEM DEDICATED TO PROVIDING EXCEPTIONAL HEALTHCARE FOR OUR FAMILY, FRIENDS AND NEIGHBORS

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 \$ 165,796,366 including grants of \$ 121,970) (Revenue \$ 233,222,691)

PROVIDING TOTAL MEDICAL CARE TO THE CITIZENS OF WEST TEXAS

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 \$ 165,796,366

Form 990 (2011)

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 | No |
| 5 | Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III | 5 | No |
| 6 | Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I  | 6 | No |
| 7 | Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II  | 7 | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III  | 8 | No |
| 9 | Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV  | 9 | No |
| 10 | Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V  | 10 | No |
| 11 | If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.  | 11a | Yes |
| b | Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.  | 11b | No |
| c | Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.  | 11c | 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 | No |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional  | 12b | Yes |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E | 13 | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | No |
| b | Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I | 14b | No |
| 15 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Part II and IV | 15 | No |
| 16 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV | 16 | No |
| 17 | Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I | 17 | No |
| 18 | Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II | 18 | No |
| 19 | Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III | 19 | No |
| 20a | Did the organization operate one or more hospitals? If "Yes," complete Schedule H  | 20a | Yes |
| b | If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements  | 20b | Yes |

Part IV

Checklist of Required Schedules (continued)

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

| | | | | | | |
|--|---|-----|-------|--|--|----|
| <div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div> | | | | | | |
| Check if Schedule O contains a response to any question in this Part V <div></div> | | | | | | |
| | | Yes | No | | | |
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. . | 1a | 97 | | | |
| 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 | 2,012 | | | |
| 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 | | | | No |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 7h | | | | No |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 8 | | | | |
| 9 | Sponsoring organizations maintaining donor advised funds. | | | | | |
| a | Did the organization make any taxable distributions under section 4966? | 9a | | | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | 9b | | | | |
| 10 | Section 501(c)(7) organizations. Enter | | | | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12. | 10a | | | | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. | 10b | | | | |
| 11 | Section 501(c)(12) organizations. Enter | | | | | |
| a | Gross income from members or shareholders. | 11a | | | | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them). | 11b | | | | |
| 12a | Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | | | | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year. | 12b | | | | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | | | | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state. | 13a | | | | |
| b | Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans. | 13b | | | | |
| c | Enter the aggregate amount of reserves on hand. | 13c | | | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | 14a | | | | No |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O. | 14b | | | | |

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

| | | | |
|----|---|-----|----|
| | | Yes | No |
| 1a | Enter the number of voting members of the governing body at the end of the tax year | | |
| 1b | Enter the number of voting members included in line 1a, above, who are independent | | |
| 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? | | 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? | | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | | No |
| 6 | Did the organization have members or stockholders? | Yes | |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | Yes | |
| 7b | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | Yes | |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following | | |
| 8a | The governing body? | Yes | |
| 8b | Each committee with authority to act on behalf of the governing body? | 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 | | 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? | | No |
| 10b | 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? | | |
| 11a | Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? | | No |
| 11b | 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 | Yes | |
| 12b | Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | Yes | |
| 12c | Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done | Yes | |
| 13 | Did the organization have a written whistleblower policy? | Yes | |
| 14 | Did the organization have a written document retention and destruction policy? | 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? | | |
| 15a | The organization's CEO, Executive Director, or top management official | Yes | |
| 15b | Other officers or key employees of the organization | 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? | Yes | |
| 16b | 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? | 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. SHANNON MEDICAL CENTER 120 E HARRIS AVENUE SAN ANGELO, TX 76903 (325) 653-6741 |

Part VII

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

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

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

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

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

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

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

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|--|---|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (1) BRYAN HORNER CEO/PRESIDENT | 32 0 | X | | X | | | | 568,720 | | 47,524 |
| (2) LEN MERTZ CHAIRMAN | 2 0 | X | | X | | | | 32,350 | 83,900 | 12,633 |
| (3) JAMES JOHNSON SECRETARY/TREASURER | 2 0 | X | | X | | | | 30,114 | 32,739 | 142 |
| (4) JOE HENDERSON INDIVIDUAL TRUSTEE | 2 0 | X | | | | | | 30,721 | 33,615 | 427 |
| (5) ORAN BERRY III INDIVIDUAL TRUSTEE | 2 0 | X | | | | | | 27,666 | 30,000 | 12,621 |
| (6) VIRGINIA NOELKE DIRECTOR | 2 0 | X | | | | | | 19,500 | | |
| (7) MIKE BOYD INDIVIDUAL TRUSTEE | 2 0 | X | | | | | | 2,165 | | |
| (8) MIKE OLIPHANT INDIVIDUAL TRUSTEE | 2 0 | X | | | | | | 27,712 | 30,000 | 8,042 |
| (9) STEVE CECIL INDIVIDUAL TRUSTEE | 2 0 | X | | | | | | 28,350 | 30,000 | 12,210 |
| (10) JOANNA RICE DIRECTOR | 2 0 | X | | | | | | 21,250 | | |
| (11) JIM BOB BRAME MD DIRECTOR | 2 0 | X | | | | | | 16,850 | | |
| (12) PAMELA TALLEY DIRECTOR | 2 0 | X | | | | | | 23,000 | | |
| (13) EMMETE FLYNN MD DIRECTOR | 2 0 | X | | | | | | 505,517 | | 82,190 |
| (14) MICHELLE SNUGGS MD DIRECTOR | 2 0 | X | | | | | | 562,480 | | 85,193 |
| (15) ANGELIA WILLIAMS DIRECTOR | 2 0 | X | | | | | | | | |
| (16) KELLY SHANE PLYMELL CFO | 32 0 | | | X | | | | 298,518 | | 70,081 |
| (17) DR IRVIN ZEITLER MEDICAL DIRECTOR | 37 0 | | | X | | | | 444,238 | | 61,727 |

Part VII

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

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|--|--|---|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (18) WILMA STUART CNO | 40 0 | | | X | | | | 254,030 | | 36,890 |
| (19) PATRICIA TIPTON NURSE ANESTHETIST | 40 0 | | | | | X | | 286,441 | | 35,169 |
| (20) MARVIN HILL NURSE ANESTHETIST | 40 0 | | | | | X | | 284,777 | | 39,831 |
| (21) LANCE KEILERS ADMINISTRATOR | 40 0 | | | | | X | | 191,814 | | 34,184 |
| (22) TIMOTHY HARTIN CCO | 40 0 | | | | | X | | 278,111 | | 60,164 |
| (23) PAULINE JAMES NURSE ANESTHETIST | 40 0 | | | | | X | | 172,303 | | 27,296 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| 1b Sub-Total | | | | | | | | | | |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | | | |
| d Total (add lines 1b and 1c) | | | | | | | | 4,106,627 | 240,254 | 626,324 |

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶39

| | | 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> | | 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> | 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> | | No |

Section B. Independent Contractors

1

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

| (A) Name and business address | (B) Description of services | (C) Compensation |
|--|--------------------------------|---------------------|
| SAN ANGELO EMERGENCY PHYSICIANS PO BOX 62566 SAN ANGELO, TX 76906 | PHYSICIAN GROUP | 213,156 |
| LOCKTON COMPANIES LLC PO BOX 802707 KANSAS CITY, MO 641802707 | INSURANCE | 494,743 |
| MATAGORDA LITHOTRIPSY LLP 6339 E SPEEDWAY STE 201 TUCSON, AZ 85710 | LITHOTRIPSY | 300,350 |
| BRADLY BUDRANT MD 300 LARGENT AVENUE BALLINGER, TX 76821 | ER/PHYSICIAN | 273,299 |
| RW GREGONIS 3415 S JOHNSON SAN ANGELO, TX 76904 | ARCHITECT/INTERIOR | 215,852 |

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 ▶10

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 | 275,272 | | | | |
| | e | Government grants (contributions) | 1e | | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 21,286 | | | | |
| | g | Noncash contributions included in lines 1a-1f \$ _____ | | | | | | |
| | h | Total. Add lines 1a-1f | | | 296,558 | | | |
| Program Service Revenue | | | Business Code | | | | | |
| | 2a | Net Patient Revenue | 621990 | 228,076,340 | 227,829,469 | 246,871 | | |
| | b | Rental Income | 532000 | 462,711 | 462,711 | | | |
| | c | | | | | | | |
| | d | | | | | | | |
| | e | | | | | | | |
| | f | All other program service revenue | | | | | | |
| | g | Total. Add lines 2a-2f | | | 228,539,051 | | | |
| Other Revenue | 3 | Investment income (including dividends, interest and other similar amounts) | | 1,787,967 | | | 1,787,967 | |
| | 4 | Income from investment of tax-exempt bond proceeds . . | | 0 | | | | |
| | 5 | Royalties | | 0 | | | | |
| | 6a | (i) Real | | (ii) Personal | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | b | Less rental expenses | | | | | | |
| | c | Rental income or (loss) | | | | | | |
| | d | Net rental income or (loss) | | | | | | |
| | 7a | (i) Securities | | (ii) Other | | | | |
| | | 13,674,545 | | 2,096 | | | | |
| | | 13,239,749 | | 3,700 | | | | |
| | | 434,796 | | -1,604 | | | | |
| | d | Net gain or (loss) | | 433,192 | | | 433,192 | |
| | 8a | Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 | | | | | | |
| | a | | | | | | | |
| | b | Less direct expenses | | | | | | |
| | c | Net income or (loss) from fundraising events . . | | 0 | | | | |
| | 9a | Gross income from gaming activities See Part IV, line 19 | | | | | | |
| | a | | | | | | | |
| | b | Less direct expenses | | | | | | |
| c | Net income or (loss) from gaming activities . . | | 0 | | | | | |
| 10a | Gross sales of inventory, less returns and allowances | | | | | | | |
| a | | | | | | | | |
| b | Less cost of goods sold | | | | | | | |
| c | Net income or (loss) from sales of inventory . . | | 0 | | | | | |
| Miscellaneous Revenue | | Business Code | | | | | | |
| 11a | Cafeteria | 900099 | 1,492,156 | 1,492,156 | | | | |
| b | Regional Cancer Treatment | 900099 | 960,970 | 960,970 | | | | |
| c | All Other Misc Revenue | 900099 | 2,556,124 | 2,477,385 | 78,739 | | | |
| d | All other revenue | | | | | | | |
| e | Total. Add lines 11a-11d | | | 5,009,250 | | | | |
| 12 | Total revenue. See Instructions | | | 236,066,018 | 233,222,691 | 325,610 | 2,221,159 | |

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 | 121,970 | 121,970 | | |
| 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 | 3,276,787 | | 3,276,787 | |
| 6 | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | 130,715 | 130,715 | | |
| 7 | Other salaries and wages | 67,829,394 | 53,769,174 | 14,060,220 | |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 5,071,040 | 4,124,290 | 946,750 | |
| 9 | Other employee benefits | 7,796,205 | 6,060,433 | 1,735,772 | |
| 10 | Payroll taxes | 5,204,110 | 3,965,362 | 1,238,748 | |
| 11 | Fees for services (non-employees) | | | | |
| a | Management | 302,340 | | 302,340 | |
| b | Legal | 311,089 | | 311,089 | |
| c | Accounting | 82,208 | | 82,208 | |
| d | Lobbying | 0 | | | |
| e | Professional fundraising See Part IV, line 17 | 0 | | | |
| f | Investment management fees | 0 | | | |
| g | Other | 19,367,676 | 14,255,324 | 5,112,352 | |
| 12 | Advertising and promotion | 916,284 | 20,711 | 895,573 | |
| 13 | Office expenses | 4,506,244 | 396,329 | 4,109,915 | |
| 14 | Information technology | 2,019,789 | 227,949 | 1,791,840 | |
| 15 | Royalties | 0 | | | |
| 16 | Occupancy | 2,653,812 | 359,281 | 2,294,531 | |
| 17 | Travel | 439,110 | 232,306 | 206,804 | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials | 0 | | | |
| 19 | Conferences, conventions, and meetings | 0 | | | |
| 20 | Interest | 0 | | | |
| 21 | Payments to affiliates | 0 | | | |
| 22 | Depreciation, depletion, and amortization | 9,723,229 | 4,986,861 | 4,736,368 | |
| 23 | Insurance | 301,640 | 2,377 | 299,263 | |
| 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 | 47,186,542 | 47,102,840 | 83,702 | 0 |
| b | Bad Debt | 26,578,259 | 26,578,259 | | |
| c | Equipment Costs | 3,275,849 | 2,579,296 | 696,553 | |
| d | Collection Fees | 779,938 | | 779,938 | |
| e | | | | | |
| f | All other expenses | 2,936,949 | 882,889 | 2,054,060 | |
| 25 | Total functional expenses. Add lines 1 through 24f | 210,811,179 | 165,796,366 | 45,014,813 | 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 | | | 1,535,892 | 1 | 9,570,703 |
| | 2 | Savings and temporary cash investments | | | 28,424 | 2 | 85,753 |
| | 3 | Pledges and grants receivable, net | | | 0 | 3 | 0 |
| | 4 | Accounts receivable, net | | | 19,062,834 | 4 | 19,901,278 |
| | 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 | | | 359,171 | 7 | 409,752 |
| | 8 | Inventories for sale or use | | | 3,786,391 | 8 | 3,836,122 |
| | 9 | Prepaid expenses and deferred charges | | | 1,636,804 | 9 | 1,824,416 |
| | 10a | Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D | 10a | 208,220,877 | | | |
| | b | Less: accumulated depreciation | 10b | 147,280,656 | 60,423,751 | 10c | 60,940,221 |
| | 11 | Investments—publicly traded securities | | | 54,677,848 | 11 | 53,420,637 |
| | 12 | Investments—other securities. See Part IV, line 11 | | | 2,628,842 | 12 | 1,000 |
| | 13 | Investments—program-related. See Part IV, line 11 | | | 0 | 13 | 0 |
| | 14 | Intangible assets | | | 784,536 | 14 | 2,589,275 |
| | 15 | Other assets. See Part IV, line 11 | | | 120,068,809 | 15 | 149,169,723 |
| | 16 | Total assets. Add lines 1 through 15 (must equal line 34) | | | 264,993,302 | 16 | 301,748,880 |
| Liabilities | 17 | Accounts payable and accrued expenses | | | 25,473,229 | 17 | 18,510,079 |
| | 18 | Grants payable | | | 0 | 18 | 0 |
| | 19 | Deferred revenue | | | 2,025 | 19 | 2,025 |
| | 20 | Tax-exempt bond liabilities | | | 0 | 20 | 0 |
| | 21 | Escrow or custodial account liability. Complete Part IV of Schedule D | | | 0 | 21 | 0 |
| | 22 | Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L | | | 0 | 22 | 0 |
| | 23 | Secured mortgages and notes payable to unrelated third parties | | | 0 | 23 | 0 |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | 0 | 24 | 0 |
| | 25 | Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D | | | 23,822,729 | 25 | 27,483,382 |
| | 26 | Total liabilities. Add lines 17 through 25 | | | 49,297,983 | 26 | 45,995,486 |
| 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 | | | 103,636,284 | 27 | 115,476,746 |
| | 28 | Temporarily restricted net assets | | | 112,059,035 | 28 | 140,276,648 |
| | 29 | Permanently restricted net assets | | | 0 | 29 | 0 |
| | Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34. | | | | | | |
| | 30 | Capital stock or trust principal, or current funds | | | | 30 | |
| | 31 | Paid-in or capital surplus, or land, building or equipment fund | | | | 31 | |
| | 32 | Retained earnings, endowment, accumulated income, or other funds | | | | 32 | |
| | 33 | Total net assets or fund balances | | | 215,695,319 | 33 | 255,753,394 |
| | 34 | Total liabilities and net assets/fund balances | | | 264,993,302 | 34 | 301,748,880 |

