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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

Baylor Medical Center at Irving exists to serve the people of Irving and surrounding communities through exemplary health care, education and community service

2Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

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 \$ 185,157,982 including grants of \$ 9,206,363) (Revenue \$ 188,553,582)
	See Schedule O Baylor Medical Center at Irving (Baylor Irving) is a faith-based, non-profit, 293-bed acute care hospital providing exemplary patient care to Irving, Texas and the surrounding communities since 1964 Baylor Irving is an affiliate of Baylor Health Care System (BHCS), a nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and community services to the North Texas region Baylor Irving provides inpatient and outpatient medical services to treat individuals with diseases, illnesses and injuries of varying complexities Services include all of the comprehensive services typical of a quality acute care hospital with multidisciplinary interactions among physicians, providing patients with innovative methods of prevention, diagnosis, treatment, education and support These services include comprehensive care for all stages of illness through all stages of life Some of these clinical services are provided despite a financial loss to Baylor Irving During the fiscal year ended June 30, 2013, Baylor Irving had 19,716 total adult and special care nursery admits resulting in a total of 50,524 days of care, delivered 1,971 babies and had 63,104 emergency department visits As part of its charitable mission, Baylor Irving is committed to providing free and/or subsidized care to both financially and medically indigent patients in the community During the year, Baylor Irving reported community benefits (as reported to the Texas Department of State Health Services and in accordance with the State of Texas Statutory methodology) of \$80,573,551 Baylor Irving provided community benefits (as reported on the IRS Form 990, Schedule H) of \$42,339,281 during the tax year The Texas Annual Statement of Community Benefit Standard includes approximately \$27,403,371 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H Baylor Irving is also committed to assisting with the preparation of future nurses at entry and advanced levels of the profession to establish a workforce of qualified nurses Through the Systems relationships with fifteen North Texas schools of nursing, Baylor Irving maintains strong affiliations with schools of nursing In the fiscal year ending June 30, 2013, Baylor Irving invested in training 181 nurses Total unreimbursed cost of these programs was more than \$420,641 Many times nursing graduates who trained at Baylor Irving or an affiliated entity, join the staff or remain in the North Texas area to provide top quality nursing services to the community

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

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

4d	Other program services (Describe in Schedule O)
	(Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses ▶ 185,157,982

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	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	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 Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI 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	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, 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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, 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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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.	198	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	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.	1,203	
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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
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)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
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?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. 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	5	
	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	4	
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	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
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 Lucy Catala 1901 North MacArthur Blvd Irving, TX (972) 579-8104

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) Ron Carter Trustee	1 00 10 00	X						0	583	0
(2) Roy Lamkin Chairman	1 00 10 00	X						0	587	0
(3) Paul Madeley MD Trustee	1 00 40 00	X						0	758,942	72,210
(4) George McCleskey Trustee	1 00 7 00	X						0	0	0
(5) J Kent Newsome Trustee	1 00 7 00	X						0	0	0
(6) Brenda Blain CNO/COO	40 00			X				244,330	0	27,062
(7) Lucy Catala VP Finance/Hosp Fin Off	40 00			X				249,388	0	25,323
(8) Cindy Schamp President	40 00			X				512,103	0	138,708
(9) William Boyd Secretary	1 00 40 00			X				0	1,236,471	220,519
(10) Walter Skip Wilson VP Administration	40 00				X			206,775	0	24,064
(11) Gary Green Director Pharmacy	40 00					X		173,493	0	24,693
(12) Rolando Leal Supervisor Nuclear Medicin	49 00					X		143,984	0	20,420
(13) William Fincher Clinical Pharmacist	34 00					X		143,734	0	19,406
(14) Lisa Seay Director HR Business Services	40 00					X		168,020	0	17,575
(15) Jeffrey Embrey VP Medical Affairs	20 00					X		142,444	0	23,826
(16) Gary Hamnck Former Officer	0 00 40 00						X	0	334,428	56,691
(17) Jason Whitfield Former Officer	0 00 40 00						X	0	301,228	63,450

Part VII

(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			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,984,271	2,632,239	733,947

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 ▶86

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Baylor Health Care System 2001 Bryan St Ste 2200 Dallas TX 75201	Management Services	22,254,016
Aramark Services Inc P O Box 651009 Charlotte NC 282651009	Engineering/Food Serv	5,404,652
BIR JV LLP P O Box 677466 Dallas TX 75267	Staffing/Mgmt Services	4,265,434
Medco Construction 2001 Bryan St Ste 2200 Dallas TX 75201	Construction	3,020,397
HealthTexas Provider Network 2001 Bryan St Ste 2200 Dallas TX 75201	Clinical/Admin Services	1,993,690

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 ►25

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	1,011,627			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	50,550			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		1,062,177			
Program Service Revenue			Business Code				
	2a	Patient Care Revenue	621990	178,462,987	178,462,987		
	b	Rent	231120	6,422,275	6,422,275		
	c	EHR Incentive	900099	2,418,467	2,418,467		
	d	Cafetena	722210	1,135,642		1,135,642	
	e	Parking	812930	40,270		40,270	
	f	All other program service revenue		62,063	47,592	14,471	
	g	Total. Add lines 2a-2f		188,541,704			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		4,584,768	2,073	4,582,695	
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties		9,805		9,805	
	6a	Gross rents	(i) Real	(ii) Personal			
		b	Less rental expenses				
		c	Rental income or (loss)				
		d	Net rental income or (loss)				
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
		b	Less cost or other basis and sales expenses				
		c	Gain or (loss)				
		d	Net gain or (loss)		10,490,523		10,490,523
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
	Miscellaneous Revenue		Business Code				
	11a						
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See Instructions		204,688,977	187,353,394	0	16,273,406	

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.	9,206,363	9,206,363		
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.	1,601,249		1,601,249	
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.	61,420,153	61,141,226	278,927	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,819,661	1,805,715	13,946	
9	Other employee benefits.	8,147,547	8,113,100	34,447	
10	Payroll taxes.	4,460,625	4,439,287	21,338	
11	Fees for services (non-employees):				
a	Management.	264,723	264,723		
b	Legal.	128,532		128,532	
c	Accounting.	89,047		89,047	
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).	26,690,898	25,338,718	1,352,180	
12	Advertising and promotion.	9,343	3,758	5,585	
13	Office expenses.	5,188,121	4,994,779	193,342	
14	Information technology.	17,050,120	17,050,120		
15	Royalties.				
16	Occupancy.	15,332,447	15,330,318	2,129	
17	Travel.	126,118	110,003	16,115	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	27,040	19,923	7,117	
20	Interest.				
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	13,976,912	13,976,912		
23	Insurance.	52,306		52,306	
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	Medical Supplies	23,218,847	23,218,847		
b	Special Functions	70,256	51,571	18,685	
c	Recruiting	49,840	41,426	8,414	
d	Dues & Memberships	43,069	29,760	13,309	
e	All other expenses	24,774	21,433	3,341	
25	Total functional expenses. Add lines 1 through 24e.	188,997,991	185,157,982	3,840,009	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			5,165	1	11,278
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			20,671,196	4	33,519,159
	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			38,374	7	0
	8	Inventories for sale or use			3,739,606	8	3,580,806
	9	Prepaid expenses and deferred charges			178,402	9	49,559
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	303,111,077			
	b	Less accumulated depreciation	10b	97,235,129	214,198,145	10c	205,875,948
	11	Investments—publicly traded securities			232,976,055	11	244,431,782
	12	Investments—other securities See Part IV, line 11				12	
	13	Investments—program-related See Part IV, line 11			3,645,762	13	3,270,489
	14	Intangible assets				14	
	15	Other assets See Part IV, line 11			3,807,225	15	4,283,015
	16	Total assets. Add lines 1 through 15 (must equal line 34)			479,259,930	16	495,022,036
Liabilities	17	Accounts payable and accrued expenses			18,797,430	17	10,979,949
	18	Grants payable				18	
	19	Deferred revenue			7,542,672	19	7,603,518
	20	Tax-exempt bond liabilities				20	
	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				23	
	24	Unsecured notes and loans payable to unrelated third parties			169,740,260	24	167,089,418
	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			1,182,139	25	1,192,173
	26	Total liabilities. Add lines 17 through 25			197,262,501	26	186,865,058
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			278,399,007	27	304,052,766
	28	Temporarily restricted net assets			2,230,188	28	2,734,049
	29	Permanently restricted net assets			1,368,234	29	1,370,163
	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			281,997,429	33	308,156,978
	34	Total liabilities and net assets/fund balances			479,259,930	34	495,022,036

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	204,688,977
2	Total expenses (must equal Part IX, column (A), line 25)	2	188,997,991
3	Revenue less expenses Subtract line 2 from line 1	3	15,690,986
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	281,997,429
5	Net unrealized gains (losses) on investments	5	8,387,069
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	2,081,494
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	308,156,978

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		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 type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separate basis	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	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?	Yes	
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	Yes	

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Baylor Medical Center at Irving	Employer identification number 75-2586857
---	--

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 Baylor Medical Center at Irving	Employer identification number 75-2586857
---	--

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

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?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?	Yes		2,570
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		44,104
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities?		No	
j Total. Add lines 1c through 1i.				46,674
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1	
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3	Did the organization agree to 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).		
		2a	
		2b	
		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
Part IV, Supplemental Information		Statement Regarding Legislative Activity Health care policy is critical to all Americans, and Baylor Medical Center at Irving ("BMCI") believes that health care providers must participate in forming health care policy by interacting with national, state and local representatives and their staff members to help them better understand the complexities and ramifications of key health care policies including, without limitation, those related to uninsured and indigent patient needs as well as the legislative and regulatory needs to assure the delivery of cost-efficient, quality health care. BMCI has established relationships with persons and industry associations that often communicate BMCI's positions on major health care issues. These contacts may include direct contact, telephone conversations and/or letters. Also, BMCI may attempt to educate the local community on certain legislative initiatives that may impact BMCI's ability to provide quality health care services to the community through direct mailings, media advertising or broadcast statements. The amount of resources (time and money) involved in these activities is insubstantial. BMCI has not intervened in any political campaign.

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
Baylor Medical Center at Irving

Employer identification number
75-2586857

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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?		<input type="checkbox"/> Yes <input type="checkbox"/> No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or 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	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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 ▶ \$ _____

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

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

(ii) related organizations

3a(i)

3a(ii)

3b

Yes

No

b

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

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				
b Buildings		234,475,537	46,857,503	187,618,034
c Leasehold improvements				
d Equipment		68,635,540	50,377,626	18,257,914
e Other				
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				205,875,948

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	212,587,711			
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12					
a	Net unrealized gains on investments				2a	8,387,069
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	8,387,069			
3	Subtract line 2e from line 1	3	204,200,642			
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	488,335
c	Add lines 4a and 4b				4c	488,335
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	204,688,977			
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return						
1	Total expenses and losses per audited financial statements	1	186,976,755			
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	-1,964,038
e	Add lines 2a through 2d	2e	-1,964,038			
3	Subtract line 2e from line 1	3	188,940,793			
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	57,198
c	Add lines 4a and 4b				4c	57,198
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	188,997,991			

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	Irving follows the provisions of ASC 740 "Income Taxes " As of June 30, 2013 and 2012, Irving had no material gross unrecognized tax benefits
Part XI, Line 4b - Other Adjustments		Contribution Revenue Recorded in Operating Expenses 388,335 Contribution Revenue Recorded in Other Changes 100,000
Part XII, Line 2d - Other Adjustments		Contribution Revenue Recorded in Operating Expenses - 388,335 Liability Reserve Recorded in Operating Expenses - 1,575,703
Part XII, Line 4b - Other Adjustments		Grants Recorded in Other Cahnge in Fund Balance 57,198

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Baylor Medical Center at Irving

Employer identification number
75-2586857

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 type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other _____ 50000 0000000000 % 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)			22,889,739	0	22,889,739	11 430 %
b Medicaid (from Worksheet 3, column a)			19,947,453	10,875,926	9,071,527	4 530 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			0	0		0 %
d Total Financial Assistance and Means-Tested Government Programs			42,837,192	10,875,926	31,961,266	15 960 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			666,832	217,564	449,268	0 220 %
f Health professions education (from Worksheet 5)			420,641	0	420,641	0 210 %
g Subsidized health services (from Worksheet 6)			0	0		0 %
h Research (from Worksheet 7)			0	0		0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			9,508,106	0	9,508,106	4 740 %
j Total. Other Benefits			10,595,579	217,564	10,378,015	5 170 %
k Total. Add lines 7d and 7j			53,432,771	11,093,490	42,339,281	21 130 %

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

10,576,688

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

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

48,060,898

6

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

6

57,079,551

7

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

7

-9,018,653

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 Irving Coppel Surgical Hospital LLP	Short Stay Hospital	33.730 %	0 %	47.800 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Schedule H (Form 990) 2012

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?
2

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	Baylor Medical Center at Irving 1901 N MacArthur Blvd Irving, TX 75061 www.baylorhealth.com	X	X					X			
2	Irving Coppel Surgical Hospital 400 W Lyndon B Johnson Fwy Ste 100 Irving, TX 75063 www.baylorhealth.com	X	X					X		Short-stay hospital	

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)

Baylor Medical Center at Irving

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	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" 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 checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" 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 <u>12</u>		
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	Yes
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	Yes
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	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" 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 checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" 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 checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" 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	Yes
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	No
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>500 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 type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input checked="" 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 type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input checked="" 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 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)

Irving Coppel Surgical Hospital

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	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" 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 checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" 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 <u>12</u>		
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	Yes
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	Yes
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	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" 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 checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" 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 checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" 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	Yes
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	No
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>500 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 type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input checked="" 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 type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input checked="" 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		
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 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?

