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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 2012 Open to Public Inspection
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 09-01-2012 , 2012, and ending 08-31-2013

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Mississippi Baptist Medical Center		D Employer identification number 64-0881013
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 1225 North State Street Suite	Room/suite	E Telephone number (601) 968-3080
	City or town, state or country, and ZIP + 4 Jackson, MS 39202		G Gross receipts \$ 380,187,957
	F Name and address of principal officer Russell W York 1225 North State Street Jackson, MS 39202		H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no) ☐ 4947(a)(1) or ☐ 527			
J Website: ▶ www.mbhs.org			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities The organization was created to maintain and carry on the acute clinical services of Mississippi Baptist Health Systems, Inc. The organization offers a comprehensive range of services for patients		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	13
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	3,093
	6 Total number of volunteers (estimate if necessary)	6	102
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	7,679,987
7b Total unrelated business taxable income from Form 990-T, line 34	7b	-55,326	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	0	0
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	367,300,799	360,961,870
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	18,285,059	19,226,087
		385,585,858	380,187,957
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	169,120	85,153
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	177,283,344	186,056,410
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ☐ 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	180,983,285	192,265,342
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	358,435,749	378,406,905
	19 Revenue less expenses Subtract line 18 from line 12	27,150,109	1,781,052
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	63,673,602	68,638,696
	21 Total liabilities (Part X, line 26)	15,375,460	21,438,346
	22 Net assets or fund balances Subtract line 21 from line 20	48,298,142	47,200,350

Part II Signature Block

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

Sign Here	*****				2014-07-15	
	Signature of officer				Date	
Paid Preparer Use Only	RUSSELL W YORK CFO					
	Type or print name and title					
	Print/Type preparer's name Penny Wood CPA		Preparer's signature		Date 2014-07-15	Check ☐ if self-employed
	Firm's name  BKD LLP		Firm's EIN 			
Firm's address  190 E Capitol Street Ste 500		Phone no (601) 948-6700				
Jackson, MS 392012190						

Part IIISTatement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

THE MISSION OF MISSISSIPPI BAPTIST MEDICAL CENTER, INC IS TO SERVE THE COMMUNITY THROUGH CONTINUOUSLY IMPROVING QUALITY MEDICAL CARE AND EFFECTIVE USE OF EDUCATION AND TECHNOLOGY IN A PERSONAL AND COMPASSIONATE ENVIRONMENT

2

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

Yes

☒

No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

☒

No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 363,359,954 including grants of \$ 85,153) (Revenue \$ 360,961,870)

Mississippi Baptist Medical Center, Inc (MBMC) operates a 638 bed facility in Jackson, Mississippi MBMC focuses on the quality of healthcare including clinical quality of care, credentials, and patient satisfaction MBMC is among the top 10 percent in the nation for Vascular Surgery, Gastrointestinal Surgery and Gastrointestinal Care, according to a comprehensive annual study released by HealthGrades MBMC recorded 239,153 patient visits during its 2013 fiscal year This consisted of 20,750 inpatient admissions, 158,551 outpatient visits and 59,852 emergency room visits 8,474 inpatient surgeries and 6,735 outpatient surgeries were performed The principal medical services available are alcohol and chemical dependency, medical/surgical acute care, pediatric acute care, obstetrics, neonatal intensive care, well baby nursery, cardiac intensive care, medical/surgical intensive care, inpatient and outpatient surgery, inpatient and outpatient oncology services, emergency services, physical medicine and rehabilitation services, CT scanning, diagnostic x-ray, MR imaging, PET scanning, ultrasound, radiation therapy, cardiac catheterization, cardiovascular surgery, hemodialysis, geriatric services and occupational health MBMC is accredited by the Joint Commission on Accreditation of Healthcare Organizations MBMC provides quality medical care regardless of race, creed, sex, national origin, handicap, or age