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 | 236,066,018 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 210,811,179 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 25,254,839 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 215,695,319 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | 14,803,236 |
| 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 | 255,753,394 |

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

| | |
|--|--|
| Name of the organization Shannon Medical Center | Employer identification number 75-2559845 |
|--|--|

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 Se**section 509(a)(4).**

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIIPart III

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

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

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

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Shannon Medical Center

Employer identification number
75-2559845

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

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

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

► \$ _____

(ii)

Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

1b

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

| | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |

2a

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

☐ Yes

☐ No

2b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

2a

Board designated or quasi-endowment ▶

2b

Permanent endowment ▶

2c

Term endowment ▶

3a

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

(i)

unrelated organizations

(ii)

related organizations

3a(i)

Yes

No

3a(ii)

Yes

No

3b

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

Yes

No

4

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

Part VI

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

| | | | | |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
| 1a Land | | 5,122,978 | | 5,122,978 |
| 1b Buildings | | 70,519,961 | 50,060,469 | 20,459,492 |
| 1c Leasehold improvements | | | | |
| 1d Equipment | | 125,965,618 | 95,634,617 | 30,331,001 |
| 1e Other | | 6,612,320 | 1,585,570 | 5,026,750 |
| Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶ | | | | 60,940,221 |

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 | 236,066,018 |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 210,811,179 |
| 3 | Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | 25,254,839 |
| 4 | Net unrealized gains (losses) on investments | 4 | 2,786,857 |
| 5 | Donated services and use of facilities | 5 | |
| 6 | Investment expenses | 6 | |
| 7 | Prior period adjustments | 7 | |
| 8 | Other (Describe in Part XIV) | 8 | |
| 9 | Total adjustments (net) Add lines 4 - 8 | 9 | 2,786,857 |
| 10 | Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | 28,041,696 |

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 | 212,152,246 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12 | | |
| a | Net unrealized gains on investments | 2a | 2,786,857 |
| b | Donated services and use of facilities | 2b | |
| c | Recoveries of prior year grants | 2c | |
| d | Other (Describe in Part XIV) | 2d | |
| e | Add lines 2a through 2d | 2e | 2,786,857 |
| 3 | Subtract line 2e from line 1 | 3 | 209,365,389 |
| 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 | 26,700,629 |
| c | Add lines 4a and 4b | 4c | 26,700,629 |
| 5 | Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12) | 5 | 236,066,018 |

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

| | | | |
|---|---|----|-------------|
| 1 | Total expenses and losses per audited financial statements | 1 | 184,110,550 |
| 2 | Amounts included on line 1 but not on Form 990, Part IX, line 25 | | |
| a | Donated services and use of facilities | 2a | |
| b | Prior year adjustments | 2b | |
| c | Other losses | 2c | |
| d | Other (Describe in Part XIV) | 2d | |
| e | Add lines 2a through 2d | 2e | |
| 3 | Subtract line 2e from line 1 | 3 | 184,110,550 |
| 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 | 26,700,629 |
| c | Add lines 4a and 4b | 4c | 26,700,629 |
| 5 | Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18) | 5 | 210,811,179 |

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 |
|---|------------------------------------|--|
| INCOME & EXPENSES INCLUDED IN FORM 990 NOT ON BOOKS | FORM 990, PART XII & XIII, LINE 4B | BAD DEBT (INCLUDED W/ REVENUE ON AUDIT) \$ 26,578,259 DISPOSAL OF ASSET (INCLUDED IN EXP ON AUDIT) \$ 400 GRANTS INCLUDED IN REVENUE ON AUDIT \$ 121,970 ----- \$ 26,700,629 |
| UNCERTAIN TAX POSITIONS | SCHEDULE D, PART XIV | MANAGEMENT HAS EVALUATED THEIR INCOME TAX POSITIONS UNDER THE GUIDANCE INCLUDED IN ASC 740 BASED ON THEIR REVIEW, MANAGEMENT HAS NOT IDENTIFIED ANY MATERIAL UNCERTAIN TAX POSITIONS TO BE RECORDED OR DISCLOSED IN THE FINANCIAL STATEMENTS |

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Shannon Medical Center

Employer identification number
75-2559845

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 checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input checked="" type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care | 3a | Yes | |
| 4 | Did the organization's policy provide free or discounted care to the "medically indigent"? | 4 | Yes | |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | 5a | Yes | |
| b | If "Yes," did the organization's charity care expenses exceed the budgeted amount? | 5b | Yes | |
| c | If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? | 5c | | No |
| 6a | Did the organization prepare a community benefit report during the tax year? | 6a | Yes | |
| 6b | If "Yes," did the organization make it available to the public? | 6b | Yes | |
| | Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H | | | |

7

Charity Care and Certain Other Community Benefits at Cost

| Charity Care and Means-Tested Government Programs | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|---|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| a Charity care at cost (from Worksheet 1) | | | 13,799,110 | 0 | 13,799,110 | 7 490 % |
| b Medicaid (from Worksheet 3, column a) | | | 22,236,220 | 24,859,861 | -2,623,641 | |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | 323,452 | 339,637 | -16,185 | |
| d Total Charity Care and Means-Tested Government Programs | | | 36,358,782 | 25,199,498 | 11,159,284 | 7 490 % |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 1,327,339 | 1,200 | 1,326,139 | 0 720 % |
| f Health professions education (from Worksheet 5) | | | 1,241,165 | 3,300 | 1,237,865 | 0 670 % |
| g Subsidized health services (from Worksheet 6) | | | -1,165,702 | 0 | -1,165,702 | |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 173,776 | 0 | 173,776 | 0 090 % |
| j Total Other Benefits | | | 1,576,578 | 4,500 | 1,572,078 | 1 480 % |
| k Total. Add lines 7d and 7j | | | 37,935,360 | 25,203,998 | 12,731,362 | 8 970 % |

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 | | | 750 | | 750 | |
| 3Community support | | | 10,165 | | 10,165 | 0 010 % |
| 4Environmental improvements | | | | | | |
| 5Leadership development and training for community members | | | | | | |
| 6Coalition building | | | | | | |
| 7Community health improvement advocacy | | | | | | |
| 8Workforce development | | | | | | |
| 9Other | | | | | | |
| 10Total | | | 10,915 | | 10,915 | 0 010 % |

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

| | | Yes | No |
|---|--|------------|----|
| 1 | Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15? | 1Yes | |
| 2 | Enter the amount of the organization's bad debt expense | 26,079,213 | |
| 3 | Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy | 3 | |
| 4 | Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit. | | |

Section B. Medicare

| | | | |
|---|---|-------------|--|
| 5 | Enter total revenue received from Medicare (including DSH and IME) | 576,598,032 | |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 648,669,992 | |
| 7 | Subtract line 6 from line 5. This is the surplus or (shortfall) | 727,928,040 | |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other | | |

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

SHANNON 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 | |
| 2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____ | | |
| 3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | 3 | |
| 4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI | 4 | |
| 5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI) | 5 | |
| 6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI) | | |
| 7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs | 7 | |
| Financial Assistance Policy | | |
| Did the hospital facility have in place during the tax year a written financial assistance policy that | | |
| 8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | 8 | Yes |
| 9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used | 9 | Yes |

Part V

Facility Information (continued)

| | | | | |
|----|---|-----|-----|--|
| | | Yes | No | |
| 10 | Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used | 10 | Yes | |
| 11 | Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI) | 11 | Yes | |
| 12 | Explained the method for applying for financial assistance? | 12 | Yes | |
| 13 | Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input 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 | 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 | | 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 | | 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? 3

| Name and address | | Type of Facility (Describe) |
|------------------|---|-----------------------------|
| 1 | SHANNON SURGERY CENTER 120 E HARRIS AVENUE SAN ANGELO, TX 76903 | AMBULATROY SURGERY CENTER |
| 2 | SHANNON HOME HEALTH 2030 PULLIAM STE 6 SAN ANGELO, TX 76905 | HOME HEALTH CENTER |
| 3 | SHANNON DIALYSIS CENTER 2018 PULLIAM SAN ANGELO, TX 76905 | DIALYSIS |
| 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 |
|-------------------------|-----------------|--|
| DESCRIPTION OF BAD DEBT | | ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE SYSTEM ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYER SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYER SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY 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, THE SYSTEM RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS 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 OR PROVIDED BY POLICY AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS |

| Identifier | ReturnReference | Explanation |
|---------------------|-----------------|---|
| COSTING METHODOLOGY | LINES 2 AND 3 | LINE 2 AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS AFTER APPLYING THE COST TO CHARGE RATIO LINE 3 THE ORGANIZATION IS UNABLE TO ESTIMATE THE AMOUNT FOR LINE 3 AND HAS ELECTED TO LEAVE IT BLANK |

| Identifier | ReturnReference | Explanation |
|-----------------------|---------------------------|--|
| SURPLUS OR SHORT FALL | SECTION B MEDICARE LINE 7 | SHORTFELL N/A COSTING METHODOLOGY THE RATIO OF COST TO CHARGES USED IN THE CALCULATION OF COSTS FOR MEDICARE WAS TAKEN FROM THE MEDICARE COST REPORT |

| Identifier | ReturnReference | Explanation |
|--------------------------------|----------------------------------|---|
| WRITTEN DEBT COLLECTION POLICY | SECTION C - COLLECTION PRACTICES | CHARITY CARE AND DISCOUNTING FOR UNINSURED PATIENTS WHO ARE NOT ELIGIBLE FOR GOVERNMENT HEALTH CARE PROGRAMS AND WHOSE FINANCIAL CONDITION IS SUCH THAT THEY ARE NOT ABLE TO PAY FOR HOSPITAL SERVICES MAY BE ELIGIBLE FOR ASSISTANCE UNDER THE SHANNON MEDICAL CENTER CHARITY CARE PROGRAM PATIENTS WHO ARE UNINSURED, DO NOT QUALIFY FOR COVERAGE UNDER GOVERNMENT HEALTH CARE PROGRAMS, MAY BE ELIGIBLE FOR A 50% DISCOUNT OFF THE TOTAL BILL FOR HOSPITAL SERVICES, IF THE SERVICES ARE PAID FOR WHEN RECEIVED OR WITHIN 30 DAYS OF DISCHARGE COLLECTION OF ACCOUNTS RECEIVABLE PATIENTS / GUARANTOR WILL BE RESPONSIBLE FOR PAYMENT OF SERVICES RECEIVED AT SHANNON MEDICAL CENTER PATIENTS / GUARANTORS WILL BE RESPONSIBLE FOR FULL CHARGES, OR PATIENT PORTION NOT COVERED BY INSURANCE PAYMENT WILL BE REQUESTED PRIOR TO OR ON THE DATE OF SCHEDULED ELECTIVE SERVICES FULL CHARGES OR PATIENT PORTION NOT COVERED BY INSURANCE FOR URGENT / EMERGENT SERVICES WILL BE COLLECTED UPON DISCHARGE PATIENTS WHO ARE UNABLE TO PAY THE FULL AMOUNT OF THEIR RESPONSIBILITY AT THE TIME OF SERVICE CAN MAKE PAYMENT ARRANGEMENTS UNDER THE FOLLOWING GUIDELINES A BALANCE OF OUTPATIENT SERVICES MUST BE PAID WITHIN SIX (6) MONTHS FROM THE DATE OF SERVICE UNLESS INDIGENT STATUS IS PROVEN B BALANCE OF INPATIENT SERVICES MUST BE PAID WITHIN TWELVE (12) MONTHS FROM THE DATE OF DISCHARGE UNLESS INDIGENT STATUS IS PROVEN MONTHLY STATEMENTS WILL BE SENT THROUGHOUT THE COLLECTION CYCLE COLLECTION LETTERS WILL BE UTILIZED AT THE DISCRETION OF THE PATIENT ACCOUNT REPRESENTATIVE ACCOUNTS WILL BE REVIEWED FOR OUTSIDE COLLECTION AGENCY PLACEMENT ANYTIME FOLLOWING 90 DAYS FROM THE DATE OF SERVICE MEDICARE ACCOUNTS WILL NOT BE CONSIDERED FOR PLACEMENT UNTIL 120 DAYS FROM THE FIRST NOTICE OF PATIENT RESPONSIBILITY IN ACCORDANCE WITH MEDICARE REGULATIONS ANY OVERPAYMENT OF AN ACCOUNT WILL BE REVIEWED FOR REFUND WITHIN 30 DAYS FROM THE DATE THE CREDIT BALANCE IS CREATED BY THE OVERPAYMENT CREDIT BALANCES ON MEDICARE ACCOUNTS WILL BE PROCESSED THROUGH THE NORMAL CREDIT BALANCE PROCESS AND REPORTED ON A QUARTERLY BASIS IN COMPLIANCE WITH MEDICARE REGULATIONS |