5

Name and address	Type of Facility (describe)
1Baylor Irving Cancer Center 2001 N MacArthur Blvd Suite 120 Irving, TX 75061	Cancer Center
2Baylor Med Ctr at Irving-Wound Care Ctr 400 W LBJ Fwy Suite 130 Irving, TX 75063	Wound Care Center
3Sleep Ctr & Women's Imag at Irving Cop 400 W LBJ Fwy Suite 200 Irving, TX 75063	Radiology Center/Sleep Center
4Baylor Diag Imag Ctr at Arlington & GP 2740 N State Highway 360 Suite 200 Grand Prairie, TX 75050	Radiology Center
5Congestive Heart Failure Clinic 2001 N MacArthur Blvd Suite 350 Irving, TX 75061	CHF Clinic
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, Line 3c and Line 3b In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines ("FPG"), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill
		Part I, Line 6a The organization prepares and files an Annual Report of Community Benefit Plan with the Texas Department of State Health Services The report is made available through the organization's website at www.baylorhealth.com

Identifier	ReturnReference	Explanation
		Part I, Line 7 A ratio of patient care cost to charges, as determined in Worksheet 2, was used to report the amounts in Part I, Lines 7a - 7d For amounts reported on lines 7e - 7k, actual expenses for each community benefit activity are tracked and reported using both community benefit software and/or the organization's cost accounting system Part I, Line 7b, Column (d) Includes payments from the State 1115 Waiver Program for uncompensated care, which funds are to be used to expand indigent care Part I, Line 7i, Column (c) Includes charity care payments of \$9,439,361 that are made directly to or on the behalf of a local public hospital and/or other nonprofit organizations for the treatment of indigent patients of those organizations
		Part I, L7 Col(f) The amount of bad debt expense included on Form 990, Part IX, line 25, but removed for Schedule H, Part I, Line 7, Column (f) totaled \$0

Identifier	ReturnReference	Explanation
		<p>Part III, Line 4 As stated in the combined audited financial statements, the organization maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The organization assesses the reasonableness of the allowance account based on the historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowance associated with its receivable Bad debt does not include amounts for patients who are known to qualify under the organizations charity care policy The amount of bad debt attributable to patient's accounts is net of contractual allowance, payments received and recoveries of bad debt previously written off The Organization has entered zero on Schedule H, Part III, Line 3, however, based on prior experience and certain demographics and other information obtained during admission, the organization believes a portion of the bad debt expenses (estimated to range from 1-5%) would be attributable to patients that would otherwise qualify for charity care Despite all of the effort and ways the organization educates patients about qualifying for its charity care program as demonstrated in Part VI, question 3 below, many uninsured patients either refuse or fail to complete a charity care application or provide sufficient information at the time of admission, during their stay or after being discharged to qualify for assistance under the organization's charity care policy</p>
		<p>Part III, Line 8 The amount reported on Part III, Section B, line 7 was calculated in accordance with the Schedule H instructions utilizing the organization's allowable cost reported in the Medicare cost report based on a cost to charge ratio However, the allowable costs in the Medicare cost report do not reflect the actual cost of providing care to patients since the Medicare cost report excludes many direct patient care costs that are essential to providing quality care to these patients For example, certain coverage fees to physicians, cost of Medicare C and D, and other similar direct patient care expenses are specifically excluded as allowable cost in the cost reports Using the same methodology to calculate the unreimbursed cost of providing charity care and Medicaid (using applicable Schedule H Worksheets) would result in a shortfall of \$9,839,332, which is \$743,598 higher than the shortfall reported on Part III, Section B, Line 7 The organization believes that all of the shortfall should be considered as a community benefit for the following reasons First, the IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients IRS Revenue Ruling 69-545 provides, in part, that hospitals serving patients with governmental health benefits, including for example Medicare, is an indication that the hospital operates for the promotion of health in the community Second, the organization provides care to Medicare patients regardless of this shortfall, i e , loss, and thereby relieves the state and federal government of the burden of paying the full cost for the care of Medicare beneficiaries Medicare does not provide sufficient reimbursement to cover the entire cost of providing care to these patients causing the organization to use other surplus funds to cover the shortfall It is expected that reimbursement under the Medicare program will continue to decline and therefore may further limit access to care due to the anticipated reduction of participating Medicare providers in the community As a result, the care for these patients will likely increase at, and rest on the shoulders of, nonprofit hospitals or county hospital districts Third, many of the Medicare participants have low fixed incomes and therefore would qualify for charity care or other means tested government programs absent being enrolled in the Medicare program Fourth, Texas nonprofit hospitals must provide a minimum level of community benefit in order to obtain exemption from state and local taxes According to the current Texas Health and Safety Code, the unreimbursed cost of Medicare is considered to be a community benefit in determining these state statutory requirements as it helps relieve a governmental burden of providing this care that would otherwise be provided through the county hospital system in Texas</p>

Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization's debt collection policy and procedures prohibit any collection efforts for the portion of the patient account balance that qualifies for financial assistance under the organization's charity care policy For any remaining balances due, the same collection policy and procedures are applied equally to all patient types
Baylor Medical Center at Irving		<p>Part V, Section B, Line 3 Creating healthy communities requires a high level of mutual understanding and collaboration with community individuals and partner groups The development of the community health needs assessment brought together information from community health leaders and providers along with local residents for the purposes of researching, prioritizing and documenting the community health needs for the geographies served by the hospital facility As an affiliate of Baylor Health Care System (BHCS), the hospital facility conducted its community health needs assessment with the assistance and direction of BHCS and the guidance of the BHCS Community Benefit Committee The mission and role of the BHCS Community Benefit Committee is to assist the BHCS Board of Trustees in setting direction, identifying priorities, and monitoring performance in mission and vision integration into community benefits across the BHCS hospital system The Committee is comprised of trustees (current System and community board members) and other community representatives appointed by the BHCS board of trustees The hospital facility's community health needs assessment brings together information from a variety of sources This assessment consolidates information from recent community health needs assessments conducted for the Texas Regional Healthcare Partnerships, the Dallas County Community Health Needs Assessment and the Consumer Health Report conducted by the National Research Corporation (NRC) for the hospital facility Members from Baylor Health Care System participated in the development of these reports with other health care providers, community groups and others throughout the Dallas/Fort Worth Metroplex These reports used a variety of methods to gather and assess the community including, but not limited to, surveys, meetings, and interviews The hospital has also fostered continued community participation and outreach activities through membership in the Dallas Fort Worth Hospital Council They have used data from this collaboration of health care providers, including data that served as the basis for this CHNA This data drawn from a variety of local, state and federal sources represents the most recent evaluation of Dallas/Fort Worth residents health status and the assets available to the community for improving health In addition, data was drawn from the Healthy North Texas website (www.healthytexas.org), which was created under the direction of the Dallas Fort Worth Hospital Council Foundations Community Health Collaborative The website features data regarding overall population health It boasts more than 100 local health indicators that can be compared across other Texas regions and the nation The information can be used to expose crucial health concerns in North Texas, including incidents of diabetes, breast cancer and suicide The site also has a database of information detailing ways to combat these health ailments Sponsors of the site include Blue Cross Blue Shield of Texas, Communities Foundation of Texas, HCA North Texas, JPS Health Network, Methodist Health System, Texas Health Resources, University of North Texas Health Science Center and Baylor Health Care System More detailed information can be found in the hospital community health needs assessment and community benefit plan located at the following website</p> <p>http //www.baylorhealth.com/About/Community/Assessments/Pages/Default.aspx</p>

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		<p>Part V , Section B, Line 3 Creating healthy communities requires a high level of mutual understanding and collaboration with community individuals and partner groups The development of the community health needs assessment brought together information from community health leaders and providers along with local residents for the purposes of researching, prioritizing and documenting the community health needs for the geographies served by the hospital facility As an affiliate of Baylor Health Care System (BHCS), the hospital facility conducted its community health needs assessment with the assistance and direction of BHCS and the guidance of the BHCS Community Benefit Committee The mission and role of the BHCS Community Benefit Committee is to assist the BHCS Board of Trustees in setting direction, identifying priorities, and monitoring performance in mission and vision integration into community benefits across the BHCS hospital system The Committee is comprised of trustees (current System and community board members) and other community representatives appointed by the BHCS board of trustees The hospital facilitys community health needs assessment brings together information from a variety of sources This assessment consolidates information from recent community health needs assessments conducted for the Texas Regional Healthcare Partnerships, the Dallas County Community Health Needs Assessment and the Consumer Health Report conducted by the National Research Corporation (NRC) for the hospital facility Members from Baylor Health Care System participated in the development of these reports with other health care providers, community groups and others throughout the Dallas/Fort Worth Metroplex These reports used a variety of methods to gather and assess the community including, but not limited to, surveys, meetings, and interviews The hospital has also fostered continued community participation and outreach activities through membership in the Dallas Fort Worth Hospital Council They have used data from this collaboration of health care providers, including data that served as the basis for this CHNA This data drawn from a variety of local, state and federal sources represents the most recent evaluation of Dallas/Fort Worth residents health status and the assets available to the community for improving health In addition, data was drawn from the Healthy North Texas website (www healthytexas org), which was created under the direction of the Dallas Fort Worth Hospital Council Foundations Community Health Collaborative The website features data regarding overall population health It boasts more than 100 local health indicators that can be compared across other Texas regions and the nation The information can be used to expose crucial health concerns in North Texas, including incidents of diabetes, breast cancer and suicide The site also has a database of information detailing ways to combat these health ailments Sponsors of the site include Blue Cross Blue Shield of Texas, Communities Foundation of Texas, HCA North Texas, JPS Health Network, Methodist Health System, Texas Health Resources, University of North Texas Health Science Center and Baylor Health Care System More detailed information can be found in the hospital community health needs assessment and community benefit plan located at the following website http //www baylorhealth com/About/Community/Assessments/Pages/Default.aspx</p>
Baylor Medical Center at Irving		<p>Part V , Section B, Line 4 As an affiliate of Baylor Health Care System, the hospital facility conducted its community health needs assessment with other related hospital facilities and with the assistance and direction of Baylor Health Care System These related hospital facilities included the following Baylor University Medical Center, Baylor All Saints Medical Center, Baylor Medical Center at Garland, Baylor Regional Medical Center at Grapevine, Baylor Regional Medical Center at Plano, Baylor Medical Center at Waxahachie, Baylor Medical Center at McKinney, Baylor Medical Center at Irving, Baylor Medical Center at Carrollton, Baylor Specialty Hospital, Our Childrens House at Baylor, Baylor Heart and Vascular Hospital, The Heart Hospital Baylor Plano, Baylor Medical Center at Frisco, Baylor Medical Center at Uptown, Irving/Coppel Surgical Hospital, Baylor Orthopedic and Spine Hospital at Arlington, Baylor Surgical Hospital at Fort Worth, Baylor Medical Center at Trophy Club, North Central Surgical Center, Baylor Institute for Rehabilitation at Dallas, Baylor Institute for Rehabilitation at Frisco, Baylor Institute for Rehabilitation at Northwest Dallas, Baylor Institute for Rehabilitation at Fort Worth, and Baylor Emergency Medical Center at Aubrey Additionally, Baylor Health Care System also participated in numerous workgroups and studies used for other community health needs assessments conducted throughout the twelve county North Texas Region The data and results of these various community health needs assessments were used by Baylor Health Care System and its affiliated hospital facilities to conduct their own community health needs assessments Other hospital facilities in the community including county hospitals such as Parkland Memorial Hospital, John Peter Smith Hospital and other hospitals participated in these other community health needs assessments</p>

Identifier	ReturnReference	Explanation
Irving Coppell Surgical Hospital		Part V, Section B, Line 4 As an affiliate of Baylor Health Care System, the hospital facility conducted its community health needs assessment with other related hospital facilities and with the assistance and direction of Baylor Health Care System These related hospital facilities included the following Baylor University Medical Center, Baylor All Saints Medical Center, Baylor Medical Center at Garland, Baylor Regional Medical Center at Grapevine, Baylor Regional Medical Center at Plano, Baylor Medical Center at Waxahachie, Baylor Medical Center at McKinney, Baylor Medical Center at Irving, Baylor Medical Center at Carrollton, Baylor Specialty Hospital, Our Childrens House at Baylor, Baylor Heart and Vascular Hospital, The Heart Hospital Baylor Plano, Baylor Medical Center at Frisco, Baylor Medical Center at Uptown, Irving/Coppell Surgical Hospital, Baylor Orthopedic and Spine Hospital at Arlington, Baylor Surgical Hospital at Fort Worth, Baylor Medical Center at Trophy Club, North Central Surgical Center, Baylor Institute for Rehabilitation at Dallas, Baylor Institute for Rehabilitation at Frisco, Baylor Institute for Rehabilitation at Northwest Dallas, Baylor Institute for Rehabilitation at Fort Worth, and Baylor Emergency Medical Center at Aubrey
Baylor Medical Center at Irving		Part V, Section B, Line 11 In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 11 In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill
Baylor Medical Center at Irving		Part V, Section B, Line 12h The hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		<p>Part V, Section B, Line 12h The hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted</p>
Baylor Medical Center at Irving		<p>Part V, Section B, Line 14g Measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language</p>

