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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>2012</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 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization BAPTIST HEALTH SYSTEM INC		D Employer identification number 63-0312913
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) PO BOX 830605	Room/suite	E Telephone number (205) 715-5716
	City or town, state or country, and ZIP + 4 BIRMINGHAM, AL 352830605		
			G Gross receipts \$ 598,276,177
F Name and address of principal officer MICHAEL SHANE SPEES PO BOX 830605 BIRMINGHAM, AL 352830605		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) () <input type="checkbox"/> (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(c) Group exemption number <input type="text"/>	
J Website: <input type="text"/> WWW.BHSALA.COM			
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other <input type="text"/>		L Year of formation 1922	M State of legal domicile AL

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities "AS A WITNESS TO THE LOVE OF GOD, REVEALED THROUGH JESUS CHRIST, THE BAPTIST HEALTH SYSTEM IS COMMITTED TO MINISTRIES THAT ENHANCE THE HEALTH, DIGNITY, AND WHOLENESS OF THOSE WE SERVE, THROUGH INTEGRITY, COMPASSION, ADVOCACY, RESOURCEFULNESS, AND EXCELLENCE "			
	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	13
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	13
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	5,077
6	Total number of volunteers (estimate if necessary)	6	303	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	-327,538	
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-327,538	
Revenue			Prior Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)	1,494,140	4,025,083
	9	Program service revenue (Part VIII, line 2g)	531,004,813	465,258,030
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	8,004,267	8,181,664
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,672,484	11,125,745
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	544,175,704	488,590,522
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	209,548,049	217,442,482
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	334,615,373	257,576,262
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	544,163,422	475,018,744
	19	Revenue less expenses Subtract line 18 from line 12	12,282	13,571,778
	Net Assets or Fund Balances			Beginning of Current Year
20		Total assets (Part X, line 16)	711,170,840	735,275,852
21		Total liabilities (Part X, line 26)	513,794,512	553,262,816
22		Net assets or fund balances Subtract line 21 from line 20	197,376,328	182,013,036

Part II Signature Block

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

Sign Here	***** Signature of officer			2013-10-10 Date	
	GREGORY D JOHNSTON SVP/CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name JC ROUSE		Preparer's signature		Date
	Check <input type="checkbox"/> if self-employed			PTIN P00081132	
	Firm's name ► WARREN AVERETT LLC			Firm's EIN ► 45-4084437	
	Firm's address ► 2500 ACTON ROAD BIRMINGHAM, AL 35243			Phone no (205) 979-4100	

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

Part IIIStatement of Program Service Accomplishments

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

1Briefly describe the organization’s mission

"AS A WITNESS TO THE LOVE OF GOD, REVEALED THROUGH JESUS CHRIST, THE BAPTIST HEALTH SYSTEM IS COMMITTED TO MINISTRIES THAT ENHANCE THE HEALTH, DIGNITY, AND WHOLENESS OF THOSE WE SERVE, THROUGH INTEGRITY, COMPASSION, ADVOCACY, RESOURCEFULNESS, AND EXCELLENCE "

2Did 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





















3Did 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

4Describe 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 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 \$ 346,340,432 including grants of \$) (Revenue \$ 425,783,713)
PATIENT SERVICES -- BAPTIST HEALTH SYSTEM, INC ("BHS"), CONTINUES IN ITS CHARITABLE MISSION, WHICH BEGAN IN 1922, OF PROVIDING MEDICAL AND EDUCATIONAL SERVICES TO THE COMMUNITY THROUGH ITS FOUR HOSPITALS AND OTHER PATIENT CARE FACILITIES ONE OF THE HOSPITALS IS LOCATED WITHIN THE CITY LIMITS OF BIRMINGHAM, AL, WHICH ENABLES BHS TO PROVIDE SERVICES TO AREAS OF THE CITY WHICH MIGHT OTHERWISE BE UNDERSERVED THE CORPORATION ALSO OWNS AND OPERATES HOSPITALS IN TALLADEGA, JASPER, AND ALABASTER, AL SEVERAL OF THESE HOSPITALS SERVE RURAL COMMUNITIES WHICH, PRIOR TO BHS' INVOLVEMENT, WERE IN NEED OF STABLE HEALTH CARE FACILITIES THESE RURAL HOSPITALS PROVIDE MUCH NEEDED SERVICES (SUCH AS OBSTETRICS), TO AREAS OF ALABAMA THAT WOULD OTHERWISE BE UNDERSERVED BHS EXPERIENCES LOSSES FROM THE OPERATIONS OF SOME OF THESE HOSPITALS, WHICH FURTHER DEMONSTRATES ITS COMMITMENT TO SERVING THESE COMMUNITIES EACH HOSPITAL PARTICIPATES IN THE MEDICARE AND MEDICAID PROGRAMS BHS EXPERIENCES LARGE CONTRACTUAL ADJUSTMENTS DUE TO THE LIMITED REIMBURSEMENT PROVIDED BY THE GOVERNMENTAL PROGRAMS THE FOLLOWING CHART IS A BREAKDOWN OF TOTAL PATIENT DAYS INCLUDING THESE GOVERNMENTAL PROGRAMS PROGRAM PATIENT DAYS PERCENTAGEMEDICARE 72,429 42 42%MEDICARE HMO 26,768 15 68%MEDICAID 21,088 12 35%TRICARE 679 0 40%OTHER 49,762 29 15%TOTAL 170,726 100 00%ADDITIONALLY, EACH HOSPITAL PARTICIPATES IN VARIOUS OTHER STATE AND LOCAL MEDICAL PROGRAMS THIS PARTICIPATION IMPROVES ACCESS TO PATIENT CARE FOR THE COMMUNITIES SERVED BY BHS	
4b	(Code) (Expenses \$ 22,628,286 including grants of \$) (Revenue \$ 8,606,977)
CHARITY CARE -- THE BHS HOSPITALS PROVIDE A SIGNIFICANT AMOUNT OF CHARITY CARE TO THEIR COMMUNITIES NOTICES ARE POSTED IN EACH HOSPITAL TO INFORM PATIENTS THAT QUALITY HEALTH CARE SERVICES ARE AVAILABLE REGARDLESS OF A PERSON'S ABILITY TO PAY CHARITY CARE REVENUE IS MADE UP OF AN ALLOCATION OF MEDICAID ACCESS AND DSH PAYMENTS	
4c	(Code) (Expenses \$ 75,187,299 including grants of \$) (Revenue \$ 50,153,504)
GOVERNMENT SPONSORED HEALTHCARE -- GOVERNMENT SPONSORED HEALTHCARE INCLUDES UNPAID COSTS OF PUBLIC PROGRAMS, WHICH REPRESENTS THE SHORTFALL CREATED WHEN REIMBURSEMENTS ARE LESS THAN COSTS OF PROVIDING SERVICES BHS RECORDS SERVICES PROVIDED TO MEDICAID RECIPIENTS AFTER ANNUAL MEDICAID BENEFITS ARE EXHAUSTED AS CHARITY CARE	
	(Code) (Expenses \$ 7,869,678 including grants of \$) (Revenue \$ 4,046,328)
EDUCATION AND RESEARCH -- BHS IS ACTIVELY INVOLVED IN MEDICAL EDUCATION AND CLINICAL PASTORAL EDUCATION BHS CURRENTLY HAS APPROXIMATELY 92 RESIDENCY POSITIONS IN TRANSITIONAL YEAR, INTERNAL MEDICINE, PATHOLOGY, RADIOLOGY, AND GENERAL SURGERY PROGRAMS BHS'S MEDICAL EDUCATION PROGRAM ALSO PROVIDES CONTINUING EDUCATION TO LICENSED PHYSICIANS THE CLINICAL PASTORAL EDUCATION PROVIDES TRAINING FOR 10 RESIDENTS AS WELL AS NUMEROUS PART-TIME STUDENTS THIS TRAINING EQUIPS STUDENTS TO PROVIDE A BETTER LEVEL OF SPIRITUAL CARE TO PATIENTS IN ADDITION, BHS, IN CONJUNCTION WITH SEVERAL COLLEGES AND UNIVERSITIES OF NURSING, PROVIDES TRAINING FOR NURSES THAT ARE HIRED THROUGHOUT THE SOUTHEASTERN UNITED STATES	
	(Code) (Expenses \$ 1,065,684 including grants of \$) (Revenue \$ 0)
BHS CONTINUALLY PROVIDES MANY SERVICES IN HEALTH PROMOTION AND SCREENING TO THE PUBLIC FREE OF CHARGE, OR AT A NOMINAL COST SUCH SERVICES ARE PROVIDED THROUGH SCHOOLS, EMPLOYERS, AND FACILITIES THAT ARE EASILY ACCESSIBLE BY THE GENERAL PUBLIC EMPLOYEES ARE ENCOURAGED TO DEVOTE SERVICES TO OTHER CHARITABLE ORGANIZATIONS IN THE COMMUNITY, AS WELL AS TO PROVIDE FINANCIAL SUPPORT EMPLOYEES AND OTHER COMMUNITY MEMBERS HAVE ALSO PROVIDED SIGNIFICANT SUPPORT OF BHS' CHARITABLE ACTIVITIES--EVIDENCING THE COMMUNITIES' WILLINGNESS TO ACKNOWLEDGE AND SUPPORT THE MISSION OF BAPTIST HEALTH SYSTEM, INC	
4d	Other program services (Describe in Schedule O)
	(Expenses \$ 8,935,362 including grants of \$) (Revenue \$ 4,046,328)
4e	Total program service expenses 453,091,379

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, 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, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	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 and XII 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, Parts I and IV	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 United States? If "Yes," complete Schedule F, Parts 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 United States? If "Yes," complete Schedule F, Parts 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 (see instructions)	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 hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
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, line 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 lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If "Yes" to line 35a, 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 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	428
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	5,077
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, securities account, or other financial account)?	4a	Yes
b	If "Yes," enter the name of the foreign country: BB 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 as charitable contributions?	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 8822?	7c	No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the 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 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	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	13	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
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?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	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	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
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?	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
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 during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization GREGORY D JOHNSTON SVPCFO 3201 4TH AVENUE SOUTH BIRMINGHAM, AL (205) 715-5716

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 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) MICHAEL SHANE SPEES PRES & CEO/EXO-NONVOTING	40 00	X		X				1,521,610	0	21,611
(2) WAYNE PATE TRUSTEE	3 00	X						0	0	0
(3) JOHN HOLCOMB CHAIRMAN	3 00	X						0	0	0
(4) ANDY WESTMORELAND EDD SECRETARY	3 00	X						0	0	0
(5) CLEMENT COTTER MD TRUSTEE	3 00	X						0	0	0
(6) JIM EMACK JR TRUSTEE	3 00	X						0	0	0
(7) RICHARD FARRAR VICE CHAIRMAN	3 00	X						0	0	0
(8) JO MORRIS TRUSTEE	3 00	X						0	0	0
(9) ROGER PUTNAM TRUSTEE	3 00	X						0	0	0
(10) DORIS SEWELL TRUSTEE	3 00	X						0	0	0
(11) GENE DAVENPORT EX-OFFICIO, VOTING	3 00	X						0	0	0
(12) TIM CLARK MDIV EX-OFFICIO, VOTING	3 00	X						0	0	0
(13) MIKE MCLEMORE DD EX-OFFICIO, NON-VOTING	3 00	X						0	0	0
(14) BILL DECKER MDIV TRUSTEE	3 00	X						0	0	0
(15) DONTA WILSON TRUSTEE	3 00	X						0	0	0
(16) GREGORY D JOHNSTON SR VP & CFO	40 00			X				589,481	0	19,596
(17) KEITH PARROTT EVP & COO	40 00			X				784,985	0	21,194

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) CHARLES ALAN BRADFORD CHIEF HUMAN RESOURCES OFFICER	40 00			X				341,268	0	10,147
(19) DAVID WILSON ADMINISTRATOR	40 00				X			571,902	0	19,973
(20) ELIZABETH POSTLETHWAIT ADMINISTRATOR	40 00				X			423,705	0	8,213
(21) ROBERT PHILLIPS ADMINISTRATOR	40 00				X			266,476	0	22,907
(22) JOEL TAYLOR ADMINISTRATOR	40 00				X			245,380	0	23,680
(23) RICHARD SHIREY CHIEF INFORMATION OFFICER	40 00					X		523,191	0	26,618
(24) ELIZABETH ENNIS MD VP MED ED/RESEARCH	40 00					X		669,845	0	8,371
(25) GEORGE SCOTT FENN CHIEF INTEGRATION OFFICER	40 00					X		522,860	0	25,530
(26) AMY S ALLEN VP FINANCE/CHIEF ACCOUNTING OFFICER	40 00					X		463,585	0	17,856
(27) RICHARD EMBREY MD CHIEF MEDICAL OFFICER - PRN	40 00					X		401,825	0	23,563
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								7,326,113	0	249,259

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▶143

	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
BRASFIELD AND GORRIE GENERAL CONTRACTORS 3021 7TH AVE S BIRMINGHAM AL 352333502	CONSTRUCTION	15,408,346
SIEMENS MEDICAL SOLUTIONS USA INC 51 VALLEY STREAM PARKWAY MALVERN PA 19355	IT SERVICES	7,652,130
ANESTHESIOLOGISTS ASSOCIATED PC 801 PRINCETON AVE BIRMINGHAM AL 35211	MEDICAL SERVICES	3,869,876
CROTHALL HEALTHCARE 955 CHESTERBROOK BLVD WAYNE PA 19087	LAUNDRY SERVICES	3,002,644
HHA SERVICES INC 22622 HARPER ST CLAIR SHORES MI 48080	FACILITY SERVICES	2,563,710
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 ▶127		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	4,025,083			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	4,025,083			
Program Service Revenue	2a	NET PATIENT SERVICE RE	Business Code			
			900099	465,258,030	465,258,030	
	b					
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	465,258,030			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	6,820,895			6,820,895
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents	(i) Real	(ii) Personal		
			2,992,940			
			3,423,110			
			-430,170			
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)	-430,170		90,647	-520,817
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
			106,665,487	205,837		
			105,510,555	0		
			1,154,932	205,837		
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)	1,360,769			1,360,769
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events				
	9a	Gross income from gaming activities See Part IV, line 19				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities				
	10a	Gross sales of inventory, less returns and allowances				
	a		743,427			
	b	Less cost of goods sold b	751,990			
	c	Net income or (loss) from sales of inventory	-8,563	-8,563		
	Miscellaneous Revenue		Business Code			
	11a	SFAS 136 ADJUSTMENT	900099	8,261,350	8,261,350	
	b	DIETARY/CAFETERIA	900099	1,358,813	1,358,813	
	c	REFERENCE LABORATORY	621500	-418,185	-418,185	
	d	All other revenue		2,362,500	2,362,500	
	e	Total. Add lines 11a-11d		11,564,478		
	12	Total revenue. See Instructions	488,590,522	477,232,130	-327,538	7,660,847

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).

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.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	4,744,807		4,744,807	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	179,744,655	169,913,131	9,831,524	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).				
9	Other employee benefits.	32,953,020	30,093,407	2,859,613	
10	Payroll taxes.				
11	Fees for services (non-employees):				
a	Management.				
b	Legal.				
c	Accounting.				
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	19,800,500	17,585,888	2,214,612	
12	Advertising and promotion.				
13	Office expenses.				
14	Information technology.				
15	Royalties.				
16	Occupancy.				
17	Travel.				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	12,725,668	10,161,799	2,563,869	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	25,681,102	25,389,331	291,771	
23	Insurance.				
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	SUPPLIES AND OTHER EXPE	188,303,455	189,099,217	-795,762	
b	LEASE EXPENSE	11,065,537	10,848,606	216,931	
c					
d					
e	All other expenses.				
25	Total functional expenses. Add lines 1 through 24e.	475,018,744	453,091,379	21,927,365	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		345,437	1	264,772
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		41,672,120	4	53,197,470
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		5,948,921	7	6,045,413
	8	Inventories for sale or use		10,024,804	8	10,810,031
	9	Prepaid expenses and deferred charges		4,321,457	9	3,886,700
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	693,691,508		
	b	Less accumulated depreciation	10b	360,994,793	301,130,901	10c 332,696,715
	11	Investments—publicly traded securities		265,113,959	11	249,584,666
	12	Investments—other securities See Part IV, line 11		54,082,606	12	53,075,407
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		18,839,818	14	18,050,802
	15	Other assets See Part IV, line 11		9,690,817	15	7,663,876
	16	Total assets. Add lines 1 through 15 (must equal line 34)		711,170,840	16	735,275,852
Liabilities	17	Accounts payable and accrued expenses		54,627,512	17	53,305,227
	18	Grants payable			18	
	19	Deferred revenue		16,147,338	19	16,822,755
	20	Tax-exempt bond liabilities		279,578,489	20	266,713,702
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		4,019,068	23	14,162,426
	24	Unsecured notes and loans payable to unrelated third parties		28,228,315	24	53,402,127
	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		131,193,790	25	148,856,579
	26	Total liabilities. Add lines 17 through 25		513,794,512	26	553,262,816
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		158,003,370	27	151,473,208
	28	Temporarily restricted net assets		15,313,222	28	5,889,930
	29	Permanently restricted net assets		24,059,736	29	24,649,898
	Organizations that do not follow SFAS 117 (ASC 958), 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		197,376,328	33	182,013,036
	34	Total liabilities and net assets/fund balances		711,170,840	34	735,275,852

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	488,590,522
2	Total expenses (must equal Part IX, column (A), line 25)	2	475,018,744
3	Revenue less expenses Subtract line 2 from line 1	3	13,571,778
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	197,376,328
5	Net unrealized gains (losses) on investments	5	10,308,135
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-39,243,205
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	182,013,036

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
BAPTIST HEALTH SYSTEM INC

Employer identification number
63-0312913

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 described in **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 33¹/₃% 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 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- 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 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 monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 2012 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2011 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization BAPTIST HEALTH SYSTEM INC	Employer identification number 63-0312913
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		0													
b Total lobbying expenditures to influence a legislative body (direct lobbying)		70,760													
c Total lobbying expenditures (add lines 1a and 1b)		70,760													
d Other exempt purpose expenditures		474,947,984													
e Total exempt purpose expenditures (add lines 1c and 1d)		475,018,744													
f Lobbying nontaxable amount Enter the amount from the following table in both columns		1,000,000													
<table><tr><th>If the amount on line 1e, column (a) or (b) is:</th><th>The lobbying nontaxable amount is:</th></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)		250,000													
h Subtract line 1g from line 1a If zero or less, enter -0-		0													
i Subtract line 1f from line 1c If zero or less, enter -0-		0													
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No													

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	116,163	27,000	59,662	70,760	273,585
d Grassroots nontaxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures					

Part II-B

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

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

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BAPTIST HEALTH SYSTEM INC

Employer identification number

63-0312913

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 can 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 education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 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, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

Describe in Part XIII 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		38,570,917		38,570,917
b Buildings		287,290,257	136,193,831	151,096,426
c Leasehold improvements		2,558,538	1,713,987	844,551
d Equipment		269,520,711	221,965,035	47,555,676
e Other		95,751,085	1,121,940	94,629,145
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				332,696,715

Schedule D (Form 990) 2012

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return				
1	Total revenue, gains, and other support per audited financial statements			1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d			2e
3	Subtract line 2e from line 1			3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b			
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)			5
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return				
1	Total expenses and losses per audited financial statements			1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d			2e
3	Subtract line 2e from line 1			3
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b			
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)			5

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE CORPORATION HAS ADOPTED GUIDANCE RELATING TO UNCERTAINTY IN INCOME TAXES WHICH REQUIRES ENTITIES TO ASSESS THEIR UNCERTAIN TAX POSITIONS FOR THE LIKELIHOOD THAT THEY WOULD BE OVERTURNED UPON INTERNAL REVENUE SERVICE (IRS) EXAMINATION OR UPON EXAMINATION BY STATE TAXING AUTHORITIES. IN ACCORDANCE WITH THIS GUIDANCE, THE CORPORATION HAS DETERMINED THAT IT DOES NOT HAVE ANY POSITIONS AT DECEMBER 31, 2012, THAT IT WOULD BE UNABLE TO SUBSTANTIATE.