| Identifier | ReturnReference | Explanation |
|---------------------------------|-------------------|--|
| ASSESSMENT OF HEALTH CARE NEEDS | PART V, SECTION B | <p>A IN 2004, THE UNITED WAY OF THE CONCHO VALLEY CONDUCTED A COMPREHENSIVE NEEDS ASSESSMENT OF TOM GREEN COUNTY AND 13 OTHER SURROUNDING COUNTIES COUNTIES INCLUDED IN THE NEEDS ASSESSMENT ARE AS FOLLOWS COKE, CONCHO, CROCKETT, IRION, KIMBLE, MASON, MCCULLOCH, MENARD, REAGAN, RUNNELS, SCHLEICHER, STERLING, SUTTON, AND TOM GREEN SAN ANGELO AND TOM GREEN COUNTY SERVE AS THE HUB FOR THESE COUNTIES FOR TRADE AS WELL AS MEDICAL SERVICES THIRTEEN OF THE FOURTEEN COUNTIES ARE CONSIDERED RURAL OR "FRONTIER" BASED ON POPULATION AND PERSONS PER SQUARE MILE (SOURCE UW NEEDS ASSESSMENT 2004) THE RESULTS OF THE 2004 UNITED WAY NEEDS ASSESSMENT CONFIRM THAT SOCIAL AND HEALTH CONCERN ISSUES STATED IN THE SHANNON NEEDS ASSESSMENT 1994, CONTINUE TO RANK HIGH IN IMPORTANCE MANY YEARS LATER 1 SOCIAL CONCERNS (TOM GREEN COUNTY - COMMUNITY CONCERNS) MORE THAN HALF THE RESPONDENTS IN THE UNITED WAY 2004 COMMUNITY NEEDS ASSESSMENT NAMED THE FOLLOWING CONCERNS AS MAJOR OR MODERATE ISSUES OF CONCERN A TEEN PREGNANCY 77% B FAMILY VIOLENCE, ABUSE OF CHILDREN OR ADULTS 71% C LACK OF AFFORDABLE CARE FOR CHILDREN 65% D LACK OF AFFORDABLE CARE FOR THE ELDERLY 59% E RACIAL OR ETHNIC DISCRIMINATION 56% 2 HEALTH CONCERNS (TOM GREEN COUNTY COMMUNITY CONCERNS A ALCOHOL/DRUG USE 82% B MENTAL ILLNESS OR EMOTIONAL ISSUES 56% C LACK OF AFFORDABLE MEDICAL CARE 79% D LACK OF ADEQUATE AFFORDABLE MEDICAL CARE 51% E HIV/AIDS 46% 3 TOP FIVE MAJOR ISSUES OVERALL (TOM GREEN COUNTY - HOUSEHOLD CONCERNS) A NOT HAVING ENOUGH MONEY TO PAY THE DOCTOR, BUY PRESCRIPTIONS, MEDICATIONS OR GET MEDICAL INSURANCE 43% B FINDING IT DIFFICULT TO BUDGET 40% C HAVING A LOT OF ANXIETY, STRESS OR DEPRESSION 36% D NOT BEING ABLE TO FIND WORK 31% E CHILDREN OR TEENAGERS EXPERIENCING BEHAVIOR OR EMOTIONAL ISSUES 29% B IN 2011, THE POPULATION OF TOM GREEN COUNTY HAD A HIGHER PERCENTAGE OF ELDERLY - 65 YEARS OR OLDER - THAN THE STATE AVERAGE 13 9% AND 10 5% RESPECTIVELY IN ADDITION, THE MEDIAN HOUSEHOLD INCOME LEVEL \$43,465 AND \$50,920 RESPECTIVELY THE INCIDENCE OF A MORE ELDERLY POPULATION AND LOWER INCOME POPULATION IN TOM GREEN COUNTY AS COMPARED TO THE NATIONAL LEVEL HAS BECOME A STATISTICAL TREND OVER THE LAST SEVERAL YEARS POVERTY LEVELS AND THE AGE OF THE POPULATION HAVE CONTRIBUTED TO AN INCREASE OF 20% IN THE CHARITY CARE CONTRIBUTION MADE BY SHANNON IN THE PAST TWELVE MONTHS ALONE (SOURCE U S CENSUS BUREAU STATE & COUNTY QUICKFACTS, 2012)</p> |

| Identifier | ReturnReference | Explanation |
|---|-----------------|---|
| PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE | | FINANCIAL ASSISTANCE BROCHURES ARE AVAILABLE IN EACH OP REGISTRATION AREAS THAT OUTLINE ACCESS TO INFORMATION ABOUT ASSISTANCE PROGRAMS WE ALSO HAVE CONTRACTED ELIGIBILITY WORKERS WHO SCREEN PATIENTS FOR ALL SOCIAL SERVICE PROGRAMS AND ASSIST WITH THE APPLICATION PROCESS IF NEEDED |

| Identifier | ReturnReference | Explanation |
|-----------------------|-----------------|---|
| COMMUNITY INFORMATION | | <p>Shannon, a non-profit health system established in the 1930s, provides the communities of West Central Texas with a variety of medical services. Dedicated to the regions health and well-being, the center offers diverse clinical services, including a nationally-recognized cardiac care program, nationally-recognized ICU, the regions only Level III Trauma Facility and AirMed 1 air ambulance serving a 200-mile radius of San Angelo, a dedicated Womens & Childrens Hospital which is home to the Childrens Miracle Network, and the most extensive Senior Health services in the Concho Valley. The estimated population for all the counties as of 2010, including Tom Green County, is 342,356. The outer counties are Brown, Coke, Coleman, Concho, Crockett, Howard, Irion, Kimble, Mason, McCulloch, Menard, Mills, Mitchell, Nolan, Pecos, Reagan, Runnels, San Saba, Schleicher, Sterling, Sutton, Terrell, Upton and Val Verde. (Source: U.S. Census Bureau, State & County Quickfacts.) Our goal is to provide our patients with the most compassionate and efficient service while ensuring the highest quality care. Tom Green Countys population in 2012 is reported at 113,281. The city of San Angelo serves as the county seat and population center of Tom Green County, with an estimated population in 2011 of 94,544. A breakdown of Tom Green County demographics is as follows: (Source: U.S. Census Bureau, State & County Quickfacts, The County Information Project, Texas Association of Counties.) A. Tom Green County Age Distribution: 1. Under 18 years old: 23.5% (26,621); 2. 18-64 years old: 62.6% (70,914); 3. 65 years and older: 13.9% (15,746). B. Tom Green County Ethnic Distribution: (More than one category may be self-reported): 1. Caucasian: 57% (64,570); 2. Hispanic: 36.3% (41,121); 3. Black: 4.7% (5,324); 4. Other: 2% (2,266). C. Tom Green County (Household): 1. Median Household Income: \$43,465 (Texas: \$50,920); 2. Persons living below poverty level: 15.9% (Texas: 17%). D. Tom Green County Health Index: 1. Tom Green County uninsured: 24.3% (Texas: 26.3%, United States: 16.3%). (Source: U.S. Census Bureau, Small Area Health Insurance Estimates, 2010, U.S. Census Bureau, Income, Poverty, and Health Coverage in the United States: 2010.)</p> |

| Identifier | ReturnReference | Explanation |
|-------------------------------|-----------------|---|
| PROMOTION OF COMMUNITY HEALTH | | <p>Shannon provides a host of community education events related to topics such as cancer pre vention and screenings, diabetes education, fitness and nutrition, and cardiovascular heal th Through events like Go Red and the Diabetes Update, health professionals relay current health information to the public In addition to public outreach events, Shannon publishe s the Health Beat magazine which is delivered to 30,000 households and produces Health Bea t television spots that air during the 6 and 10 p m news hours on two local stations Bot h contain a variety of health education information from local healthcare providers Shann on contributed \$119,772 for these programs Shannon supports The Lighthouse for the Blind by donating used linen to the organization Based on thrift value, the cost of the linen d onated is \$31,406 Shannon supports heath and fitness activities, as well Each October Sh annon organizes the Pink Ribbon Run for cancer awareness and education with more than 800 participants Additionally, to address the growing concern over childhood obesity, the Kid s Marathon event provides an opportunity for students, ranging in ages from Kindergarten t hrough sixth grade, to participate in a program that encourages healthy habit formation ea rly in life A full marathon is considered 26 2 miles Students accumulate miles and run t he last 0 2 lap during a celebratory event at the San Angelo Stadium The event hosts loca l summer programs and camps that encourage children to remain active through the summer mo nths These events are provided at a cost of \$21,825 to Shannon Shannon is one of the col laborating organizations of the Tom Green County Partnership for Better Health The partne rship began in January 2012 as a result of an initiative by the Department of State Health Services to reduce potentially preventable hospitalizations The coalition implements evi dence-based strategies for reducing bacterial pneumonia, UTI and COPD Some of the initiat ives include bacterial pneumonia and influenza immunizations, tobacco cessation kits and p ublic awareness campaigns at a cost of \$6,507 Shannon is the only provider that operates the Sexual Assault Nurse Examiner program (SANE) SANE trained nurses work with the Childr ens Advocacy Center, the Concho Valley Rape Crisis Center and other community-based organi zations to provide training and services related to sexual assault crises Additionally, S hannon provides support services such as \$5,350 in transportation vouchers, \$23,631 in dis counted or free prescription drugs, \$229,431 in support for enrollment in public assistanc e programs, and \$470,808 in pharmacy services for the Tom Green County Indigent Health Dep artment Shannons Trauma Service Department coordinates the annual Gus Eckhardt Trauma Sym posium This is a full day of trauma related education for all health care practitioners i n the region Approximately 160 physicians, nurses, EMTs, students, and Allied Health prof essionals attended the 2012 symposium Additionally, injury prevention material covering t opics such as bicycle safety, child passenger safety, fall prevention, and home safety tip s are continually provided to health care professionals to distribute at their practice an d in their community The cost to host the symposium is \$6,558 870 ASU nursing students a nd 20 Howard College radiology tech students shadow Shannon staff for a cost benefit of \$1 ,224,692 to the students and the universities (#hrs x AHR x 50% effort) Approximately 20 hours of Cancer Conference is offered annually at a cost of \$6,615 Shannon provided emer gency and trauma services through physician services to Ballinger, Coleman and Eldorado Co unties in the amount of \$1,115,779 Shannon also assisted Crockett, Schleicher and Tom Gre en Counties by providing outpatient clinic and indigent health services in the amount of \$ 3,713,991 By providing specialty care for unmet needs, Shannon reduces the burden to loca l and governmental entities Shannon contributed \$266,666 to MHMR to provide community bas ed mental health services currently not available in the Concho Valley Community Shannon donated the Roosevelt Building and a cash donation for maintenance and improvements to the Downtown San Angelo Association in the amount of \$170,565 The building will be part of t he associations ongoing initiatives to restore the area Additionally, donations of \$3,211 were made towards health and education efforts and by assisting the United Way Annual Cam paign with administrative support Shannon contributes planning and financial assistance t o community building efforts This past year, \$10,165 was donated to other organizations i ncluding Healthy Families, the National Alliance on Mental Illness, San Angelo Independent School District, American Cancer Society-Relay for Life, the Adult Literacy Council, the All Veterans Council, and the Chamber of Commerces Goodfellow Airforce Base Military Appre ciation Day In addition, \$750 was donated to supp</p> |

| Identifier | ReturnReference | Explanation |
|-------------------------------|-----------------|--|
| PROMOTION OF COMMUNITY HEALTH | | ort the local Chamber of Commerce to host the West Texas Legislative Summit Chamber of Co mmerce to host the West Texas Legislative Summit |

| Identifier | ReturnReference | Explanation |
|-------------------------------|-----------------|--|
| AFFILIATED HEALTH CARE SYSTEM | | SUBSIDIZED HEALTH SERVICES SHANNON PROVIDED EMERGENCY AND TRAUMA SERVICES THROUGH PHYSICIAN SERVICES TO BALLINGER, COLEMAN AND ELDORADO COUNTIES IN THE AMOUNT OF \$1,115,779 SHANNON ALSO ASSISTED CROCKETT, SCHLEICHER AND TOM GREEN COUNTIES BY PROVIDING OUTPATIENT CLINIC AND INDIGENT HEALTH SERVICES IN THE AMOUNT OF \$3,713,991 BY PROVIDING SPECIALTY CARE FOR UNMET NEEDS, SHANNON REDUCES THE BURDEN TO LOCAL AND GOVERNMENTAL ENTITIES LASTLY, SHANNON CONTRIBUTED \$266,666 TO MHMR TO PROVIDE COMMUNITY BASED MENTAL HEALTH SERVICES CURRENTLY NOT AVAILABLE IN THE CONCHO VALLEY COMMUNITY FINANCIAL AND IN-KIND DONATIONS - \$173,776 SHANNON DONATED THE ROOSEVELT BUILDING AND A CASH DONATION FOR MAINTENANCE AND IMPROVEMENTS TO THE DOWNTOWN SAN ANGELO ASSOCIATION IN THE AMOUNT OF \$170,565 THE BUILDING WILL BE PART OF THE ASSOCIATIONS ONGOING INITIATIVES TO RESTORE THE AREA ADDITIONALLY, DONATIONS OF \$3,211 WERE MADE TOWARDS HEALTH AND EDUCATION EFFORTS AND BY ASSISTING THE UNITED WAY ANNUAL CAMPAIGN WITH ADMINISTRATIVE SUPPORT COMMUNITY BUILDING ACTIVITIES - \$10,915 SHANNON CONTRIBUTES PLANNING AND FINANCIAL ASSISTANCE TO COMMUNITY BUILDING EFFORTS THIS PAST YEAR, \$10,165 WAS DONATED TO OTHER ORGANIZATIONS INCLUDING HEALTHY FAMILIES, THE NATIONAL ALLIANCE ON MENTAL ILLNESS, SAN ANGELO INDEPENDENT SCHOOL DISTRICT, AMERICAN CANCER SOCIETY-RELAY FOR LIFE, THE ADULT LITERACY COUNCIL, THE ALL VETERANS COUNCIL, AND THE CHAMBER OF COMMERCE GOODFELLOW AIRFORCE BASE MILITARY APPRECIATION DAY IN ADDITION, \$750 WAS DONATED TO SUPPORT THE LOCAL CHAMBER OF COMMERCE TO HOST THE WEST TEXAS LEGISLATIVE SUMMIT SUMMARY ECONOMIC IMPACT OF SHANNON DONATED GOODS, SERVICES, AND VOLUNTEERISM 2011-2012 CHARITY CARE \$60,800,381 COMMUNITY HEALTH IMPROVEMENT 1,326,139 HEALTH PROFESSIONS EDUCATION 1,237,865 SUBSIDIZED HEALTH SERVICES 5,096,436 FINANCIAL & IN-KIND CONTRIBUTIONS 173,776 COMMUNITY BUILDING ACTIVITIES 10,915 ----- TOTAL \$68,645,512 |

| Identifier | ReturnReference | Explanation |
|---|-----------------|-------------|
| STATE FILLING OF COMMUNITY BENEFIT REPORT | | TEXAS |

| Identifier | ReturnReference | Explanation |
|--|-----------------|---|
| DETERMINATION FOR BILLING FOR EMERGENCY CARE | PART V, LINE 19 | COLLECTION OF GROSS CHARGES FOR UNINSURED UNLESS PROMPT PAYMENT SECURED, COLLECTION OF DEDUCTIBLES/CONINSURANCE AMOUNTS BASE ON CONTRACTED RATES FOR INSURED PATIENTS |

| Identifier | ReturnReference | Explanation |
|-------------------------|---------------------------------------|--|
| BILLING AND COLLECTIONS | SCHEDULE H, PART V, LINE 15, 16, & 17 | NEITHER SHANNON MEDICAL CENTER, NOR THIRD PARTIES AUTHORIZED BY SMC, 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 BECAUSE NO ACTIONS WERE CHECKED ON LINE 16, LINE 17 INDICATES EFFORTS MADE BEFORE INITIATING ANY OF THE ACTIONS LISTED IN LINE 16 |

**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

2011

Open to Public Inspection

Name of the organization
Shannon Medical Center

75-2559845

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.