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 14g As a controlled affiliate of Baylor Health Care System (BHCS), the hospital facility follows the BHCS financial assistance policy which is located on BHCSs website As summarized in the BHCS Financial Assistance Policy, measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and/or 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language
Baylor Medical Center at Irving		Part V, Section B, Line 20d The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Q uestion Part V, Line 20ac

Identifier	ReturnReference	Explanation
Irving Coppel Surgical Hospital		Part V, Section B, Line 20d The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Question Part V, Line 20ac
		Part VI, Line 2 During the fiscal year ending June 30, 2013, the Organization conducted a Community Health Needs Assessment (CHNA) to assess the health care needs of the community for each of its licensed hospital facilities and developed an implementation strategy to address the needs identified in the CHNAs The CHNAs were conducted in accordance with state and federal guidelines including Internal Revenue Code Section 501(r) and the Texas Health and Safety Code Section 311 These CHNAs and implementation strategies have been made widely available to the public and are located on the Organizations website at the following address www.BaylorHealth.com/Community

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 3 The organization is committed to promoting health in the community including providing or finding financial assistance programs to assist patients Patients who may qualify for financial assistance through the organization's charity care program or other federal, state and local government programs are informed and educated about their eligibility in several ways including, but not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language</p>
		<p>Part VI, Line 4 The Organization has two licensed hospitals and each hospitals community is defined and summarized below Additional information regarding the community can also be found in each of the hospitals community health needs assessment and implementation strategy located on the organizations website at www.BaylorHealth.com/Community Baylor Medical Center at Irving (Baylor Irving) is located in Dallas County and its total service area includes zip codes primarily from the urban/suburban areas of Irving, Grand Prairie and Dallas covering more than 545,000 residents The average household income is \$67,316 with 13.7 percent living below the federal poverty level Additionally, 12.9 percent is uninsured and 24.4 percent of the population is enrolled in Medicaid There is one designated medically underserved areas in the Baylor Irving service area In addition to Baylor Irving, there are two other hospitals providing hospital care to the service area Irving/Coppell Surgical Hospital (Irving Coppell) is located in Dallas County and its total service area includes zip codes primarily from the urban/suburban areas of Dallas, Irving and Coppell covering more than 2,453,400 residents The average household income is \$66,457 with 14.9 percent living below the federal poverty level Additionally, 12.5 percent is uninsured and 23.5 percent of the population is enrolled in Medicaid There are 23 designated medically underserved areas in the Irving Coppell service area In addition to Irving Coppell, there are 45 other hospitals providing hospital care to the service area</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 With the oversight of an independent volunteer community board and Baylor Health Care System, the organization's sole member, the organization has promoted health and benefited the community by providing exemplary health care, medical education, research and other community services The organization's governing body is comprised of volunteer community representatives that provide leadership and governance for the organization The members of the governing body contribute their wisdom, insights, and expertise to ensure the organization is fulfilling its mission and charitable purpose while providing efficient administrative support services and direction for the System The members are well respected residents and/or own businesses in the organization's primary or secondary service area and understand the needs of the community The medical staff of the organization is open to all physicians in the community who meet membership and clinical privileges requirements Surplus funds are continuously utilized to maintain access to limited patient services or expand access points of care to patients throughout the community including, but not limited to, the following The organization operates an emergency department accepting all patients without the regard for the ability to pay Also, decreasing wait times in the organization's emergency department makes quality health care a reality since space can be in high demand The emergency department has designated four rooms close to the triage area where a physician, nurse practitioner or physician assistant can evaluate each patient upon arrival By adding staff and streamlining processes, people who visited the emergency, in some cases during the year, were treated by a physician on average of 17 minutes after entering the emergency department The Organization provides financial assistance in the form of charity care to patients who are indigent and satisfy certain requirements Additionally, the Organization is committed to treating patients who are eligible for means tested government programs such as Medicaid and other government sponsored programs including Medicare, which is provided regardless of the reimbursement shortfall, and thereby relieves the state and federal government of the burden of paying the full cost of care for these patients Often, patients are unaware of the federal, state and local programs open to them for financial assistance, or they are unable to access them due to the cumbersome enrollment process required to receive these benefits The Organization offers assistance in enrollment to these government programs or extends financial assistance in the form of charity care through the Organizations Financial Assistance Policy which can be located on the Baylor Health Care System website at BaylorHealth.com/FinancialAssistance The organization is also committed to promoting the healthy well being of individuals and families beyond the health activities of the traditional hospital or clinic setting through its community outreach programs At the North Irving well-child clinic, underserved children receive free well-child exams and immunizations The organization also has a tradition of collaborating with key community groups like the school district by offering programs such as Camp Airways for Asthmatic Children and "Diabetes-Be Aware" diabetes education program The organization provided non-smoking facilities, education on the dangers of using tobacco products and programming to aid individuals and employees on stopping smoking Equipping people with quality health information encourages individuals to make appropriate life style changes to benefit their health Through these programs the organization assists with early detection of potential health problems and early treatment of any identified problems to save lives The organization is also committed to assisting with the preparation of future nurses at entry and advanced levels of the profession to establish a workforce of qualified nurses Through Baylor Health Care Systems relationships with fifteen North Texas schools of nursing, the organization maintains strong affiliations with schools of nursing In the fiscal year ending June 30, 2013, Baylor Irving invested in training 181 nurses Total unreimbursed cost of these programs was more than \$420,641 Many times nursing graduates who trained at the organization or an affiliated entity, join the staff or remain in the North Texas area to provide top quality nursing services to the community</p>
		<p>Part VI, Line 6 The organization is part of a large faith based integrated health care delivery system ("System") serving the health care needs of the twelve county Dallas-Fort Worth metroplex area The System exists to serve all people through exemplary health care, education, research and community service Community benefits are provided through the provision of charity care, governmental sponsored programs (such as Medicaid and Medicare), medical research, medical education, community health improvement services, donations to other nonprofit health care providers, and many other community service activities During the year, the affiliated nonprofit hospitals reported community benefits (as reported to the Texas Department of State Health Services, and in accordance with the State of Texas Statutory methodology) in excess of \$638,100,000 The System's nonprofit hospitals provided community benefits (as reported on the IRS Form 990, Schedule H) in excess of \$352,700,000 during the tax year The Texas Annual Statement of Community Benefit Standard includes approximately \$269,600,000 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H The System is comprised of separate legal entities including philanthropic foundations, a research institute, a physician network, acute care hospitals, short-stay hospitals, specialty hospitals, ambulatory surgery centers and other health care providers all which fall under the common control of Baylor Health Care System, the organization's sole member As part of the System, certain affiliates make grants and/or contributions to other related nonprofit affiliates to help financially support and/or fund worthy community benefits activities The System has also established a patient transfer system among the affiliated hospitals allowing patients needing a particular level of care to be transferred as needed to a related hospital that can provide that service in an efficient and effective manner As part of the System, all hospitals and other affiliated health care providers are required to adhere to high standards for medical quality, patient safety and patient satisfaction These standards are set forth by Baylor Health Care System, the organization's sole member, which helps ensures consistency across the System</p>

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	TX

OMB No 1545-0047

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

Open to Public Inspection

Employer identification number
75-2586857

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

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

[illegible]

For Paperwork Reduction Act Notice, see the Instructions for Form 990. Cat No 50055P **Schedule I (Form 990) 2012**

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Monitoring Grants & Other Assistance As part of its mission, the organization provides grants and other assistance to related organizations and/or unrelated not-for-profit organizations which are religious, charitable, scientific, or educational in nature, within the meaning of Internal Revenue Code Section 501(c)(3), when the use will further one or more tenets of Baylor's charitable mission and one of the following criteria for use of these funds is met (1)Fulfills a need identified by a community needs assessment conducted by Baylor Health Care System (BHCS) or a third party (such as Community Health Check Up or by the United Way) and adopted as a priority by BHCS's Community Service Advisory Council, (2) Serves an under-served community or group of people through medical mission work to improve their health status For related organizations, all grants and other assistance are subject to the policies and procedures set forth by BHCS which ensures all funds are used in accordance with the guidelines set forth above and in accordance with the related organization's exempt purpose Grants and other assistance provided to unrelated organizations are typically monitored by personal inspection Examples include providing assistance to entities where the filing organization's employee serves as a Board Member for the recipient organization or through attendance at community events where the filing organization employees work as volunteers or to help coordinate these events

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
Baylor Medical Center at Irving

Employer identification number
75-2586857

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div>		
	<div><div><input checked="" type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div>		
	<div><div><input checked="" type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div></div>		
	<div><div><input checked="" type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	Yes
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes
3	Indicate which, if any, of the following the 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><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div></div>		
	<div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div>		
	<div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	4a	Yes
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use 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 organization reimburses eligible employees and board members certain reasonable travel expenses associated with spousal travel where the spouse's presence is important to the event. These events may include, for example, board meetings, business meetings, and award ceremonies approved by the Baylor Health Care System ("BHCS") CEO. All spousal travel reimbursements are treated as taxable compensation. One person listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
	Part I, Line 1a	Tax indemnification and gross up payments-The organization provides tax indemnification where an authorized member of management determines there is justification to reimburse an individual for the tax impact on certain taxable, non-cash benefits provided to them. All tax indemnification payments provided are treated as taxable compensation. Three of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
	Part I, Line 1a	Discretionary Spending Account-The organization provides eligible employees who travel frequently in their personal vehicle an auto expense allowance in lieu of reimbursement for business mileage under the organization's business travel and expense reimbursement policy. All auto expense allowances are treated as taxable compensation. Two of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
	Part I, Lines 4a-b	Lisa Seay's employment with the organization terminated during the tax year and she received a severance payment of \$59,553. In order to recruit and retain key talent, BHCS offers a supplemental non qualified retirement plan to eligible employees. The plan provides an annual benefit (based on a percentage of compensation) to the employee that is paid to the employee on a future date upon vesting in the plan. The following individual(s) participated in and/or received payments (noted in parenthesis) from BHCS' supplemental non qualified retirement plan during the tax year: Cindy Schamp, Jason Whitfield, William Boyd (\$253,486), Paul Madeley, M.D. (\$299,220), and Gary Hamrick. Also, select certain officers, as designated by BHCS's governing body, are eligible to participate in a Long Term Incentive Plan that is designed to recognize the key senior leaders' value and contribution to BHCS as well as align their compensation to the long term strategy of BHCS. Performance targets are based upon a percentage of the participant's base salary and are developed by independent third party expert(s) using market competitive data within the guidelines of reasonableness. The plan is based on BHCS's three-year performance against its peers, determined based on peer rankings or percentile rankings in quality, patient satisfaction and financial performance. At the end of three years, awards are determined by BHCS's governing body for participants. Payouts are partially made in cash and the remainder vests over an additional two year period. The following individuals participated in and/or received payments (noted in parenthesis) from this plan during the tax year: William Boyd (\$214,839) and Cindy Schamp (\$57,200).
	Part I, Line 7	The organization has adopted and implemented BHCS's, the organization's sole member, Performance Award Program to provide a market competitive total cash compensation incentive program that is designed to attract and retain key leaders and establish greater individual accountability and alignment to business performance. Payout targets are based upon a percentage of base pay and are developed by independent third party expert(s) using comparable market competitive data within the bounds of reasonableness and that are reviewed and approved by BHCS's governing body. Payout levels are based upon a combination of system, entity, and individual performance using various metrics related to quality, patient satisfaction, employee retention, and financial stewardship. BHCS's governing body may approve modifications to annual incentive awards provided under the program consistent with market comparability data.
Supplemental Information	Part III	Supplemental Information: Governing body compensation. The members of the governing body serve on a voluntary basis and receive no cash compensation from the organization for these duties as a member of the governing body. Some, but not all, members have received modest benefits incident to their service on the board and/or multiple board committees, or received compensation as an employee of a related organization. These benefits include reimbursement for certain reasonable expenses paid on behalf of the member's spouse while accompanying the member on business travel on behalf of the organization. All such benefits are treated as taxable compensation to the extent required by law and are reported in the Form 990 where applicable.