Additional Data

Software ID:

Software Version:

EIN: 63-0312913

Name: BAPTIST HEALTH SYSTEM INC

Form 990, Schedule D, Part X, - Other Liabilities

1(a) Description of Liability	(b) Book Value
MINIMUM PENSION LIABILITY	138,610,667
DEFERRED GAINS	945,746
ACCRUED COMPENSATION AND BENEFIT LIABILITIES	391,303
PENSION PLAN LIABILITY	3,514,722
CAPITAL LEASES	925,981
LEASE CONTINGENCY	1,123,742
ESTIMATED AMOUNTS DUE TO THIRD PARTIES	1,087,979
OTHER	2,256,439

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
BAPTIST HEALTH SYSTEM INC

Employer identification number
63-0312913

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			22,628,286	8,606,977	14,021,309	2 950 %
b Medicaid (from Worksheet 3, column a)			75,187,299	50,153,504	25,033,795	5 270 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			97,815,585	58,760,481	39,055,104	8 220 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			549,230	0	549,230	0 120 %
f Health professions education (from Worksheet 5)			7,869,678	4,046,328	3,823,350	0 800 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			516,454	0	516,454	0 110 %
j Total. Other Benefits			8,935,362	4,046,328	4,889,034	1 030 %
k Total. Add lines 7d and 7j			106,750,947	62,806,809	43,944,138	9 250 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing		847		847	0 %
2	Economic development		15,268		15,268	0 %
3	Community support		29,164		29,164	0 010 %
4	Environmental improvements					
5	Leadership development and training for community members		4,971		4,971	0 %
6	Coalition building		7,877		7,877	0 %
7	Community health improvement advocacy		1,421		1,421	0 %
8	Workforce development		2,807		2,807	0 %
9	Other					
10	Total		62,355		62,355	0 010 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

12,467,561

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

0

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

140,046,261

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

139,325,083

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

721,178

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐

Cost accounting system

☒

Cost to charge ratio

☐

Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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 1 SURGICAL SPECIALIST GRP	OPERATED AMBULATORY SURGERY CENTER	30 000 %	0 %	70 000 %
2 2 SSG REAL ESTATE	OWNS LAND AND REAL ESTATE	30 000 %	0 %	70 000 %
3 3 SHELBY BAPTIST AMBULATORY SURGERY CENTER LLC	OPERATED AMBULATORY SURGERY CENTER	52 150 %	0 %	47 850 %
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
4

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	PRINCETON BAPTIST MEDICAL CENTER 701 PRINCETON AVENUE SW BIRMINGHAM, AL 35211	X	X		X			X			
2	SHELBY BAPTIST MEDICAL CENTER 1000 FIRST STREET NORTH ALABASTER, AL 35007	X	X					X			
3	WALKER BAPTIST MEDICAL CENTER 3400 US HIGHWAY 78 EAST JASPER, AL 35501	X	X					X			
4	CITIZENS BAPTIST MEDICAL CENTER 604 STONE AVENUE TALLADEGA, AL 35161	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

PRINCETON BAPTIST MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
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 the community health 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
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)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9 Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10 Yes	
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11 Yes	
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12 Yes	
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" 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)			
13 Explained the method for applying for financial assistance?		13 Yes	
14 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)		14 Yes	
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on 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)			
Billing and Collections			
15 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?		15 Yes	
16 Check all of the following 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			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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?		17	No
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)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

SHELBY BAPTIST MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

2

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
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 the community health 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)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
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)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" 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)			
13 Explained the method for applying for financial assistance?		13	Yes
14 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)		14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on 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)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following 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			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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?		17	No
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)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

WALKER BAPTIST MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

3

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
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 the community health 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
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)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" 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)			
13 Explained the method for applying for financial assistance?		13	Yes
14 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)		14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on 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)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following 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			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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		17	No
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)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

CITIZENS BAPTIST MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

4

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
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 the community health 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
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)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" 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)			
13 Explained the method for applying for financial assistance?		13	Yes
14 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)		14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on 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)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following 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			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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		17	No
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)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

2

Name and address	Type of Facility (describe)
1 HOOVER BAPTIST MEDICAL CENTER LLC 5295 PRESERVE PARKWAY HOOVER,AL 35244	REAL ESTATE HOLDING COMPANY
2 PRISON HEALTHCARE LLC 1000 FIRST STREET NORTH ALABASTER,AL 35007	PROVIDES INPATIENT, OUTPATIENT, ER, SPECIALTY CARE TO DETAINEES
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) A COST TO CHARGE RATIO WAS DERIVED USING THE WORKSHEETS PROVIDED IN THE SCHEDULE H INSTRUCTIONS TO CALCULATE THE NET COMMUNITY BENEFIT EXPENSE OF CHARITY CARE THE UNREIMBURSED MEDICAID CALCULATION WAS DETERMINED BY USING A COST ACCOUNTING SYSTEM THAT ADDRESSES ALL PATIENT SEGMENTS, INCLUDING BUT NOT LIMITED TO INPATIENT, OUTPATIENT, EMERGENCY ROOM, PRIVATE INSURANCE, MEDICAID, MEDICARE, UNINSURED, AND SELF PAY AMOUNTS FOR OTHER COMMUNITY BENEFITS WERE COMPILED USING THE CBISA PROGRAM AT A FACILITY LEVEL
		PART II COMMUNITY BUILDING ACTIVITIES ADDRESS THE CAUSES OF COMMUNITY HEALTH PROBLEMS BY OFFERING THE SYSTEM'S HEALTH CARE EXPERTISE AND RESOURCES EXAMPLES OF SUCH ACTIVITIES INCLUDE A PHYSICAL IMPROVEMENTS AND HOUSING - HABITAT FOR HUMANITY B ECONOMIC DEVELOPMENT - BIRMINGHAM BUSINESS ALLIANCE, VARIOUS CHAMBERS OF COMMERCE C COMMUNITY SUPPORT - UNITED WAY, EXPLORERS MEETINGS, ROTARY CLUB MEETINGS, GIDEONS, KIWANIS, INFECTION CONTROL LEADERSHIP DEVELOPMENT AND LEADERSHIP TRAINING - LEADERSHIP SHELBY BOARD PARTICIPATION, WALKER COUNTY ADULT LEADERSHIP PROGRAM E COALITION BUILDING - CHURCH AND FAITH RELATIONS, WALKER COUNTY UNITED WAY ACTIVITIES, WATCH 2020 BOARD F ADVOCACY FOR COMMUNITY HEALTH IMPROVEMENTS - JASPER AREA MINISTERIAL EMERGENCY SERVICES BOARD G WORKFORCE DEVELOPMENT - EXPLORERS HEALTH CAREERS PROGRAM, JOB SHADOW DAY COSTS IN THIS AREA INCLUDE ITEMS SUCH AS STAFF TIME, SUPPLIES DONATED AND MATERIALS STAFF TIME IS CALCULATED USING THE NUMBER OF HOURS EMPLOYEES PROVIDED MULTIPLIED BY AN AVERAGE HOURLY RATE AND AN EMPLOYEE BENEFIT FACTOR SUPPLIES DONATED AND MATERIALS USED ARE VALUED AT COST

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE BAD DEBT EXPENSE AT COST WAS CALCULATED USING A COST TO CHARGE RATIO AS PRESCRIBED IN THE INSTRUCTIONS TO SCHEDULE H BHS HAS IMPLEMENTED A TOOL KNOWN AS THE "PAYMENT ASSISTANCE RANK ORDER" (PARO) WITH THE PURPOSE OF IDENTIFYING PATIENTS WHO HAVE FAILED TO APPLY FOR CHARITY CARE THAT MAY BE ELIGIBLE TO RECEIVE FINANCIAL ASSISTANCE AS A RESULT OF THIS IMPLEMENTATION, A PORTION OF PATIENT CARE REVENUE THAT WOULD OTHERWISE BE REPORTED AS BAD DEBT IS NOW BEING REPORTED AS CHARITY CARE
		PART III, LINE 8 THIS DATA IS A COMPILATION OF MEDICARE COST REPORTS FILED FOR THE YEAR ENDED DECEMBER 31, 2012 THE MEDICARE COST REPORT USES THE WORKING TRIAL BALANCE AS A STARTING POINT AND APPLIES MEDICARE COST REPORTING PRINCIPALS TO DETERMINE TOTAL ALLOWABLE COSTS ON A COST CENTER BASIS MEDICARE COST REPORTING PRINCIPALS ARE ALSO USED TO DETERMINE TOTAL PATIENT REVENUE ON A COST CENTER BASIS IN ORDER TO COMPUTE A RATIO OF COST TO CHARGES

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 9B THE FOLLOWING IS FOUND IN THE CHARITY CARE POLICY REGARDING BILLING AND COLLECTIONS 1 BHS ENSURES THAT ALL PATIENT ACCOUNTS ARE PROCESSED FAIRLY AND CONSISTENTLY 2 BHS HAS IMPLEMENTED WRITTEN POLICIES FOR DEFINING AND DELINEATING THE CIRCUMSTANCES UNDER WHICH AND UNDER WHOSE AUTHORITY A PATIENT ACCOUNT IS ADVANCED FOR COLLECTION TO A THIRD-PARTY COLLECTION AGENCY 3 BHS DEFINES THE STANDARDS AND SCOPE OF PRACTICES TO BE USED BY THIRD-PARTY COLLECTION AGENTS ACTING ON ITS BEHALF SUCH THAT ANY STANDARDS AND SCOPE OF PRACTICES, AT A MINIMUM, ARE CONSISTENT WITH THE BHS MISSIONS AND VALUES BHS OBTAINS WRITTEN AGREEMENTS FROM EACH THIRD-PARTY COLLECTION AGENT TO ENSURE ADHERENCE TO SUCH MISSION AND VALUES 4 AT THE TIME OF BILLING BHS PROVIDES TO ALL LOW-INCOME UNINSURED PATIENTS THE SAME INFORMATION CONCERNING SERVICES AND CHARGES PROVIDED TO ALL OTHER PATIENTS WHO RECEIVE CARE AT BHS 5 WHEN SENDING A BILL TO A PATIENT, BHS INCLUDES A) A STATEMENT THAT INDICATES IF THE PATIENT MEETS CERTAIN INCOME REQUIREMENTS, THE PATIENT MAY BE ELIGIBLE FOR A GOVERNMENT-SPONSORED PROGRAM (I E MEDICAID) OR FOR FINANCIAL ASSISTANCE FROM BHS, AND B) A STATEMENT THAT PROVIDES THE PATIENT WITH THE NAME AND TELEPHONE NUMBER OF A BHS FINANCIAL COUNSELOR OR THE CENTRAL BUSINESS OFFICE FROM WHOM OR WHERE THE PATIENT MAY OBTAIN INFORMATION ABOUT BHS'S FINANCIAL ASSISTANCE POLICIES FOR PATIENTS AND HOW TO APPLY FOR SUCH ASSISTANCE 6 ANY PATIENT OR PATIENT'S LEGAL REPRESENTATIVE SEEKING FINANCIAL ASSISTANCE FROM BHS WILL COMPLETE A FINANCIAL NEEDS ASSESSMENT (FNA) A COMPLETED FNA PROVIDES BHS INFORMATION CONCERNING A PATIENT'S INSURANCE COVERAGE, FINANCIAL STATUS AND ANY OTHER INFORMATION THAT IS NECESSARY FOR BHS TO MAKE A DETERMINATION REGARDING THE PATIENT'S STATUS RELATIVE TO BHS'S CHARITY CARE POLICY, DISCOUNTED PAYMENT POLICY OR ELIGIBILITY FOR GOVERNMENT-SPONSORED PROGRAMS (I E MEDICAID) 7 FOR PATIENTS WHO HAVE AN FNA PENDING FOR EITHER GOVERNMENT-SPONSORED COVERAGE OR FOR BHS'S OWN CHARITY CARE AND FINANCIAL ASSISTANCE PROGRAM, BHS DOES NOT SEND THAT PATIENT'S ACCOUNT TO A COLLECTION AGENCY PRIOR TO 120 DAYS FROM THE TIME OF INITIAL BILLING 8 IF A PATIENT QUALIFIES FOR ASSISTANCE UNDER BHS'S FINANCIAL ASSISTANCE POLICY AND IS REASONABLY COOPERATING WITH BHS IN AN EFFORT TO SETTLE AN OUTSTANDING ACCOUNT, BHS DOES NOT SEND THE ACCOUNT TO ANY OUTSIDE COLLECTION AGENCY 9 BHS OR OUTSIDE COLLECTION AGENCIES OPERATING ON BEHALF OF BHS DO NOT, IN DEALING WITH LOW-INCOME UNINSURED PATIENTS, USE LIENS ON PRIMARY RESIDENCES AS MEANS OF COLLECTING AN UNPAID PATIENT ACCOUNT BHS INSTRUCTS BOTH ITS ASSOCIATES AND OUTSIDE COLLECTION AGENCIES THAT TACTICS SUCH AS CHARGING INTEREST, REQUIRING PATIENTS OR PATIENT GUARANTORS TO INCUR DEBT OR LOANS WITH RECOURSE TO THE PATIENT'S PERSONAL OR REAL PROPERTY ASSETS (RECOURSE INDEBTEDNESS) OR SO CALLED "BODY ATTACHMENTS" (I E THE ARREST OR JAILING OF PATIENTS IN DEFAULT ON THEIR ACCOUNTS, SUCH AS FOR MISSED COURT APPEARANCES) ARE STRICTLY PROHIBITED 10 ELIGIBILITY FOR CHARITY CARE AND DISCOUNT PAYMENTS MAY BE DETERMINED AT ANY TIME BHS IS IN RECEIPT OF ALL INFORMATION (I E COMPLETED FNA) NEEDED TO DETERMINE THE PATIENT'S ELIGIBILITY FOR ITS FINANCIAL ASSISTANCE PROGRAMS ALL UNINSURED PATIENTS, PRIOR TO PLACEMENT WITH A BAD DEBT COLLECTION AGENCY, ARE SCREENED FOR CHARITY QUALIFICATION USING THE "PAYMENT ASSISTANCE RANK ORDER" (PARO), REFERENCED ABOVE</p>
PRINCETON BAPTIST MEDICAL CENTER		<p>PART V, SECTION B, LINE 20D BHS USES MEDICARE DRG RATES FOR INPATIENTS AND ESTIMATES MEDICARE APC RATES USING 13% OF CHARGES FOR OUTPATIENTS</p>

Identifier	ReturnReference	Explanation
SHELBY BAPTIST MEDICAL CENTER		PART V, SECTION B, LINE 20D BHS USES MEDICARE DRG RATES FOR INPATIENTS AND ESTIMATES MEDICARE APC RATES USING 13% OF CHARGES FOR OUTPATIENTS
WALKER BAPTIST MEDICAL CENTER		PART V, SECTION B, LINE 20D BHS USES MEDICARE DRG RATES FOR INPATIENTS AND ESTIMATES MEDICARE APC RATES USING 13% OF CHARGES FOR OUTPATIENTS

Identifier	ReturnReference	Explanation
CITZENS BAPTIST MEDICAL CENTER		PART V, SECTION B, LINE 20D BHS USES MEDICARE DRG RATES FOR INPATIENTS AND ESTIMATES MEDICARE APC RATES USING 13% OF CHARGES FOR OUTPATIENTS
		PART VI, LINE 2 AS A NOT-FOR-PROFIT HEALTH CARE PROVIDER, BAPTIST HEALTH SYSTEM (BHS) IS COMMITTED TO MINISTERING QUALITY HEALTH CARE - PHYSICALLY, MENTALLY, AND SPIRITUALLY - WHILE SERVING AS A WITNESS TO THE LOVE OF GOD AS REVEALED THROUGH CHRIST JESUS IN ORDER TO ACHIEVE THIS COMMITMENT, IT IS IMPORTANT TO IDENTIFY THE NEEDS OF THE COMMUNITY TO WHICH WE ARE MINISTERING DURING VARIOUS PLANNING MEETINGS, BHS MANAGEMENT CONSULTS A VARIETY OF MARKET EXPERTS, PHYSICIANS, LOCAL HEALTH OFFICIALS, AS WELL AS HISTORICAL DATA TRENDS BASED ON INTERNAL/EXTERNAL DATA IN ORDER TO DETERMINE EMERGING NEEDS IN THE COMMUNITY INFORMATION REGARDING THE COMMUNITY IS COMPILED THROUGH HEALTH SCREENINGS, QUESTIONNAIRES, AND PATIENT INTERVIEWS OFFERED TO THE PUBLIC