[illegible]

- | | | | |
|----------|---|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | ▶ | <u>1</u> |
| 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 |
|--------------------------------|-------------------------|-------------------------|----------------------------------|--|---------------------------------------|
| | | | | | |
| | | | | | |
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| | | | | | |
| | | | | | |

Part IV

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

| Identifier | Return Reference | Explanation |
|--|--------------------------------|---|
| PROCEDURES FOR MONITORING USE OF GRANT FUNDS | SCHEDULE I, PART I, QUESTION 2 | 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 Shannon Medical Center | Employer identification number 75-2559845 |
|--|--|

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 | | |
| <input type="checkbox"/> First-class or charter travel | | |
| <input type="checkbox"/> Travel for companions | | |
| <input type="checkbox"/> Tax idemnification and gross-up payments | | |
| <input type="checkbox"/> Discretionary spending account | | |
| <input type="checkbox"/> Housing allowance or residence for personal use | | |
| <input type="checkbox"/> Payments for business use of personal residence | | |
| <input checked="" type="checkbox"/> Health or social club dues or initiation fees | | |
| <input type="checkbox"/> Personal services (e g , maid, chauffeur, chef) | | |
| b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement 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 | | |
| <input type="checkbox"/> Compensation committee | | |
| <input checked="" type="checkbox"/> Independent compensation consultant | | |
| <input type="checkbox"/> Form 990 of other organizations | | |
| <input checked="" type="checkbox"/> Written employment contract | | |
| <input checked="" type="checkbox"/> Compensation survey or study | | |
| <input checked="" type="checkbox"/> Approval by the board or compensation committee | | |
| 4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization | | |
| a Receive a severance payment or change-of-control payment? | 4a | No |
| b Participate in, or receive payment from, a supplemental nonqualified retirement plan? | 4b Yes | |
| c Participate in, or receive payment from, an equity-based compensation arrangement? | 4c | No |
| If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III | | |
| Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9. | | |
| 5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of | | |
| a The organization? | 5a | No |
| b Any related organization? | 5b | No |
| If "Yes," to line 5a or 5b, describe in Part III | | |
| 6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of | | |
| a The organization? | 6a | No |
| b Any related organization? | 6b | No |
| If "Yes," to line 6a or 6b, describe in Part III | | |
| 7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III | 7 | No |
| 8 Were any amounts reported in Form 990, Part VII, paid or 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) BRYAN HORNER | (i) (ii) | 483,959 | 84,761 | | 30,380 | 17,144 | 616,244 | |
| (2) EMMETE FLYNN MD | (i) (ii) | 424,512 | 28,942 | 52,063 | 55,580 | 26,610 | 587,707 | |
| (3) MICHELLE SNUGGS MD | (i) (ii) | 449,900 | 41,000 | 71,580 | 63,680 | 21,513 | 647,673 | |
| (4) KELLY SHANE PLYMELL | (i) (ii) | 255,994 | 42,524 | | 49,421 | 20,660 | 368,599 | |
| (5) DR IRVIN ZEITLER | (i) (ii) | 385,672 | 58,566 | | 55,205 | 6,522 | 505,965 | 21,703 |
| (6) WILMA STUART | (i) (ii) | 217,032 | 36,998 | | 30,380 | 6,510 | 290,920 | |
| (7) PATRICIA TIPTON | (i) (ii) | 286,441 | | | 30,380 | 4,789 | 321,610 | |
| (8) MARVIN HILL | (i) (ii) | 284,777 | | | 30,380 | 9,451 | 324,608 | |
| (9) LANCE KEILERS | (i) (ii) | 170,950 | 20,864 | | 21,232 | 12,952 | 225,998 | |
| (10) TIMOTHY HARTIN | (i) (ii) | 239,298 | 38,813 | | 47,501 | 12,663 | 338,275 | 15,538 |
| (11) PAULINE JAMES | (i) (ii) | 172,303 | | | 17,876 | 9,420 | 199,599 | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

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 |
|---|---------------------------------|---|
| NAMES, AMOUNTS, AND DETAILS OF ARRANGEMENTS | PART 1, QUESTION 4 | SERP DETAIL NAME AMOUNT BRYAN HORNER NONE 457(F) DETAIL NAME AMOUNT TIMOTHY HARTIN 17,121 SHANE PLYMELL 19,041 DR IRVIN ZEITLER 46,528 BRYAN HORNER NONE |
| PROVIDED HEALTH, SOCIAL DUES OR INITIATION FEES | SCHEDULE J, PART I, QUESTION 1A | BRYAN HORNER AND KELLY SHANE PLYMELL RECEIVE MEMBERSHIP TO BENTWOOD COUNTRY CLUB EXCLUSIVELY FOR BUSINESS USE. ANY PERSONAL USE IS REIMBURSED BY THE OFFICER AND THEREFORE NO AMOUNTS ARE REPORTABLE ON THEIR FORM W-2'S. |

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Shannon Medical Center

Employer identification number
75-2559845

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

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

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

2

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

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

\$

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
| | | | | Yes | No |
| (1) DIANE ZEITLER | IRVIN ZEITLER'S SPOUSE | 130,715 | EMPLOYED BY SMC | | No |
| | | | | | |
| | | | | | |
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| | | | | | |

Part V

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

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

| | | | | | |
|--|---|-----------------|--|--|---------------------------|
| efile GRAPHIC print - DO NOT PROCESS | | As Filed Data - | | DLN: 93493142004454 | |
| 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 Shannon Medical Center | | | | Employer identification number 75-2559845 | |

| Identifier | Return Reference | Explanation |
|---|---------------------------------------|--|
| PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY | FORM 990, PART VI, QUESTION 12C | |
| REVIEW OF COMPENSATION | FORM 990, PART VI, QUESTION 15A & 15B | INTEGRATED HEALTH STRATEGIES DID AN EXECUTIVE COMPENSATION STUDY IN JUNE 2010 AND IT COVERED ALL EXECUTIVE SALARIES. EXECUTIVE COMPENSATION IS REVIEWED ANNUALLY BY THE BOARD OF TRUSTEES' OPERATIONS COMMITTEE, WHICH CONSULTS COMPARABILITY DATA AND KEEPS CONTEMPORANEOUS RECORDS OF ITS DECISIONS. |
| GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC | FORM 990, PART VI, QUESTION 19 | THE ORGANIZATIONS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST. |
| CLASSES OF MEMBERS OR STOCKHOLDERS | FORM 990 PART VI, QUESTION 6 | MARGARET SHANNON ESTATE, A TESTAMENTARY TRUST, IS THE SOLE MEMBER OF THE ORGANIZATION. |
| MEMBERS OR STOCKHOLDERS WHO CAN ELECT MEMBERS OF THE GOVERNING BODY | FORM 990 PART VI, QUESTION 7A | THE BOARD OF DIRECTORS SHALL CONSIST OF EACH OF THE SEVEN TRUSTEES OF THE MARGARET SHANNON ESTATE, A TESTAMENTARY TRUST. THE OTHER DIRECTORS SHALL CONSIST OF REPRESENTATIVES OF THE COMMUNITY AND MEMBERS OF THE MEDICAL STAFF OF THE HOSPITAL, TO NUMBER IN AGGREGATE NOT MORE THAN SEVEN WHO ARE APPOINTED BY THE MEMBER AND THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION. |
| 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 PRIOR TO FILING. THE ORGANIZATION'S FINANCE COMMITTEE WILL REVIEW AFTER THE FORM IS FILED. |
| DECISIONS OF THE GOVERNING BODY SUBJECT TO APPROVAL | FORM 990, PART VI, QUESTION 7B | APPROVAL OF THE SOLE MEMBER, THE TRUSTEES OF SHANNON WEST TEXAS MEMORIAL HOSPITAL, IS REQUIRED FOR BUDGETS, LARGE FINANCIAL EXPENDITURES THAT DEVIATE FROM BUDGET, SALE OF PROPERTY, MERGER, ACQUISITION, OR CONSOLIDATION, BORROWING OF MONEY, SEEKING OR GIVING GRANTS, SETTLEMENT OF CLAIMS OR LITIGATION, AMENDMENT OF BYLAWS, AND CONTRACT IN WHICH THE CORPORATION ASSUMES FINANCIAL RISK. |
| OTHER CHANGES IN NET ASSETS OR FUND BALANCES | FORM 990, PART XI, LINE 5 | CONTRIBUTIONS RECORDED TO FUND BALANCE \$ 445,987 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY (3,637,340) TRANSFERS TO/FROM AFFILIATES (25,991,205) NET ASSETS RELEASED FROM RESTRICTION (TRUST) (16,677,411) CHANGE IN SHANNON TRUST NET ASSETS 44,895,024 NON CONTROLLING INTERESTS (RCTC) 2,165,124 CONTRIBUTIONS FROM TRUST RELEASED FROM RESTRICTION 16,789,435 NET ASSETS RELEASED FROM RESTRICTION 44,005 CARRYING VALUE OF RCTC NET ASSETS (6,017,240) UNREALIZED GAIN/LOSS 2,786,857 ----- \$14,803,236 |
| AMENDED RETURN | | THE RECEIPTS FROM MEDICAID DSH AND UPL WERE DUPLICATED. FORM 990, SCHEDULE H, PART I, LINE 7B IS BEING AMENDED TO CORRECT FOR THIS ERROR. LINE 7B, COLUMN D AS ORIGINALLY FILED WAS \$ 39,237,839. LINE 7B, COLUMN E AS ORIGINALLY FILED WAS \$ (17,001,619). LINE 7B, COLUMN D AS AMENDED IS \$ 24,859,861. LINE 7B, COLUMN E AS AMENDED IS \$ (2,623,641). |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME BRYAN HORNER TITLE CEO/PRESIDENT HOURS 12 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME LEN MERTZ TITLE CHAIRMAN HOURS 18 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME JAMES JOHNSON TITLE SECRETARY/TREASURER HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME JOE HENDERSON TITLE INDIVIDUAL TRUSTEE HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME ORAN BERRY III TITLE INDIVIDUAL TRUSTEE HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME VIRGINIA NOELKE TITLE DIRECTOR HOURS 4 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME MIKE BOYD TITLE INDIVIDUAL TRUSTEE HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME MIKE OLIPHANT TITLE INDIVIDUAL TRUSTEE HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME STEVE CECIL TITLE INDIVIDUAL TRUSTEE HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME JOANNA RICE TITLE DIRECTOR HOURS 4 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME JIM BOB BRAME MD TITLE DIRECTOR HOURS 4 |

| Identifier | Return Reference | Explanation |
|--|-------------------|--|
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME PAMELA TALLEY TITLE DIRECTOR HOURS 4 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME EMMETE FLYNN MD TITLE DIRECTOR HOURS 4 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME MICHELLE SNUGGS MD TITLE DIRECTOR HOURS 4 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME ANGELIA WILLIAMS TITLE DIRECTOR HOURS 6 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME KELLY SHANE PLYMELL TITLE CFO HOURS 8 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME DR IRVIN ZEITLER TITLE MEDICAL DIRECTOR HOURS 5 |
| HOURS DEVOTED FOR RELATED ORGANIZATION | FORM 990 PART VII | NAME TIMOTHY HARTIN TITLE CCO HOURS 5 |

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
Shannon Medical Center

Employer identification number
75-2559845

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 |
|---|-------------------------|--|---------------------|---------------------------|----------------------------------|
| | | | | | |
| | | | | | |
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| | | | | | |

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) TRUSTEES SHANNON WEST TEXAS HOSPITAL PO BOX 49 SAN ANGELO, TX 76902 75-0800679 | TRUST | TX | 501(C)(3) | 11B | NA | | No |
| (2) SHANNON RURAL HEALTH CLINICS INC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2940211 | HEALTHCARE | TX | 501(C)(3) | 11C | SMC | Yes | |
| (3) SHANNON REAL ESTATE SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 27-0075630 | SUPPORT SVCS | TX | 501(C)(3) | 11B | SMC | Yes | |
| (4) SHANNON HEALTH SYSTEM 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2602411 | SUPPORT SVCS | TX | 501(C)(3) | 11A | NA | | No |
| (5) SHANNON CLINIC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2600873 | HEALTHCARE | TX | 501(C)(3) | 9 | SHS | Yes | |
| (6) SHANNON BUSINESS SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 43-2038769 | SUPPORT SVCS | TX | 501(C)(3) | 11B | SMC | Yes | |
| (7) SHANNON MEDICAL MANAGEMENT 120 E HARRIS AVE SAN ANGELO, TX 76903 20-8367966 | SUPPORT SVCS | TX | 501(C)(3) | 9 | SHS | | 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) REGIONAL CANCER TREATMENT CENTER 102 N MAGDALEN STE 120 SAN ANGELO, TX 76903 75-2225955 | RADIOTHERAPY | TX | NA | RELATED | 994,336 | 2,687,263 | | No | 0 | Yes | | 37.884 % |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
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| | | | | | | | | | | | | |
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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) LEGACY MANAGEMENT SERVICES 2018 PULLIAM ST SAN ANGELO, TX 76903 75-2544450 | MANAGEMENT | TX | NA | C - CORPORATION | 0 | 0 | |
| (2) LEGACY HEALTH SOLUTIONS 2018 PULLIAM ST SAN ANGELO, TX 76903 20-0720762 | MED INSURANCE | TX | NA | C - CORPORATION | 0 | 0 | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

Yes

Yes

Yes

Yes

No

Yes

Yes

Yes

Yes

Yes

Yes

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

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

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

| Identifier | Return Reference | Explanation |
|--|----------------------|---|
| IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS A PARTNERSHIP | SCHEDULE R, PART III | THE OWNERSHIP PERCENTAGE REPORTED IN COLUMN K FOR REGIONAL CANCER TREATMENT CENTER IS BASED ON THE AMOUNT REPORTED ON THE K-1, WHICH IS CALENDAR YEAR THE AMOUNT OWNED AT THE END OF THE ORGANZATIONS FISCAL YEAR IS 72.32% |