Software ID:
Software Version:
EIN: 75-2586857
Name: Baylor Medical Center at Irving

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				
Paul Madeley MD	(i)	0	0	0	0	0	0	0
	(ii)	422,718	1,786	334,438	54,893	17,317	831,152	0
Brenda Blain	(i)	210,005	34,325	0	6,373	20,689	271,392	0
	(ii)	0	0	0	0	0	0	0
Lucy Catala	(i)	208,698	40,690	0	1,490	23,833	274,711	0
	(ii)	0	0	0	0	0	0	0
Cindy Schamp	(i)	348,403	150,623	13,077	109,442	29,266	650,811	0
	(ii)	0	0	0	0	0	0	0
William Boyd	(i)	0	0	0	0	0	0	0
	(ii)	561,174	291,880	383,417	194,567	25,952	1,456,990	0
Walter Skip Wilson	(i)	171,127	32,048	3,600	8,680	15,384	230,839	0
	(ii)	0	0	0	0	0	0	0
Gary Green	(i)	153,696	19,547	250	7,881	16,812	198,186	0
	(ii)	0	0	0	0	0	0	0
Rolando Leal	(i)	143,555	0	429	5,689	14,731	164,404	0
	(ii)	0	0	0	0	0	0	0
William Fincher	(i)	138,662	5,000	72	5,383	14,023	163,140	0
	(ii)	0	0	0	0	0	0	0
Lisa Seay	(i)	96,942	11,525	59,553	4,847	12,728	185,595	0
	(ii)	0	0	0	0	0	0	0
Jeffrey Embrey	(i)	141,817	0	627	0	23,826	166,270	0
	(ii)	0	0	0	0	0	0	0
Gary Hamrick	(i)	0	0	0	0	0	0	0
	(ii)	264,551	65,183	4,694	38,732	17,959	391,119	0
Jason Whitfield	(i)	0	0	0	0	0	0	0
	(ii)	242,604	48,078	10,546	36,644	26,806	364,678	0

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization
Baylor Medical Center at Irving

Employer identification number
75-2586857

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.					
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.					
(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Irving Coppel Surgical Hospital LLP (ICSH)	Lucinda Catala, organization's officer, serves as a board member for ICSH	5,030,984	Rental of real property to ICSH		No
(2) Irving Coppel Surgical Hospital LLP (ICSH)	Lucinda Catala, organization's officer, serves as a board member for ICSH	2,645,489	Investment in Joint Venture		No
(3) Irving Coppel Surgical Hospital LLP (ICSH)	Cindy Schamp, organization's President, serves as a board member for ICSH	5,030,984	Rental of real property to ICSH		No
(4) Irving Coppel Surgical Hospital LLP (ICSH)	Cindy Schamp, organization's President, serves as a board member for ICSH	2,645,489	Investment in Joint Venture		No
(5) Irving Coppel Surgical Hospital LLP (ICSH)	Lucinda Catala, organization's officer, serves as a board member for ICSH	2,867,408	Partnership Distribution		No
(6) Irving Coppel Surgical Hospital LLP (ICSH)	Cindy Schamp, organization's President, serves as a board member for ICSH	2,867,408	Partnership Distribution		No

Part V Supplemental Information		
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)		
Identifier	Return Reference	Explanation
Schedule L, Part IV, Transactions Involving Interested Persons		Irving Coppel Surgical Hospital is a controlled affiliate of the organization. The organization's employees were appointed by the organization to serve as board members of the controlled affiliate. These individuals were appointed by the organization to serve as board representatives of those controlled affiliates to ensure they are operated in a charitable manner and in accordance with the organization's tax exempt status. The appointment of the employee to serve on the governing body of related partnerships is consistent with IRS guidance such as Revenue Ruling 98-15 and other related rulings requiring the exempt organization to maintain control of partnerships and joint ventures. In those instances, the board representatives do not have a financial interest in the organization or the related partnership, do not receive any financial benefits from transactions between the organization and the related partnership, and serve only in a voluntary capacity as a board member.

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 Baylor Medical Center at Irving	Employer identification number 75-2586857
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Members or stockholders The organization is a Texas nonprofit membership organization in which Baylor Health Care System ("BHCS"), a tax exempt, Texas nonprofit corporation, is the sole member

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Election of members of governing body by members, stockholders, or other persons The sole member, BHCS, elects and removes the members of the governing body

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	Governing body decisions subject to approval The sole member, BHCS, has final authority over certain decisions/powers of the organization such as approval of the organization's articles of incorporation and bylaws and amendments thereto, appointment and removal of the members of the organization's governing body, approval of dissolutions and mergers, and other similar decisions/powers over the organization

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	Process used to review the Form 990 The Form 990 is prepared and reviewed by BHCS's tax department During the return preparation process the tax department works with other functional areas including finance, accounting, treasury, legal, human resources, and corporate compliance for advice, information and assistance to prepare a complete and accurate return Upon completion, the Form 990 is reviewed by the organization's President, financial officer and/or other key officers A complete final copy of the return is provided to the organization's governing body prior to filing with the IRS

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Process used to monitor and enforce compliance with the organization's conflict of interest policy. Persons with the actual or perceived ability to influence the organization have the duty to disclose annually and otherwise promptly as potential conflicts are identified, any familial, professional or financial relationships with entities or individuals that do, or seek to do business with the organization or that compete with the organization. These individuals include the organization's officers, governing body, management, physicians with administrative services agreements and other key personnel who interact with outside organizations or businesses on behalf of the organization. The BHCS Board of Trustees Audit and Compliance Committee and the BHCS Corporate Compliance Committee reviewed all relevant disclosures submitted by these individuals to determine whether a conflict of interest exists and to determine an appropriate resolution, if necessary. Any individual with a perceived or potential conflict is prohibited from voting or participating in the decision making process regarding such transaction with that individual.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	<p>Process for determining compensation The organization, a controlled affiliate of BHCS, recognizes that those chosen to lead the organization are vital to its ongoing success and growth Thus, it must attract, retain and engage the highest quality officers and key employees to lead the organization and help BHCS maintain its national reputation for achieving high targets for medical quality, patient safety, and patient satisfaction A significant portion of the organization's officers' and key employees' total compensation is based on significant performance achievements This strategy, known as the Performance Award Program, works to put a greater emphasis on the importance of the organization achieving targeted improvements in the areas of People, Quality, Patient Satisfaction and Financial Stewardship, annually Total executive compensation is part of an integrated talent management strategy developed by the BHCS Board of Trustees and its Compensation and Governance Committee (Committee) to attract, motivate, and retain the best leadership resources for the organization Executive compensation is determined pursuant to guidelines outlined in the intermediate sanction rules under IRC Section 4958 including taking steps to meet the rebuttable presumption standard of reasonableness under Treasury Regulation 53.4958-6, as summarized below</p> <p>When making compensation decisions, the organization compares itself to similar-sized, and structured businesses including other integrated health care service systems and other similar-sized organizations, both locally and nationally The BHCS Board of Trustees and Committee, on behalf of the organization, work directly with independent compensation expert(s) to identify reasonable and competitive market rates as well as provide an annual review of the total compensation of the organization's top management officials and key employees The Committee is made up of members of the BHCS Board of Trustees, who are independent, community volunteers Guided by the information provided by the independent compensation expert(s), the Committee approves and recommends to the BHCS Board of Trustees salary increases, earned incentives, and benefit offerings for the organization's President, other officers and/or key employees to be comparable to similar organizations for similar services and/or positions Furthermore, the Committee is charged with the responsibility of reviewing annually the major elements of the executive compensation program to assure designs remain consistent with the business needs, market practices, and compensation philosophy As part of the decision making process, the Committee will often meet in executive session to discuss and review recommendations made by the independent compensation expert(s) During the executive session no officer or key employee whose compensation is being reviewed is present during these discussions All decisions are contemporaneously documented in the Committee minutes which are timely reviewed and approved by the Committee</p>

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Process for making governing documents, conflict of interest policy, & financial statements available to the public The organization's articles of incorporation and amendments thereto are made available to the public by the filing of those documents with the Texas Secretary of State The audited financial statements are attached to this return Also, the organization is included within the combined financial statements of BHCS that are made available to the public by the posting of those documents through DAC Bond The organization's other governing documents and conflicts of interest policy are not made available to the public

Identifier	Return Reference	Explanation
Other Fees	Form 990, Part IX, line 11g	Intercompany Expenses Program service expenses 3,010,447 Management and general expenses 200,141 Fundraising expenses 0 Total expenses 3,210,588 Contract Labor Program service expenses 11,558,748 Management and general expenses 12,238 Fundraising expenses 0 Total expenses 11,570,986 Other Purchased Services Program service expenses 4,594,406 Management and general expenses 148,887 Fundraising expenses 0 Total expenses 4,743,293 Repairs Program service expenses 2,629,112 Management and general expenses 3,927 Fundraising expenses 0 Total expenses 2,633,039 Professional Fees Program service expenses 1,379,442 Management and general expenses 40,937 Fundraising expenses 0 Total expenses 1,420,379 Lab Fees Program service expenses 2,166,563 Management and general expenses 0 Fundraising expenses 0 Total expenses 2,166,563 Corporate Overhead Program service expenses 0 Management and general expenses 946,050 Fundraising expenses 0 Total expenses 946,050

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Change in Net Assets Held at Irving 505,791 Transfer to/from BHCS-Liability Reserve 1,575,703

Identifier	Return Reference	Explanation
	Supplemental Information IRC Section 6038 Statement	Baylor Irving is controlled by BHCS, employer identification number 75-1812652 BHCS also owns Health Care Insurance Company of Texas, Ltd (HCIC) HCIC is a controlled foreign corporation BHCS furnishes all information required of Baylor Irving by IRC Section 6038 and the regulations thereunder with respect to HCIC Therefore, pursuant to Treasury Regulation Sec 1 6038-2(j)(2), Baylor Irving is excepted from providing such information BHCS files its Return of Organization Exempt from Income Tax in Ogden, Utah

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
Baylor Medical Center at Irving

Employer identification number
75-2586857

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

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
See Additional Data Table							

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) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
See Additional Data Table												

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
See Additional Data Table									

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		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l	Yes	
1m	Yes	
1n		No
1o		No
1p	Yes	
1q		No
1r	Yes	
1s	Yes	

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

(a) Name of other organization	(b) Transaction type (a-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]

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

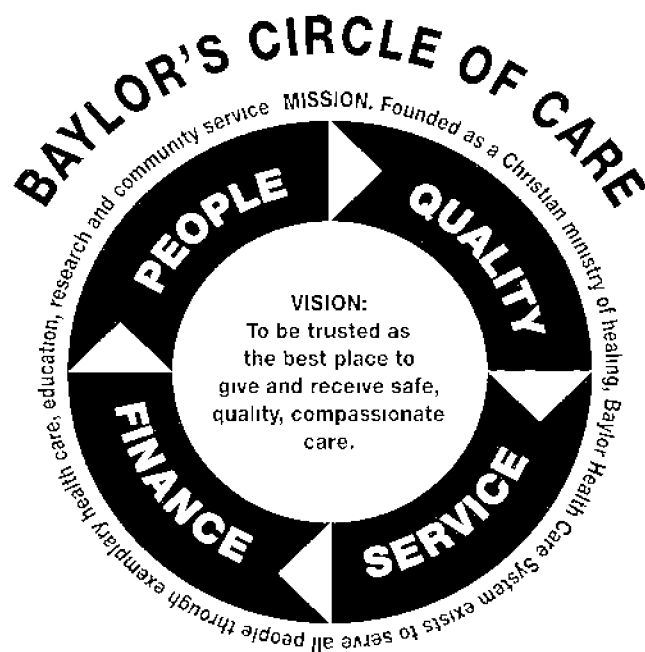
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Baylor Health Enterprises LP 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1997378	Fitness Center/Pharmacy/ Hotel	TX	N/A	C				Yes	
Baylor Health Network Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2463251	Billing/ Collection	TX	N/A	C				Yes	
BMP Incorporated 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1436779	Post Office	TX	N/A	C				Yes	
Health Care Insurance Company of Texas Ltd PO Box GT 720 W Bay Rd Grand Cayman CJ 98-0403182	Investments	CJ	N/A	C				Yes	
Baylor Med Ctr at Grapevine Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2747555	Condo Association	TX	N/A	C				Yes	
BUMCRoberts Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2897806	Condo Association	TX	N/A	C				Yes	
Baylor All Saints Med Cntr at Ft Worth Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-1661900	Condo Association	TX	N/A	C				Yes	
Baylor Quality Health Care Alliance LLC 2001 Bryan Street Suite 2200 Dallas, TX 75201 45-4015863	ACO	TX	N/A	C	438,181	366,352	12 500 %	Yes	

--> **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
Baylor Health Care System	C	100,000	GAAP
HealthTexas Provider Network	A	861,269	GAAP
Irving Coppel Surgical Hospital LLP	A	3,685,320	GAAP
Baylor Health Care System	L	1,573,815	GAAP
Baylor Health Care System	M	23,365,986	GAAP
Baylor University Medical Center	M	172,683	GAAP
HealthTexas Provider Network	M	1,945,951	GAAP
MEDCO Construction LLC	M	4,950,198	GAAP
Baylor Health Care System	P	304,193	GAAP
BIR JV LLP	M	4,405,445	GAAP
BIR JV LLP	A	353,815	GAAP
Baylor Health Care System	S	1,700,163	GAAP
Baylor Health Care System	R	124,460	GAAP
Baylor Health Care System Foundation	C	63,314	GAAP
Baylor Regional Medical Center at Grapevine	M	71,398	GAAP
Baylor Regional Medical Center at Plano	L	84,336	GAAP
Irving Health Care Foundation	C	848,313	GAAP
Irving Health Care Foundation	B	319,575	GAAP



**Baylor Medical Center at Irving
Combined Financial Statements
and Supplementary Information
Years ended June 30, 2013 and 2012**



BAYLOR MEDICAL CENTER AT IRVING

*Combined Financial Statements and Supplementary Information
Years Ended June 30, 2013 and 2012*

BAYLOR MEDICAL CENTER AT IRVING

Combined Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

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Independent Auditor's Report

To The Board of Trustees
Baylor Medical Center at Irving:

We have audited the accompanying combined financial statements of Baylor Medical Center at Irving and its affiliate, which comprise the combined balance sheets as of June 30, 2013 and 2012, and the related combined statements of operations and changes in net assets, and of cash flows for the years then ended

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined 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 Company'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 combined financial statements. 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Baylor Medical Center at Irving and its affiliate at June 30, 2013 and 2012, 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.

As discussed in Note 2, effective July 1, 2012, Baylor Medical Center at Irving changed its method for presentation for bad debt expense relating to patient service revenue.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers LLP'. The signature is written in dark ink and is positioned above the date.