4b

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

Although equitable payment for services is essential to the organization's financial viability MBMC recognizes that not all individuals possess the resources required to reimburse MBMC for all services provided Keeping its commitment to the community MBMC provides free care and subsidized care within existing resources where the need for such care exists During the fiscal year ending August 31, 2013, MBMC provided \$22,019,000 in charity care and provided discounts of \$27,242,000 to uninsured individuals receiving care All of the foregone charges mentioned above are netted against patient service revenue to arrive at net patient service revenue as reflected as program service revenue on Part VIII of Form 990 in order to be consistent with financial statement reporting and are not reported as functional expenses on the tax return

4c

(Code) (Expenses \$ 619,000 including grants of \$) (Revenue \$)

Mississippi Baptist Medical Center, Inc (MBMC) provides benefits to the broader community in the areas of education and research, charitable donations, volunteer hours, and pastoral care The cost of providing these services was approximately \$619,000 in fiscal year 2013 Many community benefits are intangible in nature or otherwise not quantifiable

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses

363,978,954

Form 990 (2012)

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	No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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 Yes	
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	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	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		No
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		
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.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.		
2b	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?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		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
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	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
6b	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).		
7a	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
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
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?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	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.		
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	11	
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. ☐ Own website ☐ Another's website ☒ Upon request ☐ 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 RUSSELL YORK 1225 NORTH STATE STREET Jackson, MS (601) 968-1132

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) Harry M Walker Director	1 0	X								
(2) James R Cavett MD Director	1 0	X								
(3) Alex Haick Director	1 0	X								
(4) David Landrum Director	1 0	X								
(5) James W Hood Director	1 0	X								
(6) H Douglas Hederman Director	1 0	X								
(7) Bill B Loveless Director	1 0	X								
(8) Karlen Turbeville Director	1 0	X								
(9) Jonathan Lee Director	1 0	X								
(10) W Everett Wells Jr Director	1 0	X								
(11) Lee Miller Director	1 0	X								
(12) Van L Lackey Director	1 0	X								
(13) Tammy Young MD Director	1 0	X								
(14) Russell W York Corp VP/CFO	14 0 26 0			X				0	507,297	93,949
(15) Kerry Tirman President	38 0 2 0			X				0	304,556	66,354
(16) Bobbie K Ware Chief Nursing Officer	22 0 18 0			X				0	323,228	58,474
(17) William Grete Corp VP General Counsel	16 0 24 0			X				0	354,719	77,538

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Lee Ann Foreman VP Human Resources	12 0 28 0				X			0	154,257	41,373
(19) J Kemp Poole VP Ancillary & Support	32 0 8 0				X			0	248,246	44,103
(20) Michael K Stevens VP - Business Development	0 0 40 0				X			0	268,815	62,482
(21) Thomas L Kilgore Medical Coord-Card Rehab	40 0 0 0					X		177,970		19,569
(22) Jeffrey Garrett Director of Phy/Rad Officer	40 0					X		215,852		22,830
(23) George P Ayers Chief Clinical Pharmacy Srvc	40 0					X		185,475		29,873
(24) Cooper B Moore Oncology Counselor	40 0					X		159,885		27,364
(25) Albert W Padgett Director of Surgical Srvc	40 0 0 0					X		156,820		10,834
(26) C Gerald Cotton Former Officer	0 0 40 0						X	0	161,250	0
(27) Eric A McVey Former Officer	0 0 0 0						X	0	127,284	42,258
(28) Kurt W Metzner President Ementus	0 0 0 0						X	0	462,090	427
(29) Mark Slyter Former Officer	16 0 24 0						X	0	597,808	109,443
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								896,002	3,509,550	706,871