Software ID:
Software Version:
EIN: 75-2559845
Name: Shannon 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 | |
|--|-------------------------|--|----------------------------|---|----------------------------------|--|----|
| TRUSTEES SHANNON WEST TEXAS HOSPITAL PO BOX 49 SAN ANGELO, TX 76902 75-0800679 | TRUST | TX | 501(C)(3) | 11B | NA | | No |
| SHANNON RURAL HEALTH CLINICS INC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2940211 | HEALTHCARE | TX | 501(C)(3) | 11C | SMC | Yes | |
| SHANNON REAL ESTATE SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 27-0075630 | SUPPORT SVCS | TX | 501(C)(3) | 11B | SMC | Yes | |
| SHANNON HEALTH SYSTEM 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2602411 | SUPPORT SVCS | TX | 501(C)(3) | 11A | NA | | No |
| SHANNON CLINIC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2600873 | HEALTHCARE | TX | 501(C)(3) | 9 | SHS | Yes | |
| SHANNON BUSINESS SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 43-2038769 | SUPPORT SVCS | TX | 501(C)(3) | 11B | SMC | Yes | |
| SHANNON MEDICAL MANAGEMENT 120 E HARRIS AVE SAN ANGELO, TX 76903 20-8367966 | SUPPORT SVCS | TX | 501(C)(3) | 9 | SHS | | 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) SHANNON CLINIC | O | 10,823,755 | BOOK VALUE |
| (2) SHANNON CLINIC | K | 679,570 | BOOK VALUE |
| (3) SHANNON REAL ESTATE SERVICES | J | 227,522 | BOOK VALUE |
| (4) SHANNON BUSINESS SERVICES | C | 445,988 | BOOK VALUE |
| (5) SHANNON MEDICAL MANAGEMENT | I | 71,707 | BOOK VALUE |
| (6) SHANNON BUSINESS SERVICES | I | 126,567 | BOOK VALUE |
| (7) SHANNON BUSINESS SERVICES | P | 9,074,916 | BOOK VALUE |
| (8) SHANNON BUSINESS SERVICES | R | 8,769,462 | BOOK VALUE |
| (9) SHANNON CLINIC | O | 888,773 | BOOK VALUE |
| (10) SHANNON CLINIC | P | 3,107,545 | BOOK VALUE |
| (11) SHANNON CLINIC | Q | 2,778,106 | BOOK VALUE |
| (12) SHANNON MEDICAL MANAGEMENT | P | 6,810,331 | BOOK VALUE |
| (13) SHANNON MEDICAL MANAGEMENT | Q | 22,378,534 | BOOK VALUE |
| (14) SHANNON REAL ESTATE SERVICES | Q | 177,140 | BOOK VALUE |
| (15) SHANNON REAL ESTATE SERVICES | P | 1,561,671 | BOOK VALUE |

Shannon Health System

Accountants' Reports and Combined Financial Statements

September 30, 2012 and 2011



Shannon Health System

September 30, 2012 and 2011

Contents

| | |
|---|----------|
| Independent Accountants' Report..... | 1 |
|---|----------|

Combined Financial Statements

| | |
|---|---|
| Combined Balance Sheets | 3 |
| Combined Statements of Operations and Changes in Net Assets | 4 |
| Combined Statements of Cash Flows | 6 |
| Notes to Combined Financial Statements | 7 |

Supplementary Information

| | |
|--|----|
| Balance Sheet Information – Combining Schedule | 35 |
| Statement of Operations and Changes in Net Assets Information – Combining Schedule | 37 |

Independent Accountants' Report

Board of Trustees
Shannon Health System
San Angelo, Texas

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

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

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

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

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

BKD, LLP

April 29, 2013

Shannon Health System

Combined Balance Sheets

September 30, 2012 and 2011

Assets

| | 2012 | 2011 |
|--|----------------|----------------|
| Current Assets | | |
| Cash | \$ 12,427,213 | \$ 1,564,316 |
| Short-term investments | 21,040,497 | 15,734,835 |
| Assets limited as to use, current | 2,680,886 | 2,517,374 |
| Patient accounts receivable, net of allowance, 2012 – \$19,349,000, 2011 – \$17,936,000 | 35,222,087 | 33,226,274 |
| Prepaid expenses and other | 9,351,371 | 9,033,845 |
| | <hr/> | <hr/> |
| Total current assets | 80,722,054 | 62,076,644 |
| | <hr/> | <hr/> |
| Assets Whose Use is Limited or Restricted | | |
| Restricted gift funds | 2,380,489 | 2,225,189 |
| Held by trustee, deferred compensation | 12,310,272 | 8,922,321 |
| Held by trustee, malpractice funding arrangement | 7,985,887 | 7,228,443 |
| | <hr/> | <hr/> |
| | 22,676,648 | 18,375,953 |
| Less amount required to meet current obligations | 2,680,886 | 2,517,374 |
| | <hr/> | <hr/> |
| | 19,995,762 | 15,858,579 |
| | <hr/> | <hr/> |
| Investments | 35,486,740 | 38,809,807 |
| | <hr/> | <hr/> |
| Property and Equipment, At Cost | | |
| Land and land improvements | 9,829,833 | 9,684,664 |
| Buildings and leasehold improvements | 106,940,451 | 105,694,940 |
| Equipment | 149,771,443 | 136,762,119 |
| Construction in progress | 3,630,668 | 167,357 |
| | <hr/> | <hr/> |
| | 270,172,395 | 252,309,080 |
| Less accumulated depreciation | 179,185,154 | 162,204,248 |
| | <hr/> | <hr/> |
| | 90,987,241 | 90,104,832 |
| | <hr/> | <hr/> |
| Other Assets | | |
| Interest in net assets of Shannon West Texas Memorial Hospital (Shannon Trust) | 140,276,648 | 112,059,035 |
| Other noncurrent assets | 2,703,207 | 3,413,378 |
| | <hr/> | <hr/> |
| | 142,979,855 | 115,472,413 |
| | <hr/> | <hr/> |
| Total assets | \$ 370,171,652 | \$ 322,322,275 |
| | <hr/> | <hr/> |

Liabilities and Net Assets

| | 2012 | 2011 |
|--|----------------|----------------|
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 125,327 | \$ 121,713 |
| Accounts payable | 8,120,545 | 14,124,069 |
| Accrued expenses and other liabilities | 20,676,437 | 21,685,670 |
| Accrued pension liability | 17,966,942 | - |
| Estimated amounts due to third party -pay ers | 5,013,592 | 4,838,382 |
| Current portion of estimated malpractice costs | 300,397 | 292,185 |
| Total current liabilities | 52,203,240 | 41,062,019 |
| Estimated Malpractice Costs | 3,629,131 | 4,082,926 |
| Long-term Debt | 236,381 | 361,708 |
| Other Liabilities | | |
| Accrued pension liability | 1,350,665 | 15,642,855 |
| Other noncurrent liabilities | 14,442,951 | 11,213,331 |
| Total liabilities | 71,862,368 | 72,362,839 |
| Net Assets | | |
| Unrestricted | | |
| Shannon Health System | 143,427,884 | 135,675,212 |
| Noncontrolling interest | 2,434,823 | - |
| Total unrestricted net assets | 145,862,707 | 135,675,212 |
| Temporarily restricted | 152,446,577 | 114,284,224 |
| Total net assets | 298,309,284 | 249,959,436 |
| Total liabilities and net assets | \$ 370,171,652 | \$ 322,322,275 |

Shannon Health System

Combined Statements of Operations and Changes in Net Assets

Years Ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|----------------------------|----------------------------|
| Unrestricted Revenues, Gains and Other Support | | |
| Patient service revenue (net of contractual discounts and allowances) | \$ 340,818,810 | \$ 329,885,357 |
| Provision for uncollectible accounts | <u>(34,847,480)</u> | <u>(30,752,613)</u> |
| Net patient service revenue less provision for uncollectible accounts | 305,971,330 | 299,132,744 |
| Other revenues | <u>8,503,501</u> | <u>5,187,217</u> |
| Total unrestricted revenues, gains and other support | <u>314,474,831</u> | <u>304,319,961</u> |
| Expenses and Losses | | |
| Salaries, wages and employee benefits | 202,369,886 | 190,461,928 |
| Supplies and other | 102,176,656 | 97,253,112 |
| Depreciation and amortization | 12,316,799 | 11,964,601 |
| Interest | <u>12,495</u> | <u>1,027,028</u> |
| Total expenses and losses | <u>316,875,836</u> | <u>300,706,669</u> |
| Income from Operations | <u>(2,401,005)</u> | <u>3,613,292</u> |
| Other Income (Expense) | | |
| Investment return | 2,224,480 | 2,177,585 |
| Unrealized gains and losses on trading securities | 2,874,928 | (1,418,503) |
| Other income | 1,471,316 | 855,628 |
| Loss on extinguishment of debt | - | (178,050) |
| Change in fair value of interest rate swap agreement | <u>-</u> | <u>(39,789)</u> |
| Total other income (expense) | <u>6,570,724</u> | <u>1,396,871</u> |
| Excess of Revenues Over Expenses | <u><u>\$ 4,169,719</u></u> | <u><u>\$ 5,010,163</u></u> |

Shannon Health System

Combined Statements of Operations and Changes in Net Asset (Continued)

Years Ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|------------------------------|------------------------------|
| Unrestricted Net Assets | | |
| Excess of revenues over expenses | \$ 4,169,719 | \$ 5,010,163 |
| Loss from discontinued operations | - | (6,995) |
| Change in net unrealized losses on other-than-trading securities | - | (58,334) |
| Contributions for acquisition of property and equipment | 489,992 | 128,329 |
| Change in pension liability | (3,637,340) | (2,452,583) |
| Net assets released from restriction used for purchase of property and equipment | 7,000,000 | 6,554,699 |
| Noncontrolling interest of net assets acquired | <u>2,165,124</u> | <u>-</u> |
| Increase in unrestricted net assets | <u>10,187,495</u> | <u>9,175,279</u> |
| Temporarily Restricted Net Assets | | |
| Change in interest in net assets of Shannon Trust | 45,007,052 | 39,496,505 |
| Contributions | 978,151 | 880,316 |
| Net assets released from restriction | <u>(7,822,850)</u> | <u>(6,617,985)</u> |
| Increase in temporarily restricted net assets | <u>38,162,353</u> | <u>33,758,836</u> |
| Change in Net Assets | 48,349,848 | 42,934,115 |
| Net Assets, Beginning of Year | <u>249,959,436</u> | <u>207,025,321</u> |
| Net Assets, End of Year | <u><u>\$ 298,309,284</u></u> | <u><u>\$ 249,959,436</u></u> |

Shannon Health System

Combined Statements of Cash Flows

Years Ended September 30, 2012 and 2011

| | 2012 | 2011 |
|---|---------------|---------------|
| Operating Activities | | |
| Change in net assets | \$ 48,349,848 | \$ 42,934,115 |
| Change in net assets attributable to noncontrolling interest | (2,704,522) | - |
| Change in net asset attributable to Shannon Health System | 45,645,326 | 42,934,115 |
| Items not requiring (providing) cash | | |
| Change in interest in Shannon Trust | (28,217,613) | (33,344,417) |
| Change in pension liability | 3,674,752 | 1,775,002 |
| Depreciation and amortization | 12,316,801 | 11,964,601 |
| Equity in earnings of unconsolidated subsidiary | (193,961) | (732,273) |
| Net (gain) loss on investments | (3,736,141) | 1,324,469 |
| Transfers from Shannon Trust | (17,009,312) | (6,554,699) |
| Contributions for property and equipment | (489,992) | (128,329) |
| Provision for uncollectible accounts | 34,847,480 | 30,752,613 |
| Change in fair value of interest rate swap agreements | - | 39,789 |
| Noncontrolling interest | 2,704,522 | - |
| Changes in | | |
| Patient accounts receivable, net | (36,487,701) | (33,596,111) |
| Estimated amounts due from and to third-party payers | 175,210 | 2,954,160 |
| Accounts payable and accrued expenses | (3,960,520) | 5,990,921 |
| Other current assets and liabilities | (562,152) | (1,260,436) |
| Net cash provided by operating activities | 8,706,699 | 22,119,405 |
| Investing Activities | | |
| Purchase of property and equipment | (13,118,807) | (16,500,534) |
| Purchase of investments | (19,181,305) | (25,596,266) |
| Proceeds from disposition of investments | 20,098,737 | 18,460,696 |
| Purchase of additional interest in RCTC | (2,695,454) | - |
| Cash acquired from RCTC | 2,070,634 | - |
| Dividend received from unconsolidated subsidiary | - | 152,880 |
| Other investing activities | (2,395,198) | - |
| Net cash used in investing activities | (15,221,393) | (23,483,224) |
| Financing Activities | | |
| Contributions received from Shannon Trust and other donors | 17,009,312 | 6,554,699 |
| Proceeds from contributions for acquisition of property and equipment | 489,992 | 128,329 |
| Repayment of interest rate swap | - | (520,375) |
| Principal payments on long-term debt | (121,713) | (18,973,345) |
| Net cash provided by (used in) financing activities | 17,377,591 | (12,810,692) |
| Increase (Decrease) in Cash and Cash Equivalents | 10,862,897 | (14,174,511) |
| Cash, Beginning of Year | 1,564,316 | 15,738,827 |
| Cash, End of Year | \$ 12,427,213 | \$ 1,564,316 |
| Supplemental Cash Flows Information | | |
| Interest paid | \$ 12,495 | \$ 1,508,296 |
| Property and equipment included in accounts payable | 80,403 | 120,710 |

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

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

Nature of Operations

The combined financial statements of Shannon Health System (the System) include the accounts of the following entities

| <u>Entity</u> | <u>Description</u> | <u>Tax Status</u> |
|--|------------------------------------|-------------------|
| Shannon Medical Center (the Medical Center) | Acute care hospital | Tax-exempt |
| Shannon Clinic (the Clinic) | Multi-specialty physician services | Tax-exempt |
| Shannon Medical Management | Management services | Tax-exempt |
| Shannon Business Services | Ancillary services | Tax-exempt |
| Shannon Real Estate Services | Property management | Tax-exempt |
| Shannon Rural Health Clinics | Physician clinical services | Tax-exempt |
| Regional Cancer Treatment Center | Cancer treatment center | Taxable |

The Trustees of Shannon West Texas Memorial Hospital (the Shannon Trust), a testamentary trust, is the sole corporate member of the System and the Medical Center. The ownership structure of the combined group is as follows:

- **Shannon Health System** – The System's sole member is the Shannon Trust. The System owns or controls Shannon Medical Management. In 2012, the System became the sole member of Shannon Clinic and Shannon Medical Management.
- **Shannon Medical Center** – The Medical Center's sole member is the Shannon Trust. The Medical Center is the sole member or owns 100% of Shannon Business Services, Shannon Real Estate Services, and Shannon Rural Health Clinics. In 2012, the sole membership of Shannon Clinic was transferred from the Medical Center to the System.
- **Regional Cancer Treatment Center** – During 2012, the Medical Center became the majority owner of Regional Cancer Treatment Center, LP (RCTC). The System owns 72.32% of RCTC, with the remaining interest in the partnership owned by unrelated entities. In years prior to 2012, RCTC had been accounted for using the equity method of accounting.

The System primarily earns revenues through the provision of inpatient, outpatient, emergency care and physician services to residents in San Angelo, Texas and surrounding areas of west Texas.

Principles of Combination

The combined financial statements of the System include the System, the Medical Center, and their respective controlled entities. All significant intercompany accounts and transactions have been eliminated in combination.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Noncontrolling Interest

Noncontrolling interest represents the 27.68% interest in RCTC that the System does not own. Losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

Changes in combined unrestricted net assets attributable to the controlling financial interest of the System and the noncontrolling interest are shown below:

| | Total | Controlling Interest | Noncontrolling Interest |
|--|------------------------------|------------------------------|----------------------------|
| Balance October 1, 2011 | \$ 135,675,212 | \$ 135,675,212 | \$ - |
| Excess of revenues over expenses | 4,169,719 | 3,900,020 | 269,699 |
| Contributions for acquisition of property and equipment | 489,992 | 489,992 | - |
| Change in additional minimum pension liability | (3,637,340) | (3,637,340) | - |
| Net assets released from restriction used for purchase of property and equipment | 7,000,000 | 7,000,000 | - |
| Noncontrolling interest in net assets acquired | <u>2,165,124</u> | <u>-</u> | <u>2,165,124</u> |
| Increase in unrestricted net assets | <u>10,187,495</u> | <u>7,752,672</u> | <u>2,434,823</u> |
| Balance September 30, 2012 | <u><u>\$ 145,862,707</u></u> | <u><u>\$ 143,427,884</u></u> | <u><u>\$ 2,434,823</u></u> |

The change in temporarily restricted net assets is attributable solely to the controlling interest.