November 8, 2013

BAYLOR MEDICAL CENTER AT IRVING

COMBINED BALANCE SHEETS - JUNE 30, 2013 AND 2012 (In thousands)

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 305	\$ 735
Accounts receivable		
Patient, net of allowance for uncollectibles of \$16,969 in 2013 and \$13,576 in 2012	20,011	18,043
Other	11,824	1,072
Supplies	3,580	3,740
Other current assets	<u>50</u>	<u>179</u>
 Total current assets	<u>35,770</u>	<u>23,769</u>
 IRVING'S INTEREST IN BHCS MONEY POOL	244,432	232,975
 LONG-TERM INVESTMENTS	7,350	7,564
 PROPERTY AND EQUIPMENT, net	205,885	214,205
 CONTRIBUTIONS RECEIVABLE, net	1,059	941
 DUE FROM AFFILIATES, net	1,577	1,429
 INVESTMENT IN AFFILIATE	625	625
 OTHER LONG-TERM ASSETS		
Equity investment in unconsolidated entities	2,646	3,021
Other	<u>341</u>	<u>430</u>
 Total other long-term assets	<u>2,987</u>	<u>3,451</u>
 Total assets	<u>\$ 499,685</u>	<u>\$ 484,959</u>

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Current maturities of capital lease obligations	\$ 2,840	\$ 2,713
Trade accounts payable	2,706	3,472
Due to affiliates, net	3,911	7,082
Accrued liabilities		
Payroll related	249	158
Third-party programs	1,717	666
Due to Irving Hospital Authority	-	3,835
Other	<u>1,822</u>	<u>2,974</u>
 Total current liabilities	<u>13,245</u>	<u>20,900</u>
 CAPITAL LEASE OBLIGATIONS, less current maturities	164,249	167,027
 OTHER LONG-TERM LIABILITIES	<u>9,471</u>	<u>9,498</u>
 Total liabilities	<u>186,965</u>	<u>197,425</u>
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Unrestricted	306,394	281,864
Temporarily restricted	3,144	2,537
Permanently restricted	<u>3,182</u>	<u>3,133</u>
 Total net assets	<u>312,720</u>	<u>287,534</u>
 Total liabilities and net assets	<u>\$ 499,685</u>	<u>\$ 484,959</u>

BAYLOR MEDICAL CENTER AT IRVING

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE		
Net patient care revenue	\$ 186,012	\$ 206,891
Less patient related bad debt expense	<u>10,075</u>	<u>28,559</u>
Net patient care revenue, net of patient related bad debt expense	175,937	178,332
Other operating revenue	10,474	8,502
Net assets released from restrictions for operations	<u>1,184</u>	<u>558</u>
Total operating revenue	187,595	187,392
OPERATING EXPENSES		
Salaries, wages, and employee benefits	89,138	85,166
Supplies	26,257	26,566
Other operating expenses	53,953	54,363
Depreciation and amortization	13,981	14,575
Interest	<u>6,246</u>	<u>6,383</u>
Total operating expenses	<u>189,575</u>	<u>187,053</u>
(Loss) income from operations	(1,980)	339
NONOPERATING GAINS (LOSSES)		
Gains on Irving's interest in BHCS Money Pool, net	23,728	1,138
Gains on investments, net	3	55
Contributions	239	385
Equity in earnings of unconsolidated entities	2,491	2,387
Loss on fixed asset sales and disposals, net	<u>(266)</u>	<u>-</u>
Total nonoperating gains	<u>26,195</u>	<u>3,965</u>
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	24,215	4,304

BAYLOR MEDICAL CENTER AT IRVING

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - continued

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Transfers between entities under common control	\$ 30	\$ 59
Net assets released from restrictions for capital expenditures	66	288
Other	<u>219</u>	<u>18</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>24,530</u>	<u>4,669</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,649	1,345
Realized investment income	291	304
Unrealized gains (losses) on investments, net	296	(396)
Change in value of split-interest agreements	19	43
Net assets released from restrictions for operations	(1,184)	(558)
Net assets released from restrictions for capital expenditures	(66)	(288)
Transfers between entities under common control	(22)	(17)
Other	<u>(376)</u>	<u>(24)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>607</u>	<u>409</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	2	1
Other	<u>47</u>	<u>-</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>49</u>	<u>1</u>
INCREASE IN NET ASSETS	25,186	5,079
NET ASSETS, beginning of year	<u>287,534</u>	<u>282,455</u>
NET ASSETS, end of year	<u><u>\$ 312,720</u></u>	<u><u>\$ 287,534</u></u>

BAYLOR MEDICAL CENTER AT IRVING

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 25,186	\$ 5,079
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Unrealized (gains) losses on investments, net	(296)	396
Unrealized (gains) losses on Irving's interest in BHCS Money Pool, net	(8,388)	9,227
Realized gains on sales of investments, net	(149)	(158)
Realized gains on Irving's interest in BHCS Money Pool, net	(10,757)	(6,076)
Change in value of split-interest agreements	(19)	(43)
Transfers between entities under common control	(8)	(42)
Contributions restricted for long-term purposes	(2)	(788)
Patient related bad debt expense	10,075	28,578
Depreciation and amortization	13,981	14,575
Loss on fixed asset sales and disposals, net	266	-
Changes in operating assets and liabilities		
Increase in net patient accounts receivable	(12,043)	(28,287)
(Increase) decrease in other accounts receivable, supplies, contributions receivable, due from affiliates, net and other current and long-term assets	(10,251)	937
Increase (decrease) in trade accounts payable	129	(1,263)
(Decrease) increase in due to affiliates, net	(3,517)	913
Decrease in accrued liabilities and other long-term liabilities	<u>(3,883)</u>	<u>(2,956)</u>
Net cash provided by operating activities	324	20,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,347)	(7,426)
Cash proceeds from sale of assets	9	-
Decrease in investments, net	669	662
Increase in investments in affiliates	-	(625)
Decrease (increase) in Irving's interest in BHCS Money Pool, net	<u>7,688</u>	<u>(10,555)</u>
Net cash provided by (used in) investing activities	2,019	(17,944)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(2,766)	(2,604)
Cash receipts restricted for long-term purposes	2	788
Transfers between entities under common control	8	42
Annuity payments to beneficiaries	<u>(17)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,773)</u>	<u>(1,774)</u>

BAYLOR MEDICAL CENTER AT IRVING

COMBINED STATEMENTS OF CASH FLOWS - continued

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	<u>2013</u>	<u>2012</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (430)	\$ 374
CASH AND CASH EQUIVALENTS, beginning of year	<u>735</u>	<u>361</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 305</u>	<u>\$ 735</u>
SUPPLEMENTAL CASH FLOW DATA		
Cash paid for interest	<u>\$ 6,398</u>	<u>\$ 6,497</u>
Property and equipment acquired under capital lease	<u>\$ 115</u>	<u>\$ 45</u>
(Decrease) increase in accounts payable and accrued liabilities for property and equipment received but not paid	<u>\$ (872)</u>	<u>\$ 1,097</u>
Increase in due to affiliates, net for property and equipment received but not paid	<u>\$ 346</u>	<u>\$ -</u>

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements

Years Ended June 30, 2013 and 2012

1. ORGANIZATION

Baylor Medical Center at Irving (Irving) is a Texas nonprofit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Irving is an affiliate of Baylor Health Care System (BHCS), a Texas 501(c)(3) nonprofit corporation. BHCS and its affiliates are referred to collectively as the “System” or “Baylor.” Irving, which is licensed for 293 beds and operates 242 beds as of June 30, 2013, was organized for the purpose of operating an acute care hospital and related facilities located in Irving, Texas.

Substantially all properties of Irving are leased from the Irving Hospital Authority (the “Authority”). Effective April 1, 2010, Irving and the Authority entered into an Amended and Restated Lease Agreement (the “Amended Lease Agreement”) in which Irving continues to lease the properties from the Authority over a lease term of 35 years. The Amended Lease Agreement is being accounted for as a capital lease.

Irving Healthcare Foundation

Irving is the sole member of Irving Healthcare Foundation (IHF). IHF’s balances and transactions are included in the accompanying combined financial statements of Irving.

IHF was organized in September 1977. IHF’s bylaws provide that funds raised, except for funds required for its operations, be distributed to or held primarily for the benefit of Irving.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Irving have been prepared in conformity with accounting principles generally accepted in the United States. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Adoption of New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, “*Fair Value Measurements and Disclosure (Topic 820): Improving Disclosures about Fair Value Measurement*,” or ASU 2010-06. This ASU amends the disclosure requirements of Accounting Standards Codification (ASC) 820 related to recurring and non-recurring fair value measurements. The ASU requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the ASU requires a roll forward of activities on purchases, sales, issuances, and settlements of

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements) The disclosure provisions on the roll forward activities for the Level 3 fair value measurements became effective for Irving beginning July 1, 2011 Irving applied the provisions of ASU 2010-06 in fiscal year 2012

In May 2011, the FASB issued ASU 2011-04, *"Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS,"* including an amendment to ASC 820, *"Fair Value Measurement."* The amendment changes the wording used to describe many of the requirements in U S GAAP for measuring fair value and for disclosing information about fair value measurements Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements Irving applied the provisions of ASU 2011-04 in fiscal year 2013

In July 2011, the FASB issued ASU 2011-07, *"Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities."* This ASU requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts For nonpublic entities, the amendments are effective for the first annual period ending after December 15, 2012 The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented The disclosures required by the amendments in this update should be provided for the period of adoption and subsequent reporting periods Irving applied the provisions of ASU 2011-07 in fiscal year 2013

Other Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, *"Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities."* The amendments under this update require entities to disclose both gross and net information related to instruments and transactions subject to an agreement similar to a master netting arrangement The scope of this ASU applies to derivatives, sale and repurchase arrangements, reverse sale and repurchase arrangements, securities borrowing and securities lending arrangements Irving has not evaluated all of the updated provisions, which are effective for fiscal years beginning on or after January 1, 2013

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

In October 2012, the FASB issued ASU 2012-04, *“Technical Corrections and Improvements.”* The amendment clarifies multiple elements of the ASC and corrects unintended application of guidance which is not expected to have a significant effect on current accounting practice. Additionally, the ASU includes amendments identifying when the use of fair value should be linked to the definition of fair value in ASC 820, *“Fair Value Measurements and Disclosures.”* Irving has not evaluated all of the updated provisions which are effective for fiscal years beginning after December 15, 2013.

In October 2012, the FASB issued ASU 2012-05, *“Statement of Cash Flows (Topic 230) – Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets,”* including an amendment to ASC 230, *“Statement of Cash Flows.”* The amendment requires, with certain exception, a not-for-profit entity to classify in the statement of cash flows cash received from donated financial assets as an operating activity if those donated financial instruments were donated without any imposed limitations for sale and were converted nearly immediately into cash. Irving has not evaluated all of the updated provisions which are effective for fiscal years beginning after June 15, 2013.

In February 2013, the FASB issued ASU 2013-04, *“Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date.”* The ASU requires measurement of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. Additionally, the amendment requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments are to be applied retrospectively to all prior periods presented for those obligations within the scope of the ASU that exist at the beginning of an entity’s fiscal year of adoption. Irving has not evaluated all of the updated provisions which are effective for fiscal years ending after December 15, 2014.

In April 2013, the FASB issued ASU 2013-06, *“Services Received from Personnel of an Affiliate.”* The ASU requires recipient not-for-profit entities, including not-for-profit, business-oriented health care entities, to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Services received should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize the service received at the fair value of the service. The provisions are effective on a prospective basis for fiscal years beginning after June 15, 2014. The recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented are adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Irving has not yet evaluated the impact this ASU will have on its combined financial statements.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Cash and Cash Equivalents

Cash equivalents are defined as investments which have original maturities of three months or less. Cash equivalents consist primarily of money market accounts.

Investments

Irving has designated all of its investments as trading. For these trading investments, the interest and dividends, realized and unrealized gains (losses) are included in gains on investments, net, in the accompanying combined statements of operations and changes in net assets, unless restricted by donor.

The following is a summary of investment earnings recognized in income during the years ended June 30, 2013 and 2012 (in thousands):

	2013			
	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	\$ -	\$ 3	\$ -	\$ 3
Changes in temporarily restricted net assets	<u>145</u>	<u>146</u>	<u>296</u>	<u>587</u>
	<u>\$ 145</u>	<u>\$ 149</u>	<u>\$ 296</u>	<u>\$ 590</u>
	2012			
	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	\$ 31	\$ 24	\$ -	\$ 55
Changes in temporarily restricted net assets	<u>170</u>	<u>134</u>	<u>(396)</u>	<u>(92)</u>
	<u>\$ 201</u>	<u>\$ 158</u>	<u>\$ (396)</u>	<u>\$ (37)</u>

Irving's Interest in BHCS Money Pool

BHCS has a cash management program whereby it maintains a money pool ("BHCS Money Pool") for its wholly owned subsidiaries and affiliates. Cash and investment funds of Irving are transferred to the BHCS Money Pool for investment management purposes and the funding of accounts payable and payroll-related distributions made by BHCS on behalf of Irving.

Irving's interest in the BHCS Money Pool is classified as trading. For these investments, the interest and dividends, realized and unrealized gains (losses) allocated to Irving are included in gains on Irving's interest in BHCS Money Pool in the accompanying combined statements of operations and changes in net assets.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Interest and dividends and realized gains on Irving's interest in BHCS Money Pool were approximately \$4,583,000 and \$10,757,000, respectively, in 2013 and \$4,289,000 and \$6,076,000, respectively, in 2012. Unrealized gains were \$8,388,000 in 2013 and unrealized losses were \$9,227,000 in 2012.