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 3 COMMUNICATION OF BHS FINANCIAL ASSISTANCE POLICIES WITH PATIENTS AND THE PUBLIC ALL NOTIFICATIONS OF OUR FINANCIAL ASSISTANCE POLICIES ARE IN BOTH ENGLISH AND SPANISH, INCLUDING SIGNAGE, STATEMENTS, WEB SITES, AND ETC BHS POSTS NOTICES REGARDING THE AVAILABILITY OF FINANCIAL ASSISTANCE TO LOW-INCOME UNINSURED PATIENTS THESE NOTICES ARE POSTED IN VISIBLE LOCATIONS THROUGHOUT THE FACILITY INCLUDING PATIENT ACCESS/REGISTRATION, THE CASHIER/BILLING OFFICE, THE EMERGENCY DEPARTMENT AND OTHER APPROPRIATE SETTINGS EVERY POSTED NOTICE REGARDING FINANCIAL ASSISTANCE CONTAINS A STATEMENT INDICATING THAT THE FACILITY HAS A FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME PATIENTS WHO MAY NOT BE ABLE TO PAY THEIR BILL AND BRIEF INSTRUCTIONS REGARDING HOW TO APPLY FOR CHARITY CARE OR A DISCOUNTED BILL THE NOTICES INCLUDE A CONTACT NAME AND TELEPHONE NUMBER THAT CAN BE USED BY A PATIENT OR FAMILY MEMBER WHO IS REQUESTING ADDITIONAL INFORMATION BHS ENSURES THAT STAFF MEMBERS IN THE PATIENT ACCESS/REGISTRATION AREAS AND IN THE CENTRAL BUSINESS OFFICE ARE KNOWLEDGEABLE ABOUT THE EXISTENCE OF FINANCIAL ASSISTANCE POLICIES TRAINING IS PROVIDED TO STAFF MEMBERS WHO DIRECTLY INTERACT WITH PATIENTS REGARDING THEIR BILLS FOR HEALTH CARE SERVICES BHS ALSO USES PARO SCORING, WHICH IS A SOCIO-ECONOMIC SCORING TOOL WHICH LOOKS FOR PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE THIS IS DONE PRIOR TO PRIMARY BAD DEBT PLACEMENT FOR PRIVATE PAY PATIENTS PARO PROVIDES BHS WITH A CONSISTENT AND STANDARDIZED WAY OF PROVIDING FINANCIAL ASSISTANCE TO ALL PRIVATE PAY PATIENTS THAT MIGHT QUALIFY IN COMMUNICATION WITH PATIENTS AND FAMILIES REGARDING FINANCIAL ASSISTANCE POLICIES, BHS ATTEMPTS TO COMMUNICATE IN THE PRIMARY LANGUAGE OF THE PATIENT, OR HIS/HER FAMILY, IF REASONABLY POSSIBLE THIS IS DONE IN A MANNER CONSISTENT WITH ALL APPLICABLE FEDERAL AND STATE LAWS AND REGULATIONS A WRITTEN NOTICE ON THE BILLING STATEMENT INFORMS THE PATIENT THAT FINANCIAL ASSISTANCE MAY BE AVAILABLE EITHER FROM A GOVERNMENT PROGRAM OR THROUGH THE BHS FINANCIAL ASSISTANCE POLICY AT THE TIME OF BILLING, BHS WILL PROVIDE TO ALL UNINSURED PATIENTS THE SAME INFORMATION ON SERVICES AND CHARGES THAT IS PROVIDED TO ALL OTHER PATIENTS RECEIVING CARE AT A BHS ENTITY WHEN SENDING A BILL TO AN UNINSURED PATIENT, THE FOLLOWING INFORMATION IS INCLUDED WITH THE BILL * A STATEMENT THAT INDICATES THAT IF THE PATIENT MEETS CERTAIN INCOME REQUIREMENTS, THE PATIENT MAY BE ELIGIBLE FOR A GOVERNMENT-SPONSORED PROGRAM OR FOR FINANCIAL ASSISTANCE FOR HELP IN PAYING FOR THE SERVICES THAT WERE PROVIDED, AND*A STATEMENT THAT PROVIDES THE PATIENT WITH A CONTACT RESOURCE ABOUT THE BHS FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME UNINSURED PATIENTS AND HOW TO APPLY FOR SUCH ASSISTANCE FOR THE PAYMENT OF SERVICES THAT WERE PROVIDED BHS WILL PROVIDE INFORMATION TO ALL PATIENTS INFORMING THEM OF THEIR RESPONSIBILITY TO PROVIDE DOCUMENTATION FOR VERIFICATION OF ELIGIBILITY FOR FINANCIAL ASSISTANCE</p>
		<p>PART VI, LINE 4 BAPTIST HEALTH SYSTEM OWNS AND OPERATES FOUR ACUTE CARE HOSPITALS LOCATED IN JEFFERSON, SHELBY, TALLADEGA, AND WALKER COUNTIES THESE COUNTIES ACCOUNT FOR APPROXIMATELY 79% OF INPATIENT ADMISSIONS ADDITIONALLY, OTHER COUNTIES WHICH PROVIDE A SIGNIFICANT AMOUNT OF ADMISSIONS BUT ARE NOT CONSIDERED TO BE PART OF THE PRIMARY SERVICE AREA INCLUDE CHILTON, WINSTON, BIBB, CULLMAN AND MARION COUNTIES ADMISSIONS FROM JEFFERSON (PRINCETON BAPTIST MEDICAL CENTER) AND SHELBY (SHELBY BAPTIST MEDICAL CENTER) COUNTIES ACCOUNTED FOR 48% OF TOTAL ADMISSIONS IN FY 2012 THE MAJOR COMPETITORS IN THE MARKET INCLUDE UAB HOSPITAL (UNIVERSITY OF ALABAMA SYSTEM), TRINITY HOSPITAL (COMMUNITY HEALTH), BROOKWOOD HOSPITAL (TENET HEALTHCARE), AND ST VINCENTS HOSPITAL (ASCENSION HEALTHCARE) EACH HOSPITAL IS LOCATED IN AN AREA THAT HAS BEEN DESIGNATED AS A MEDICALLY UNDERSERVED AREA/POPULATION BY THE HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA) THIS IS PRIMARILY DUE TO LOW INCOME DESIGNATIONS GIVEN TO THE SURROUNDING POPULATIONS FURTHERMORE, ALL FACILITIES EXCEPT SHELBY BAPTIST MEDICAL CENTER RESIDE IN AN AREA DESIGNATED BY THE HRSA AS A "PRIMARY CARE HEALTH PROFESSIONAL SHORTAGE AREA" AND A "MENTAL HEALTH PROFESSIONAL SHORTAGE AREA" BASED ON PAYOR DATA FROM FY 2012, MEDICARE/MEDICARE HMO WAS THE CORPORATION'S LARGEST SOURCE OF PATIENT REVENUE AT 54% OF GROSS CHARGES OTHER SIGNIFICANT SOURCES OF PATIENT REVENUE INCLUDED BLUE CROSS AT 22% AND MEDICAID AT 11% OF GROSS CHARGES</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE BOARD OF DIRECTORS FOR BAPTIST HEALTH SYSTEM IS COMPRISED OF INDEPENDENT COMMUNITY LEADERS WHO RESIDE IN THE SYSTEM'S PRIMARY SERVICE AREA IN ADDITION, BHS OPERATES AN OPEN MEDICAL STAFF AND ACTIVELY RECRUITS PHYSICIAN SPECIALTIES BASED ON THE NEEDS OF THE COMMUNITY ALL SURPLUS FUNDS ARE USED TO IMPROVE PATIENT CARE THROUGH IMPROVEMENTS IN FACILITIES, SERVICE OFFERINGS, AND TRAINING MEDICAL STAFF EACH HOSPITAL OPERATES A FULL-TIME EMERGENCY ROOM OPEN TO PATIENTS REGARDLESS OF THEIR ABILITY TO PAY ACTIVE INVOLVEMENT IN COMMUNITY SERVICE IS ONE OF THE MANY WAYS BHS LIVES TRUE TO ITS MISSION OF BEING COMMITTED TO MINISTRIES THAT ENHANCE THE HEALTH, DIGNITY, AND WHOLENESS OF THOSE WE SERVE EXAMPLES OF THIS INCLUDE OPPORTUNITIES FOR STUDENTS TO SPEND TIME SHADOWING CLINICIANS AT BHS FACILITIES, INTERNSHIP PROGRAMS, FREE HEALTH SCREENINGS, PARTNERING WITH LOCAL CHURCHES TO PROVIDE MEDICAL CARE TO THOSE EXPERIENCING DIFFICULT CIRCUMSTANCES, AND PROVIDING AID TO BHS EMPLOYEES WHO ARE INVOLVED IN MISSION RELATED VOLUNTEER ACTIVITIES
		PART VI, LINE 6 BHS, AS REPORTED IN SCHEDULE H, FURTHERS ITS FAITH-BASED MISSION THROUGH ITS AFFILIATION WITH THE BAPTIST HEALTH CENTERS (BHC) AND THE BAPTIST HEALTH FOUNDATION (BHF) BAPTIST HEALTH CENTERS, INC IS A WHOLLY OWNED SUBSIDIARY OF BAPTIST HEALTH SYSTEM, INC THAT SPECIALIZES IN PHYSICIAN PRACTICE MANAGEMENT BHC WAS FORMED AND OPERATES TO EXPAND ACCESS TO QUALITY HEALTHCARE ACROSS ALABAMA THE BAPTIST HEALTH FOUNDATION EXISTS TO SUPPORT THE FAITH-BASED MISSION OF BHS BY WORKING TO PROVIDE THE CHARITABLE AND COMMUNITY RESOURCES NECESSARY FOR ITS OPERATION THE FOUNDATION SUPPORTS A WIDE ARRAY OF HEALTH RELATED ACTIVITIES INCLUDING PASTORAL CARE MINISTRIES, MEDICAL EDUCATION, MEDICAL RESEARCH AND CHARITY CARE AS WELL AS CLINICAL PROGRAMS SUCH AS HEART AND CANCER CARE, OBSTETRICS, WOMEN'S SERVICES AND ORTHOPEDIC REHABILITATION

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BAPTIST HEALTH SYSTEM INC

Employer identification number

63-0312913

Part I

Questions Regarding Compensation

	Yes	No
<div>1a</div> <div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div> <div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input checked="" type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>b</div> <div>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 of the expenses described above? If "No," complete Part III to explain</div>	Yes	
<div>2</div> <div>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?</div>	Yes	
<div>3</div> <div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III</div> <div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>a</div> <div>Receive a severance payment or change-of-control payment?</div>		No
<div>b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>	Yes	
<div>c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		No
<div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>a</div> <div>The organization?</div>		No
<div>b</div> <div>Any related organization?</div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		No
<div>6</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	Yes	
<div>b</div> <div>Any related organization?</div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		No
<div>7</div> <div>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</div>		No
<div>8</div> <div>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 Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III</div>		No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?</div>		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
	PART I, LINE 1A	TRAVEL FOR COMPANIONS THE BHS TRAVEL POLICY DOES NOT ALLOW FOR REIMBURSEMENT OF TRAVEL EXPENSES FOR COMPANIONS HOWEVER, THE CORPORATION WILL MAKE EXCEPTIONS FOR INSTANCES IN WHICH EXECUTIVE SPOUSES ARE REQUIRED TO ATTEND SEMINARS/TRAINING ON A VERY LIMITED BASIS IN ACCORDANCE WITH IRS REGULATION SECTION 1 162(C), BHS PAYS REASONABLE TRAVEL EXPENSES AS THE ATTENDANCE OF THE SPOUSES IS REQUIRED IN ORDER TO PERFORM THE SUBSTANTIVE DUTIES OF THE EMPLOYEE'S BUSINESS
	PART I, LINE 4B	MICHAEL SHANE SPEES - \$7,500 KEITH PARROTT - \$7,500 DAVID WILSON - \$7,500 RICHARD SHIREY - \$7,500 ELIZABETH ENNIS - \$7,500 GREGORY D JOHNSTON - \$7,500 GEORGE SCOTT FENN - \$7,500 RICHARD EMBREY - \$7,500 ELIZABETH POSTLETHWAIT - \$7,500 AMY ALLEN - \$7,500 JOEL TAYLOR - \$5,704 ROBERT PHILLIPS - \$5,455 CHARLES BRADFORD - \$4,462
	PART I, LINE 6	BHS OFFERS AN ANNUAL INCENTIVE PLAN TO MEMBERS OF THE EXECUTIVE MANAGEMENT TEAM AND DIRECTORS PAYOUT UNDER THE INCENTIVE PLAN IS APPROVED BY THE GOVERNANCE COMMITTEE OF THE BOARD OF TRUSTEES USING THE FOLLOWING CRITERIA 1) OVERALL SYSTEM AND FACILITY SPECIFIC TARGETS 2) CRITICAL SUCCESS FACTORS INCLUDING FINANCIAL TARGETS, QUALITY METRICS, PATIENT SATISFACTION, OPERATIONAL GROWTH, COST EFFICIENCIES, AS WELL AS INDIVIDUAL GOALS AND OBJECTIVES TO ENSURE THERE ARE FUNDS AVAILABLE FOR DISTRIBUTION, THE PLAN IS TRIGGERED BY THE ACHIEVEMENT OF A THRESHOLD FINANCIAL PERFORMANCE THE ACTUAL DISTRIBUTIONS ARE CALCULATED BY THE ACHIEVEMENT OF TARGETS RELATED TO EXPANDING OUR SERVICES TO ADDITIONAL PATIENTS, ACHIEVING PATIENT SATISFACTION GOALS, ACHIEVING HIGH LEVELS OF CLINICAL QUALITY AND MAINTAINING A COMPETITIVE COST STRUCTURE
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART II, COLUMN F THE BHS EXECUTIVE RETIREMENT PLAN ("ERP") WAS FROZEN IN DECEMBER 2011 AS A RESULT, DURING 2012, EACH PARTICIPANT WAS FULLY VESTED AND WAS PAID THEIR ENTIRE DEFERRED COMPENSATION ACCOUNT BALANCE IN ONE LUMP-SUM PAYMENT, WHICH IS INCLUDED IN COLUMN B(III), OTHER REPORTABLE COMPENSATION FROM THE ORGANIZATION

Software ID:
Software Version:
EIN: 63-0312913
Name: BAPTIST HEALTH SYSTEM INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
MICHAEL SHANE SPEES	(i) (ii)	680,235 0	262,230 0	579,145 0	7,500 0	14,709 0	1,543,819 0	554,879 0
GREGORY D JOHNSTON	(i) (ii)	345,426 0	110,471 0	133,584 0	7,500 0	12,482 0	609,463 0	131,916 0
KEITH PARROTT	(i) (ii)	448,925 0	120,267 0	215,793 0	7,500 0	14,237 0	806,722 0	214,738 0
CHARLES ALAN BRADFORD	(i) (ii)	164,959 0	69,607 0	106,702 0	4,462 0	5,863 0	351,593 0	105,965 0
DAVID WILSON	(i) (ii)	314,501 0	89,107 0	168,294 0	7,500 0	12,854 0	592,256 0	167,238 0
ELIZABETH POSTLETHWAIT	(i) (ii)	285,288 0	35,068 0	103,349 0	7,500 0	1,055 0	432,260 0	100,662 0
ROBERT PHILLIPS	(i) (ii)	186,265 0	45,853 0	34,358 0	5,455 0	17,683 0	289,614 0	33,954 0
JOEL TAYLOR	(i) (ii)	186,402 0	36,271 0	22,707 0	5,704 0	18,209 0	269,293 0	22,317 0
RICHARD SHIREY	(i) (ii)	300,250 0	86,362 0	136,579 0	7,500 0	19,490 0	550,181 0	133,609 0
ELIZABETH ENNIS MD	(i) (ii)	348,526 0	79,024 0	242,295 0	7,500 0	1,288 0	678,633 0	240,508 0
GEORGE SCOTT FENN	(i) (ii)	337,669 0	97,440 0	87,751 0	7,500 0	18,443 0	548,803 0	86,957 0
AMY S ALLEN	(i) (ii)	245,566 0	71,614 0	146,405 0	7,500 0	10,655 0	481,740 0	145,839 0
RICHARD EMBREY MD	(i) (ii)	318,913 0	49,972 0	32,940 0	7,500 0	16,451 0	425,776 0	29,848 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BAPTIST HEALTH SYSTEM INC

Employer identification number
63-0312913

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A SEE PART VI	63-0847033	091104GG8	11-29-2005	248,260,262	SEE PART VI		X		X		X
B SEE PART VI	63-0847033	NOTAPPLIC	05-18-2012	29,965,000	SEE PART VI		X		X		X
C SEE PART VI	63-0847033	NOTAPPLIC	12-20-2012	36,408,272	SEE PART VI		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	42,930,000		2,315,000					
2	Amount of bonds legally defeased								
3	Total proceeds of issue	258,348,415		26,965,000		36,408,272			
4	Gross proceeds in reserve funds	19,018,200							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	2,995,749				36,372			
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	59,839,233							
11	Other spent proceeds	3,990,697							
12	Other unspent proceeds								
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X		X			
15	Were the bonds issued as part of an advance refunding issue?	X			X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%		0 00000%		0 00000%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%		0 00000%		0 00000%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		0 00000%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		
b	Exception to rebate?		X	X		X			
c	No rebate due?	X			X		X		
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?		X		X	X			
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider	NA		NA		NA			
c	Term of hedge								
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?		X		X		X		

Part IV

Arbitrage (Continued)

5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
		X			X		X		
b	Name of provider	SEE PART VI		NA		NA			
c	Term of GIC	2 8000000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X			X		X		
6	Were any gross proceeds invested beyond an available temporary period?	X			X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V