Patient Service Revenue, Provision for Uncollectible Accounts and Allowance for Doubtful Accounts

In 2012, the System changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the System's policies related to uncollectible accounts. The change had no effect on prior year net assets. Changes in the combined statements of operations and changes in net assets as a result of adopting ASU 2011-07, for 2012 and 2011 are as follows:

| 2012 | | | |
|---|--|--|-----------------------------|
| Combined Statement of Operations and Changes in Net Assets | | | |
| | As Computed Under Previous Guidance | As Computed Under ASU 2011-07 | Effect of Change |
| Patient service revenue (net of contractual discounts and allowances) | \$ 340,818,810 | \$ 340,818,810 | \$ - |
| Provision for uncollectible accounts | - | (34,847,480) | (34,847,480) |
| Net patient service revenue less the provision for uncollectible accounts | 340,818,810 | 305,971,330 | (34,847,480) |
| Total unrestricted revenues, gains and other support | 349,322,311 | 314,474,831 | (34,847,480) |
| Provision for uncollectible accounts | 34,847,480 | - | (34,847,480) |
| Total expenses | 351,723,316 | 316,875,836 | (34,847,480) |

| 2011 | | | |
|---|-----------------------------------|--------------------|-----------------------------|
| Combined Statement of Operations and Changes in Net Assets | | | |
| | As Previously Reported | As Adjusted | Effect of Change |
| Patient service revenue (net of contractual discounts and allowances) | \$ 329,885,357 | \$ 329,885,357 | \$ - |
| Provision for uncollectible accounts | - | (30,752,613) | (30,752,613) |
| Net patient service revenue less the provision for uncollectible accounts | 329,885,357 | 299,132,744 | (30,752,613) |
| Total unrestricted revenues, gains and other support | 335,072,574 | 304,319,961 | (30,752,613) |
| Provision for uncollectible accounts | 30,752,613 | - | (30,752,613) |
| Total expenses | 331,459,282 | 300,706,669 | (30,752,613) |

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Interest in Net Assets of the Shannon Trust

The Shannon Trust and the Medical Center are financially interrelated organizations. The Medical Center is the named beneficiary of the Shannon Trust and accounts for its interest in the net assets of the Shannon Trust (Interest) in a manner similar to the equity method. Changes in the Interest are included in change in net assets. Transfers of assets between the Shannon Trust and the Medical Center are recognized as increases or decreases in the Interest.

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.

Cash

Effective July 21, 2010, the FDIC insurance limits were permanently increased to \$250,000. Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. At September 30, 2012, the System's cash accounts exceeded federally insured limits by approximately \$1,705,000. The increased unlimited insurance for noninterest-bearing accounts has not been extended past December 31, 2012, and the System's deposits insured at September 30, 2012, may become uninsured subsequent to that date.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. The investment in equity investee is reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets.

Other investment return is reflected in the combined statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include (1) assets restricted by donors for specific purposes, (2) assets held by trustees under deferred compensation arrangements and (3) assets held by trustees under self-insurance trust arrangements. Amounts required to meet current liabilities of the System are included in current assets.

Patient Accounts Receivable

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

For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary.

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, the System records a significant provision for bad debts 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 or provided by policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Self-insured Employee Health Claims

The System is self-insured for its exposure to risk of loss from employee health claims. An estimated liability is accrued for employee health claims at September 30, 2012 and 2011, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Supplies

The System states supply inventories at the lower of cost, determined using the average cost method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

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

Long-lived Asset Impairment

The System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2012 and 2011.

Goodwill

Goodwill relates to the purchase of additional interest in RCTC and a prior year purchase of a surgery center. Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. No impairment was recognized during the years ended September 30, 2012 and 2011.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

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

Charity Care

The System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the System does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Contributions

Gifts received with donor stipulations are reported at estimated fair value as either temporarily or permanently restricted support. When a donor restriction expires (*i.e.*, when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Estimated Malpractice and General Liability Costs

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

Workers' Compensation Costs

The Medical Center is a self-insured subscriber to the Texas Workers' Compensation Insurance Program. An annual estimated provision is accrued for the self-insured portion of employee injury claims, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported, based on the System's loss history.

Income Taxes

The System has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the System is subject to federal income tax on any unrelated business taxable income. Subsidiaries that are not exempt from income taxes had no material tax liability.

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

Excess of Revenues Over Expenses

The combined statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include discontinued operations, unrealized gains and losses on other-than-trading securities, certain changes in pension liabilities, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and net assets acquired from noncontrolling interest.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Electronic Health Records Incentive Program

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

The System recognizes revenue under the grant accounting model using the cliff recognition approach. Under this approach, revenue is recognized once meaningful use status has been met for the full reporting period.

In 2012, the System completed the first-year requirements under the Medicaid program and has recorded revenue of approximately \$1,560,000, which is included as a component of other operating revenue in the accompanying combined statements of operations and changes in net assets.

Reclassifications

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

Note 2: Net Patient Service Revenue

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

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates or fee schedule amounts. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare administrative contractor. Physician and related services provided to Medicare beneficiaries are reimbursed under a fee schedule methodology.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Outpatient services are reimbursed based on a mixture of fee schedules and reimbursed costs. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid program. Physician services are reimbursed based on fee schedule amounts.

Approximately 40% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both the years ended September 30, 2012 and 2011. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

In 2011, the Medical Center participated in the State of Texas' Disproportionate Share Program (Dispro) and Upper Payment Limit (UPL) private programs. Under the private UPL program, various governmental agencies make intergovernmental transfers (IGT) on behalf of the Medical Center. These transfers are used by the state of Texas Medicaid program to draw down federal funding for the Medical Center based on its UPL gap, which is approximately equal to the difference in what Medicare would have paid and what Medicaid actually paid for patient care. The state generally remits these amounts to the Medical Center on a quarterly basis, and such UPL receipts are included in net patient service revenue.

On December 12, 2011, the United States Department of Health and Human Services approved a Medicaid Section 1115(a) waiver (Waiver) demonstration project entitled "Texas Health Transformation Quality Improvement Program." This demonstration will expand existing Medicaid managed care programs to additional counties and established two funding pools that will assist providers with uncompensated care (UC) costs and promote health system transformation. The demonstration project is effective from December 12, 2011 to September 30, 2016, and may have a material impact on the amount of DSH and UPL funding received by the Medical Center. During 2012, payments previously paid under the UPL program were paid under the UC provisions of the Waiver. Transitional UC payments were established to approximate previous UPL funding.

Funds received under the UC, UPL and Dispro programs the years ended September 30, 2012 and 2011, were approximately \$14,408,000 and \$17,207,000 respectively.

During March 2012, CMS issued new Supplemental Security Income (SSI) ratios used for calculating Medicare Disproportionate Share Hospital (DSH) reimbursement for federal fiscal years (FFYs) ending September 30, 2006 through September 30, 2009. In August 2012, CMS issued the SSI ratio for FFY ending September 30, 2010. As a result of these new SSI ratios, U.S. hospitals must recalculate their Medicare DSH reimbursement for the affected years and record adjustments for any differences in estimated reimbursement as a part of their annual cost report settlement process. As a result of these new SSI ratios, the Medical Center estimates it will repay approximately \$2,300,000 in Medicare DSH funds. This liability is included in estimated amounts due to third party payers on the combined balance sheets.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to the Medical Center under the reimbursement programs. These audits often require several years to reach their final determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: Concentration of Credit Risk

Accounts Receivable

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

| | 2012 | 2011 |
|--------------------------|-------------|-------------|
| Medicare | 31% | 27% |
| Medicaid | 7% | 6% |
| Other third-party payers | 43% | 49% |
| Patients | 19% | 18% |
| | <u>100%</u> | <u>100%</u> |

Shannon Health System
Notes to Combined Financial Statements
September 30, 2012 and 2011

Note 4: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use include the following

| | 2012 | 2011 |
|--|----------------------|---------------------|
| Internally designated for self-insurance program | | |
| Cash and cash equivalents | \$ 630,477 | \$ 393,162 |
| Equity securities | | |
| Services | 301,668 | 251,635 |
| Financial | 318,460 | 387,776 |
| Healthcare | 141,473 | 187,099 |
| International | 690,058 | 5,407 |
| Industrial | - | 87,693 |
| Basic | 74,275 | 221,728 |
| Technology | 401,335 | 309,303 |
| Consumers | 140,666 | 232,976 |
| Utilities | 31,998 | 89,603 |
| Fixed income mutual funds | 231,909 | 621,089 |
| Equity mutual funds | 794,259 | 207,917 |
| Corporate bonds | - | |
| Services | 403,988 | 664,039 |
| Financial | 544,624 | 1,693,242 |
| Healthcare | 224,046 | 682,384 |
| International | - | - |
| Industrial | - | 252,045 |
| Conglomerates | - | - |
| Basic | - | - |
| Technology | 1,068,610 | 695,066 |
| Consumers | 456,089 | 246,279 |
| Utilities | 247,528 | - |
| U S agency securities | 1,075,200 | - |
| U S Treasury securities | 207,059 | - |
| Accrued interest | 2,165 | - |
| | <u>\$ 7,985,887</u> | <u>\$ 7,228,443</u> |
| | 2012 | 2011 |
| Held by trustee, deferred compensation | | |
| Cash and cash equivalents | \$ 1,891,041 | \$ 1,510,392 |
| Fixed income mutual funds | 2,660,742 | 2,644,516 |
| Equity mutual funds | 7,758,489 | 4,767,413 |
| | <u>\$ 12,310,272</u> | <u>\$ 8,922,321</u> |

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Restricted gift funds are comprised of cash or cash equivalents at September 30, 2012 and 2011

Other Investments

Other investments include

| | 2012 | 2011 |
|-----------------------------|-----------------------------|-----------------------------|
| Cash and money market funds | \$ 1,689,282 | \$ 527,327 |
| Corporate bonds | | |
| Services | 7,854,234 | 7,204,878 |
| Financial | 714,519 | 2,765,183 |
| Healthcare | 5,227,874 | 2,842,347 |
| International | 1,011,400 | 8,132,754 |
| Industrial | - | - |
| Conglomerates | - | - |
| Basic | - | - |
| Technology | 4,836,778 | 5,095,330 |
| Consumers | 4,461,895 | 4,525,198 |
| Utilities | - | - |
| Fixed income mutual funds | 8,289,166 | 8,063,897 |
| Equity mutual funds | 11,055,974 | 6,570,107 |
| U S agency securities | 11,386,115 | 8,817,621 |
| | <u>56,527,237</u> | <u>54,544,642</u> |
| Less short-term investments | <u>21,040,497</u> | <u>15,734,835</u> |
| | <u><u>\$ 35,486,740</u></u> | <u><u>\$ 38,809,807</u></u> |

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Total investment return is comprised of the following

| | 2012 | 2011 |
|--|---------------------|-------------------|
| Interest and dividend income | \$ 1,363,267 | \$ 2,025,217 |
| Net realized gains on investments | 861,213 | 152,368 |
| Change in net unrealized gains (losses) on investments | 2,874,928 | (1,476,837) |
| | <u>\$ 5,099,408</u> | <u>\$ 700,748</u> |

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

| | 2012 | 2011 |
|------------------------------------|---------------------|-------------------|
| Unrestricted net assets | | |
| Other nonoperating income | \$ 5,099,408 | \$ 759,082 |
| Changes in unrestricted net assets | <u>-</u> | <u>(58,334)</u> |
| | <u>\$ 5,099,408</u> | <u>\$ 700,748</u> |

Note 5: Risk Management

Medical Malpractice Claims

The System is self-insured for medical malpractice risks for both its hospital and physician health care operations. The System purchases excess loss insurance for claims that exceed varying amounts, subject to aggregate excess loss limits. Losses from asserted and unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued malpractice losses have been estimated by professional insurance consultants and have been discounted at a rate of 3.0% in 2012 and 2011. The System has accrued estimated losses totaling approximately \$3,930,000 and \$4,375,000 at September 30, 2012 and 2011, respectively. It is reasonably possible that the System's estimate of losses will change by a material amount in the near term.

Employee Health Insurance

The System is self-insured for employee health claims, subject to certain reinsurance limits for claims exceeding self-insured limits. A reserve has been established for unpaid claims and claims incurred but not reported based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. The System had recorded a reserve for employee health claims of approximately \$1,504,000 and \$1,555,000 at September 30, 2012 and 2011, respectively, which is included with accrued expenses and other liabilities on the accompanying combined balance sheets. It is reasonably possible that the System's estimate will change by a material amount in the near term.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Workers' Compensation

The Medical Center is a self-insured subscriber to the Texas Workers' Compensation Insurance Program. The Medical Center accrues its estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the Medical Center's loss history. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

General Liability

The System is self-insured for general liability risks. The System purchases excess loss insurance for claims exceeding self-insured limits. The System accrues its estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the System's loss history. As of September 30, 2012 and 2011, no amount had been accrued based on such experience. It is reasonably possible that the System's estimate will change by a material amount in the near term.

Note 6: Promise Payable

The Medical Center has promised to support indigent activities in certain counties and as a result has recorded a promise payable of approximately \$850,000 and \$2,284,000, which is included in accrued expenses on the combined balance sheets at September 30, 2012 and 2011, respectively.

Note 7: Long-term Debt

The System's long-term debt at September 30 was

| | 2012 | 2011 |
|---------------------------|--------------------------|--------------------------|
| Capital lease obligations | \$ 361,708 | \$ 483,421 |
| Less current maturities | <u>125,327</u> | <u>121,713</u> |
| | <u><u>\$ 236,381</u></u> | <u><u>\$ 361,708</u></u> |

The System has entered various lease arrangements accounted for as capital leases. These capital lease obligations have imputed rates of interest that range from 2.67% to 3.02%, mature through 2015 and are secured by leased equipment with a cost of \$768,345 and accumulated depreciation of \$406,637 as of September 30, 2012.