Patient Accounts Receivable

Patient accounts receivable are stated at net realizable value, and collateral is generally not required. Significant concentrations of patient accounts receivable at June 30 include:

	<u>2013</u>	<u>2012</u>
Government-related programs	38%	34%
Managed care providers, commercial insurers and other payors	30%	35%
Self-pay patients	<u>32%</u>	<u>31%</u>
	<u>100%</u>	<u>100%</u>

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the only concentrated group of payors for Irving's receivables, and management does not believe that there is any unusual level of collectability risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated collectability risks to Irving.

Irving maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts. Irving assesses the reasonableness of the allowance account based on historical write-offs, cash collections, the aging of the accounts, and other economic factors. Accounts are written off when collection efforts have been exhausted. Irving continually monitors and adjusts its allowances associated with its receivables.

Supplies

Supplies consist primarily of medical supply items and are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

The majority of property and equipment utilized by Irving is leased from the Authority under the Amended Lease Agreement.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution. Property and equipment and related accumulated depreciation and amortization are summarized below (in thousands):

	<u>Useful Life</u>	<u>2013</u>	<u>2012</u>
Buildings and improvements	10-40 Years	\$ 228,742	\$ 228,265
Major movable equipment and other	5-15 Years	68,811	70,905
Construction-in-progress		<u>5,733</u>	<u>3,034</u>
		303,286	302,204
Accumulated depreciation and amortization		<u>(97,401)</u>	<u>(87,999)</u>
		<u>\$ 205,885</u>	<u>\$ 214,205</u>

Property and equipment financed under capital leases totaled approximately \$175,588,000 and \$175,473,000 at June 30, 2013 and 2012, respectively, and accumulated amortization was approximately \$16,570,000 and \$11,459,000 at June 30, 2013 and 2012, respectively. Amortization expense is included in depreciation and amortization expense in the accompanying combined statements of operations and changes in net assets.

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase capacities or extend useful lives are capitalized.

Irving has recorded asset retirement obligations for the removal of asbestos. These obligations are conditional, based on a portion of the facility undergoing major renovations. Irving recognizes liabilities for this obligation when the fair value can be reasonably estimated, which typically is when a settlement date of the obligation can be determined. Asset retirement obligations, recorded in other long-term liabilities, totaled approximately \$977,000 and \$937,000 as of June 30, 2013 and 2012, respectively.

Irving evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or the remaining balance of an asset may not be recoverable. The assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted cash flows expected to result from the use of the assets and their eventual disposition. No impairments were recorded in 2013 or 2012.

Physician Income Guarantees

Irving has entered into multiple physician recruiting agreements whereby the hospital provides financial assistance to a physician who is relocating his or her medical practice into the hospital's service area and community under which Irving supplements physician revenue.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

to a minimum amount over a period of time, typically one year, while the physician becomes established in the community. As part of the agreements, the physicians are required to continue to provide medical services in the community for a period of time after the initial start up year, typically three years.

Irving records an asset and liability for the estimated fair value of the minimum revenue guarantees. The asset and liability represent the maximum amount of all unpaid minimum revenue guarantees, net of physician drawdowns, and is reported in other long-term assets and other long-term liabilities in the accompanying combined balance sheets. As of June 30, 2013 and 2012, Irving had a liability of approximately \$215,000 and \$245,000, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are donor restricted as to use and are transferred from temporarily restricted net assets to unrestricted net assets when restrictions are satisfied.

Permanently restricted net assets include donor restrictions that the principal be invested in perpetuity and only the income from the investments be expended for designated purposes. Income on endowment funds restricted for specified purposes is reported in the accompanying statements of activities and changes in net assets as temporarily restricted realized investment income and unrealized gains (losses) on investments.

Revenue and Gains in Excess of Expenses and Losses

The combined statements of operations and changes in net assets include revenue and gains in excess of expenses and losses. Other changes in unrestricted net assets which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services and net assets released from restrictions for capital expenditures.

Income Taxes

Irving follows the provisions of ASC 740, "*Income Taxes*." As of June 30, 2013 and 2012, Irving had no material gross unrecognized tax benefits.

Use of Estimates

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

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Reclassifications

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 presentation

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined in ASC 820, fair value is based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy for disclosure of fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability are unobservable and developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying values of cash and cash equivalents, patient accounts receivable, other receivables, accounts payable, accrued liabilities, and estimated third-party settlements payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

Fair values of investments are generally based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers,

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

and brokers. This applies to investments such as domestic equities, U S treasuries, exchange-traded mutual funds, and agency securities.

IHF records charitable remainder trusts where it is not the trustee at net present value of projected cash flows. When a third party serves as trustee, beneficial interest is required to be measured at fair value on a recurring basis. As beneficial interests utilize multiple unobservable inputs including no active markets and are measured using management's assumption about risks inherent in the valuation technique, beneficial interests in split interest agreements represent Level 3 assets.

Cash surrender values are provided by insurance carriers on a periodic basis. The values approximate the fair value of these policies. The values assigned to the individual policies, which are not actively traded on any exchange, are not observable and are considered within Level 3 of the valuation hierarchy. The fair value determined by each insurance carrier is based on the cash surrender values of each policy where IHF is the beneficiary.

Real estate represents donated property that was recorded at fair value based on appraisal at the time of contribution. Management believes there has been no material change in value since time of contribution. The values assigned are not observable and are considered within Level 3 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Irving believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

The tables below set forth, by level, the financial assets, excluding Irving's interests in the BHCS Money Pool, that were measured at fair value on a recurring basis as of June 30 (in thousands)

	June 30, 2013			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 305	\$ 305	\$ -	\$ -
Investments				
Mutual funds	300	198	102	-
Equity securities	4,545	4,545	-	-
Fixed income securities	2,367	103	2,264	-
Other	<u>138</u>	<u>-</u>	<u>-</u>	<u>138</u>
Total investments	<u>7,350</u>	<u>4,846</u>	<u>2,366</u>	<u>138</u>
Total beneficial interest in split-interest agreements	<u>72</u>	<u>-</u>	<u>-</u>	<u>72</u>
Total assets at fair value	<u>\$ 7,727</u>	<u>\$ 5,151</u>	<u>\$ 2,366</u>	<u>\$ 210</u>

	June 30, 2012			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 735	\$ 735	\$ -	\$ -
Investments				
Mutual funds	338	229	109	-
Equity securities	4,455	4,455	-	-
Fixed income securities	2,636	101	2,535	-
Other	<u>135</u>	<u>-</u>	<u>-</u>	<u>135</u>
Total investments	<u>7,564</u>	<u>4,785</u>	<u>2,644</u>	<u>135</u>
Total beneficial interest in split-interest agreements	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>
Total assets at fair value	<u>\$ 8,354</u>	<u>\$ 5,520</u>	<u>\$ 2,644</u>	<u>\$ 190</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

The following tables are a roll forward of the financial instruments classified by Irving within Level 3 of the valuation hierarchy defined above as of June 30 (in thousands)

	<u>June 30, 2013</u>			
	<u>Real Estate</u>	<u>Cash Surrender Value</u>	<u>Split-Interest Agreement</u>	<u>Total</u>
Balance at June 30, 2012	\$ 63	\$ 72	\$ 55	\$ 190
Unrealized gains	<u>-</u>	<u>3</u>	<u>17</u>	<u>20</u>
Balance at June 30, 2013	<u>\$ 63</u>	<u>\$ 75</u>	<u>\$ 72</u>	<u>\$ 210</u>

	<u>June 30, 2012</u>			
	<u>Real Estate</u>	<u>Cash Surrender Value</u>	<u>Split-Interest Agreement</u>	<u>Total</u>
Balance at June 30, 2011	\$ 63	\$ 70	\$ -	\$ 133
Unrealized gains	-	2	-	2
Purchases	<u>-</u>	<u>-</u>	<u>55</u>	<u>55</u>
Balance at June 30, 2012	<u>\$ 63</u>	<u>\$ 72</u>	<u>\$ 55</u>	<u>\$ 190</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Fair Value of BHCS Money Pool

The money pool consists of investments in certificates of deposit, government-backed securities, commercial paper, mortgage-backed securities, equity securities, mutual funds and alternative investments. Irving's portion of the money pool is included in the accompanying combined balance sheets in Irving's interest in BHCS Money Pool.

Irving's interest in the BHCS Money Pool was 12.21% and 12.71% in 2013 and 2012, respectively. The following tables set forth by level, within the fair value hierarchy, the BHCS Money Pool's investments at fair value as of June 30 (in thousands).

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents				
Cash	\$ 154,879	\$153,701	\$ 1,178	\$ -
Money market funds	<u>16,552</u>	<u>16,552</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>171,431</u>	<u>170,253</u>	<u>1,178</u>	<u>-</u>
Short-term investments				
Fixed income securities	7,238	22	7,216	-
U S government securities	<u>206</u>	<u>-</u>	<u>206</u>	<u>-</u>
Total short-term investments	<u>7,444</u>	<u>22</u>	<u>7,422</u>	<u>-</u>
Unrestricted long-term investments				
Cash	511	483	28	-
Equity securities	558,727	342,036	216,691	-
Fixed income securities	222,698	1	222,697	-
U S government securities	106,073	-	106,073	-
Mortgage-backed securities	136,874	-	136,874	-
Hedge fund/diversifiers alternative investments	334,676	-	240,083	94,593
Private equity alternative investments	136,047	-	-	136,047
Real estate alternative investments	71,977	-	-	71,977
Other alternative investments	<u>235</u>	<u>-</u>	<u>-</u>	<u>235</u>
Total unrestricted long-term investments	<u>1,567,818</u>	<u>342,520</u>	<u>922,446</u>	<u>302,852</u>

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments				
Cash	\$ 2,219	\$ 2,091	\$ 128	\$ -
Equity securities	80,934	49,596	31,338	-
Fixed income securities	24,313	2	24,311	-
U S government securities	11,238	-	11,238	-
Mortgage-backed securities	14,472	-	14,472	-
Hedge fund/diversifiers alternative investments	30,373	-	21,070	9,303
Private equity alternative investments	22,863	-	-	22,863
Real estate alternative investments	15,128	-	-	15,128
Other alternative investments	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total restricted long-term investments	<u>201,565</u>	<u>51,689</u>	<u>102,557</u>	<u>47,319</u>
Assets whose use is limited				
Cash	1,700	1,614	86	-
Equity securities	17,734	10,367	7,367	-
Fixed income securities	16,354	2	16,352	-
U S government securities	7,559	-	7,559	-
Mortgage-backed securities	9,735	-	9,735	-
Other alternative investments	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>
Total assets whose use is limited	<u>53,099</u>	<u>11,983</u>	<u>41,099</u>	<u>17</u>
Total assets at fair value	<u>\$ 2,001,357</u>	<u>\$ 576,467</u>	<u>\$ 1,074,702</u>	<u>\$ 350,188</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

	June 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents				
Cash	\$ 150,518	\$ 150,518	\$ -	\$ -
Money market funds	<u>16,535</u>	<u>16,535</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>167,053</u>	<u>167,053</u>	<u>-</u>	<u>-</u>
Short-term investments				
Fixed income securities	24,636	11,753	12,883	-
U S government securities	<u>1,121</u>	<u>-</u>	<u>1,121</u>	<u>-</u>
Total short-term investments	<u>25,757</u>	<u>11,753</u>	<u>14,004</u>	<u>-</u>
Unrestricted long-term investments				
Cash	4,488	4,488	-	-
Equity securities	430,373	289,349	141,024	-
Fixed income securities	208,546	4	208,542	-
U S government securities	97,321	-	97,321	-
Mortgage-backed securities	140,657	-	140,657	-
Hedge fund/diversifiers alternative investments	333,579	-	204,560	129,019
Private equity alternative investments	117,557	-	-	117,557
Real estate alternative investments	58,953	-	-	58,953
Other alternative investments	<u>365</u>	<u>-</u>	<u>-</u>	<u>365</u>
Total unrestricted long-term investments	<u>1,391,839</u>	<u>293,841</u>	<u>792,104</u>	<u>305,894</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

	June 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments				
Cash	\$ 2,986	\$ 2,986	\$ -	\$ -
Equity securities	59,651	40,171	19,480	-
Fixed income securities	23,066	1	23,065	-
U S government securities	10,254	-	10,254	-
Mortgage-backed securities	14,652	-	14,652	-
Hedge fund/diversifiers alternative investments	29,886	-	23,359	6,527
Private equity alternative investments	21,085	-	-	21,085
Real estate alternative investments	20,301	-	-	20,301
Other alternative investments	<u>37</u>	<u>-</u>	<u>-</u>	<u>37</u>
Total restricted long-term investments	<u>181,918</u>	<u>43,158</u>	<u>90,810</u>	<u>47,950</u>
Assets whose use is limited				
Cash	10,086	10,086	-	-
Equity securities	18,507	12,370	6,137	-
Fixed income securities	17,979	-	17,979	-
U S government securities	7,993	-	7,993	-
Mortgage-backed securities	11,421	-	11,421	-
Other alternative investments	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
Total assets whose use is limited	<u>66,016</u>	<u>22,456</u>	<u>43,530</u>	<u>30</u>
Total assets at fair value	<u>\$ 1,832,583</u>	<u>\$ 538,261</u>	<u>\$ 940,448</u>	<u>\$ 353,874</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