Procedures To Undertake Corrective Action

1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
		X		X		X			

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).		
Identifier	Return Reference	Explanation
SCHEDULE K, PART I, LINE A	ISSUER NAME AND DESCRIPTION OF PURPOSE	SCHEDULE K, PART I, LINE A ISSUER NAME THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM-BAPTIST MEDICAL CENTERS DESCRIPTION OF PURPOSE TO REFUND PRIOR ISSUED BONDS AND CAPITAL IMPROVEMENTS FOR HEALTHCARE FACILITIES THE REFUNDED BONDS WERE ISSUED ON THE FOLLOWING DATES HOSPITAL REVENUE BONDS (WALKER REGIONAL MAY 25, 1993 MEDICAL CENTER, INC PROJECT), SERIES 1993, ISSUED BY THE MEDICAL CLINIC BOARD OF THE CITY OF JASPER TAX-EXEMPT REVENUE BONDS (THE BAPTIST MEDICAL MAY 12, 1993 CENTERS), SERIES 1993-A, ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS REVENUE BONDS, SERIES 1995-B (BAPTIST HEALTH MAY 2, 1995 SYSTEM, INC), ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS REVENUE BONDS, SERIES 1996-A (BAPTIST HEALTH OCTOBER 1, 1996 SYSTEM, INC), ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS REVENUE BONDS, SERIES 2000A-2 (BAPTIST MARCH 30, 2000 HEALTH SYSTEM, INC), ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS REVENUE BONDS, SERIES 2000-C (BAPTIST HEALTH MAY 31, 2000 SYSTEM, INC), ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS TO CONSTRUCT & EQUIP A HOSPITAL BED TOWER TO CONSTRUCT & EQUIP A HOSPITAL ENERGY PLANT TO RELOCATE A HOSPITAL EMERGENCY ROOM TO CONSTRUCT A HOSPITAL PARKING DECK
SCHEDULE K, PART I, LINE B	ISSUER NAME AND DESCRIPTION OF PURPOSE	ISSUER NAME THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM-BAPTIST MEDICAL CENTERS DESCRIPTION OF PURPOSE TO REFUND PRIOR ISSUED BOND THE REFUNDED BOND WAS ISSUED ON THE FOLLOWING DATE REVENUE BOND, SERIES 2001-A (BAPTIST HEALTH JUNE 27, 2001 SYSTEM, INC),ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM-BAPTIST MEDICAL CENTERS
SCHEDULE K, PART I, LINE C	ISSUER NAME AND DESCRIPTION OF PURPOSE	ISSUER NAME THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM-BAPTIST MEDICAL CENTERS DESCRIPTION OF PURPOSE TO REFUND PRIOR ISSUED BONDS AND TO PAY COST OF ISSUANCE THE REFUNDED BONDS WERE ISSUED ON THE FOLLOWING DATES REVENUE BOND, SERIES 2009-A1 (BAPTIST DECEMBER 15, 2009 HEALTH SYSTEM, INC),ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS REVENUE BOND, SERIES 2009-A2 (BAPTIST MAY 6, 2010 HEALTH SYSTEM, INC),ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS REVENUE BOND, SERIES 2009-B (BAPTIST DECEMBER 31, 2009 HEALTH SYSTEM, INC),ISSUED BY THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM - BAPTIST MEDICAL CENTERS
SCHEDULE K, PART II, COLUMN A, LINE 1	AMOUNT OF BONDS RETIRED	ON JUNE 25, 2009, THE CORPORATION CONSUMMATED A TENDER OFFER TRANSACTION, IN CONNECTON WITH WHICH THE SPECIAL CARE FACILITIES FINANCING AUTHORITY OF THE CITY OF BIRMINGHAM-BAPTIST MEDICAL CENTERS (THE "AUTHORITY") ISSUED ITS \$ 4,858,500 REVENUE BOND (BAPTIST HEALTH SYSTEM, INC) SERIES 2009-A1 (THE "SERIES 2009-A1 BOND") AND ITS \$6,371,900 REVENUE BOND (BAPTIST HEALTH SYSTEM, INC), SERIES 2009-A2 (THE "SERIES 2009-A2 BOND") PROCEEDS FROM THE SERIES 2009-A1 BONDS AND THE SERIES 2009-A2 BONDS WERE USED TO PURCHASE \$ 14,580,000 OF THE AUTHORITY'S REVENUE BONDS (BAPTIST HEALTH SYSTEM, INC), SERIES 2005-A (THE "SERIES 2005-A BONDS") AT A DISCOUNT TO THEIR PRINCIPAL AMOUNT BOND TENDER TRANSACTION \$14,580,000 00 PRINCIPAL PAYMENT 11/15/09 6,565,000 00 PRINCIPAL PAYMENT 11/15/10 6,900,000 00 PRINCIPAL PAYMENT 11/15/11 7,255,000 00 PRINCIPAL PAYMENT 11/15/12 7,630,000 00 TOTAL BONDS RETIRED \$42,930,000 00
SCHEDULE K, PART II, COLUMN A, LINE 3	TOTAL PROCEEDS OF ISSUE	TOTAL PROCEEDS INCLUDE THE FOLLOWING PROCEEDS FROM ISSUE PROCEEDS USED FOR BOND ISSUANCE COSTS \$2,995,065 PROCEEDS ALLOCATED TO RESERVE FUND 18,996,125 PROCEEDS USED TO CURRENTLY REFUND PRIOR ISSUES 113,860,398 PROCEEDS USED TO ADVANCE REFUND PRIOR ISSUES 58,666,213 TOTAL PROCEEDS FROM ISSUE \$194,517,801 NONREFUNDING PROCEEDS OF THE ISSUE (ACQUISITION FUND) \$53,742,460 ACQUISITION FUND EARNINGS \$6,096,773 COST OF ISSUANCE FUND EARNINGS \$683 RESERVE FUND EARNINGS \$3,990,697 TOTAL PROCEEDS \$258,348,414 EARNINGS ON INVESTMENTS IN THE ACQUISITION FUND AND THE COSTS OF ISSUANCE FUND WERE ALLOCATED TO CAPITAL PROJECTS AND COSTS OF ISSUE IN ACCORDANCE WITH SECTION 148 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND SECTION 1 148-6(D)(1)(I) OF THE TREASURY REGULATIONS PROMULGATED THEREUNDER EARNINGS ON INVESTMENTS IN THE RESERVE FUND AND EXCESS SALE AND INVESTMENT PROCEEDS IN THE RESERVE FUND WERE ALLOCATED TO THE PAYMENT OF PRINCIPAL OR INTEREST ON THE SERIES 2005-A BONDS IN ACCORDANCE WITH SECTION 148 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND EITHER SECTION 1 148-6(D)(3)(II) (A)(6) OR SECTION 1 148-6(D)(3)(II)(A)(7) OF THE TREASURY REGULATIONS PROMULGATED THEREUNDER TOTAL PROCEEDS EXCLUDE EARNINGS ON INVESTMENTS IN THE DEFEASANCE ESCROW FUNDS ESTABLISHED IN CONNECTION WITH THE SERIES 2005-A BONDS THESE INVESTMENTS WERE STRUCTURED SO THAT THE YIELD ON INVESTMENTS ALLOCABLE TO THE SERIES 2005-A BOND PROCEEDS DID NOT EXCEED THE YIELD ON THE SERIES 2005-A BOND
SCHEDULE K, PART II, COLUMN A, LINE 11	OTHER SPENT PROCEEDS	RESERVE FUND EARNINGS \$3,990,697 43 EARNINGS ON INVESTMENTS IN THE RESERVE FUND AND EXCESS SALE AND INVESTMENT PROCEEDS IN THE RESERVE FUND WERE ALLOCATED TO THE PAYMENT OF PRINCIPAL OR INTEREST ON THE SERIES 2005-A BONDS IN ACCORDANCE WITH SECTION 148 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND EITHER SECTION 1 148-6(D)(3)(II)(A)(6) OR SECTION 1 148-6(D)(3)(II)(A)(7) OF THE TREASURY REGULATIONS PROMULGATED THEREUNDER
SCHEDULE K, PART II, COLUMN B, LINE 13	YEAR OF SUBSTANTIAL COMPLETION	THE SERIES 2012-A BOND ISSUE WAS A REFUNDING ONLY
SCHEDULE K, PART II, COLUMN C, LINE 13	YEAR OF SUBSTANTIAL COMPLETION	THE SERIES 2012-B BOND ISSUE WAS A REFUNDING ONLY
SCHEDULE K, PART III, COLUMN C, LINE 7	PRIVATE BUSINESS USE	THE SERIES 2005-A BONDS WERE ISSUED AS QUALIFIED 501(C)(3) BONDS IN ACCORDANCE WITH SECTION 145 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE"), AND THE REGULATIONS PROMULGATED THEREUNDER, AND THE SERIES 2005-A BONDS DO NOT MEET EITHER THE PRIVATE BUSINESS USE TEST OR THE PRIVATE SECURITY OR PAYMENT TEST UNDER SECTION 141 OF THE INTERNAL REVENUE CODE (AS MODIFIED BY SECTION 145 OF THE INTERNAL REVENUE CODE) HENCE, WITH RESPECT TO THE SERIES 2005-A BONDS,THE ANSWER TO THE QUESTION "DOES THE BOND ISSUE MEET THE PRIVATE SECURITY OR PAYMENT TEST?" IS "NO"
SCHEDULE K, PART III, COLUMN A, LINE 8A	PRIVATE BUSINESS USE	CAPITAL EXPENDITURES FROM NONREFUNDING PROCEEDS WERE \$ 59,839,232 88 THERE HAS NOT BEEN A SALE OR DISPOSITION OF THE PROPERTY PURCHASED WITH THE NONREFUNDING PROCEEDS ALL REFUNDING PROCEEDS REFUNDED BONDS ISSUED PRIOR TO 12/31/2002
SCHEDULE K, PART III, COLUMN B		PART III NOT COMPLETED SINCE 2012-A ISSUE WAS A REFUNDING ONLY OF BONDS ISSUED PRIOR TO 12/31/2002
SCHEDULE K, PART III, COLUMN C, LINE 7	PRIVATE BUSINESS USE	THE SERIES 2012-B BONDS WERE ISSUED AS QUALIFIED 501(C)(3) BONDS IN ACCORDANCE WITH SECTION 145 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE"), AND THE REGULATIONS PROMULGATED THEREUNDER, AND THE SERIES 2005-A BONDS DO NOT MEET EITHER THE PRIVATE BUSINESS USE TEST OR THE PRIVATE SECURITY OR PAYMENT TEST UNDER SECTION 141 OF THE INTERNAL REVENUE CODE (AS MODIFIED BY SECTION 145 OF THE INTERNAL REVENUE CODE) HENCE, WITH RESPECT TO THE SERIES 2012-B BONDS, THE ANSWER TO THE QUESTION "DOES THE BOND ISSUE MEET THE PRIVATE SECURITY OR PAYMENT TEST?" IS "NO"
SCHEDULE K, PART IV, COLUMN A, LINE 2(C)		DATE OF LAST REBATE COMPUTATION WAS DECEMBER 31, 2012
SCHEDULE K, PART IV, COLUMN A, LINE 5(B), 5(C), AND 5(D)		PROCEEDS OF THE SERIES 2005-A BONDS (ACQUISITION FUND PROCEEDS) WERE INVESTED IN TWO (2) GICS AS LISTED BELOW FIRST GIC (B) NAME OF PROVIDER TRANSAMERICA LIFE INSURANCE COMPANY (C) TERM OF GIC DECEMBER 15,2005 TO MARCH 1, 2007 (D) WAS THE REGULATORY SAFE HARBOR FOR ESTABLISHING THE FAIR MARKET VALUE OF THE GIC SATISFIED? -YES SECOND GIC (B) NAME OF PROVIDER HYPO PUBLIC FINANCE BANK (C) TERM OF GIC MARCH 23, 2007 TO NOVEMBER 28, 2008 ELECTED TO TERMINATE THE GIC ON OCTOBER 20, 2008 (D) WAS THE REGULATORY SAFE HARBOR FOR ESTABLISHING THE FAIR MARKET VALUE OF THE GIC SATISFIED? -YES TERM OF GICS IN YEARS 441 TOTAL DAYS - FIRST GIC 578 TOTAL DAYS - SECOND GIC 1019 TOTAL DAYS - TOTAL OF GIC TERMS 2 8 TOTAL TERM IN YEARS TO THE NEAREST 10TH
SCHEDULE K, PART IV, COLUMN A, LINE 6		A PORTION OF THE PROCEEDS OF THE SERIES 2005-A BONDS WAS DEPOSITED IN AN ACQUISITION FUND FOR EXPENDITURE ON NEW BHS CAPITAL PROJECTS AT THE TIME OF ISSUANCE OF THE 2005-A BONDS, BHS EXPECTED TO MEET THE GENERAL 3-YEAR TEMPORARY PERIOD FOR CAPITAL PROJECTS CONTEMPLATED BY SECTION 148(C) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND SECTION 1 148-2(E) (2) OF THE TREASURY REGULATIONS PROMULGATED THEREUNDER IN OTHER WORDS, BHS EXPECTED TO SPEND ALL PROCEEDS IN THE ACQUISITION FUND BY NOVEMBER 29, 2008 AND OTHERWISE COMPLY WITH THE REQUIREMENTS OF THE GENERAL 3-YEAR TEMPORARY PERIOD AFTER ISSUANCE OF THE SERIES 2005-A BONDS, BHS DETERMINED THAT IT WAS IN ITS BEST INTEREST AND BEST SERVED ITS HEALTHCARE MISSION TO REDIRECT A LARGER PORTION OF THE PROCEEDS OF THE 2005-A BONDS TO CAPITAL PROJECTS AT BHS'S SHELBY BAPTIST MEDICAL CENTER THE PROCESS OF REDIRECTING PROCEEDS TO SHELBY BAPTIST MEDICAL CENTER CAUSED DELAYS THAT CAUSED BHS TO INVEST PROCEEDS IN THE ACQUISITION FUND BEYOND THE TEMPORARY PERIOD EXCEPTION CONTEMPLATED BY SECTION 148(C) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND SECTION 1 148-2(E) (2) OF THE TREASURY REGULATIONS PROMULGATED THEREUNDER ALL PROCEEDS IN THE ACQUISITION FUND WERE EXPENDED BY JUNE 2, 2009

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

2012

Open to Public Inspection

Name of the organization BAPTIST HEALTH SYSTEM INC	Employer identification number 63-0312913
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	PURSUANT TO THE RESTATED ARTICLES OF INCORPORATION OF BAPTIST HEALTH SYSTEM, INC , THE BIRMINGHAM BAPTIST ASSOCIATION, AN ALABAMA NONPROFIT CORPORATION RECOGNIZED AS EXEMPT FROM FEDERAL INCOME TAX PURSUANT TO SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE, ELECTS THE BOARD OF TRUSTEES OF BAPTIST HEALTH SYSTEM, INC FROM A SLATE PRESENTED BY BAPTIST HEALTH SYSTEM, INC
	FORM 990, PART VI, SECTION A, LINE 7B	ANY AMENDMENT TO THE BAPTIST HEALTH SYSTEM, INC ARTICLES OF INCORPORATION MUST BE APPROVED BY THE BIRMINGHAM BAPTIST ASSOCIATION AND ANY MORTGAGE PLACED ON ANY PART OR PORTION OF REAL PROPERTY OWNED BY BAPTIST HEALTH SYSTEM, INC MUST BE APPROVED BY THE BIRMINGHAM BAPTIST ASSOCIATION
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS PROVIDED TO THE BOARD FOR REVIEW PRIOR TO FILING
	FORM 990, PART VI, SECTION B, LINE 12C	THE CORPORATION, DEDICATED TO ITS FAITH BASED HEALTH CARE MINISTRY , HAS DEMONSTRATED THE VALUE OF INTEGRITY BY SETTING FORTH A POLICY PROHIBITING CONFLICT OF INTEREST AND PROVIDING A MECHANISM FOR REPORTING POTENTIAL CONFLICT OF INTEREST SITUATIONS THE PURPOSE OF THIS CONFLICT OF INTEREST POLICY IS TO PROTECT THE CORPORATION'S INTEREST WHEN IT IS CONTEMPLATING ENTERING INTO A TRANSACTION OR ARRANGEMENT THAT MIGHT BENEFIT THE PRIVATE INTEREST OF A TRUSTEE, BOARD COMMITTEE MEMBER, HOSPITAL ADVISORY COUNCIL MEMBER, OFFICER, DIRECTOR, OR MANAGER OF BHS THIS POLICY IS INTENDED TO SUPPLEMENT BUT NOT REPLACE ANY APPLICABLE FEDERAL OR ALABAMA LAWS GOVERNING CONFLICTS OF INTEREST APPLICABLE TO NONPROFIT AND CHARITABLE ORGANIZATIONS THE CORPORATION CONDUCTS AN ANNUAL CONFLICT OF INTEREST SURVEY FOR ALL OF ITS BOARD MEMBERS, OFFICERS, DIRECTORS, AND MANAGERS TO ENSURE THAT ALL POTENTIAL CONFLICTS ARE REPORTED AND ADDRESSED THE CORPORATION ALSO HAS A TRAVEL POLICY IN PLACE THAT ALLOWS FOR THE REIMBURSEMENT OF TRAVEL EXPENSES THAT ARE REASONABLE IN AMOUNT AND ARE CONSIDERED ORDINARY , NECESSARY , AND APPROPRIATE TO THE CONDUCT OF THE CORPORATION'S BUSINESS THE REIMBURSEMENT GUIDELINES ARE IN ACCORDANCE WITH INTERNAL REVENUE SERVICE REGULATIONS THE AMOUNT OF FUNDS EXPENDED EACH YEAR RELATED TO TRAVEL IS BUDGETED EMPLOYEES AND TRUSTEES OF THE CORPORATION ARE NOT COMPENSATED THROUGH EXPENSE ALLOWANCES TO BE REIMBURSED FOR TRAVEL, EMPLOYEES AND TRUSTEES MUST SUBMIT A SIGNED EXPENSE REPORT FORM AND PROVIDE DOCUMENTATION IN THE FORM OF RECEIPTS FOR ANY EXPENSE OF \$20 OR MORE
	FORM 990, PART VI, SECTION B, LINE 15	THE ANNUAL PROCESS OF REVIEWING COMPENSATION FOR EXECUTIVES CLASSIFIED AS DISQUALIFIED PERSONS UNDER IRS INTERMEDIATE SANCTIONS GUIDELINES INCLUDES THE FOLLOWING STEPS THE GOVERNANCE COMMITTEE (A SUB COMMITTEE OF THE BOARD OF DIRECTORS) REVIEWS AND APPROVES BASE SALARY , INCENTIVES, FRINGE AND OTHER BENEFITS, AND RETIREMENT AND/OR DEFERRED COMPENSATION BENEFITS THE GOVERNANCE COMMITTEE EMPLOYS A THIRD PARTY CONSULTANT TO PROVIDE THE INDEPENDENT MARKET DATA AND UTILIZES A DOCUMENTED TOTAL COMPENSATION PHILOSOPHY TO GUIDE IN THE DECISION MAKING PEER GROUP MARKET DATA AND ANALYSIS IS UTILIZED FOR COMPARISON OF THE TOTAL COMPENSATION PACKAGE MEETING MINUTES ARE MAINTAINED WHICH REFLECT THE CONSIDERATION OF PHILOSOPHY , PERFORMANCE, AND MARKET DATA THE ANNUAL PROCESS FOR EXECUTIVES NOT CLASSIFIED AS DISQUALIFIED PERSONS UNDER IRS INTERMEDIATE SANCTIONS GUIDELINES INCLUDE THE FOLLOWING THE BHS PRESIDENT AND CEO REVIEWS AND APPROVES ALL COMPENSATION DECISIONS THIRD PARTY CONSULTANTS AND TOTAL COMPENSATION SURVEYS ARE UTILIZED TO PROVIDE INDEPENDENT MARKET DATA A DOCUMENTED TOTAL COMPENSATION PHILOSOPHY IS UTILIZED TO GUIDE IN THE DECISION MAKING PEER GROUP MARKET DATA AND ANALYSIS IS UTILIZED FOR COMPARISON OF THE TOTAL COMPENSATION PACKAGE THE GOVERNANCE COMMITTEE REVIEWS AND APPROVES INCENTIVES, FRINGE BENEFITS, AND RETIREMENT AND/OR DEFERRED COMPENSATION BENEFITS
	FORM 990, PART VI, SECTION C, LINE 19	AS A GENERAL RULE, THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS OR CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC ANY WRITTEN REQUEST BY THE PUBLIC WOULD BE REVIEWED AND ACTED UPON BY THE BOARD HOWEVER, BHS FILES ITS ANNUAL FINANCIAL STATEMENTS WITH DAC AS REQUIRED BY THE CONTINUING DISCLOSURE AGREEMENT OF THE MASTER TRUST INDENTURE
	FORM 990, PART VII, COLUMN D	THE BHS EXECUTIVE RETIREMENT PLAN ("ERP") WAS FROZEN IN DECEMBER 2011 AS A RESULT, DURING 2012, EACH PARTICIPANT WAS FULLY VESTED AND WAS PAID THEIR ENTIRE DEFERRED COMPENSATION ACCOUNT BALANCE IN ONE LUMP-SUM PAYMENT, WHICH IS INCLUDED IN COLUMN D, REPORTABLE COMPENSATION FROM THE ORGANIZATION
	FORM 990, PART VIII, LINE 2A	EFFECTIVE JANUARY 1, 2012, THE CORPORATION ADOPTED ACCOUNTING STANDARDS REGARDING THE PROVISION FOR BAD DEBTS RELATED TO PATIENT SERVICE REVENUE AS A RESULT, THE PROVISION FOR BAD DEBTS IS DISPLAYED AS A DEDUCTION FROM PATIENT SERVICE REVENUE (NET OF CONTRACTUAL ALLOWANCES AND DISCOUNTS) ON THE CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	INCREASE IN MINIMUM PENSION LIABILITY -26,618,417 DECREASE IN INVESTMENT IN AFFILIATE-TEMPORARILY RESTRICTED -9,423,070 INCREASE IN INVESTMENT IN AFFILIATE-PERMANENTLY RESTRICTED 589,898 OTHER CHANGES 3,052,693 RECLASSIFICATION OF CONTRIBUTIONS AND SUBSIDIARY INCOME/LOSS -6,844,309
	FORM 990, PART XII, LINE 2C	THE ORGANIZATION MADE NO CHANGES TO ITS OVERSIGHT PROCESS OR SELECTION PROCESS DURING THE TAX YEAR

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

2012

Open to Public Inspection

Name of the organization
BAPTIST HEALTH SYSTEM INC

Employer identification number
63-0312913

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

(a) Name, address, and EIN (if applicable) 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
See Additional Data Table					

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity?	
						Yes	No
(1) BAPTIST PARTNERSHIP HOLDINGS INC PO BOX 830605 BIRMINGHAM, AL 352830605 63-0963324	HOLDING COMPANY	AL	501(C)(3)	509(A)(2)	N/A	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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) Dispropportionate 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) SHELBY BAPTIST AMBULATORY SURGERY CENTER LLC 1010 FIRST STREET NORTH ALABASTER, AL 35007 20-3150946	MEDICAL CLINIC	AL	SHELBY BAPTIST AFFINITY LLC	UNRELATED				No			No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) BHS AFFINITY INC PO BOX 830605 BIRMINGHAM, AL 352830605 63-1111454	HOLDING COMPANY	AL	N/A	C	53,018,512	38,185,370	100 000 %		No
(2) BAPTIST HEALTH CENTERS INC PO BOX 830605 BIRMINGHAM, AL 352830605 63-0925859	PHYSICIANS PRACTICES	AL	BHS AFFINITY INC	C			100 000 %		No
(3) AFFINITY SOUTHEAST INSURANCE INC BRAEMAR COURT 2 DEIGHTON ROAD ST MICHAEL BB14017 BB 98-0462365	CONTROLLED FOREIGN CORPORATION	BB	BHS AFFINITY INC	C			100 000 %		No

Part V

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

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

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 or (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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b Yes

1c Yes

1d

1e

1f

1g

1h

1i

1j

1k

1l Yes

1m

1n

1o Yes

1p Yes

1q Yes

1r Yes

1s

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-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2012

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]

Software ID:
Software Version:
EIN: 63-0312913
Name: BAPTIST HEALTH SYSTEM INC

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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Form 990, Schedule R, Part I - Identification of Disregarded Entities

(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
SHELBY BAPTIST AFFINITY LLC PO BOX 830605 BIRMINGHAM, AL 352830605 20-3150646	HOLDING COMPANY	AL	0	0	BHS AFFINITY INC
HOOVER BAPTIST MEDICAL CENTER LLC PO BOX 830605 BIRMINGHAM, AL 352830605 20-5417206	LEASE MEDICAL FACILITIES	AL	141,260	14,688,680	N/A
WALKER BAPTIST AFFINITY LLC PO BOX 830605 BIRMINGHAM, AL 352830605 20-3864809	HOLDING COMPANY	AL	0	0	BHS AFFINITY INC
PRISON HEALTHCARE LLC PO BOX 830605 BIRMINGHAM, AL 352830605 20-3437722	HEALTHCARE SERVICES FOR PRISONERS	AL	473,900	0	N/A
BHC-TALLADEGA PEDIATRICS LLC PO BOX 830605 BIRMINGHAM, AL 352830605 33-1178239	PEDIATRIC HEALTHCARE SERVICE	AL	0	0	BAPTIST HEALTH CENTERS INC
BAPTIST PHYSICIAN ALLIANCE LLC PO BOX 830605 BIRMINGHAM, AL 352830605 61-1656513	PHYSICIANS NETWORK	AL	0	12,005	N/A
REGENCY HOLDINGS LLC PO BOX 830605 BIRMINGHAM, AL 352830605 20-5136737	HOLDING COMPANY	AL	0	0	BHS AFFINITY INC