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▶90

		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
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 ▶0		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514		
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		0				
Program Service Revenue	2a	Net Patient Service Revenue	Business Code 900099	360,961,870	360,961,870			
	b							
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		360,961,870				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		0			
4		Income from investment of tax-exempt bond proceeds . . .		0				
5		Royalties		0				
6a		Gross rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)	0				0
		d	Net rental income or (loss)					0
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)					0
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 . . .		0				
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 . . .		0				
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 . . .		0				
Miscellaneous Revenue		Business Code						
11a	LAB REVENUE	621500	5,964,761		5,964,761			
b	Cafeteria Revenue	900099	4,640,522			4,640,522		
c	REBATES/REPAYMENTS	900099	1,163,941			1,163,941		
d	All other revenue		7,456,863		1,715,226	5,741,637		
e	Total. Add lines 11a-11d		19,226,087					
12	Total revenue. See Instructions		380,187,957	360,961,870	7,679,987	11,546,100		

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.	85,153	85,153		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	162,808,751	148,970,099	13,838,652	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,567,458	2,539,558	27,900	
9	Other employee benefits.	12,015,014	11,893,249	121,765	
10	Payroll taxes.	8,665,187	8,525,175	140,012	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	0			
c	Accounting.	8,270		8,270	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	0			
12	Advertising and promotion.	0			
13	Office expenses.	34,963,991	34,932,071	31,920	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	306,289	306,289		
17	Travel.	236,159	236,159		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	121,450	116,450	5,000	
20	Interest.	65,155	65,155		
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	19,853,808	19,853,808		
23	Insurance.	3,687	3,687		
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	56,682,893	56,682,893		
b	Intercompany Allocations	54,643,943	54,643,943		
c	Bad Debt Expense	17,654,023	17,654,023		
d	Repairs and Maintenance	5,471,056	5,470,104	952	
e	All other expenses	2,254,618	2,001,138	253,480	
25	Total functional expenses. Add lines 1 through 24e.	378,406,905	363,978,954	14,427,951	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 ☐ 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		0	1	0
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		45,995,880	4	51,331,786
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	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		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		6,283,530	8	6,661,191
	9	Prepaid expenses and deferred charges		1,085,065	9	1,334,618
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a2,930,342	2,662,187	10c	2,357,471
	b	Less accumulated depreciation	10b572,871			
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		359,914	12	215,373
	13	Investments—program-related See Part IV, line 11		3,985,026	13	3,594,257
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		3,302,000	15	3,144,000
	16	Total assets. Add lines 1 through 15 (must equal line 34)		63,673,602	16	68,638,696
Liabilities	17	Accounts payable and accrued expenses		12,808,132	17	14,125,863
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	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		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		1,683,328	23	1,748,483
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		884,000	25	5,564,000
	26	Total liabilities. Add lines 17 through 25		15,375,460	26	21,438,346
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		48,298,142	27	47,200,350
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		48,298,142	33	47,200,350
	34	Total liabilities and net assets/fund balances		63,673,602	34	68,638,696

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	380,187,957
2	Total expenses (must equal Part IX, column (A), line 25)	2	378,406,905
3	Revenue less expenses Subtract line 2 from line 1	3	1,781,052
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	48,298,142
5	Net unrealized gains (losses) on investments	5	
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	-2,878,844
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	47,200,350

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? 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 ☐ Separate basis ☐ Consolidated basis ☐ 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 ☐ Separate basis ☒ Consolidated basis ☐ 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?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

Additional Data

Software ID:

Software Version:

EIN: 64-0881013

Name: Mississippi Baptist Medical Center

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (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			
Harry M Walker Director	1 0	X								
James R Cavett MD Director	1 0	X								
Alex Haick Director	1 0	X								
David Landrum Director	1 0	X								
James W Hood Director	1 0	X								
H Douglas Hederman Director	1 0	X								
Bill B Loveless Director	1 0	X								
Karlen Turbeville Director	1 0	X								
Jonathan Lee Director	1 0	X								
W Everett Wells Jr Director	1 0	X								
Lee Miller Director	1 0	X								
Van L Lackey Director	1 0	X								
Tammy Young MD Director	1 0	X								
Russell W York Corp VP/CFO	14 0 26 0			X				0	507,297	93,949
Kerry Timman President	38 0 2 0			X				0	304,556	66,354
Bobbie K Ware Chief Nursing Officer	22 0 18 0			X				0	323,228	58,474
William Grete Corp VP General Counsel	16 0 24 0			X				0	354,719	77,538
Lee Ann Foreman VP Human Resources	12 0 28 0				X			0	154,257	41,373
J Kemp Poole VP Ancillary & Support	32 0 8 0				X			0	248,246	44,103
Michael K Stevens VP - Business Development	0 0 40 0				X			0	268,815	62,482
Thomas L Kilgore Medical Coord-Card Rehab	40 0 0 0					X		177,970		19,569
Jeffrey Garrett Director of Phy/Rad Officer	40 0					X		215,852		22,830
George P Ayers Chief Clinical Pharmacy Srvc	40 0					X		185,475		29,873
Cooper B Moore Oncology Counselor	40 0					X		159,885		27,364
Albert W Padgett Director of Surgical Srvc	40 0 0 0					X		156,820		10,834

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (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			
C Gerald Cotton Former Officer	0 0 40 0						X	0	161,250	0
Eric A McVey Former Officer	0 0 0 0						X	0	127,284	42,258
Kurt W Metzner President Emeritus	0 0 0 0						X	0	462,090	427
Mark Slyter Former Officer	16 0 24 0						X	0	597,808	109,443

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Department of the Treasury
Internal Revenue Service

Name of the organization
Mississippi Baptist Medical Center

Employer identification number
64-0881013

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 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 Mississippi Baptist Medical Center	Employer identification number 64-0881013
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Part I

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

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

Part II

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

1

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

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

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

▶\$ _____

(ii) Assets included in Form 990, Part X

▶\$ _____

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

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

b

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

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

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		114,000		114,000
b Buildings		2,033,187	197,574	1,835,613
c Leasehold improvements				
d Equipment		783,155	375,297	407,858
e Other				
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				2,357,471

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)		5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)		5	

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Part X, Line 2		Management has evaluated the company's income tax positions under the guidance included in ASC 740. Based on their review, management has not identified any material uncertain tax positions to be recorded or disclosed in the financial statements.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mississippi Baptist Medical Center

Employer identification number
64-0881013

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 ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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 ☐ 100% ☐ 150% ☒ 200% ☐ 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 ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4		No
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		No
b	If "Yes," did the organization make it available to the public?	5c		
	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		No

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)			6,409,661	1,551,661	4,858,001	1 340 %
b Medicaid (from Worksheet 3, column a)			40,143,786	36,574,154	3,569,631	0 990 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			46,553,447	38,125,815	8,427,632	2 330 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			290,593	189,931	100,662	0 030 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			133,749		133,749	0 040 %
j Total Other Benefits			424,342	189,931	234,411	0 070 %
k Total. Add lines 7d and 7j			46,977,789	38,315,746	8,662,043	2 400 %

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

No

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

17,654,023

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

107,690

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

128,514,349

6

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

6

143,001,736

7

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

7

-14,487,387

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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

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	Mississippi Baptist Medical Center 1225 North State Street Jackson, MS 39202	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Mississippi Baptist Medical Center

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	☒ A definition of the community served by the hospital facility		
b	☒ Demographics of the community		
c	☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☒ How data was obtained		
e	☒ The health needs of the community		
f	☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☒ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</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	☒ Hospital facility's website		
b	☒ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☒ Execution of the implementation strategy		
c	☐ Participation in the development of a community-wide plan		
d	☐ Participation in the execution of a community-wide plan		
e	☒ Inclusion of a community benefit section in operational plans		
f	☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☒ Prioritization of health needs in its community		
h	☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☐ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
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</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>400</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 ☒ Income level					
b ☐ Asset level					
c ☐ Medical indigency					
d ☒ Insurance status					
e ☒ Uninsured discount					
f ☒ Medicaid/Medicare					
g ☐ State regulation					
h ☒ Other (describe in Part VI)					
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 ☒ The policy was posted on the hospital facility's website					
b ☒ The policy was attached to billing invoices					
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d ☒ The policy was posted in the hospital facility's admissions offices					
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility					
f ☒ The policy was available upon request					
g ☒ 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 ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ Other similar actions (describe in Part VI)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ 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	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☒ Other (describe in Part VI)		
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?