Shannon Health System
Notes to Combined Financial Statements
September 30, 2012 and 2011

Aggregate annual maturities on capital lease obligations at September 30, 2012, are as follows

| | |
|--|--------------------------|
| 2013 | \$ 134.208 |
| 2014 | 134.208 |
| 2015 | <u>109.213</u> |
| | 377.629 |
| Less amount representing interest | <u>15.921</u> |
| Present value of future minimum lease payments | 361.708 |
| Less current maturities | <u>125.327</u> |
| Noncurrent portion | <u><u>\$ 236.381</u></u> |

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods

| | <u>2012</u> | <u>2011</u> |
|---|------------------------------|------------------------------|
| Health care services and purchases of equipment | \$ 2,380.490 | \$ 2,225.189 |
| Retirement plan termination | 9,789.439 | - |
| Future periods | <u>140,276.648</u> | <u>112,059.035</u> |
| | <u><u>\$ 152,446.577</u></u> | <u><u>\$ 114,284.224</u></u> |

Note 9: Charity Care

The System maintains records which identify and monitor the level of charity care they provide. These records include charges and costs for services and supplies furnished under the financial assistance policies. The cost of charity care provided during the years ended September 30, 2012 and 2011, totaled \$20,221,000, and \$17,827,000. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 10: Functional Expenses

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

| | <u>2012</u> | <u>2011</u> |
|----------------------------|------------------------------|------------------------------|
| Health care services | \$ 226,902,110 | \$ 211,413,182 |
| General and administrative | <u>89,973,726</u> | <u>89,293,487</u> |
| | <u><u>\$ 316,875,836</u></u> | <u><u>\$ 300,706,669</u></u> |

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Note 11: Pension Plan

The System has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements (the Employee Plan). The Employee Plan was frozen on July 1, 2005. In 2012, it was determined that the Employee Plan was going to be terminated. As discussed in Note 17, the Medical Center effectively terminated the plan subsequent to year end. The Medical Center's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Medical Center may determine to be appropriate from time to time. The Medical Center expects to contribute approximately \$17,967,000 to the Employee Plan in 2013.

The Medical Center also has a Supplemental Executive Retirement Plan (SERP) covering certain members of management. The Medical Center's funding policy is to contribute the amount of pension benefit payments at the time the benefit is paid. The Medical Center does not expect to contribute to the SERP in 2013.

The Medical Center's measurement date is September 30.

Information about the plans' funded status is shown below.

| | Employee Plan | | SERP | |
|---------------------------|------------------------|------------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Benefit obligation | \$ (41,783,188) | \$ (37,574,059) | \$ (1,350,665) | \$ (1,180,308) |
| Fair value of plan assets | 23,816,246 | 23,111,512 | - | - |
| Funded status | <u>\$ (17,966,942)</u> | <u>\$ (14,462,547)</u> | <u>\$ (1,350,665)</u> | <u>\$ (1,180,308)</u> |

Assets and liabilities recognized in the Medical Center's balance sheets follow.

| | Employee Plan | | SERP | |
|------------------------|---------------|------------|-----------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Current liabilities | \$ 17,966,942 | \$ - | \$ - | \$ - |
| Noncurrent liabilities | - | 14,462,547 | 1,350,665 | 1,180,308 |

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

| | Employee Plan | | SERP | |
|----------|----------------------|----------------------|-------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net loss | <u>\$ 22,144,681</u> | <u>\$ 18,389,961</u> | <u>\$ 328,168</u> | <u>\$ 445,548</u> |

Shannon Health System
Notes to Combined Financial Statements
September 30, 2012 and 2011

The accumulated benefit obligation compared to plan assets is as follows

| | Employee Plan | | SERP | |
|--------------------------------|----------------------|-----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Accumulated benefit obligation | \$ (41,783,188) | \$ (37,574,059) | \$ (1,317,678) | \$ (1,143,568) |
| Fair value of plan assets | \$ 23,816,246 | \$ 23,111,512 | \$ - | \$ - |

Other significant balances and costs are

| | Employee Plan | | SERP | |
|------------------------|----------------------|-------------|-------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Employer contributions | \$ 954,972 | \$ 972,757 | \$ - | \$ - |
| Benefits paid | 1,510,098 | 1,299,075 | - | - |
| Benefit costs | 704,647 | 116,501 | 287,737 | 255,060 |

The following amounts have been recognized in the Medical Center's statements of operations and changes in net assets for the years ended September 30, 2012 and 2011

| | Employee Plan | | SERP | |
|---|----------------------|--------------|-------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Amounts arising during the period | | | | |
| Net loss (gain) | \$ 4,609,311 | \$ 3,052,924 | \$ (20,338) | \$ 35,806 |
| Amounts reclassified as components of net periodic benefit cost of the period | | | | |
| Net gain | (854,591) | (543,831) | (97,042) | (92,316) |

No plan assets are expected to be returned to the employer during the twelve months ending September 30, 2013

The estimated net loss for the Employee Plan and SERP that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year is \$0 and \$81,306, respectively

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Significant assumptions include

| | Employee Plan | | SERP | |
|--|----------------------|-------------|-------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Weighted-average assumptions used to determine benefit obligations | | | | |
| Discount rate | 4.30% | 5.33% | 7.00% | 7.00% |
| Rate of compensation increase | N/A | N/A | 3.80% | 3.80% |
| | | | | |
| | Employee Plan | | SERP | |
| | 2012 | 2011 | 2012 | 2011 |
| Weighted-average assumptions used to determine benefit costs | | | | |
| Discount rate | 5.33% | 4.91% | 7.00% | 7.00% |
| Expected return on plan assets | 3.00% | 7.50% | N/A | N/A |
| Rate of compensation increase | N/A | N/A | 3.80% | 3.80% |

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

The Medical Center terminated the Employee Plan subsequent to September 30, 2012, and expects to pay all benefits owed under the Plan by September 30, 2013. The future benefit payments shown below reflect expected future service, as appropriate, as they are expected to be paid by the Medical Center as of September 30, 2012.

| | Employee Plan | SERP |
|------|----------------------|-------------|
| 2013 | \$ 41,783,188 | \$ - |
| 2014 | - | 282,895 |
| 2015 | - | - |
| 2016 | - | 1,723,258 |

Plan assets of the Employee Plan are held in trust under the direction of the plan trustee, Goldman Sachs & Co. The investment objectives for the trust are to provide returns, which improve the funded status of the Medical Center's plans over time and reduce pension costs, and to receive favorable performance from the pension fund's active managers in exchange for the fees paid to the investment management fund.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Based on the risk posture of the trustee, the trustee has developed the following asset mix targets which reflect holdings of the Medical Center at September 30, 2012

| | |
|-----------------|-----|
| Cash | 96% |
| Debt securities | 4% |

A nonqualified plan trust has been created for the purpose of funding SERP obligations. However, certain rights are retained by general creditors of the Medical Center with respect to assets held in trust and, therefore, the trust assets would not be treated as sufficiently separated from the employer to constitute plan assets under accounting principles generally accepted in the United States of America. The assets held in this trust are reported on the combined balance sheets as a component of internally designated assets limited as to use.

Pension Plan Assets

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

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include U.S. Treasury and Agency obligations and hedge funds. The Medical Center did not hold any Level 3 securities in pension plans at September 30, 2012 and 2011.

The fair values of the pension plan assets at September 30, 2012 and 2011 are as follows:

| | Fair Value | Fair Value Measurements Using | | |
|-------------------------------------|---------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| September 30, 2012 | | | | |
| Money market funds | \$ 22,907,937 | \$ 22,907,937 | \$ - | \$ - |
| Fixed income mutual funds | 908,309 | 908,309 | - | - |
| September 30, 2011 | | | | |
| Money market funds | \$ 985,480 | \$ 985,480 | \$ - | \$ - |
| Fixed income mutual funds | 6,719,508 | 6,719,508 | - | - |
| Equity mutual funds | 3,809,363 | 3,809,363 | - | - |
| Equity securities | 5,454,753 | 5,454,753 | - | - |
| U.S. Treasury and agency securities | 4,000,065 | - | 4,000,065 | - |
| Hedge funds | 2,142,343 | - | 2,155,136 | - |

Shannon Health System
Notes to Combined Financial Statements
September 30, 2012 and 2011

Defined Contribution Plan

The System maintains a defined contribution retirement plan in which employees who have completed at least three months of service are eligible to participate. Participants may contribute up to 50% of pre-tax compensation. For each eligible participant, the System will make the following matching contributions: (1) 100% of the employee's contribution not in excess of 3% of the employee's compensation, plus (2) 50% of the employee's contribution between 3% and 5% of the employee's compensation. The System makes additional contributions ranging from 2.8% to 13.2% depending on the employee's total compensation. Employees are fully vested in the System's matching contributions when they are paid, while additional contributions are vested over a six-year period. The System recognized approximately \$9,316,000 and \$8,724,000 in expense related to this plan during the years ended September 30, 2012 and 2011, respectively.

Deferred Compensation Plan

The System also offers a nonqualified deferred compensation plan for certain physicians and executives. Benefits generally vest over a period of five years. Amounts accrued related to this plan were approximately \$11,747,000 and \$8,847,000 at September 30, 2012 and 2011, respectively.

Note 12: Related Party Transactions

The System receives contributions, which are listed as assets released from restrictions on the combined statements of changes in net assets, from the Shannon Trust. The System also received contributions from the Shannon Trust of approximately \$17,009,000 and \$6,152,000 for the years ended September 30, 2012 and 2011, respectively. Approximately \$7,000,000 of the contribution made in 2012 was provided to purchase capital assets and the balance was restricted to use in terminating the defined benefit pension plan.

The Medical Center holds a non-controlling membership interest in the Service Organization of Concho Valley (the Organization). Organized in 2010, the Organization's primary purpose is to improve the health care of residents in west Texas through multiple means. A member of management of the Medical Center serves on the Board of Directors of the Organization. The Medical Center contributed \$4,317,000, and \$3,150,000 to the Organization in 2012 and 2011, respectively, that was recorded as other operating expense in the combined statement of operations and changes in net assets during the year ended September 30, 2012.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Note 13: Acquisition

Prior to April 5, 2012, the date of purchase, the Medical Center owned a 37.97% interest in Regional Cancer Treatment Center (RCTC) which was accounted for under the equity method of accounting. On April 5, 2012, the Medical Center acquired an additional 34.35% interest in RCTC for a total interest of 72.32% which is a controlling interest in RCTC. The increase in ownership to 72.32% was accounted for under the acquisition method of accounting whereby the total implied fair value was allocated to assets acquired and liabilities assumed based on their estimated fair value at the date of the acquisition. The majority of assets and liabilities acquired were short-term in nature and the unordinary carrying value of the assets and liabilities approximated fair value. RCTC's operations are included in the financial statements of the Medical Center from the date of the purchase of the incremental interest.

The Medical Center paid \$2,695,454 for the additional 34.35% interest. The excess of the implied fair value of approximately \$7,822,000, over the fair value of the identifiable assets acquired, net of liabilities assumed was recorded as goodwill totaling approximately \$1,805,000. The Medical Center expects the acquisition will allow it to provide more comprehensive health care services in its current service area and achieve cost savings through elimination of certain duplicative administrative and other functions.

The re-measurement of the Medical Center's 37.97% prior ownership interest to fair value at April 5, 2012, resulted in a gain of approximately \$683,000 that was recorded as other income in the statement of operations and changes in net assets during the year ended September 30, 2012.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration and implied fair value

| | |
|---|------------------|
| Cash consideration | \$ 2,695,454 |
| Implied value of 37.97% interest | 2,961,401 |
| Implied value of non-controlling interest | <u>2,165,124</u> |

| | |
|--------------------------|------------------|
| Total implied fair value | <u>7,821,979</u> |
|--------------------------|------------------|

Recognized amounts of identifiable assets acquired and liabilities assumed

| | |
|-------------------------------|---------------|
| Cash | 2,070,634 |
| Short-term investments | 3,205,273 |
| Accounts receivable | 355,592 |
| Other current assets | 200,957 |
| Property, plant and equipment | 259,308 |
| Other assets | <u>22,456</u> |
| Total assets | 6,114,220 |

| | |
|---------------------|---------------|
| Current liabilities | <u>96,980</u> |
|---------------------|---------------|

| | |
|-------------------------------|------------------|
| Total identifiable net assets | <u>6,017,240</u> |
|-------------------------------|------------------|

| | |
|----------|---------------------|
| Goodwill | <u>\$ 1,804,739</u> |
|----------|---------------------|

Shannon Health System
Notes to Combined Financial Statements
September 30, 2012 and 2011

Note 14: Disclosures About Fair Value of Assets and Liabilities

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

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

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

Investments and Assets Limited as to Use

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

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

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

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

| | | Fair Value Measurements Using | | |
|------------------------------------|--------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | Fair Value | | | |
| September 30, 2012 | | | | |
| Money market funds | \$ 4,210,800 | \$ 4,210,800 | \$ - | \$ - |
| Fixed income mutual funds | 11,181,817 | 11,181,817 | - | - |
| Equity mutual funds | 19,608,722 | 19,608,722 | - | - |
| Equity securities | | | | |
| Services | 301,668 | 301,668 | - | - |
| Financial | 318,460 | 318,460 | - | - |
| Healthcare | 141,473 | 141,473 | - | - |
| International | 690,058 | 690,058 | - | - |
| Basic | 74,275 | 74,275 | - | - |
| Technology | 401,335 | 401,335 | - | - |
| Consumers | 140,666 | 140,666 | - | - |
| Utilities | 31,998 | 31,998 | - | - |
| U S Treasury and agency securities | 12,670,539 | - | 12,670,539 | - |
| Corporate bonds | | | | |
| Services | 8,258,222 | - | 8,258,222 | - |
| Financial | 1,259,143 | - | 1,259,143 | - |
| Healthcare | 5,451,920 | - | 5,451,920 | - |
| International | 1,011,400 | - | 1,011,400 | - |
| Technology | 5,905,388 | - | 5,905,388 | - |
| Consumers | 4,917,984 | - | 4,917,984 | - |
| Utilities | 247,528 | - | 247,528 | - |

Shannon Health System
Notes to Combined Financial Statements
September 30, 2012 and 2011

| | | Fair Value Measurements Using | | |
|------------------------------------|--------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | Fair Value | | | |
| September 30, 2011 | | | | |
| Money market funds | \$ 2,430,881 | \$ 2,430,881 | \$ - | \$ - |
| Fixed income mutual funds | 11,329,502 | 11,329,502 | - | - |
| Equity mutual funds | 11,545,437 | 11,545,437 | - | - |
| Equity securities | | | | |
| Services | 251,635 | 251,635 | - | - |
| Financial | 387,776 | 387,776 | - | - |
| Healthcare | 187,099 | 187,099 | - | - |
| International | 5,407 | 5,407 | - | - |
| Industrial | 87,693 | 87,693 | - | - |
| Conglomerates | - | - | - | - |
| Basic | 221,728 | 221,728 | - | - |
| Technology | 309,303 | 309,303 | - | - |
| Consumers | 232,976 | 232,976 | - | - |
| Utilities | 89,603 | 89,603 | - | - |
| U S Treasury and agency securities | 8,817,621 | - | 8,817,621 | - |
| Corporate bonds | | | | |
| Services | 7,868,917 | - | 7,868,917 | - |
| Financial | 4,458,425 | - | 4,458,425 | - |
| Healthcare | 3,524,731 | - | 3,524,731 | - |
| International | 8,132,754 | - | 8,132,754 | - |
| Industrial | 252,045 | - | 252,045 | - |
| Technology | 5,790,396 | - | 5,790,396 | - |
| Consumers | 4,771,477 | - | 4,771,477 | - |

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

Cash and Cash Equivalents

The carrying amount approximates fair value

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Interest in Shannon Trust

The fair value is estimated using the fair value of the assets held by the Shannon Trust trustees

The following table presents estimated fair values of the System's financial instruments not previously disclosed at September 30, 2012 and 2011

| | 2012 | | 2011 | |
|--|-----------------|---------------|-----------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | \$ 12,427,213 | \$ 12,427,213 | \$ 1,564,316 | \$ 1,564,316 |
| Investments and assets limited as to use | | - | 527,327 | 527,327 |
| Cash and cash equivalents | 4,210,800 | 4,210,800 | 2,430,881 | 2,430,881 |
| Fixed income mutual funds | 11,181,817 | 11,181,817 | 11,329,502 | 11,329,502 |
| Equity mutual funds | 19,608,722 | | 11,545,437 | |
| Equity securities | - | - | - | - |
| U S Treasury and agency securities | 12,670,539 | 12,670,539 | 8,817,621 | 8,817,621 |
| Corporate bonds | - | - | - | - |
| Interest in Shannon Trust | 140,276,648 | 140,276,648 | 112,059,035 | 112,059,035 |

Note 15: Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Investments and Assets Limited as to Use

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

General Liability and Malpractice Claims

Estimates related to the accrual for general liability and medical malpractice claims are described in Notes 1 and 6.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Risk Sharing Arrangement

Effective March 1, 2012, the Medical Center entered a risk sharing arrangement with SHA, LLC, a Texas health maintenance organization, to share risk related to certain covered Medicaid managed care members residing in the Medical Center's service area. Pursuant to this agreement, the Medical Center will pay or receive funds depending on the medical loss ratio (MLR) related to covered members. A MLR below 87% will result in the Medical Center receiving funds, while MLR above 89% will require the Medical Center to make a payment to SHA, LLC. This agreement expires on August 31, 2013, at which time the amounts owed under the contract will be determined. As of September 30, 2012, the Medical Center has accrued \$426,417 in potential payments under this agreement.