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
BAPTIST HEALTH CENTERS INC	A	-424,716	FMV
SHELBY BAPTIST AMBULATORY SURGERY CENTER LLC	A	642,228	FMV
BAPTIST HEALTH CENTERS INC	C	3,837,939	FMV
BAPTIST HEALTH CENTERS INC	L	-7,178,349	FMV
AFFINITY SOUTHEAST INSURANCE INC	L	239,120	FMV
BAPTIST HEALTH CENTERS INC	O	9,600,909	FMV
BAPTIST HEALTH CENTERS INC	Q	-6,252,875	FMV
AFFINITY SOUTHEAST INSURANCE INC	Q	71,378	FMV
AFFINITY SOUTHEAST INSURANCE INC	R	20,350,786	FMV
BAPTIST HEALTH CENTERS INC	R	417,093	FMV

**BAPTIST HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

April 26, 2013

Board of Trustees
Baptist Health System, Inc. and Subsidiaries
Birmingham, Alabama

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Baptist Health System, Inc. and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the years then ended and the related notes to consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Trustees
Baptist Health System, Inc and Subsidiaries
April 26, 2013
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Baptist Health System, Inc and Subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Warren Averett, LLC

Birmingham, Alabama

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
	<i>(in thousands)</i>	
Current Assets		
Cash and cash equivalents	\$ 1,040	\$ 1,000
Patient accounts receivable, less allowance for doubtful accounts of \$68,428 and \$58,897 at December 31, 2012 and 2011, respectively	61,373	53,432
Inventories	11,104	10,281
Other current assets	8,993	8,835
Total Current Assets	82,510	73,548
Assets Whose Use Is Limited		
By board for development	230,254	226,857
By board for special purposes	-	15,202
Under escrow and indenture agreements held in trust	19,331	23,056
Other long-term investments	33,403	16,100
Investments in others	33,788	34,062
Property and equipment, net	343,303	311,643
Unamortized bond issue expenditures	2,611	3,109
Goodwill	18,051	18,840
Other assets	15,844	18,269
Total Assets	<u>\$ 779,095</u>	<u>\$ 740,686</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 13,626	\$ 9,974
Lines of credit	53,402	28,228
Accounts payable	26,704	23,326
Accrued expenses	34,512	33,489
Accrued interest	1,585	1,780
Estimated amounts due to third parties, net	2,215	5,211
Other current liabilities	21,005	18,403
Total Current Liabilities	153,049	120,411
Long-term debt, net of current portion	268,177	274,626
Minimum pension liability	138,611	111,992
Other noncurrent liabilities	37,419	36,449
Total Liabilities	597,256	543,478
Net Assets		
Unrestricted net assets	151,299	157,835
Temporarily restricted net assets	5,890	15,313
Permanently restricted net assets	24,650	24,060
Total Net Assets	181,839	197,208
Total Liabilities and Net Assets	<u>\$ 779,095</u>	<u>\$ 740,686</u>

See notes to consolidated financial statements

**BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011 <i>(as adjusted)</i> <i>(in thousands)</i>
Unrestricted Revenues		
Net patient service revenue, less provision for bad debts	\$ 512,918	\$ 488,973
Other operating revenue	<u>15,809</u>	<u>13,464</u>
Total Unrestricted Revenues	528,727	502,437
Operating Expenses		
Salaries and wages	219,344	202,684
Employee benefits	39,738	42,094
Professional services	20,417	20,759
Supplies and other expenses	199,423	183,607
Lease expense	16,543	15,412
Interest	12,612	13,952
Depreciation and amortization	27,130	27,814
Gain on disposal of assets, net	<u>(355)</u>	<u>(325)</u>
Total Operating Expenses	<u>534,852</u>	<u>505,997</u>
Operating Loss	(6,125)	(3,560)
Nonoperating Gains		
Net gain on investments whose use is limited by board for development	6,799	6,375
Loss on extinguishment of debt	(1,326)	-
Increase (decrease) in investments in others	8,261	(1,430)
Other nonoperating losses, net	<u>(426)</u>	<u>(389)</u>
Total Nonoperating Gains	<u>13,308</u>	<u>4,556</u>
Excess of Revenues and Gains over Expenses from Continuing Operations	7,183	996
Loss from discontinued operations	<u>(460)</u>	<u>(488)</u>
Excess of Revenue and Gains over Expenses	<u>\$ 6,723</u>	<u>\$ 508</u>
Changes in Unrestricted Net Assets		
Excess of revenues and gains over expenses	\$ 6,723	\$ 508
Change in unrealized gain on investments, net	10,308	(9,934)
Increase in additional minimum pension liability	(26,619)	(27,335)
Other changes in unrestricted net assets	<u>3,052</u>	<u>823</u>
Change in Unrestricted Net Assets	<u>\$ (6,536)</u>	<u>\$ (35,938)</u>

See notes to consolidated financial statements

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
	<i>(in thousands)</i>	
Change in Unrestricted Net Assets	\$ (6,536)	\$ (35,938)
Temporarily Restricted Net Assets		
(Decrease) increase in investments in others	<u>(9,423)</u>	<u>2,011</u>
Change in Temporarily Restricted Net Assets	(9,423)	2,011
Permanently Restricted Net Assets		
Increase (decrease) in investments in others	<u>590</u>	<u>(416)</u>
Change in Permanently Restricted Net Assets	590	(416)
Change in Net Assets	(15,369)	(34,343)
Net Assets		
Beginning of year	<u>197,208</u>	<u>231,551</u>
End of year	<u><u>\$ 181,839</u></u>	<u><u>\$ 197,208</u></u>

See notes to consolidated financial statements

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
	<i>(in thousands)</i>	
Cash Flows from Operating Activities		
Change in net assets	\$ (15,369)	\$ (34,343)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	27,130	27,814
Depreciation included in discontinued operations	414	458
Loss on extinguishment of debt	1,326	-
Bad debt expense, at gross charges	105,145	85,311
Bad debt recoveries included in discontinued operations	(30)	(22)
Gain from disposal of property and equipment	(355)	(325)
Loss on disposal of property and equipment included in discontinued operations	121	183
Equity in unrestricted (income) loss of others	(8,055)	1,579
Equity in restricted loss (income) of others	8,833	(1,595)
Realized gain on sale of investments	(1,243)	(1,729)
Change in unrealized gain on investments	(10,308)	9,934
Investment income reinvested	(5,758)	(6,039)
Increase in additional minimum pension liability	26,619	27,335
Changes in operating assets and liabilities		
Patient accounts receivable, net	(113,056)	(89,051)
Inventories	(823)	772
Other current assets	(107)	(1,298)
Other assets	2,425	964
Accounts payable and accrued expenses	5,358	5,643
Accrued interest and other current liabilities	2,375	(478)
Estimated amounts due to from third parties, net	(2,996)	5,241
Other noncurrent liabilities	1,282	(1,471)
Net Cash Provided by Operating Activities	22,928	28,883
Cash Flows from Investing Activities		
Additions to property and equipment	(61,618)	(36,264)
Proceeds from disposal of property and equipment	1,837	322
Acquisition of business	-	(2,712)
Investment in joint venture	(80)	-
Distributions received from joint venture	166	-
Net proceeds from sale of investments	15,555	11,979
Net Cash Used in Investing Activities	(44,140)	(26,675)
Cash Flows from Financing Activities		
Additions to long-term debt	39,608	3,695
Reductions in long-term debt	(42,949)	(9,647)
Debt issue expenditures paid	(581)	(379)
Net borrowings against lines of credit	25,174	4,321
Net Cash Provided by (Used in) Financing Activities	21,252	(2,010)
Increase in Cash and Cash Equivalents	40	198
Cash and Cash Equivalents - beginning of year	1,000	802
Cash and Cash Equivalents - end of year	\$ 1,040	\$ 1,000
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net	\$ 15,069	\$ 14,882

See notes to consolidated financial statements

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Baptist Health System, Inc and Subsidiaries (the Corporation) currently provides health services to communities in the greater Birmingham, Alabama area

The following table provides information about the Corporation's facilities and subsidiaries

Facility/Subsidiary	Type of Business
Baptist Health System Hospital Facilities	
Princeton Baptist Medical Center (Princeton)	Hospital
Shelby Baptist Medical Center (Shelby)	Hospital
Citizens Baptist Medical Center (Citizens)	Hospital
Walker Baptist Medical Center (Walker)	Hospital
Baptist Health Centers, Inc (BHC)	Physician clinics
Affinity Southeast Insurance, Inc (ASI)	Insurance company domiciled in Barbados
Regency Holdings, LLC (ARH)	Holding company for previous investment in Regency Healthcare Group
Walker Baptist Affinity, LLC (WBA)	Holding company for investment in Surgical Specialists Group, LLC and SSG Real Estate, LLC (ambulatory surgery center)
Shelby Baptist Affinity, LLC (SBA)	Holding company for investment in Shelby Ambulatory Surgery Center (Shelby ASC)
BHS Affinity, Inc (BHSA)	Holding company for BHC, ASI, ARH, WBA and SBA
Hoover Baptist Medical, LLC (Hoover)	Real estate holding company
Baptist Partnership Holdings, Inc (BPHI)	Not-for-profit subsidiary
Baptist Physician Alliance, LLC (BPA)	Clinically integrated physicians network
Baptist Health Foundation, Inc (BHF)	Charitable foundation

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Basis of Presentation

The consolidated financial statements include the accounts of entities owned and controlled by the Corporation. All material intercompany accounts and transactions have been eliminated.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses in the consolidated statements of operations and changes in unrestricted net assets. Other transactions are reported as nonoperating gains and losses.

Net Patient Service Revenue

Net patient service revenue is recorded at the estimated net realizable amounts for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payers are accrued in the year the related services are rendered and adjusted in future years as final settlements are determined. Amounts due to/from third parties are based on estimates by management. Any adjustments to these amounts are treated as a change in estimate and are included in the consolidated statements of operations and changes in unrestricted net assets in the year the adjustment is made. The change in estimate for 2012 net patient service revenue includes a group appeal settlement with CMS to recover funds lost over the period of 2004 through 2011 as a result of CMS' flawed methodology in the application of the rural floor budget neutrality adjustment during this time period. The net amount of the settlement totaled \$5,400,000.

Charity Care and Bad Debt Expense

The Corporation provides health care services to all patients, regardless of their ability to pay. The Corporation does not pursue collection from those patients who meet certain criteria under its charity policy. Therefore, those amounts are not reported as revenues.

Forgone charges for charity care amounted to \$129,778,000 and \$114,643,000 for the years ended December 31, 2012 and 2011, respectively. These amounts as a percentage of gross patient revenues were 4.7 percent and 4.2 percent at December 31, 2012 and 2011, respectively. Estimated costs related to providing charity care were \$24,932,000 and \$24,598,000 for the years ended December 31, 2012 and 2011, respectively. These costs were estimated by multiplying the percentage of gross patient revenues attributable to charity care patients by the total operating expenses.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

The Corporation records bad debt expense as its estimate of the amount of gross charges due from patients that will not ultimately be collected. Bad debt expense as a percentage of gross patient charges was 3.8 percent and 3.1 percent for the years ended December 31, 2012 and 2011, respectively. In accordance with recently adopted accounting standards, such amount is recorded as a reduction of patient revenue on the consolidated statement of operations.

The allowance for bad debts is established for accounts deemed potentially uncollectible by management based on contract terms and historical collection experience. Accounts are written off once collection efforts have been exhausted.

Other Operating Revenue

Other operating revenue includes certain investment earnings and net gains on the sale of investments of certain affiliates, investment income related to escrow and indenture agreements held in trust and other activities related to the provision of health care services.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements, such as trust agreements. The Corporation classifies book overdrafts, representing outstanding checks in excess of funds on deposit, in accounts payable, except where the legal right of offset exists with the same bank. Such amounts totaled \$1,244,000 and \$2,234,000 at December 31, 2012 and 2011, respectively.

Inventory

Inventory, which consists principally of medical and other supplies, is valued at the lower of cost or market on the first-in, first-out (FIFO) method.

Other Current Assets

Other current assets include notes receivable, prepaid expenses and other nonpatient accounts receivable.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Assets Whose Use Is Limited

Assets whose use is limited represent funds designated by the Corporation's Board of Trustees for future capital expenditures and for debt service as required by bond indentures, escrow and loan agreements. In 2011, this included funds designated for self insurance reserves. In 2012, these funds were reclassified to other long-term investments (Note C).

These assets consist of cash and cash equivalents, U S government obligations, fixed income securities, and fixed income, equity and multistrategy mutual funds and are recorded at market plus accrued interest. Realized gains and losses are determined on the specific identification method for securities with fixed maturities and the average cost method for equity securities.

Other Long-Term Investments

Other long-term investments, which consist of cash and cash equivalents, U S government obligations, and fixed income, equity and multistrategy mutual funds, are stated at market plus accrued interest. Investment income is recognized when earned.

Investments in Others

Investments in others are recorded using the equity method. The Corporation's share of the results of unrestricted operations of these entities is recorded as other operating revenue, nonoperating gains (losses) or changes in unrestricted net assets, depending on the nature of the related investment. The Corporation's share of the changes in temporarily and permanently restricted net assets of these entities is recorded as changes in the Corporation's temporarily and permanently restricted net assets.

Property and Equipment, Net

Property and equipment is stated at cost if purchased or market value at date received if donated. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the consolidated statements of operations and changes in unrestricted net assets. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are in accordance with American Hospital Association guidelines.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

During periods of construction, the Corporation capitalizes interest expenditures, net of any related interest earnings, as part of the costs of acquiring qualifying assets. The Corporation capitalized \$2,365,000 and \$1,060,000 of interest on projects under construction during the years ended December 31, 2012 and 2011, respectively. The net capitalized interest is added to the asset's cost and is depreciated over the asset's estimated useful life.

Costs incurred for the development of computer software are capitalized and amortized over five years or less.

Impairment of Long-Lived Assets

The Corporation evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows are less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. There were no impairments for the years ended December 31, 2012 and 2011.

Unamortized Bond Issue Expenditures

Bond issue expenditures are amortized over the period the bonds are outstanding on the straight-line method.

Goodwill

Goodwill represents the excess of the purchase price paid over net assets acquired. Management evaluates goodwill to determine if it is more likely than not that impairment exists. If there is a greater than 50 percent likelihood of impairment, the Corporation assesses the recoverability of goodwill by determining whether the amounts can be recovered through undiscounted cash flows of the business acquired, excluding interest. If impairment is indicated by this analysis, measurement of the loss would be based on the market value of the business acquired. Management considers external factors, including local market developments, regional and national trends, regulatory developments and other pertinent factors in making its assessments. No goodwill was considered impaired during the years ended December 31, 2012 and 2011. This analysis includes management estimates that are susceptible to significant changes from economic or other factors. Changes in these estimates could result in future goodwill impairments.

**BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Other Assets

Other assets primarily include notes receivable, vendor deposits and the cash surrender value of life insurance policies

Insurance

The Corporation, through ASI, maintains a self-insurance program related to its general, professional and workers' compensation liabilities. These liabilities are funded with marketable securities. Provision is made in the consolidated financial statements for estimates of the value of reported claims and claims incurred but not reported under these programs (Note K).

In addition, the Corporation maintains a self-insurance program for its employees' health and dental insurance. Provision is made in the consolidated financial statements for estimates of the claims incurred but not reported under this program.

Other Current Liabilities

Other current liabilities primarily include deferred revenue related to Medicaid disproportionate share payments.

Other Noncurrent Liabilities

Other noncurrent liabilities primarily include the noncurrent portion of reserves for general, professional and workers' compensation liabilities, defined benefit pension plan, BHC physician life insurance retirement plan and certain other benefit liabilities.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those which are restricted by donors to be held by the Corporation in perpetuity.

Tax Status

Baptist Health System, Inc. is an Alabama not-for-profit corporation and is exempt from income taxes under Internal Revenue Code Section 501(c)(3). BHSA, a for-profit holding company, was organized in 1994 to coordinate the activities of the for-profit subsidiaries of the Corporation.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred taxes are recorded for temporary timing differences between amounts reported for federal and state tax purposes and amounts recorded in the consolidated financial statements. The primary timing difference is due to the recognition of net operating loss carry forwards.

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The estimates susceptible to significant changes include those used in determining the collectability of receivables, the reserves for general and professional liability claims, the reserves for workers' compensation claims, the reserves for employee group health care claims, pension assumptions, the reserves for pending litigation and regulatory audits, estimated third-party payer settlements and the useful lives and recoverability of certain long-lived assets and intangible assets. Although some variability is inherent in these estimates, management believes that the amounts recorded are reasonable.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these consolidated financial statements through April 26, 2013, the date the consolidated financial statements were issued.

Fair Value Measurements

Generally accepted accounting principles define fair value for financial reporting purposes as the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date (reporting date). Fair value is based on an exit price in the principal market or most advantageous market in which the reporting entity could transact.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Financial Instruments Measured at Fair Value - For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. The Corporation measures its assets and liabilities on a stand-alone basis then aggregates assets and liabilities with similar characteristics for disclosure purposes. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation.

Unobservable inputs are inputs that reflect the Corporation's assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities and default rates, and inputs that are derived principally from or corroborated by observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. As of December 31, 2012 and 2011, the Corporation had no Level 3 investments.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability measured.

The fair value of common stock, equity pools, registered mutual funds, and other equity investments is based on quoted market prices in an active market for identical assets and liabilities as of the reporting date. The fair value of common stock, equity pools and other equity investments is categorized within Level 1 of the fair value hierarchy.

The fair value of fixed maturity securities and fixed income pools is estimated using recently executed transactions and market price quotations (where observable). Fixed maturity securities are generally categorized in Level 1 or Level 2 of the fair value hierarchy, in instances where significant inputs are unobservable, they are categorized in Level 3 of the hierarchy.

Financial Instruments Not Measured at Fair Value - Some of the Corporation's financial instruments are not measured at fair value on a recurring basis but, nevertheless, are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include accounts receivable, accounts payable, accrued expenses and lines of credit. The Corporation's long-term debt is carried at cost. See Note G for disclosure of the fair value.

Discontinued Operations

In previous years, the Corporation has divested several facilities, some of which qualified for discontinued operations treatment. The amounts reflected as loss from discontinued operations in the accompanying consolidated statements of operations and changes in unrestricted net assets represent the residual revenues and expenses from those discontinued operations.

Recent Accounting Developments

Management considers the applicability and impact of all accounting standards updates (ASUs) issued by the Financial Accounting Standards Board (FASB). ASUs not listed below were determined to either not be applicable or to have a minimal impact on the consolidated financial statements.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Effective January 1, 2012, the Corporation adopted accounting standards regarding the disclosure requirements for certain fair value measurements. As a result, additional disclosures were made regarding long-term debt, including the categorization level in the fair value hierarchy and information regarding the measurement of debt categorized within Level 3 of the fair value hierarchy. The adoption had no impact on the balance sheet, results of operations or cash flows.

Effective January 1, 2012, the Corporation adopted accounting standards regarding the provision for bad debts related to patient service revenue. As a result, the provision for bad debts is displayed as a deduction from patient service revenue (net of contractual allowances and discounts) on the consolidated statement of operations and changes in unrestricted net assets and additional disclosures are made about the significant changes in estimates related to patient bad debts. As a result of adopting this guidance, amounts previously reported in the consolidated statement of operations and changes in unrestricted net assets for the year ended December 31, 2011, were retrospectively adjusted to reduce total operating revenues and total operating expenses by \$85,311,000, which is the amount of the provision for bad debts. The adoption had no effect on the balance sheet, results of operations or cash flows.

NOTE B - NET PATIENT SERVICE REVENUE

The hospitals contributed 91 percent of the Corporation's net patient service revenue in 2012 and 2011. The hospitals have agreements with third-party payers that provide for payments at amounts which differ from the established rates. Following is a summary of the payment arrangements with major third-party payers:

Medicare

Most inpatient acute care services, most outpatient services and home health services rendered to Medicare program beneficiaries and certain medical education and capital costs are paid at prospectively determined rates per discharge. Inpatient acute care rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain medical education costs, bad debt reimbursement and disproportionate share payments are paid based on tentative rates with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE B - NET PATIENT SERVICE REVENUE - Continued

Cost reports have been audited by the fiscal intermediary through 2007 for one hospital, through 2008 for two hospitals and through 2009 for one hospital. The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation, as well as a postpayment review by the Recovery Audit Contractor (RAC) program (Note K). Approximately 33 percent and 33 percent of the hospitals' gross patient revenues were derived from Medicare beneficiaries in 2012 and 2011, respectively.