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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		Mississippi Baptist Medical Center, Inc (MBMC) uses the Federal Poverty Guidelines to determine eligibility for free or discounted care If the patient's income level is 0-200% of the federal poverty level, an adjustment of 100% of the hospital's stated charges will be made If the patient's income level is 201-400% of the federal poverty level, an adjustment of 75% will be made Finally, if a patient is uninsured and the patient's income level is above 400% of the federal poverty level, an adjustment of 50% will be made
Part I, Line 4		The financial assistance and charity care policy of MBMC does not specifically provide for free or discounted care to the "medically indigent " However, the hospital reserves the right to provide additional assistance to any patient determined to be in financial need

Identifier	ReturnReference	Explanation
Part I, Line 6a		A description of the organization's programs and services that promote the health of the community served is included in the footnotes to the organization's audited financial statements MBMC is part of a consolidated financial statement, which includes the activities of its parent company, Mississippi Baptist Health Systems, and subsidiaries
Part I, Line 7g		N/A

Identifier	ReturnReference	Explanation
Part I, Line 7, column (f)		Bad debt expense of \$17,654,023 was included in total expense on Form 990, Part IX, Line 25, column (A) but was subtracted from total expense for purposes of calculating the percentage of total expense in column (f)
Part I, Line 7		The Medicaid Cost Report was used to determine the amounts reported on Part I, Lines 7b & 7f The amounts reported on Part I, Line 7a were determined by using a cost to charge ratio, which was calculated using information from the Medicaid Cost Report as adjusted for amounts included elsewhere on Lines 7b & 7f

Identifier	ReturnReference	Explanation
Part II, Line 1		Mississippi Baptist Medical Center, Inc provides for its employees to participate on paid time in the construction of housing for underprivileged residents of the community The amount reported in Part II, Line 1 reflects the cost of providing these volunteers
Part III, Line 4		The amount reported in Part III, line 2 as bad debt expense matches the amount of bad debt expense reported on MBMC's audited financial statements To estimate the amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy for line 3, a collection agency report was used showing bad debts or accounts that had a credit score in the range used for charity consideration 61% of the accounts met this criteria However, bad debt amounts have not been included in community benefit MBMC's audited financial statements do not include a footnote specifically discussing bad debt expense, accounts receivable, or allowance for doubtful accounts However, MBMC reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others MBMC provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluations and specific circumstances of the account

Identifier	ReturnReference	Explanation
Part III, Line 8		The ratio of cost to charges used in the calculation of costs for Medicare was taken from the Medicare cost report. Charity care arises from a deliberate policy by a health care organization to forego payment for certain services provided to low income patients. Hospital participation in Medicare is voluntary. Medicare shortfalls occur when the payments received by Medicare are less than the costs of providing care to Medicare patients. Payment rates for Medicare are currently set below the cost of providing care resulting in underpayment. The organization must bridge the gap created by government underpayments. A majority of MBMC's patients are Medicare patients. The organization feels that providing care for the elderly and poor is an essential part of the community benefit standard and as such, any Medicare underpayments represent the real cost of serving its community and should count as quantifiable community benefit for tax compliance purposes.
Part III, Line 9b		Patients may apply for financial assistance to cover all or part of their hospital bills. MBMC does not pursue collection of amounts determined to qualify as charity care. However, the collection policy is the same for all patients once the charity or financial discount has been applied.