The following tables are a roll forward for financial instruments classified within Level 3 of the valuation hierarchy in the BHCS Money Pool as of June 30 (in thousands)

	June 30, 2013				
	Private Equity	Real Estate	Hedge Funds/ Diversifiers	Other	Total
Balance at June 30, 2012	\$ 138,642	\$ 79,254	\$ 135,546	\$ 432	\$ 353,874
Realized gains, net	16,557	970	12,786	15	30,328
Unrealized gains (losses), net	6,409	5,237	11,538	(48)	23,136
Purchases	32,896	2,548	11,508	-	46,952
Settlements	(35,594)	(904)	(34,250)	(34)	(70,782)
Transfers out of Level 3	-	-	(46,235)	(170)	(46,405)
Transfers into Level 3	-	-	13,003	82	13,085
Balance at June 30, 2013	<u>\$ 158,910</u>	<u>\$ 87,105</u>	<u>\$ 103,896</u>	<u>\$ 277</u>	<u>\$ 350,188</u>

	June 30, 2012				
	Private Equity	Real Estate	Hedge Funds/ Diversifiers	Other	Total
Balance at June 30, 2011	\$ 136,075	\$ 41,832	\$ 138,367	\$ 370	\$ 316,644
Realized gains (losses), net	11,703	389	(1,124)	15	10,983
Unrealized (losses), gains net	(3,684)	2,078	6,023	7	4,424
Purchases	19,533	38,442	227,505	1,689	287,169
Settlements	(24,985)	(3,487)	(143,751)	(215)	(172,438)
Transfers out of Level 3	-	-	(124,097)	(1,626)	(125,723)
Transfers into Level 3	-	-	32,623	192	32,815
Balance at June 30, 2012	<u>\$ 138,642</u>	<u>\$ 79,254</u>	<u>\$ 135,546</u>	<u>\$ 432</u>	<u>\$ 353,874</u>

Any hedge funds valued at NAV which are redeemable by BHCS at NAV per share (or its equivalent) at the measurement date are transferred from Level 3 assets to Level 2 assets. Any hedge funds valued at NAV that were classified in prior year as Level 2 assets that are not redeemable by BHCS at NAV per share (or its equivalent) at the measurement date are transferred from Level 2 assets to Level 3 assets.

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

At June 30, 2013 and 2012, respectively, alternative investments recorded at net asset value consisted of the following (in thousands)

	June 30, 2013			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Equity long short hedge funds ^a	\$ 14,774	\$ -	quarterly, annually	60-90 days
Event driven investments ^b	86,326	6,750	quarterly, annually	30-90 days
Relative value investments ^c	83,710	-	monthly, quarterly	30-90 days
Tactical trading investments ^d	47,878	-	daily, monthly	2-90 days
Risk parity ^e	132,367	-	monthly	5-30 days
Real estate funds - open ended ^f	46,838	-	quarterly	90 days
Real estate funds - close ended ^g	38,267	909		
Private equity funds ^h	158,910	56,556		
Total	<u>\$ 609,070</u>	<u>\$ 64,215</u>		

	June 30, 2012			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Equity long short hedge funds ^a	\$ 17,424	\$ -	quarterly, annually	60-90 days
Event driven investments ^b	66,087	6,750	quarterly, annually	30-90 days
Relative value investments ^c	65,977	-	monthly, quarterly	30-90 days
Tactical trading investments ^d	36,826	-	daily, monthly	2-90 days
Risk parity ^e	167,156	-	monthly	5-30 days
Real estate funds - open ended ^f	42,481	-	quarterly	90 days
Real estate funds - close ended ^g	36,773	1,504		
Private equity funds ^h	138,642	40,467		
Total	<u>\$ 571,366</u>	<u>\$ 48,721</u>		

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

- a) Equity long/short strategy involves managers buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value. Typically, equity long/short investing is based on "bottom up" fundamental analysis of the individual companies, in which investments are made. There may also be "top down" analysis of the risks and opportunities offered by industries, sectors, countries, and the macroeconomic situation. Long/short covers a wide variety of strategies. There are generalists, and managers who focus on certain industries and sectors or certain regions. Managers may specialize in a category — for example, large cap or small cap, value or growth. There are many trading styles, with frequent or dynamic traders and some longer-term investors. Returns are generally more correlated with the direction of the equity markets, although reduction in market risk exposure through shorting is expected to enhance the absolute and risk-adjusted returns relative to the overall performance of the asset class. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- b) Event-driven investing is a strategy which seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as an earnings call, bankruptcy, merger, acquisition, or spinoff. Returns are less correlated with the general direction of market movements primarily due to the idiosyncratic nature of individual events. Several investment managers include quarterly percentage redemption limits. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- c) Relative value strategies are designed to focus on large, long-term mispricing in the global fixed-income, equity and credit markets, capturing relative-value anomalies via multi-product trades. Returns are relatively uncorrelated with the general direction of market movements since they avoid taking a directional bias with regards to the price movement of a specific stock or market. Several investment managers include quarterly percentage redemption limits and/or early redemption penalties. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- d) Tactical trading strategies generally invest on a large scale around the world using economic theory to justify the decision making process on either a discretionary or systematic basis. Strategies are typically based on forecasts and analysis about interest rates trends, the general flow of funds, political changes, government policies, inter-government relations, and other broad systemic and technical factors. Returns are relatively uncorrelated with the general direction of market movements. Several investment managers include quarterly percentage redemption limits. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

- e) The risk parity class strategy invests across global markets including equities, nominal government bonds, inflation linked bonds, commodities, and emerging markets on a risk balanced framework. Typically these strategies incorporate leverage to increase the risk contribution from low volatility asset classes (e.g., inflation linked bonds and nominal government bonds). The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- f) This class includes a real estate fund that invests in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of the partners' capital. Redemptions are available on a quarterly basis, subject to the discretion of the General Partners. The General Partners may elect to establish a redemption queue should the level redemptions for a given quarter be detrimental to the fund's overall performance.
- g) This class includes several real estate funds that invest primarily in U.S. commercial real estate and industries related to real estate, with some having minimal exposure outside of the U.S. The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of partners' capital. These partnerships are illiquid and therefore do not have a redemption feature. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of these funds will be liquidated over the next six years.
- h) This class currently includes 30 unique private equity limited partnerships that each invest in a variety of mostly private companies. These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 3-6 years of the partnership's life. It is expected that most of the unfunded commitments will be called within the next 6 years. These partnerships are illiquid and therefore do not have a redemption feature. Instead, the nature of the investments in this class is that distributions are received as the investment in the underlying companies is sold. It is estimated that the current underlying assets of these partnerships will be liquidated within the next 10 years. The investments are valued based on each partnership's valuation policy which is then subject to annual third party financial audits. Financial audits are available, on average, approximately 90 days following year end. Therefore, the valuation at year end reflects the latest reported manager valuation with adjustments for new capital calls and distributions.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

4. CAPITAL LEASE OBLIGATIONS

Capital lease obligations as of June 30 consist of (in thousands)

	<u>2013</u>	<u>2012</u>
Irving Hospital Authority, Building Leases -		
Interest at 3 68%, payable monthly, principal and interest payments through March 2045	\$ 165,183	\$ 167,880
Legacy 360 Realty Group, Building Leases -		
Interest at 14 82%, payable monthly, principal and interest payments through October 2026	1,811	1,819
Ortho Clinical Diagnostics, Inc , Equipment Leases -		
Interest at 4 74%, payable monthly, principal and interest payments through December 2016	<u>95</u>	<u>41</u>
	167,089	169,740
Current maturities	<u>(2,840)</u>	<u>(2,713)</u>
	<u>\$ 164,249</u>	<u>\$ 167,027</u>

Future maturities of capital lease obligations as of June 30, 2013, are shown below (in thousands)

2014	\$ 9,140
2015	9,147
2016	9,154
2017	9,147
2018	9,140
Thereafter	<u>238,891</u>
	284,619
Less imputed interest	<u>(117,530)</u>
	<u>\$ 167,089</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30 (in thousands)

	<u>2013</u>	<u>2012</u>
Patient care	\$ 1,749	\$ 1,347
Education	674	514
General operations	<u>721</u>	<u>676</u>
	<u>\$ 3,144</u>	<u>\$ 2,537</u>

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested in perpetuity and the income from these investments is expendable to support the following as of June 30 (in thousands)

	<u>2013</u>	<u>2012</u>
Patient care	\$ 613	\$ 566
Education	372	372
General operations	<u>2,197</u>	<u>2,195</u>
	<u>\$ 3,182</u>	<u>\$ 3,133</u>

7. NET PATIENT CARE REVENUE

Irving has agreements with third-party payors that provide for payments to Irving at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient care revenue (exclusive of charity care – see Note 8) is recognized at the time service is rendered and is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third-party payors.

Contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. These contractual adjustments are related to the Medicare and Medicaid programs and managed care contracts. Irving offers a 35% discount to uninsured patients.

Net patient care revenue from the Medicare and Medicaid programs accounted for approximately 41% and 36% of total net patient care revenue in 2013 and 2012, respectively. Net patient care revenue from managed care contracts accounted for approximately 58% and 55% of total net patient care revenue in 2013 and 2012, respectively. Net patient care revenue from other payors accounted for approximately 1% and 9% of total net patient care revenue in 2013 and 2012, respectively.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries. Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified and cost reports are settled. These initial estimates are revised as needed until the final cost report is settled. Net patient care revenue from the Medicare and Medicaid programs increased approximately \$877,000 and \$308,000 in 2013 and 2012, respectively, due to changes in allowances previously estimated for amounts due to Medicare and Medicaid, as a result of changes in regulations and final settlements of cost reports.

During fiscal years 2013 and 2012, BHCS (on behalf of certain Baylor hospitals) and certain other Baylor hospitals individually participated in the State Medicaid Private Hospital Upper Payment Limit Program (UPL Program) (which was terminated December 12, 2012) and in its replacement program, the Section 1115 Demonstration entitled "Texas Healthcare Transformation and Quality Improvement Program" (Waiver Program). BHCS (on behalf of certain Baylor Hospitals) and BHCS hospitals participated in the UPL Program and the Waiver Program through certain indigent care affiliation agreements, the Dallas and Neighboring Counties Indigent Care Affiliation Agreement (Dallas Affiliation), the Tarrant County Affiliation Agreement and effective January 1, 2013 the Tarrant County Indigent Care Regional Healthcare Partnership Affiliation Agreement (Tarrant Affiliation), the Somervell County Indigent Care Affiliation Agreement (Somervell Affiliation), and the Ellis County Indigent Care Affiliation Agreement (Ellis Affiliation).

BHCS on behalf of Baylor University Medical Center (BUMC), Baylor Medical Center at Irving, Baylor Medical Center at Garland, Our Children's House at Baylor, Baylor Specialty Hospital, and Baylor Medical Center at Carrollton are parties to the Dallas Affiliation (Baylor Regional Medical Center at Plano and Baylor Medical Center at Waxahachie were removed effective October 1, 2012). Baylor Heart and Vascular Center is also a party to the Dallas Affiliation. Baylor All Saints Medical Center, Baylor Regional Medical Center at Grapevine, and Baylor Medical Center at Waxahachie (Baylor Medical Center at Waxahachie was added effective January 1, 2013) are parties to the Tarrant Affiliation. Baylor University Medical Center was a party to the Somervell Affiliation which as of October 1, 2012 changed to Baylor All Saints Medical Center. Baylor Medical Center at Waxahachie is a party to the Ellis Affiliation.

Through participation in the UPL Program and the Waiver Program, these Baylor hospitals are subject to extensive federal and state laws, regulations, and conditions of participation and certification requirements. Under various professional services agreements between the indigent care corporations (established by the participating private hospitals) or Baylor hospitals and other providers, the indigent care corporations and Baylor hospitals are

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

obligated to pay for services furnished to indigent patients irrespective of supplemental payments made or not made to the Baylor hospitals. A Baylor hospital cannot properly enter into an agreement with the governmental entity that is party to the affiliation to condition either the amount of public funds transferred by the governmental entity or the amount of supplemental payments the Baylor hospital receives on the amount of indigent care the Baylor hospital has provided or will provide. A Baylor hospital cannot properly enter into any agreement with the governmental entity that is party to the affiliation to condition the amount of the Baylor hospital's indigent care obligation on either the amount of public funds transferred by the governmental entity to the State or the amount of supplemental payments the Baylor hospital may be eligible to receive. A Baylor hospital (or any entity acting on its behalf) cannot properly make cash or in-kind transfers to the governmental entity that is party to the affiliation other than transfers and transactions that comply with certain conditions. A Baylor hospital (or any entity acting on its behalf) cannot properly take assignment of a contractual or statutory obligation of the governmental entity that is party to the affiliation. The aggregate compensation paid by the indigent care corporations and Baylor hospitals to the providers under the professional services agreements is set in advance and must be consistent with fair market value and commercially reasonable for the services provided by the providers. The affiliation agreements and their underlying arrangements were structured considering these laws, regulations, and conditions of participation and certification requirements.

For fiscal years 2013 and 2012, Irving as a result of participating in the aforementioned UPL Program and Waiver Program recognized net patient care revenue of approximately \$10,066,000 and \$7,978,000, respectively, in the accompanying statements of operations. Any unpaid amounts are recorded as other receivables in the accompanying balance sheets. For fiscal years 2013 and 2012, Irving incurred approximately \$8,735,000 and \$4,794,000 for services performed under various services agreements which are recorded as other operating expenses in the accompanying combined statements of operations and changes in net assets.