Medicare HMO

Inpatient and outpatient services rendered to Medicare-eligible beneficiaries enrolled in Medicare Advantage programs are generally paid at rates which mirror traditional Medicare. Approximately 21 percent and 20 percent of the hospitals' gross patient revenues were derived from Medicare HMO subscribers in 2012 and 2011, respectively.

Blue Cross

Inpatient and outpatient services rendered to most Blue Cross subscribers are reimbursed at prospectively determined rates or based on a cost reimbursement methodology. For cost reimbursed services, the Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by Blue Cross. Cost reports have been audited for two hospitals through 2010 and two hospitals through 2011. Approximately 22 percent and 23 percent of the hospitals' gross patient revenues were derived from Blue Cross subscribers in 2012 and 2011, respectively.

Medicaid

For patient services rendered to Medicaid-eligible beneficiaries, hospitals receive enhanced disproportionate share payments and quarterly supplemental access payments in addition to fee-for-service payments for inpatient and outpatient services with inpatient service fees paid on a per diem rate and outpatient service fees paid on a fee schedule. In addition, private hospitals, such as the hospitals operated by the Corporation, are assessed a revenue tax. Approximately 11 percent and 12 percent of the hospitals' gross patient revenues were derived from Medicaid beneficiaries in 2012 and 2011, respectively.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE B - NET PATIENT SERVICE REVENUE - Continued

Other Third-Party Payers

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

Composition of Patient Service Revenue

Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows for the years ended December 31:

	2012	2011
	<i>(in thousands)</i>	
Third party	\$ 543,831	\$ 510,037
Self-pay	<u>74,232</u>	<u>64,247</u>
	<u><u>\$ 618,063</u></u>	<u><u>\$ 574,284</u></u>

Patient service revenue, net of contractual adjustments and discounts and the provision for bad debts, is as follows for the years ended December 31:

	2012	2011
	<i>(in thousands)</i>	
Patient service revenue, net of contractual adjustments and discounts	\$ 618,063	\$ 574,284
Less provision for bad debts (at gross charges)	<u>105,145</u>	<u>85,311</u>
Net patient service revenue	<u><u>\$ 512,918</u></u>	<u><u>\$ 488,973</u></u>

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE C - ASSETS WHOSE USE IS LIMITED AND OTHER LONG-TERM INVESTMENTS

Assets whose use is limited at December 31, 2012 and 2011, are summarized as follows

	2012		2011	
	Cost	Market Value	Cost	Market Value
	<i>(in thousands)</i>			
By Board for Development				
Cash and cash equivalents	\$ 549	\$ 549	\$ 1,703	\$ 1,703
Fixed income securities	140,433	140,112	155,636	154,310
Equity mutual funds	50,782	58,841	53,445	55,711
Multistrategy mutual funds	28,747	30,571	14,376	14,887
Accrued interest	181	181	246	246
	<u>\$ 220,692</u>	<u>\$ 230,254</u>	<u>\$ 225,406</u>	<u>\$ 226,857</u>
By Board for Special Purposes				
Fixed income securities	\$ -	\$ -	\$ 9,045	\$ 8,904
Equity mutual funds	-	-	1,997	1,899
Multistrategy mutual funds	-	-	4,646	4,399
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,688</u>	<u>\$ 15,202</u>
Under Escrow and Indenture Agreements Held in Trust				
Cash and cash equivalents	\$ 312	\$ 312	\$ 4,367	\$ 4,367
Fixed income securities	18,849	19,019	18,992	18,658
Accrued interest	-	-	31	31
	<u>\$ 19,161</u>	<u>\$ 19,331</u>	<u>\$ 23,390</u>	<u>\$ 23,056</u>
Total Assets Whose Use Is Limited	<u>\$ 239,853</u>	<u>\$ 249,585</u>	<u>\$ 264,484</u>	<u>\$ 265,115</u>

Other long-term investments held by ASI, BHC and BHSA at December 31, 2012 and 2011, are summarized as follows

	2012		2011	
	Cost	Market Value	Cost	Market Value
	<i>(in thousands)</i>			
Cash and cash equivalents	\$ 147	\$ 147	\$ 6	\$ 6
Fixed income mutual funds	16,533	16,803	11,111	11,016
Equity mutual funds	6,282	6,616	3,082	2,886
Multistrategy mutual funds	9,482	9,837	2,350	2,192
	<u>\$ 32,444</u>	<u>\$ 33,403</u>	<u>\$ 16,549</u>	<u>\$ 16,100</u>

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE C - ASSETS WHOSE USE IS LIMITED AND OTHER LONG-TERM INVESTMENTS - Continued

Effective January 1, 2012, the investments limited by board for special purposes were transferred to other long-term investments. These investments were previously restricted by the board to fund self-insurance reserves, these investments are now included in the accounts of ASI, the Corporation's wholly-owned captive insurance company (Note K).

The following tables reflect investments with unrealized losses at December 31, 2012 and 2011. The tables segregate the investments that have been in an unrealized loss position for less than 12 months from those that have been in an unrealized loss position for 12 months or longer. The December 31, 2012 and 2011, analyses were performed at the individual investment level.

At December 31, 2012, the Corporation had 18 investment securities that were in an unrealized loss position for more than 12 months. The Corporation held 45 investment securities that were in an unrealized loss position for less than 12 months.

	Equity Securities	Fixed Income Securities	Multistrategy Mutual Funds	Total
	<i>(in thousands)</i>			
Loss for less than 12 months				
Fair value	\$ 2,352	\$ 49,555	\$ -	\$ 51,907
Unrealized losses	(23)	(264)	-	(287)
Loss for greater than 12 months				
Fair value	53	6,364	-	6,417
Unrealized losses	(17)	(280)	-	(297)
Total unrealized losses				
Fair value	\$ 2,405	\$ 55,919	\$ -	\$ 58,324
Unrealized losses	(40)	(544)	-	(584)

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE C - ASSETS WHOSE USE IS LIMITED AND OTHER LONG-TERM INVESTMENTS - Continued

At December 31, 2011, the Corporation had 15 investment securities that were in an unrealized loss position for more than 12 months. The Corporation held 53 investment securities that were in an unrealized loss position for less than 12 months.

	Equity Securities	Fixed Income Securities	Multistrategy Mutual Funds	Total
	<i>(in thousands)</i>			
Loss for less than 12 months				
Fair value	\$ 3,374	\$ 145,455	\$ 6,591	\$ 155,420
Unrealized losses	(349)	(2,436)	(405)	(3,190)
Loss for greater than 12 months				
Fair value	-	11,519	-	11,519
Unrealized losses	-	(377)	-	(377)
Total unrealized losses				
Fair value	\$ 3,374	\$ 156,974	\$ 6,591	\$ 166,939
Unrealized losses	(349)	(2,813)	(405)	(3,567)

All unrealized investment security losses are deemed by management to be temporary. This is because 1) the Corporation has the ability and intent to hold the equity securities for a reasonable period of time sufficient for a forecasted recovery of fair value at a minimum up to the cost of the investment and 2) the Corporation has no intent to sell the fixed income securities, and it is not likely that the entity will be required to sell the fixed income securities before recovery of the amortized cost basis. Furthermore, since the unrealized losses have been deemed by management to be temporary, no impairment losses have been recognized, and any unrealized losses are included in other changes in net assets for both years.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE C - ASSETS WHOSE USE IS LIMITED AND OTHER LONG-TERM INVESTMENTS - Continued

The Corporation's financial assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy (as described in Note A). The following table presents the fair value hierarchy of the plan's investments, along with the level within the fair value hierarchy that the investments fall, as of December 31, 2012.

Assets	Fair Value	Quoted Prices in Active Markets Level 1 <i>(in thousands)</i>	Significant Other Observable Inputs Level 2
Cash and cash equivalents	\$ 1.008	\$ 459	\$ 549
Fixed income securities			
Mutual funds	142.174	142.174	-
Corporate bonds	17.509	-	17.509
Government bonds and securities	3.540	-	3.540
Other	12.710	-	12.710
	175.933	142.174	33.759
Equity securities			
Mutual funds - global	65.382	65.382	-
Other	75	-	75
	65.457	65.382	75
Multistrategy mutual funds	40.409	40.409	-
Accrued interest	181	181	-
Total Assets Whose Use is Limited and Other Long-Term Investments	\$ 282.988	\$ 248.605	\$ 34.383

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE C - ASSETS WHOSE USE IS LIMITED AND OTHER LONG-TERM INVESTMENTS - Continued

The following table presents the fair value hierarchy of the plan's investments, along with the level within the fair value hierarchy that the investments fall, as of December 31, 2011

Assets	Fair Value	Quoted Prices in Active Markets Level 1 <i>(in thousands)</i>	Significant Other Observable Inputs Level 2
Cash and cash equivalents	\$ 6.076	\$ 4.447	\$ 1.629
Fixed income securities			
Mutual funds	148,841	148,841	-
Corporate bonds	20,232	-	20,232
Government bonds and securities	10,229	-	10,229
Other	13,586	-	13,586
	192,888	148,841	44,047
Equity securities			
Mutual funds - global	60,421	60,421	-
Other	75	-	75
	60,496	60,421	75
Multistrategy mutual funds	21,478	21,478	-
Accrued interest	277	277	-
Total Assets Whose Use is Limited and Other Long-Term Investments	\$ 281,215	\$ 235,464	\$ 45,751

There were no assets whose use is limited and other long-term investments categorized as Level 3 at December 31, 2012 or 2011

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE C - ASSETS WHOSE USE IS LIMITED AND OTHER LONG-TERM INVESTMENTS - Continued

Investment income and gains on assets whose use is limited, cash equivalents and other long-term investments are comprised of the following for the years ended December 31, 2012 and 2011

	2012	2011
	<i>(in thousands)</i>	
Operating Income		
Dividends	\$ -	\$ 445
Interest income	1,985	1,063
Realized gains on sale of securities, net	88	1,102
Investment expenses	<u>(45)</u>	<u>(54)</u>
	2,028	2,556
Nonoperating Income		
Dividends	5,868	5,715
Realized gains on sale of securities, net	1,155	884
Investment expenses	<u>(224)</u>	<u>(224)</u>
	<u>6,799</u>	<u>6,375</u>
Total Investment Income	<u>\$ 8,827</u>	<u>\$ 8,931</u>
Other Changes in Unrestricted Net Assets		
Change in unrealized gain	<u>\$ 10,308</u>	<u>\$ (9,934)</u>

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE D - INVESTMENTS IN OTHERS

As of December 31, 2012 and 2011, the Corporation's investments in others consisted of the following

	2012	2011
	<i>(in thousands)</i>	
BHF	\$ 33,983	\$ 34,522
Surgical Specialists Group, LLC and SSG Real Estate, LLC	(61)	(478)
Other	(134)	18
	<u>\$ 33,788</u>	<u>\$ 34,062</u>

BHF

BHF exists to support the activities of the Corporation. BHF is managed by an independent board of directors. Upon its dissolution, any net assets remaining would revert to the Corporation.

As a result, the accompanying consolidated financial statements for 2012 and 2011 include the net assets of BHF and, for 2011, its eight affiliates, which BHF controlled as of December 31, 2011: Baptist Hospitals Foundation Service Corporation (BHFSC), Cherokee Housing Corporation, Shelby Senior Housing, Inc., Cullman Senior Housing, Inc., DeKalb Senior Housing, Inc., Limestone Senior Housing, Inc., Oxford Senior Housing, Inc. and Coosa Valley Senior Housing, Inc.

On October 1, 2012, BHFSC entered into a Conditional Purchase and Sale Contract (Contract) with Princeton Towers, L P (Partnership) to transfer Princeton Towers I and II to the Partnership in consideration for the payment of \$1,400,000 (Purchase Price). Closing is to occur by December 31, 2013, contingent upon certain financing conditions being met. If closing does not occur by December 31, 2013, the Partnership must pay annual extension fees of \$200,000. Upon receipt of the Purchase Price, BHFSC is to distribute the funds to BHF. BHF has also requested the United States Secretary of Housing and Urban Development to transfer to East Lake Community Development, Inc. sponsorship of its eight affiliates. Additionally, effective December 31, 2012, BHF terminated each of the nine Housing Management Agreements related to its eight affiliates. As a result of the Contract and transfer of board control, the net assets of the eight affiliates are no longer included in BHF's net assets as of December 31, 2012.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE D - INVESTMENTS IN OTHERS - Continued

As a result of this transaction, \$7,400,000 of temporarily restricted net assets were released which resulted in nonoperating gains in the Corporation's consolidated statement of operations and changes in unrestricted net assets

BHF was audited by other auditors as of and for the years ended December 31, 2012 and 2011. The eight affiliates reported on a fiscal year end of September 30 for financial reporting purposes. The combined totals presented in the following table include the audited results of BHF as of and for the year ended December 31, 2012, and audited results of BHF and the unaudited results for the eight affiliates as of and for the year ended December 31, 2011.

Balance Sheets	2012	2011
	<i>(in thousands)</i>	
Total assets	<u>\$ 35,329</u>	<u>\$ 45,847</u>
Total liabilities	\$ 1,346	\$ 11,325
Net Assets		
Unrestricted net assets (deficit)	3,443	(4,851)
Temporarily restricted net assets	5,890	15,313
Permanently restricted net assets	<u>24,650</u>	<u>24,060</u>
Total net assets	<u>33,983</u>	<u>34,522</u>
Total liabilities and net assets	<u>\$ 35,329</u>	<u>\$ 45,847</u>

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE D - INVESTMENTS IN OTHERS - Continued

Statements of Activities	2012	2011
	<i>(in thousands)</i>	
Unrestricted Net Assets		
Revenues	\$ 6,115	\$ 5,438
Net assets released from restrictions	12,098	765
Expenses	<u>(9,919)</u>	<u>(7,641)</u>
Change in unrestricted net assets	8,294	(1,438)
Temporarily Restricted Net Assets		
Revenues	2,738	2,942
Net assets released from restrictions	(12,098)	(765)
Expenses	<u>(63)</u>	<u>(166)</u>
Change in temporarily restricted net assets	(9,423)	2,011
Permanently Restricted Net Assets		
Revenues	659	(346)
Expenses	<u>(69)</u>	<u>(70)</u>
Change in permanently restricted net assets	<u>590</u>	<u>(416)</u>
Change in net assets	<u><u>\$ (539)</u></u>	<u><u>\$ 157</u></u>

Surgical Specialists Group, LLC and SSG Real Estate, LLC

The Corporation, through its investment in WBA, holds a 30-percent interest in the net assets of two joint ventures, Surgical Specialists Group, LLC (SSG) and SSG Real Estate, LLC (SSG Real Estate). SSG previously owned an ambulatory surgery center that was operated by certain physicians who jointly held the remaining 70-percent interest. On October 6, 2011, the Corporation purchased the majority of the assets of SSG and began operating the center as part of Walker. SSG Real Estate owns the land and building for the ambulatory surgery center and leased those assets to SSG until October 6, 2011, at which point the land and building were leased to the Corporation.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE D - INVESTMENTS IN OTHERS - Continued

WBA has contributed \$150,000 to SSG and \$225,000 to SSG Real Estate as of December 31, 2012 and 2011. During 2012, the Corporation received distributions in the amount of \$91,000 from SSG and \$75,000 from SSG Real Estate. In addition, the Corporation recorded an adjustment in its investment in WBA in the amount of \$590,000 related to the purchase of the majority of the assets of SSG and an offsetting adjustment to goodwill.

The following is a summary of the unaudited financial statements of SSG and SSG Real Estate for the years ended December 31, 2012 and 2011.

	2012	2011
	<i>(in thousands)</i>	
Total assets	<u>\$ 3,920</u>	<u>\$ 4,807</u>
Total liabilities	\$ 4,122	\$ 6,400
Total net assets	<u>(202)</u>	<u>(1,593)</u>
Total liabilities and net assets	<u>\$ 3,920</u>	<u>\$ 4,807</u>
Total revenues	\$ 406	\$ 4,272
Total expenses	<u>(431)</u>	<u>(4,768)</u>
Excess of expenses over revenues	<u>\$ (25)</u>	<u>\$ (496)</u>

At December 31, 2012, the Corporation, through its affiliate, WBA, was contingently liable as guarantor of 30 percent of the bank loan owed by SSG Real Estate totaling \$1,237,000. This guarantee is in effect as long as there is a balance owed to the lender.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
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NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012 and 2011, is summarized as follows

	2012	2011
	<i>(in thousands)</i>	
Land and improvements	\$ 51,434	\$ 53,511
Buildings and improvements	337,213	334,815
Major movable equipment	260,118	242,605
Construction in progress	<u>69,654</u>	<u>39,040</u>
	718,419	669,971
Less accumulated depreciation	<u>375,116</u>	<u>358,328</u>
Property and equipment, net	<u><u>\$ 343,303</u></u>	<u><u>\$ 311,643</u></u>

The Corporation recorded depreciation expense of \$27,099,000 and \$27,836,000 for the years ended December 31, 2012 and 2011, respectively. These amounts include depreciation expense included in discontinued operations for the years ended December 31, 2012 and 2011, totaling \$414,000 and \$458,000, respectively. At December 31, 2012, the estimated cost to complete construction in progress was approximately \$27,523,000 and included approximately \$22,100,000 for the implementation of an inpatient electronic health record system (Note K), the remaining amount of approximately \$5,423,000 related primarily to an expansion project at Princeton.

NOTE F - LINES OF CREDIT

The Corporation has lines of credit of \$500,000, \$20,000,000 and \$60,000,000, which expire in February 2014, April 2013 and June 2013, respectively. The \$500,000 line is collateralized by all business assets of Shelby ASC, all other lines are unsecured. As of April 2013, the \$20,000,000 line has been increased to \$25,000,000 and renewed through April 2014.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
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NOTE F - LINES OF CREDIT - Continued

As of December 31, 2012 and 2011, the Corporation had \$53,402,000 and \$28,228,000, respectively, outstanding under its available lines of credit. As of December 31, 2012, \$42,497,000 of the amount outstanding was subject to interest at LIBOR plus 2.40 percent (2.61 percent), and \$10,905,000 was subject to interest at LIBOR plus a margin (2.86 percent). As of December 31, 2011, \$17,323,000 of the amount outstanding was subject to interest at LIBOR plus 2.50 percent (2.77 percent), and \$10,905,000 was subject to interest at the greater of LIBOR or 1.10 percent plus a margin (3.60 percent).

NOTE G - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2012 and 2011, including the range of interest rates in effect, is summarized as follows:

	2012	2011
	<i>(in thousands)</i>	
Special Care Facilities Financing Authority Revenue Bonds, Series 2005-A, fixed interest rates varying from 5.00% to 5.25%, due annually through 2030	\$ 206,330	\$ 213,960
Special Care Facilities Financing Authority Revenue Bonds, Series 2001-A, refunded June 2012 by Series 2012-A Bond	-	30,465
Special Care Facilities Financing Authority Revenue Bonds, Series 2009-A, refunded December 2012 by Series 2012-B Bond	-	11,231
Special Care Facilities Financing Authority Revenue Bonds, Series 2009-B, refunded December 2012 by Series 2012-B Bond	-	25,142
Special Care Facilities Financing Authority Revenue Bonds, Series 2012-A, fixed interest rate of 3.37%, due annually through 2024	24,650	-

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE G - LONG-TERM DEBT - Continued

	2012	2011
	<i>(in thousands)</i>	
Special Care Facilities Financing Authority Revenue Bonds, Series 2012-B, variable interest rate equal to the adjusted LIBOR plus 1.915% (2.056% as of December 31, 2012) due January 2016	36,408	-
New Markets Tax Credit Program Promissory Notes, fixed interest rates from 1.38% to 2.50%, due annually beginning 2019 through 2041, early purchase/sell option date of October 2018	3,695	3,695
Peoples Capital and Leasing Corp Master Loan, fixed interest rate of 4.44%, principal and interest due monthly through 2016	10,161	-
Capital lease obligations and other	<u>1,233</u>	<u>1,326</u>
	282,477	285,819
Less unamortized bond discount	674	1,219
Less current portion of long-term debt	<u>13,626</u>	<u>9,974</u>
Long-term debt, net of current portion	<u><u>\$ 268,177</u></u>	<u><u>\$ 274,626</u></u>

The following is a schedule of principal amounts of long-term debt at December 31, 2012, payable in future years

Year Ending December 31	Amounts <i>(in thousands)</i>
2013	\$ 13,626
2014	14,266
2015	14,938
2016	49,165
2017	12,792
Thereafter	<u>177,690</u>
	<u><u>\$ 282,477</u></u>

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE G - LONG-TERM DEBT - Continued

In November 2005, the Special Care Facilities Financing Authority of the City of Birmingham-Baptist Medical Centers issued tax-exempt Revenue Bonds in the principal amount of \$249,260,000 for the benefit of the Corporation. The Corporation agreed to make payments equal to debt service on the Series 2005-A Bonds and, as evidence of its promise to pay, the Corporation issued its note under its Master Trust Indenture dated November 1, 2005, between the Corporation and BPHI (together, the Obligated Group) and the Bank of New York Trust Company, N A, as master trustee. Proceeds of the Series 2005-A Bonds were used to refund certain outstanding bonds, pay costs of issuance, fund a reserve fund for the Series 2005-A Bonds and provide additional funds for capital improvements.