Identifier	ReturnReference	Explanation																														
Part V, line 3		Since there is limited data available directly from disadvantaged individuals in the community served, the assessment team decided to use an efficient data collection method by engaging a focus group of community agencies which serve the disadvantaged population. On May 25, 2012, a focus group of community agencies was conducted to get their perspectives on the needs of the community for health services. The agencies and representatives were: <table border="1"> <thead> <tr> <th>Name</th> <th>Agency</th> <th>Role</th> </tr> </thead> <tbody> <tr> <td>Shane McNeil</td> <td>MS Dept. of Education</td> <td>Public Education</td> </tr> <tr> <td>Lee Thigpen</td> <td>Mission First, Inc.</td> <td>Medical clinics for the indigent</td> </tr> <tr> <td>Stacey Howard</td> <td>Stewpot Community food service</td> <td></td> </tr> <tr> <td>Shelley Johnson</td> <td>Ptnrs to End Homeless advocacy</td> <td>Homelessness</td> </tr> <tr> <td>Jeanann Reeves</td> <td>American Cancer Society</td> <td>Cancer research & support</td> </tr> <tr> <td>Carol Burger</td> <td>United Way</td> <td>Community agency support</td> </tr> <tr> <td>Jennifer Wellhausen</td> <td>American Heart Assn.</td> <td>Heart disease research & support</td> </tr> <tr> <td>Kane Ditto</td> <td>State Street Group</td> <td>Baptist Board Member</td> </tr> <tr> <td>Mary Ann Simpkins</td> <td>Health Teacher</td> <td>Health education program sponsored by Baptist</td> </tr> </tbody> </table> The agencies were selected because of their roles in the community, specifically that of serving the disadvantaged population. The focus group was facilitated toward a series of structured information needs, but the group facilitation was done with open-ended questions to obtain maximum participation and input. The Qualitative Analysis of the CHNA relied heavily on the "grass roots" information brought by the community agency focus group. The focus group's findings added a human element to the statistical findings brought by secondary data analysis. Because the focus group members work directly with much of the disadvantaged population in the community, their input efficiently put forth the human needs for the study. An attempt was made to obtain input from public health officials but was not due to the demands on public health officials at the time. However, a large part of the community needs data in the CHNA came from the Mississippi Department of Health.	Name	Agency	Role	Shane McNeil	MS Dept. of Education	Public Education	Lee Thigpen	Mission First, Inc.	Medical clinics for the indigent	Stacey Howard	Stewpot Community food service		Shelley Johnson	Ptnrs to End Homeless advocacy	Homelessness	Jeanann Reeves	American Cancer Society	Cancer research & support	Carol Burger	United Way	Community agency support	Jennifer Wellhausen	American Heart Assn.	Heart disease research & support	Kane Ditto	State Street Group	Baptist Board Member	Mary Ann Simpkins	Health Teacher	Health education program sponsored by Baptist
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Kane Ditto	State Street Group	Baptist Board Member																														
Mary Ann Simpkins	Health Teacher	Health education program sponsored by Baptist																														
Part V, line 4		The hospital facility's CHNA was conducted with Mississippi Hospital for Restorative Care, Inc. (RCH). Part V, Line 5a. A copy of the CHNA can be found at http://www.mbhs.org/locations/baptist-health-systems/report-to-the-community/. Part V, line 7. Some health needs identified are considered outside the scope of services the hospital can deliver.																														

Identifier	ReturnReference	Explanation
Part V , line 12h		The hospital reserves the right to provide additional assistance to any patient determined to be in financial need
Part V , line 14g		If at any time during the admission, discharge, billing, or collection process a patient informs the hospital representative that they are unable to pay their bill, then the patient will be referred to a payment coordinator who will inform them of the availability of financial assistance/charity care for those who qualify and offer the patient the opportunity to complete an application

Identifier	ReturnReference	Explanation
Part V , line 18e		Each self pay individual is interviewed by a financial counselor who verifies eligibility for financial assistance
Part V , line 20d		An adjustment of 50% is made to stated charges for all uninsured patients other than those who qualify for charity care (those with income levels less than 200% of FPG) or those who qualify for a 75% discount (those with income levels 201%-400% of FPG)