Litigation

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

Health Care Reform

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is possible that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. The reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional. The state of Texas has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the System's reduced revenue from other Medicare/Medicaid programs.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is reasonably possible that it will have a negative impact on the System's net patient service revenue. Additionally, it is possible that the System's will experience payment delays and other operational challenges during PPACA's implementation.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2012 and 2011

Asset Retirement Obligation

As discussed in *Note 16*, the System has recorded a liability for its conditional asset retirement obligations (ARO) related to asbestos contained in buildings that the System owns

Pension Benefit Obligations

The Medical Center has two noncontributory defined benefit pension plans, whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Note 16: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an ARO associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The System's conditional ARO is primarily related to asbestos contained in buildings that the System owns. Environmental regulations exist that require the System to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

The amount of ARO recorded at September 30, 2012 and 2011, is \$766,395 and \$729,900, respectively. A summary of changes in AROs for the years ended September 30, 2012 and 2011 is included in the table below.

| | 2012 | 2011 |
|------------------------------|-------------------|-------------------|
| Liability, beginning of year | \$ 729,900 | \$ 695,143 |
| Accretion expense | 36,495 | 34,757 |
| Liability, end of year | <u>\$ 766,395</u> | <u>\$ 729,900</u> |

Note 17: Subsequent Events

Subsequent to year end the Medical Center effectively terminated their defined benefit plan. As a result of this termination the obligation has been reclassified from non-current to current on the combined balance sheet.

Subsequent events have been evaluated through April 29, 2013, which is the date the combined financial statements were available to be issued.

Supplementary Information

Shannon Health System

Balance Sheet Information – Combining Schedule

September 30, 2012

| | Shannon Health System | Shannon Medical Center | Shannon Clinic | Shannon Medical Management | RCTC | Eliminations | Combined |
|--|-----------------------------|------------------------------|-------------------|----------------------------------|--------------|--------------|----------------|
| Assets | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 9 656 456 | \$ (172 785) | \$ - | \$ 2 943 542 | \$ - | \$ 12 427 213 |
| Short-term investments | - | 17 718 449 | - | - | 3 322 048 | - | 21 040 497 |
| Assets limited as to use - current | - | 2 680 886 | - | - | - | - | 2 680 886 |
| Patient accounts receivable | - | 19 993 710 | 14 832 617 | - | 395 760 | - | 35 222 087 |
| Prepaid expenses and other | 48 767 | 7 570 978 | 1 624 295 | 90 246 | 109 118 | (92 033) | 9 351 371 |
| Total current assets | 48 767 | 57 620 479 | 16 284 127 | 90 246 | 6 770 468 | (92 033) | 80 722 054 |
| Assets Whose Use is Limited or Restricted, Net of Current Portion | | | | | | | |
| Restricted gift funds | - | 2 380 489 | - | - | - | - | 2 380 489 |
| Held by trustee - deferred compensation | - | 632 338 | 11 611 770 | 66 164 | - | - | 12 310 272 |
| Held by trustee - malpractice funding arrangement | - | 7 985 887 | - | - | - | - | 7 985 887 |
| | - | 10 998 714 | 11 611 770 | 66 164 | - | - | 22 676 648 |
| Less amount required to meet current obligations | - | 2 680 886 | - | - | - | - | 2 680 886 |
| | - | 8 317 828 | 11 611 770 | 66 164 | - | - | 19 995 762 |
| Investments | - | 35 486 740 | - | - | - | - | 35 486 740 |
| Property and Equipment, At Cost | | | | | | | |
| Land and land improvements | - | 9 829 833 | - | - | - | - | 9 829 833 |
| Buildings and leasehold improvements | - | 107 073 676 | - | - | - | (133 225) | 106 940 451 |
| Equipment | - | 126 903 694 | 12 244 024 | 5 472 039 | 5 151 686 | - | 149 771 443 |
| Construction in progress | - | 3 630 668 | - | - | - | - | 3 630 668 |
| | - | 247 437 871 | 12 244 024 | 5 472 039 | 5 151 686 | (133 225) | 270 172 395 |
| Less accumulated depreciation | - | 160 563 336 | 9 631 115 | 4 144 036 | 4 846 667 | - | 179 185 154 |
| | - | 86 874 535 | 2 612 909 | 1 328 003 | 305 019 | (133 225) | 90 987 241 |
| Other Assets | | | | | | | |
| Interest in net assets of Shannon Trust | - | 140 276 648 | - | - | - | - | 140 276 648 |
| Other noncurrent assets | - | 2 680 751 | - | - | 22 456 | - | 2 703 207 |
| | - | 142 957 399 | - | - | 22 456 | - | 142 979 855 |
| Total assets | \$ 48 767 | \$ 331 256 981 | \$ 30 508 806 | \$ 1 484 413 | \$ 7 097 943 | \$ (225 258) | \$ 370 171 652 |

Shannon Health System

Balance Sheet Information – Combining Schedule

September 30, 2012

| | Shannon Health System | Shannon Medical Center | Shannon Clinic | Shannon Medical Management | RCTC | Eliminations | Combined |
|--|-----------------------------|------------------------------|-------------------|----------------------------------|--------------|--------------|----------------|
| Current Liabilities | | | | | | | |
| Current maturities of long-term debt | \$ - | \$ - | \$ 125 327 | \$ - | \$ - | \$ - | \$ 125 327 |
| Accounts payable | 4 062 | 6 376 989 | 1 633 647 | 56 839 | 49 008 | - | 8 120 545 |
| Accrued expenses and other liabilities | - | 10 890 331 | 7 656 876 | 2 163 914 | 57 349 | (92 033) | 20 676 437 |
| Accrued pension liability | - | 17 966 942 | - | - | - | - | 17 966 942 |
| Estimated amounts due to third-party payers | - | 5 013 592 | - | - | - | - | 5 013 592 |
| Current portion of estimated malpractice costs | - | 300 397 | - | - | - | - | 300 397 |
| Total current liabilities | 4 062 | 40 548 251 | 9 415 850 | 2 220 753 | 106 357 | (92 033) | 52 203 240 |
| Estimated Malpractice Costs | - | 1 585 776 | 2 043 355 | - | - | - | 3 629 131 |
| Long-term Debt | - | - | 236 381 | - | - | - | 236 381 |
| Other Liabilities | | | | | | | |
| Accrued pension liability | - | 1 350 665 | - | - | - | - | 1 350 665 |
| Other noncurrent liabilities | - | 1 266 010 | 13 110 778 | 66 163 | - | - | 14 442 951 |
| Total liabilities | 4 062 | 44 750 702 | 24 806 364 | 2 286 916 | 106 357 | (92 033) | 71 862 368 |
| Net Assets (Deficit) | | | | | | | |
| Unrestricted | | | | | | | |
| Shannon Health System | 44 705 | 134 059 702 | 5 702 442 | (802 503) | 4 556 763 | (133 225) | 143 427 884 |
| Noncontrolling interest | - | - | - | - | 2 434 823 | - | 2 434 823 |
| Total unrestricted net assets | 44 705 | 134 059 702 | 5 702 442 | (802 503) | 6 991 586 | (133 225) | 145 862 707 |
| Temporarily restricted | - | 152 446 577 | - | - | - | - | 152 446 577 |
| Total net assets (deficit) | 44 705 | 286 506 279 | 5 702 442 | (802 503) | 6 991 586 | (133 225) | 298 309 284 |
| Total liabilities and net assets | \$ 48 767 | \$ 331 256 981 | \$ 30 508 806 | \$ 1 484 413 | \$ 7 097 943 | \$ (225 258) | \$ 370 171 652 |

Shannon Health System

Statement of Operations Information – Combining Schedule

Year Ended September 30, 2012

| | Shannon Health System | Shannon Medical Center | Shannon Clinic | Shannon Medical Management | RCTC | Eliminations | Combined |
|---|-----------------------------|------------------------------|------------------------|----------------------------------|-------------------|--------------|---------------------|
| Unrestricted Revenues, Gains and Other Support | | | | | | | |
| Patient service revenue (net of contractual discounts and allowances) | \$ - | \$ 233 760 299 | \$ 104 440 538 | \$ 62 376 | \$ 2 555 597 | \$ - | \$ 340 818 810 |
| Provision for uncollectible accounts | - | (26 596 064) | (7 775 572) | (1 652) | (480 932) | 6 740 | (34 847 480) |
| Net patient service revenue less provision for uncollectible accounts | - | 207 164 235 | 96 664 966 | 60 724 | 2 074 665 | 6 740 | 305 971 330 |
| Other revenues | 22 137 | 11 033 489 | (30 564 970) | 39 934 241 | 9 876 | (11 931 272) | 8 503 501 |
| Total unrestricted revenues, gains and other support | 22 137 | 218 197 724 | 66 099 996 | 39 994 965 | 2 084 541 | (11 924 532) | 314 474 831 |
| Expenses and Losses | | | | | | | |
| Salaries, wages and employee benefits | - | 92 043 731 | 81 475 300 | 27 589 012 | 584 912 | 676 931 | 202 369 886 |
| Supplies and other | 57 661 | 90 004 958 | 13 971 986 | 10 245 440 | 498 074 | (12 601 463) | 102 176 656 |
| Depreciation and amortization | - | 10 830 359 | 1 083 352 | 257 013 | 146 075 | - | 12 316 799 |
| Interest | - | - | 12 495 | - | - | - | 12 495 |
| Total expenses and losses | 57 661 | 192 879 048 | 96 543 133 | 38 091 465 | 1 229 061 | (11 924 532) | 316 875 836 |
| Income (Loss) From Operations | (35 524) | 25 318 676 | (30 443 137) | 1 903 500 | 855 480 | - | (2 401 005) |
| Other Income (Expense) | | | | | | | |
| Investment return | - | 2 222 763 | - | 72 | 1 645 | - | 2 224 480 |
| Unrealized gains and losses on trading securities | - | 2 786 857 | - | - | 88 071 | - | 2 874 928 |
| Other income | - | 1 442 166 | - | - | 29 150 | - | 1 471 316 |
| Excess (Deficiency) of Revenues Over Expenses | <u>\$ (35 524)</u> | <u>\$ 31 770 462</u> | <u>\$ (30 443 137)</u> | <u>\$ 1 903 572</u> | <u>\$ 974 346</u> | <u>\$ -</u> | <u>\$ 4 169 719</u> |

Shannon Health System

Statement of Operations Information – Combining Schedule

Year Ended September 30, 2012

| | Shannon Health System | Shannon Medical Center | Shannon Clinic | Shannon Medical Management | RCTC | Eliminations | Combined |
|--|-----------------------------|------------------------------|---------------------|----------------------------------|---------------------|---------------------|-----------------------|
| Unrestricted Net Assets | | | | | | | |
| Excess (Deficiency) of Revenues Over Expenses | \$ (35,524) | \$ 31,770,462 | \$ (30,443,137) | \$ 1,903,572 | \$ 974,346 | \$ - | \$ 4,169,719 |
| Contributions for acquisition of property and equipment | - | 489,992 | - | - | - | - | 489,992 |
| Change in pension liability | - | (3,637,340) | - | - | - | - | (3,637,340) |
| Transfers to (from) affiliates | 186,890 | (30,136,112) | 31,152,166 | (1,202,944) | - | - | - |
| Net assets released from restriction used for purchase of property and equipment | - | 7,000,000 | - | - | - | - | 7,000,000 |
| Noncontrolling interest of net assets acquired | - | 2,165,124 | - | - | - | - | 2,165,124 |
| | <u>151,366</u> | <u>7,652,126</u> | <u>709,029</u> | <u>700,628</u> | <u>974,346</u> | <u>-</u> | <u>10,187,495</u> |
| Temporarily Restricted Net Assets | | | | | | | |
| Change in interest in net assets of Shannon Trust | - | 45,007,052 | - | - | - | - | 45,007,052 |
| Contributions | - | 978,151 | - | - | - | - | 978,151 |
| Net assets released from restrictions | - | (7,822,850) | - | - | - | - | (7,822,850) |
| | <u>-</u> | <u>38,162,353</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>38,162,353</u> |
| Change in Net Assets | <u>151,366</u> | <u>45,814,479</u> | <u>709,029</u> | <u>700,628</u> | <u>974,346</u> | <u>-</u> | <u>48,349,848</u> |
| Net Assets (Deficit), Beginning of Year | <u>(106,661)</u> | <u>240,691,800</u> | <u>4,993,413</u> | <u>(1,503,131)</u> | <u>6,017,240</u> | <u>(133,225)</u> | <u>249,959,436</u> |
| Net Assets (Deficit), End of Year | <u>\$ -44,705</u> | <u>\$ 286,506,279</u> | <u>\$ 5,702,442</u> | <u>\$ (802,503)</u> | <u>\$ 6,991,586</u> | <u>\$ (133,225)</u> | <u>\$ 298,309,284</u> |