On June 25, 2009, the Corporation executed a bond tender transaction, issuing \$11,373,000 in 2009-A and 2009-B taxable bank bonds to purchase \$14,580,000 2005-A bonds at a discounted rate and issued \$25,000,000 of 2009-B bonds for a refunding of outstanding bonds. The 2009-A and 2009-B taxable bank bonds were issued pursuant to a \$60,000,000 Financing Agreement with Regions Bank dated May 6, 2009. The bank bonds were secured under the Corporation's Master Trust Indenture dated November 1, 2005. Payments were interest only, with principal due May 6, 2014. Of the \$60,000,000 Financing Agreement, the Corporation utilized \$11,373,000 for the bond tender transaction and \$25,000,000 to refund Series 2007-A bonds. The remaining bonds totaling \$23,627,000, restricted for refunding outstanding Series 2001-A and 2005-A bonds, were not issued prior to the required effective date of May 5, 2010. Although these bonds were issued as taxable bank bonds, all were converted to tax-exempt prior to June 30, 2010. These bonds were refunded on December 20, 2012.

On May 18, 2012, the Special Care Facilities Financing Authority of the City of Birmingham-Baptist Medical Centers issued tax-exempt Revenue Bonds in the principal amount of \$26,965,000 for the benefit of the Corporation. The Corporation entered into a \$26,965,000 tax-exempt financing agreement (Series 2012-A Bond) with Siemens Public, Inc. The bond is secured under the Corporation's Master Trust Indenture dated November 1, 2005. Interest on the 2012-A Bond is fixed with interest payments due May 15 and November 15 of each year and amortized principal payments due November 15 of each year, beginning November 15, 2012 through the maturity date of November 15, 2024. Proceeds of the Series 2012-A Bond, along with the 2001-A Reserve Fund of \$3,950,000, were used to refund the Corporation's Series 2001-A Revenue bonds, which were outstanding in the aggregate principal amount of \$30,465,000. These refunded bonds were retired on June 18, 2012.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE G - LONG-TERM DEBT - Continued

On December 20, 2012, the Special Care Facilities Financing Authority of the City of Birmingham-Baptist Medical Centers issued tax-exempt Revenue Bonds in the principal amount of \$36,408,000 for the benefit of the Corporation. The Corporation entered into a \$36,408,000 tax-exempt financing agreement (Series 2012-B Bond) with Regions Capital Advantage, Inc. The bond is secured under the Corporation's Master Trust Indenture dated November 1, 2005. Proceeds of the 2012-B Bond were used to refund the Corporation's 2009-A and 2009-B tax-exempt bonds discussed above. Interest on the 2012-B Bond is variable and payable monthly beginning January 1, 2013, with principal due January 1, 2016.

The Obligated Group granted to the master trustee, for the benefit of the holders of outstanding Series 2005-A, 2012-A and 2012-B Bonds, a security interest in pledged revenues of the Obligated Group and a mortgage on the Princeton and Walker hospitals.

Under the Master Trust Indenture, the Corporation has covenanted that it will not create or grant a lien or mortgage on any of its property now owned or subsequently acquired (except for certain permitted encumbrances) or pledge any of its revenues as collateral for any of its indebtedness subsequently incurred, unless all notes issued pursuant to the Master Trust Indenture are collateralized equally and ratably with such indebtedness.

Additionally, the Corporation has agreed to maintain a debt service coverage ratio of not less than 1 to 1. However, if the debt service coverage ratio is less than 1.1 to 1, the Corporation has agreed to retain an independent consultant to make recommendations to increase such debt service coverage ratio. The Corporation's debt service coverage ratio under the Master Trust Indenture for the years ended December 31, 2012 and 2011 was 1.68 to 1 and 1.66 to 1, respectively.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE G - LONG-TERM DEBT - Continued

On October 14, 2011, under the terms and conditions of the New Markets Tax Credit Program, the Corporation and BPHI entered into financing agreements for a net borrowing of \$3,695,000 with Wells Fargo - Baptist Health System Investment Fund, LLC (WF), Wells Fargo Community Development Enterprise Round 8 Subsidiary 3, LLC and Empowerment Reinvestment Fund XVII, LLC. Proceeds of the borrowing were used for capital improvements to the Princeton campus. Current payments on all notes are interest only, with principal payments beginning January 1, 2019 through the maturity date of October 1, 2041. Subsequent to a seven-year compliance period and pursuant to an Investment Fund Put and Call Agreement between the Corporation and Wells Fargo Community Investment Holdings, LLC, either party may exercise the right and option to sell/purchase the membership interest in WF. If this option is exercised by either party, the Corporation then would have the right to cause the indebtedness under the New Market Tax Credit Program to be cancelled.

On February 29, 2012, the Corporation borrowed \$12,600,000 from People's Capital and Leasing Corp. The loan is secured by capital expenditures related to the inpatient electronic health record system implementation (Note K) and has a fixed interest rate of 4.44 percent. The loan is being repaid over a 48-month period which began March 31, 2012.

The fair value of the Corporation's fixed-rate debt is based on quoted dealer prices, or if quoted prices are not available, discounted cash flows based on the borrowing rates currently available to the Corporation for bank loans with similar terms and maturities. The fair value of the Corporation's variable rate debt is the carrying value due to the variable rates associated with the borrowings. The estimated fair value of the Corporation's total long-term debt was approximately \$294,984,000 and \$277,478,000 at December 31, 2012 and 2011, respectively. This fair value was determined using a combination of Level 1 inputs in the form of quoted dealer prices (\$218,815,000), Level 2 inputs in the form of variable borrowing rates (\$36,408,000) and Level 3 inputs based on discounted cash flows using current borrowing rates (\$39,761,000).

Subsequent to year end, on February 28, 2013, the Corporation borrowed \$17,500,000 from People's Capital and Leasing Corp. The loan is secured by capital expenditures related to the inpatient electronic health record system implementation (Note K) and has a fixed interest rate of 4.32 percent. The loan will be repaid over a 48-month period beginning March 31, 2013.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE H - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

The Corporation froze its noncontributory defined benefit pension plans effective December 31, 2005. The plan benefits are based on the employees' years of service and compensation through the plan freeze date.

Amounts recognized in the consolidated financial statements for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
	<i>(in thousands)</i>	
Change in Benefit Obligation		
Benefit obligation, beginning of year	\$ 259,996	\$ 255,185
Interest cost	12,697	13,621
Actuarial loss	34,532	14,091
Benefits paid	<u>(12,929)</u>	<u>(22,901)</u>
Benefit obligation, end of year	<u>\$ 294,296</u>	<u>\$ 259,996</u>
Change in Plan Assets		
Fair value of plan assets, beginning of year	\$ 144,181	\$ 165,400
Actual return on plan assets	16,718	(2,537)
Corporation contribution	4,200	4,219
Benefits paid	<u>(12,929)</u>	<u>(22,901)</u>
Fair value of plan assets, end of year	<u>\$ 152,170</u>	<u>\$ 144,181</u>
Underfunded balance at end of year	<u>\$ (142,126)</u>	<u>\$ (115,815)</u>

The net pension liability recognized in the consolidated balance sheets at December 31, 2012 and 2011, is \$142,126,000 and \$115,815,000, respectively, of which \$3,515,000 and \$3,823,000 for December 31, 2012 and 2011, respectively, is included in other noncurrent liabilities. The accumulated net actuarial loss or additional minimum liability is \$138,611,000 and \$111,992,000 at December 31, 2012 and 2011, respectively, changes in these amounts are recognized as changes in unrestricted net assets and resulted in a decrease in unrestricted net assets of \$26,619,000 and \$27,335,000 for the years ended December 31, 2012 and 2011, respectively.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE H - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS - Continued

Net periodic pension cost recorded in employee benefits for the years ended December 31, 2012 and 2011, is comprised of the following

	2012	2011
	<i>(in thousands)</i>	
Amortization of net loss	\$ 2,945	\$ 2,186
Interest cost	12,697	13,621
Expected return on plan assets	<u>(11,750)</u>	<u>(12,893)</u>
Net periodic pension cost	<u>\$ 3,892</u>	<u>\$ 2,914</u>

Assumptions used in determining the actuarial present value of the benefit obligation at December 31, 2012 and 2011, are as follows

	2012	2011
Weighted-average discount rate	4.00%	5.00%
Expected long-term return on plan assets	8.00%	8.25%

The rate of increase in compensation levels is no longer applicable due to the pension plan freeze effective December 31, 2005

The investment policy of the frozen defined benefit plan is to preserve principal while providing reasonable returns. The assets of the funds are invested in accordance with all relevant legislation in a manner consistent with applicable fiduciary standards. The asset allocation target for investments in the pension plan portfolio, excluding the group annuity contract, is 65 percent equity/multistrategy mutual funds and 35 percent fixed income mutual funds.

During 2011, the Corporation offered a lump-sum payout to certain former employees who participated in the defined benefit pension plan. There were 655 payout elections, totaling approximately \$10,660,000 paid in December 2011. As a result, the pension plan experienced a gain of \$7,800,000. The transaction amount did not trigger pension settlement accounting.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE H - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS - Continued

The following table presents the fair value hierarchy of the plan's investments, along with the level within the fair value hierarchy that the investments fall, as of December 31, 2012

Assets	Fair Value	Quoted Prices in Active Markets Level 1 <i>(in thousands)</i>	Significant Other Observable Inputs Level 2
Cash and cash equivalents	\$ 1.698	\$ 1,500	\$ 198
Fixed income			
Mutual funds	50.075	50.075	-
Other	4.442	-	4.442
Equity			
Mutual funds - global	62.780	62.780	-
Other			
Multistrategy mutual funds	23.480	23.480	-
Group annuity contract	9.695	-	9.695
Total Plan Assets	<u>\$ 152.170</u>	<u>\$ 137.835</u>	<u>\$ 14.335</u>

There were no plan assets categorized as Level 3 at December 31, 2012

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE H - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS - Continued

The following table presents the fair value hierarchy of the plan's investments, along with the level within the fair value hierarchy that the investments fall, as of December 31, 2011

Assets	Fair Value	Quoted Prices in Active Markets Level 1 <i>(in thousands)</i>	Significant Other Observable Inputs Level 2
Cash and cash equivalents	\$ 1.297	\$ -	\$ 1.297
Fixed income			
Mutual funds	46,780	46,780	-
Other	5,197	-	5,197
Equity			
Mutual funds - global	59,719	59,719	-
Other			
Multistrategy mutual funds	21,931	21,931	-
Group annuity contract	9,257	-	9,257
Total Plan Assets	\$ 144,181	\$ 128,430	\$ 15,751

There were no plan assets categorized as Level 3 at December 31, 2011

The Corporation expects to contribute \$4,100,000 to the pension plan in fiscal year 2013

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE H - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS - Continued

The following benefit payments are expected to be paid from the plan during the next 10 years

Year Ending December 31	Amounts (in thousands)
2013	\$ 14,249
2014	14,893
2015	15,307
2016	15,965
2017	16,406
2018-2022	<u>88,170</u>
	<u>\$ 164,990</u>

In addition to providing pension benefits for retirees, the Corporation provides retirement benefits for certain of its current and retired employed physicians. Liabilities recognized in the consolidated financial statements related to these benefits totaled \$7,845,000 and \$7,968,000 at December 31, 2012 and 2011, respectively. The Corporation typically purchases insurance policies to fund these liabilities. The cash surrender value of the policies is included in other assets in the consolidated balance sheets and totaled \$8,635,000 and \$9,112,000 at December 31, 2012 and 2011, respectively.

NOTE I - INCOME TAXES

The Corporation has adopted guidance relating to uncertainty in income taxes which requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the Corporation has determined that it does not have any positions at December 31, 2012 and 2011, that it would be unable to substantiate.

The Corporation has filed its tax returns for all years through December 31, 2011. The tax returns for 2009 and subsequent periods are subject to audit by taxing authorities.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE I - INCOME TAXES - Continued

The Corporation's for-profit affiliate, BHSA, and its subsidiaries are subject to federal and state income taxes. There was no current provision for income taxes for the years ended December 31, 2012 and 2011.

At December 31, 2012, BHSA had federal net operating loss carry forwards of approximately \$54,032,000 expiring in years 2013 to 2032. Since recoverability of the net operating loss carry forwards is unlikely, the Corporation has provided a 100-percent valuation allowance for the estimated deferred tax assets of approximately \$22,150,000 at December 31, 2012.

NOTE J - RELATED PARTY TRANSACTIONS

The Corporation paid \$1,169,000 and \$1,089,000 for the years ended December 31, 2012 and 2011, respectively, for certain support services of BHF, including salaries and benefits of the staff dedicated to BHF. The payments of these support services are considered a donation of services and are not required to be reimbursed to the Corporation.

In addition, the Corporation received donations from BHF of approximately \$4,383,000 and \$2,189,000 for the years ended December 31, 2012 and 2011, respectively. These donations were primarily used for capital equipment acquisitions and charity care reimbursement.

The Corporation has staffing agreements with a physician practice that is owned by a trustee of the Corporation, the purpose of which is to provide staff that has the training, experience and qualifications necessary to assist physicians performing thoracic, cardiac and vascular surgery. This agreement was terminated March 31, 2012. For the years ended December 31, 2012 and 2011, the Corporation incurred expenses associated with the staffing agreement totaling \$67,000 and \$399,000, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

Citizens is subject to an agreement with the previous owner, which restricts the Corporation's ability to unilaterally sell the facility. Under this agreement, the Corporation may be required to commit additional funding prior to the transfer of the facility if the Corporation ceases to operate the facility as a not-for-profit hospital.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

The Corporation purchases insurance from ASI for exposures related to its general, professional and workers' compensation liabilities. ASI is a captive insurance company wholly owned by the Corporation. It provides professional liability coverage for claims up to \$5 million, general liability coverage for claims up to \$1 million and workers' compensation liability coverage for claims up to \$1 million. The Corporation purchases umbrella liability insurance for any claims exceeding these amounts.

A number of lawsuits have been filed naming the Corporation as a defendant. The lawsuits allege damages of various amounts related to the general and professional liability of the Corporation. While the amount of the ultimate losses cannot be determined, in the opinion of management, the losses will not differ materially from the liabilities recorded in the consolidated financial statements for such losses.

The Corporation is self-insured for its employee health and dental insurance claims. The Corporation uses a third-party administrator to process claims under the plan. Reserve estimates are included in accrued expenses and include the estimate for claims incurred but not reported under this program.

The Tax Relief and Health Care Act of 2006 made the RAC program permanent and mandated its nationwide expansion by 2010. This program was established by CMS to conduct postpayment reviews to detect and correct improper payments in the fee-for-service Medicare program. CMS has awarded contracts to four RACs that have implemented the permanent RAC program on a nationwide basis. Each RAC has discretion over the types of reviews and record requests it conducts as long as it follows the CMS defined statement of work. The RAC conducting audits in the state of Alabama is Connolly Healthcare. Effective March 15, 2012, CMS increased the medical record limits on annual RAC requests from 1,120 to 1,784 for the four hospitals. The Corporation has evaluated the potential impact of reviews under the RAC program and believes the estimated amounts accrued in the accompanying consolidated financial statements are sufficient based on current information available.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

In April 2011, the Corporation's board approved a plan to implement an inpatient electronic health record system (Note E) Project expenditures are currently estimated at \$22,100,000 over the next four years As part of the project, the Corporation entered into an enterprise license and support agreement payable as follows

Year Ending December 31	Amounts (in thousands)
2013	\$ 2,512
2014	2,512
2015	2,512
2016	419
	<hr/>
	\$ 7,955
	<hr/>

During 2012, the Corporation registered with the Medicare/Medicaid Electronic Health Records (EHR) Incentive Program, federally funded programs which provide financial awards to health care facilities meeting new federally mandated EHR requirements In August 2012, the Corporation received approximately \$2,895,000 from the Medicaid EHR Incentive Program These amounts are included in net patient revenues in the 2012 consolidated statement of operations and changes in unrestricted net assets Future incentive awards are contingent on the Corporation being able to successfully meet the additional EHR requirements for subsequent years, including those related to the Medicare EHR program

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of health care at the national and state levels In 2010, legislation was enacted, which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individuals and business mandates, among other provisions The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid There can be no assurance that these changes will not adversely affect the Corporation Health care reform will likely impact the Corporation significantly in 2014 and future years

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE L - LEASES

The Corporation is obligated, as lessee, under certain noncancelable operating leases, primarily for buildings and equipment. Future minimum lease payments under noncancelable operating leases at December 31, 2012, are as follows:

Year Ending December 31	Amounts (in thousands)
2013	\$ 10,519
2014	8,875
2015	7,470
2016	4,833
2017	3,596
Thereafter	<u>29,403</u>
	<u><u>\$ 64,696</u></u>

The Corporation recorded lease expense of approximately \$16,543,000 and \$15,412,000 during the years ended December 31, 2012 and 2011, respectively.

The Corporation has also entered into several lease agreements as a lessor. Minimum future rentals on noncancelable leases at December 31, 2012, are as follows:

Year Ending December 31	Amounts (in thousands)
2013	\$ 1,207
2014	885
2015	421
2016	379
2017	363
Thereafter	<u>12,611</u>
	<u><u>\$ 15,866</u></u>

The Corporation recorded lease revenue of approximately \$1,317,000 and \$1,668,000 during the years ended December 31, 2012 and 2011, respectively.