8. CHARITY CARE

Irving provides care to patients who lack financial resources and are deemed medically or financially indigent. Because Irving does not pursue collection of amounts determined to qualify as charity care, these amounts have been removed from net patient care revenue. The charges related to this care along with estimates for possible future charity care write-offs related to current accounts receivable totaled approximately \$85,572,000 and \$42,918,000 in 2013 and 2012, respectively. The estimated direct and indirect cost of providing these services, calculated using the ratio of patient care cost to charges, was approximately \$24,345,000 and \$15,386,000 in 2013 and 2012, respectively. In addition, Irving provides services through government-sponsored indigent health care programs (such as Medicaid) to other indigent patients.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Irving also commits time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are entered into with the understanding that they will not be self-supporting or financially viable.

9. RETIREMENT BENEFITS

BHCS maintains a 401(k) defined contribution plan for eligible employees. Employees are eligible to contribute to the plan immediately, with no minimum service or age requirement.

Irving matches amounts contributed by employees, up to 5.0% of the employee's base compensation. Employees gradually vest in Irving's matching contribution over five years. Retirement benefits equal the amounts accumulated to the employee's individual credit at the date of retirement.

Irving's contributions to the 401(k) plan totaled approximately \$1,902,000 and \$1,896,000 for 2013 and 2012, respectively, and are included in salaries, wages, and employee benefits expense in the accompanying combined statements of operations and changes in net assets.

10. FUNCTIONAL EXPENSES

Irving provides general health care services to residents within its geographic area. Expenses are as follows for the years ended June 30, (in thousands):

	<u>2013</u>	<u>2012</u>
Patient care	\$ 172,378	\$ 166,346
Education	806	59
General and administrative	<u>16,391</u>	<u>20,648</u>
	<u>\$ 189,575</u>	<u>\$ 187,053</u>

11. TRANSACTIONS WITH RELATED PARTIES

Affiliates

Irving is affiliated with entities controlled by BHCS. Irving enters into various transactions with BHCS and its affiliates, including the payment of purchased services and management fees. Irving paid BHCS and its affiliates approximately \$28,220,000 and \$27,855,000 in 2013 and 2012, respectively, for purchased services and management fees. All accounts payable and payroll-related distributions are made by BHCS on behalf of Irving.

Irving has invested \$625,000 in the Baylor Quality Health Care Alliance, LLC d b a Baylor Quality Alliance (BQA) a multi-member LLC, a wholly owned subsidiary of the System, with a physician-led board of managers. BQA is an accountable care organization developing a clinically integrated network of employed physicians, independent physicians, hospitals, and

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

other providers of care whose mission is to improve quality and reduce the overall cost of care for the patients and communities served by the System. The investment in BQA is presented as investment in affiliate on the combined balance sheets.

Irving-Coppell Surgical Hospital, LLP

Irving has a 33.4% equity ownership interest in Irving-Coppell Surgical Hospital, L L P ("Irving-Coppell"), which is accounted for using the equity method of accounting. Irving's equity in the earnings of Irving-Coppell was approximately \$2,491,000 and \$2,387,000 in 2013 and 2012, respectively.

On October 20, 2003, Irving sold equipment and inventory with a book value of approximately \$424,000 to Irving-Coppell for proceeds of \$5,300,000. As a result of this transaction, Irving recorded a deferred gain totaling approximately \$4,876,000, which is included in other liabilities, for the excess of the purchase price over the book value. The deferred gain will be recognized when it is realized from transactions with outside parties or a change in ownership of Irving-Coppell.

Irving leases a building from Irving-Coppell and subleases a portion of the building back to Irving-Coppell. Both leases contain scheduled rent increases. Accordingly, Irving recorded a deferred rent receivable and payable at June 30, 2013 of \$2,735,000 and \$1,305,000, respectively. Irving recorded a deferred rent receivable and payable at June 30, 2012 of \$2,768,000 and \$1,339,000, respectively.

Insurance

Irving was provided insurance coverage for the basic self-insured retention limits through a domestic self-insurance trust at BHCS. Excess insurance coverage was provided through Health Care Insurance Company of Texas, a wholly owned subsidiary of BHCS. In 2012, the excess policies were reinsured by ACE Limited, Lexington Insurance Company, Beazley Group Plc, Barbican Syndicate, Catlin Group, Chaucer Plc, Alterra Insurance Europe Limited, and Swiss Re. In 2013, the excess policies were reinsured by ACE Limited, Zurich, Beazley Group Plc, Barbican Syndicate, Catlin Group, Chaucer Plc, Alterra Insurance Europe Limited, and Ironshore.

Irving Hospital Authority

Pursuant to the Amended Lease Agreement, Irving pays the Authority fixed rent of approximately \$8,825,000 per year over the term of the lease (35 years) and contingent rent equal to 20% of its Excess Operating Cash Flow, as defined in the Amended Lease Agreement. Irving accrued approximately \$0 and \$3,834,000 at June 30, 2013 and 2012, respectively, for the contingent rent payment due to the Authority within five (5) business days following the issuance of Irving's audited statements of operations and changes in net assets. The audited statements of operations and changes in net assets are due one hundred

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

fifty (150) days after the end of each fiscal year. The Authority must set aside annually, 50% of the contingent rent it receives, until the amount set aside totals \$8,000,000, including any interest earned on such amounts (the "Rent Set Aside"). If Irving has Negative Operating Cash Flow, as defined in the Amended Lease Agreement, then 20% of such Negative Operating Cash Flow shall offset any contingent rent payable to the Authority for the following year. If Negative Operating Cash Flow is greater than contingent rent for the following year, the Authority must pay the difference to Irving from the Rent Set Aside, but only to the extent such funds are available in the Rent Set Aside at that time. BHCS has guaranteed the lease payments in the event Irving is unable to meet the obligation.

Currently, a majority of the Authority's board is composed of members who also serve on the advisory board of Irving.

12. COMMITMENTS AND CONTINGENCIES

Irving leases various equipment and property under operating leases. Payments are due monthly through October 2020.

BHCS signed a Limited Joinder to evidence its agreement with the BHCS obligations included in the Amended Lease Agreement with the Authority and to covenant that BHCS will pay the rent and the early termination fee/liquidated damages if Irving fails to pay those obligations. During the initial six year term of the Amended Lease Agreement, Irving pays BHCS a management fee, based on a percentage of the Excess Operating Cash Flow, as defined in the Amended Lease Agreement. BHCS continues to be required to contribute \$100,000 per year to Irving, to be matched by the Irving Healthcare Foundation, for community health projects, which are mutually agreed upon by BHCS and Irving. BHCS contributed \$100,000 directly to Irving in both 2013 and 2012. At the end of the lease term, the leased facilities will be surrendered to the Authority. At June 30, 2013, no liability under the Amended Lease Agreement was recorded as no amount can be reasonably estimated.

Future minimum lease commitments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013 are as follows (in thousands):

2014	\$ 1,940
2015	1,968
2016	1,859
2017	1,904
2018	1,734
Thereafter	<u>3,698</u>
	<u>\$13,103</u>

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Future minimum rental payments to be received on noncancelable related party leases as of June 30, 2013 are as follows (in thousands)

2014	\$ 4,217
2015	4,002
2016	3,924
2017	3,928
2018	3,853
Thereafter	<u>8,921</u>
	<u>\$ 28,845</u>

Irving has incurred rental expense for both cancelable and noncancelable equipment and space leases totaling approximately \$2,363,000 and \$5,709,000 in 2013 and 2012, respectively

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Irving is in compliance with fraud and abuse as well as other applicable government laws and regulations and is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing.

13. ENDOWMENTS

IHF's endowments consist of donor restricted and management-designated endowment funds for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

IHF has interpreted the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, IHF classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by IHF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IHF considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of IHF and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of IHF and
- 7) The investment policies of IHF

Endowment net assets composition by type of fund as of June 30, 2013 and 2012 is as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>
Donor-restricted endowment funds	\$ -	\$ 1,003	\$ 3,135	\$ 4,138
Board-designated endowment funds	<u>116</u>	<u>-</u>	<u>-</u>	<u>116</u>
Total endowment funds	<u>\$ 116</u>	<u>\$ 1,003</u>	<u>\$ 3,135</u>	<u>\$ 4,254</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
Donor-restricted endowment funds	\$ -	\$ 795	\$ 3,133	\$ 3,928
Board-designated endowment funds	<u>116</u>	<u>-</u>	<u>-</u>	<u>116</u>
Total endowment funds	<u>\$ 116</u>	<u>\$ 795</u>	<u>\$ 3,133</u>	<u>\$ 4,044</u>

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BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows (in thousands)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ 116	\$ 795	\$ 3,133	\$ 4,044
Investment income and realized gains	-	182	-	182
Net appreciation and unrealized gains	-	183	-	183
Gifts	-	-	2	2
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(157)</u>	<u>-</u>	<u>(157)</u>
Endowment net assets, June 30, 2013	<u>\$ 116</u>	<u>\$ 1,003</u>	<u>\$ 3,135</u>	<u>\$ 4,254</u>

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2011	\$ 116	\$ 990	\$ 3,132	\$ 4,238
Investment income and realized losses	-	(22)	-	(22)
Gifts	-	-	1	1
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(173)</u>	<u>-</u>	<u>(173)</u>
Endowment net assets, June 30, 2012	<u>\$ 116</u>	<u>\$ 795</u>	<u>\$ 3,133</u>	<u>\$ 4,044</u>

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA is as follows (in thousands)

	<u>2013</u>	<u>2012</u>
Patient care	\$ 566	\$ 566
Education	372	372
General operations	<u>2,197</u>	<u>2,195</u>
Total endowment assets classified as permanently restricted net assets	<u>\$ 3,135</u>	<u>\$ 3,133</u>

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficits). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. IHF did not have any deficits of this nature as of 2013 and 2012.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Return Objectives and Risk Parameters

IHF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds

Under the investment policy, as approved by the Board, the endowment assets, together with IHF's other investment assets, are invested in a manner that is intended to produce results that exceed the price and yield results of comparative benchmarks while assuming a moderate level of investment risk. IHF expects its investments, over time, to provide an average rate of return sufficient to satisfy IHF's endowment spending policy and to realize a total return that will allow the overall portfolio to grow at least as fast as the rate of inflation, after expenses, over a full market cycle, which is considered to be three to five years. Actual returns in any given year may vary from this amount.

Relationship of Endowment Spending Practices to Investment Objectives

IHF determines the appropriation of endowment funds for expenditure reimbursement through the budgeting process. A distribution policy for IHF's endowments governs the amount of endowment funds that may be appropriated during this process. In establishing this policy, IHF considered the long-term expected return on its endowments. Accordingly, over the long-term, IHF expects the current distribution policy to allow its endowments to grow at an average of the long-term rate of inflation and maintain its purchasing power. In order to maintain the purchasing power of endowment assets, expenditures are based on investment performance and spending is curbed in response to deficit situations. The corresponding approved allocations are distributed annually in accordance with IHF's policy. Over the long term, IHF expects its endowment to grow consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

14. SUBSEQUENT EVENTS

BTDI, JV, LLP

Effective January 7, 2013, BTDI JV, LLP, a Texas limited liability partnership, was formed between BUMC and Touchstone Imaging of Mesquite, LP for the purpose of owning, operating, and managing independent diagnostic testing facilities to provide imaging services to patients in North Texas as part of an integrated health care delivery system affiliated with the System. The partnership became operational July 1, 2013. BMCI contributed assets and transferred the Legacy 360 Realty Group building lease to BHCS related to this transaction.

BAYLOR MEDICAL CENTER AT IRVING

Notes to Combined Financial Statements - continued

Affiliation Agreement

Effective October 1, 2013, BHCS and Scott & White Healthcare, a Texas nonprofit corporation (S&W), have consummated their affiliation (the “Affiliation”) pursuant to an Affiliation Agreement (the “Agreement”) dated June 19, 2013. The Affiliation was accomplished through the creation of a new Texas limited liability company, Baylor Scott & White Health LLC (“Baylor Scott & White Health”). BHCS and S&W are equal members in Baylor Scott & White Health, which has control and substantial reserved powers over all BHCS and S&W material affiliates. Irving is defined as a material affiliate of BHCS in the Agreement.

Irving has performed an evaluation of subsequent events through November 8, 2013, which is the date the financial statements were available to be issued.



**Report of Independent Auditors
On Accompanying Information**

To The Board of Trustees
Baylor Medical Center at Irving:

The report on our audits of the basic combined financial statements of Baylor Medical Center at Irving as of June 30, 2013 and 2012 and for the years then ended appears on page one of this document. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other community benefits information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been compiled, reviewed, or audited by us and, accordingly we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

November 8, 2013

BAYLOR MEDICAL CENTER AT IRVING

OTHER COMMUNITY BENEFITS - UNAUDITED

Irving is required to meet the community benefit requirements of Texas Health and Safety Code Chapter 311. For Texas state law purposes, community benefits include the unreimbursed cost of charity care, the unreimbursed cost of government-sponsored indigent health care (i.e., Medicaid), and the unreimbursed cost of government-sponsored health care (i.e., Medicare), medical education, research, and other community benefits and services. The amount of community benefits reportable for Texas state law purposes by Irving totaled approximately \$79,427,000 and \$58,001,000 in 2013 and 2012, respectively.