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE M - CONCENTRATION OF CREDIT RISK

The Corporation grants credit without collateral to its patients, most of whom are local residents insured under third-party payer agreements. The hospitals' mix of estimated net accounts receivable from patients and third-party payers at December 31, 2012 and 2011, was as follows:

	2012	2011
Medicare	30%	31%
Medicaid	10%	10%
Blue Cross	16%	16%
Other third-party payers	43%	42%
Self-pay	1%	1%
	<hr/>	<hr/>
	100%	100%
	<hr/>	<hr/>

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

April 26, 2013

Board of Trustees
Baptist Health System, Inc and Subsidiaries
Birmingham, Alabama

We have audited the consolidated financial statements of Baptist Health System, Inc and Subsidiaries as of and for the years ended December 31, 2012 and 2011, and our report thereon dated April 26, 2013, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 3-4. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information as of and for the years ended December 31, 2012 and 2011, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Warren Averett, LLC

Birmingham, Alabama

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2012

(in thousands)

	Consolidated	Consolidating Eliminations and Adjustments	Baptist Health System (Hospitals)	BHS Affinity, Inc. Consolidated	Baptist Physician Alliance, LLC	Baptist Partnership Holdings, Inc.	Hoover Baptist Medical, LLC
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 1.040	\$ -	\$ 140	\$ 888	\$ 12	\$ -	\$ -
Patient accounts receivable, net	61.373	-	53.191	8.182	-	-	-
Inventory	11.104	-	10.749	355	-	-	-
Other current assets	8.993	-	7.756	1.189	-	27	21
Total Current Assets	82.510	-	71.836	10.614	12	27	21
Assets Whose Use Is Limited							
By board for development	230.254	-	230.254	-	-	-	-
Under escrow and indenture agreements held in trust	19.331	-	19.331	-	-	-	-
Other long-term investments	33.403	-	-	33.403	-	-	-
Investments in others	33.788	(33.639)	67.632	(205)	-	-	-
Property and equipment, net	343.303	-	318.027	10.607	-	-	14.669
Unamortized bond issue expenditures	2.611	-	2.611	-	-	-	-
Goodwill	18.051	-	18.051	-	-	-	-
Other assets	15.844	(10.905)	7.210	8.634	-	10.905	-
Total Assets	\$ 779.095	\$ (44.544)	\$ 734.952	\$ 63.053	\$ 12	\$ 10.932	\$ 14.690

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2012
(Continued)

(in thousands)

	Consolidated	Consolidating Eliminations and Adjustments	Baptist Health System (Hospitals)	BHS Affinity, Inc. Consolidated	Baptist Physician Alliance, LLC	Baptist Partnership Holdings, Inc.	Hoover Baptist Medical, LLC
LIABILITIES AND NET ASSETS/STOCKHOLDER'S EQUITY							
Current Liabilities							
Current portion of long-term debt	\$ 13.626	\$ -	\$ 13.626	\$ -	\$ -	\$ -	\$ -
Lines of credit	53.402	-	53.402	-	-	-	-
Accounts payable	26.704	-	25.494	2.275	(1.172)	-	107
Accrued expenses	34.512	-	26.104	7.198	1.184	-	26
Accrued interest	1.585	-	1.558	-	-	27	-
Estimated amounts due to third parties, net	2.215	-	2.215	-	-	-	-
Other current liabilities	21.005	-	17.910	3.095	-	-	-
Total Current Liabilities	153.049	-	140.309	12.568	12	27	133
Long-term debt, net of current portion	268.177	(10.905)	268.177	-	-	10.905	-
Minimum pension liability	138.611	-	138.611	-	-	-	-
Other noncurrent liabilities	37.419	-	6.016	31.403	-	-	-
Total Liabilities	597.256	(10.905)	553.113	43.971	12	10.932	133
Net Assets/Stockholder's Equity							
Common stock	-	(130)	-	130	-	-	-
Additional paid-in capital	-	(284.435)	-	255.225	-	11.654	17.556
Net assets retained earnings (deficit) - unrestricted	151.299	250.926	151.299	(236.273)	-	(11.654)	(2.999)
Net assets - temporarily restricted	5.890	-	5.890	-	-	-	-
Net assets - permanently restricted	24.650	-	24.650	-	-	-	-
Total Net Assets/Stockholder's Equity	181.839	(33.639)	181.839	19.082	-	-	14.557
Total Liabilities and Net Assets/Stockholder's Equity	\$ 779.095	\$ (44.544)	\$ 734.952	\$ 63.053	\$ 12	\$ 10.932	\$ 14.690

See independent auditors' report on supplementary information

BHS AFFINITY, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2012

(in thousands)

	BHS Affinity, Inc Consolidated	Consolidating Eliminations and Adjustments	BHS Affinity, Inc	Baptist Health Centers, Inc	Affinity Southeast Insurance, Inc	Regency Holdings, LLC	Walker Baptist Affinity, LLC	Shelby Baptist Affinity, LLC
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 888	\$ -	\$ 1	\$ -	\$ 482	\$ -	\$ -	\$ 405
Patient accounts receivable net	8 182	-	-	7 527	-	130	-	525
Inventory	355	-	-	114	-	-	-	241
Other current assets	1 189	-	(2 967)	550	462	-	3 000	144
Total Current Assets	10 614	-	(2 966)	8 191	944	130	3 000	1 315
Other long-term investments	33 403	-	75	1 069	32 259	-	-	-
Investments in others	(205)	(22 810)	22 667	-	-	-	(62)	-
Property and equipment net	10 607	-	-	9 677	-	-	-	930
Other assets	8 634	-	(553)	8 634	553	-	-	-
Total Assets	\$ 63 053	\$ (22 810)	\$ 19 223	\$ 27 571	\$ 33 756	\$ 130	\$ 2 938	\$ 2 245

BHS AFFINITY, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2012
(Continued)

(in thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Accounts payable	\$ 2 275	\$ -	\$ 121	\$ 999	\$ 282	\$ -	\$ 640	\$ 233
Accrued expenses	7 198	-	2	-	6 957	-	-	239
Other current liabilities	3 095	-	-	2 927	-	-	-	168

Total Current Liabilities

12 568	-	123	3 926	7 239	-	640	640
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Other noncurrent liabilities

31 403	-	18	9 170	21 219	-	-	996
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Total Liabilities

43 971	-	141	13 096	28 458	-	640	1 636
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Stockholder's Equity

Common stock	130	(130)	130	5	125	-	-	-
Additional paid-in capital	255 225	(77 608)	255 225	75 053	1 974	(1 079)	3 287	(1 627)
Retained (deficit) earnings	(236 273)	54 928	(236 273)	(60 583)	3 199	1 209	(989)	2 236

Total Stockholder's Equity

19 082	(22 810)	19 082	14 475	5 298	130	2 298	609
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Total Liabilities and Stockholder's Equity

\$ 63 053	\$ (22 810)	\$ 19 223	\$ 27 571	\$ 33 756	\$ 130	\$ 2 938	\$ 2 245
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See independent auditors' report on supplementary information

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

(in thousands)

	Consolidated	Consolidating Eliminations and Adjustments	Baptist Health System (Hospitals)	BHS Affinity, Inc. Consolidated	Baptist Physician Alliance LLC	Baptist Partnership Holdings, Inc.	Hoover Baptist Medical, LLC
Unrestricted Revenues							
Net patient service revenue, less provision for bad debts	\$ 512.918	\$ -	\$ 465.229	\$ 47.689	\$ -	\$ -	\$ -
Other operating revenue	15.809	(2.216)	10.059	5.500	2.216	109	141
Total Unrestricted Revenues	528.727	(2.216)	475.288	53.189	2.216	109	141
Operating Expenses							
Salaries and wages	219.344	-	184.905	34.009	430	-	-
Employee benefits	39.738	-	33.019	6.719	-	-	-
Professional services	20.417	-	19.772	251	386	-	8
Supplies and other expenses	199.423	(2.216)	189.251	10.569	1.400	-	419
Lease expense	16.543	-	13.008	3.348	-	-	187
Interest	12.612	-	12.502	1	-	109	-
Depreciation and amortization	27.130	-	25.646	1.328	-	-	156
Gain on disposal of assets, net	(355)	-	(327)	(28)	-	-	-
Total Operating Expenses	534.852	(2.216)	477.776	56.197	2.216	109	770
Operating Loss	(6.125)	-	(2.488)	(3.008)	-	-	(629)
Nonoperating Gains (Losses)							
Gain on investments whose use is limited by board for development	6.799	-	6.799	-	-	-	-
Loss on extinguishment of debt	(1.326)	-	(1.326)	-	-	-	-
Increase in investments in others	8.261	-	8.261	-	-	-	-
Other nonoperating (losses) income, net	(426)	-	101	(527)	-	-	-
Total Nonoperating Gains (Losses)	13.308	-	13.835	(527)	-	-	-
Excess of Revenues and Gains over (under) Expenses from Continuing Operations	7.183	-	11.347	(3.535)	-	-	(629)
Loss from discontinued operations	(460)	-	(348)	(112)	-	-	-
Excess of Revenues and Gains over (under) Expenses	\$ 6.723	\$ -	\$ 10.999	\$ (3.647)	\$ -	\$ -	\$ (629)

See independent auditors' report on supplementary information

BHS AFFINITY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

(in thousands)

	BHS Affinity, Inc. Consolidated	BHS Affinity, Inc.	Baptist Health Centers, Inc.	Affinity Southeast Insurance, Inc.	Regency Holdings, LLC	Walker Baptist Affinity, LLC	Shelby Baptist Affinity, LLC
Unrestricted Revenues							
Net patient service revenue, less provision for bad debts	\$ 47,689	\$ -	\$ 39,796	\$ -	\$ -	\$ -	\$ 7,893
Other operating revenue	5,500	48	4,459	1,075	-	(59)	(23)
Total Unrestricted Revenues	53,189	48	44,255	1,075	-	(59)	7,870
Operating Expenses							
Salaries and wages	34,009	-	31,999	-	-	-	2,010
Employee benefits	6,719	-	5,828	-	-	-	891
Professional services	251	15	-	236	-	-	-
Supplies and other expenses	10,569	375	5,614	1,764	-	-	2,816
Lease expense	3,348	-	2,698	-	-	-	650
Interest	1	-	1	-	-	-	-
Depreciation and amortization	1,328	-	926	-	-	-	402
Gain on disposal of assets, net	(28)	-	(28)	-	-	-	-
Total Operating Expenses	56,197	390	47,038	2,000	-	-	6,769
Operating (Loss) Income	(3,008)	(342)	(2,783)	(925)	-	(59)	1,101
Nonoperating (Losses) Gains							
Other nonoperating (losses) income, net	(527)	-	2	-	-	-	(529)
Total Nonoperating (Losses) Gains	(527)	-	2	-	-	-	(529)
Excess of Revenues and Gains (under) over Expenses from Continuing Operations	(3,535)	(342)	(2,781)	(925)	-	(59)	572
Loss from discontinued operations	(112)	-	(112)	-	-	-	-
Excess of Revenues and Gains (under) over Expenses	\$ (3,647)	\$ (342)	\$ (2,893)	\$ (925)	\$ -	\$ (59)	\$ 572

See independent auditors' report on supplementary information

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2011

<i>(in thousands)</i>	<u>Consolidated</u>	<u>Consolidating Eliminations and Adjustments</u>	<u>Baptist Health System (Hospitals)</u>	<u>BHS Affinity, Inc. Consolidated</u>	<u>Baptist Partnership Holdings, Inc.</u>	<u>Hoover Baptist Medical, LLC</u>
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 1,000	\$ -	\$ 235	\$ 764	\$ 1	\$ -
Patient accounts receivable, net	53,432	-	46,876	6,556	-	-
Inventory	10,281	-	9,968	313	-	-
Other current assets	8,835	-	7,671	1,119	23	22
	<u>73,548</u>	<u>-</u>	<u>64,750</u>	<u>8,752</u>	<u>24</u>	<u>22</u>
Total Current Assets	73,548	-	64,750	8,752	24	22
Assets Whose Use Is Limited						
Bv board for development	226,857	-	226,857	-	-	-
Bv board for special purposes	15,202	-	15,202	-	-	-
Under escrow and indenture agreements held in trust	23,056	-	23,056	-	-	-
Other long-term investments	16,100	-	-	16,100	-	-
Investments in others	34,062	(34,078)	68,618	(478)	-	-
Property and equipment, net	311,643	-	286,430	10,513	-	14,700
Unamortized bond issue expenditures	3,109	-	3,109	-	-	-
Goodwill	18,840	-	18,840	-	-	-
Other assets	18,269	(10,905)	9,157	9,112	10,905	-
	<u>740,686</u>	<u>(44,983)</u>	<u>716,019</u>	<u>43,999</u>	<u>10,929</u>	<u>14,722</u>
Total Assets	<u>\$ 740,686</u>	<u>\$ (44,983)</u>	<u>\$ 716,019</u>	<u>\$ 43,999</u>	<u>\$ 10,929</u>	<u>\$ 14,722</u>

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2011
(Continued)

<i>(in thousands)</i>	<u>Consolidated</u>	<u>Consolidating Eliminations and Adjustments</u>	<u>Baptist Health System (Hospitals)</u>	<u>BHS Affinity, Inc. Consolidated</u>	<u>Baptist Partnership Holdings, Inc.</u>	<u>Hoover Baptist Medical, LLC</u>
LIABILITIES AND NET ASSETS/STOCKHOLDER'S EQUITY						
Current Liabilities						
Current portion of long-term debt	\$ 9.974	\$ -	\$ 9.974	\$ -	\$ -	\$ -
Lines of credit	28.228	-	28.228	-	-	-
Accounts payable	23.326	-	21.283	1.892	1	150
Accrued expenses	33.489	-	31.394	2.058	-	37
Accrued interest	1.780	-	1.757	-	23	-
Estimated amounts due to third parties, net	5.211	-	5.211	-	-	-
Other current liabilities	18.403	-	16.158	2.245	-	-
Total Current Liabilities	120.411	-	114.005	6.195	24	187
Long-term debt, net of current portion	274.626	(10.905)	274.626	-	10.905	-
Minimum pension liability	111.992	-	111.992	-	-	-
Other noncurrent liabilities	36.449	-	18.188	18.260	-	1
Total Liabilities	543.478	(10.905)	518.811	24.455	10.929	188
Net Assets/Stockholder's Equity						
Common stock	-	(130)	-	130	-	-
Additional paid-in capital	-	(281.805)	-	253.248	11.653	16.904
Net assets retained earnings (deficit) - unrestricted	157.835	247.857	157.835	(233.834)	(11.653)	(2,370)
Net assets - temporarily restricted	15.313	-	15.313	-	-	-
Net assets - permanently restricted	24.060	-	24.060	-	-	-
Total Net Assets/Stockholder's Equity	197.208	(34.078)	197.208	19.544	-	14,534
Total Liabilities and Net Assets/Stockholder's Equity	<u>\$ 740.686</u>	<u>\$ (44.983)</u>	<u>\$ 716.019</u>	<u>\$ 43.999</u>	<u>\$ 10.929</u>	<u>\$ 14,722</u>

See independent auditors' report on supplementary information

BHS AFFINITY, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2011

(in thousands)

	BHS Affinity, Inc Consolidated	Consolidating Eliminations and Adjustments	BHS Affinity, Inc	Baptist Health Centers, Inc	Affinity Southeast Insurance, Inc	Regency Holdings, LLC	Walker Baptist Affinity, LLC	Shelby Baptist Affinity, LLC
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 764	\$ -	\$ 2	\$ -	\$ 424	\$ -	\$ -	\$ 338
Patient accounts receivable net	6 556	-	-	5 721	-	256	-	579
Inventory	313	-	-	77	-	-	-	236
Other current assets	1 119	-	(2 444)	352	167	-	3 000	44
Total Current Assets	8 752	-	(2 442)	6 150	591	256	3 000	1 197
Other long-term investments	16 100	-	75	812	15 213	-	-	-
Investments in others	(478)	(22 533)	22 533	-	-	-	(478)	-
Property and equipment net	10 513	-	-	9 714	-	-	-	799
Other assets	9 112	-	-	9 112	-	-	-	-
Total Assets	\$ 43 999	\$ (22 533)	\$ 20 166	\$ 25 788	\$ 15 804	\$ 256	\$ 2 522	\$ 1 996

BHS AFFINITY, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2011
(Continued)

(in thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Accounts payable	\$ 1 892	\$ -	\$ 49	\$ 863	\$ 771	\$ -	\$ -	\$ 209
Accrued expenses	2 058	-	556	-	1 318	-	-	184
Other current liabilities	2 245	-	-	2 245	-	-	-	-

Total Current Liabilities

6 195	-	605	3 108	2 089	-	-	393
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Other noncurrent liabilities

18 260	-	17	9 148	8 288	-	-	807
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Total Liabilities

24 455	-	622	12 256	10 377	-	-	1 200
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Stockholder's Equity

Common stock	130	(130)	130	5	125	-	-	-
Additional paid-in capital	253 248	(74 822)	253 248	71 215	1 974	(952)	3 453	(868)
Retained (deficit) earnings	(233 834)	52 419	(233 834)	(57 688)	3 328	1 208	(931)	1 664

Total Stockholder's Equity

19 544	(22 533)	19 544	13 532	5 427	256	2 522	796
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Total Liabilities and Stockholder's Equity

\$ 43 999	\$ (22 533)	\$ 20 166	\$ 25 788	\$ 15 804	\$ 256	\$ 2 522	\$ 1 996
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See independent auditors' report on supplementary information

BAPTIST HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

<i>(in thousands)</i>	Consolidated (as adjusted)	Consolidating Eliminations and Adjustments	Baptist Health System (Hospitals) (as adjusted)	BHS Affinity, Inc. Consolidated (as adjusted)	Baptist Partnership Holdings, Inc.	Hoover Baptist Medical, LLC
Unrestricted Revenues						
Net patient service revenue, less provision for bad debts	\$ 488,973	\$ -	\$ 446,547	\$ 42,426	\$ -	\$ -
Other operating revenue	13,464	-	9,652	3,620	23	169
Total Unrestricted Revenues	502,437	-	456,199	46,046	23	169
Operating Expenses						
Salaries and wages	202,684	-	174,548	28,136	-	-
Employee benefits	42,094	-	34,842	7,252	-	-
Professional services	20,759	-	20,448	304	-	7
Supplies and other expenses	183,607	-	179,348	3,866	-	393
Lease expense	15,412	-	12,590	2,631	-	191
Interest	13,952	-	13,928	1	23	-
Depreciation and amortization	27,814	-	26,440	1,219	-	155
(Gain) loss on disposal of assets, net	(325)	-	(327)	2	-	-
Total Operating Expenses	505,997	-	461,817	43,411	23	746
Operating (Loss) Income	(3,560)	-	(5,618)	2,635	-	(577)
Nonoperating Gains (Losses)						
Gain on investments whose use is limited by board for development	6,375	-	6,375	-	-	-
Decrease in investments in others	(1,430)	-	(1,430)	-	-	-
Other nonoperating (losses) income, net	(389)	-	113	(502)	-	-
Total Nonoperating Gains (Losses)	4,556	-	5,058	(502)	-	-
Excess of Revenues and Gains over (under) Expenses from Continuing Operations	996	-	(560)	2,133	-	(577)
Loss from discontinued operations	(488)	-	(357)	(131)	-	-
Excess of Revenues and Gains over (under) Expenses	<u>\$ 508</u>	<u>\$ -</u>	<u>\$ (917)</u>	<u>\$ 2,002</u>	<u>\$ -</u>	<u>\$ (577)</u>

See independent auditors' report on supplementary information

BHS AFFINITY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

<i>(in thousands)</i>	BHS Affinity, Inc. Consolidated <i>(as adjusted)</i>	BHS Affinity, Inc.	Baptist Health Centers, Inc. <i>(as adjusted)</i>	Affinity Southeast Insurance, Inc.	Regency Holdings, LLC	Walker Baptist Affinity, LLC	Shelby Baptist Affinity, LLC <i>(as adjusted)</i>
Unrestricted Revenues							
Net patient service revenue, less provision for bad debts	\$ 42.426	\$ -	\$ 34.755	\$ -	\$ -	\$ -	\$ 7.671
Other operating revenue	3.620	(14)	2.274	394	1.101	(149)	14
Total Unrestricted Revenues	46.046	(14)	37.029	394	1.101	(149)	7.685
Operating Expenses							
Salaries and wages	28.136	-	25.946	-	-	-	2.190
Employee benefits	7.252	55	6.492	-	-	-	705
Professional services	304	29	-	204	-	-	71
Supplies and other expenses	3.866	(1,414)	4,678	(2,657)	-	-	3,259
Lease expense	2.631	-	2,621	-	-	-	10
Interest	1	-	1	-	-	-	-
Depreciation and amortization	1,219	-	799	-	-	-	420
Loss on disposal of assets, net	2	-	2	-	-	-	-
Total Operating Expenses	43,411	(1,330)	40,539	(2,453)	-	-	6,655
Operating Income (Loss)	2,635	1,316	(3,510)	2,847	1,101	(149)	1,030
Nonoperating Losses							
Other nonoperating losses, net	(502)	-	-	-	-	-	(502)
Total Nonoperating Losses	(502)	-	-	-	-	-	(502)
Excess of Revenues and Gains over (under) Expenses from Continuing Operations	2,133	1,316	(3,510)	2,847	1,101	(149)	528
Loss from discontinued operations	(131)	-	(131)	-	-	-	-
Excess of Revenues and Gains over (under) Expenses	<u>\$ 2,002</u>	<u>\$ 1,316</u>	<u>\$ (3,641)</u>	<u>\$ 2,847</u>	<u>\$ 1,101</u>	<u>\$ (149)</u>	<u>\$ 528</u>

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