Identifier	ReturnReference	Explanation
Part VI, Line 2	Needs Assessment	Mississippi Baptist Health Systems, Inc , the parent company of Mississippi Baptist Medical Center, assesses the health care needs of the community it serves primarily by performing consumer surveys each month. The surveys are conducted on a random selection of consumers from the 17 counties in the Baptist Health Systems service area and measure Baptist Health Systems' performance against other major hospitals in the area, as well as provide information on utilization of health services, satisfaction with health care services, and public perception of Baptist Health Systems as a whole. Baptist Health Systems engages New South Research to conduct the surveys via telephone and also conducts surveys of participants following community seminars and educational classes.
Part VI, Line 3	Patient Education of Eligibility for Assistance	MBMC has financial counselors on campus and utilizes a company called Healthcare Resource Services (HCR) to assist with obtaining payment for disability, Medicaid, Medicare, or Social Security. They look at all uninsured and self-pay patients to determine if they qualify for charity or financial assistance. Also, there are general customer service personnel available. Additionally, information containing a financial assistance statement is given to each patient upon admission or during pre-admission, is posted at each registration booth, and is also available online. If at any time during the admission, discharge, billing, or collection process a patient informs a hospital representative that they are unable to pay their bill and need financial assistance, then the patient is referred to a payment coordinator who informs the patient of the availability of financial assistance/charity care for those who qualify and offers the patient the opportunity to complete an application.

Identifier	ReturnReference	Explanation
Part VI, Line 4	Community Information	MBMC's Primary Service Area consists of the Jackson Metropolitan area, which is located in the Central portion of Mississippi. The Jackson Metropolitan Area is made up of Hinds, Madison, and Rankin counties and consists of approximately 485,000 people, with six other hospitals serving the area. The Health Systems' Regional Market spans a ten-county region that reaches as far north as Winston County and as far south as Pike County and includes approximately 350,000 people. The Regional market consists of areas in Mississippi that historically provide strong referral sources for acute care and specialty services at the Medical Center. Age demographics for the area show that approximately 26% of the population is under 18 years of age, approximately 63% is between 18 and 64 years of age and that 11% is 65 or older. The average median household income for 2007-2011 was \$39,290 for Hinds County, which is slightly above the overall average for Mississippi and significantly less than the nationwide average. Madison and Rankin Counties have average median household incomes for the same period of \$59,730 and \$56,160, respectively, which exceed the overall average for Mississippi as well as the nationwide average. Insurance coverage is lacking for much of the population with between 16-20% estimated to be uninsured.
Part VI, Line 5	Promotion of Community Health	Mississippi Baptist Health Systems (MBHS) is the parent company of an affiliated healthcare group (Baptist). MBMC is part of that group. Baptist is committed to involvement in the community and organizes various programs and activities which are offered to the public in order to promote community health. Baptist offers a multitude of low or no cost screenings to the community including heart, lung, and mammogram screenings. These low-cost screening packages help people determine if their health is headed in the right direction and provides the information necessary to make important lifestyle decisions at an affordable price. In addition, MBHS operates Baptist Health Line, which offers physician referrals, hospital services referrals, scheduling of classes for hospital services, and the health information library. Baptist Health Line professionals also offer Baptist's risk assessment tools, including the heart test, the health test, the women's health check, the diabetes test, and the cancer test. A number of educational classes on a wide variety of health topics are also offered to the community at no cost. In keeping with MBHS's foundation and tradition in the Christian healing ministry, Baptist offers pastoral care for patients and visitors. Baptist has a team of chaplains, each assigned to a different area of the hospital, to minister and bring comfort and care to patients. The Pastoral Care Department offers many services including patient visitation, chapel services, memorial services, counseling sessions, prayer, scripture reading, and answering emergency calls. In addition to the programs and services offered, Baptist also supports its local community through financial donations. MBHS operates the Carry the Mission program through a committee of employees of the hospital willing to volunteer their time to serve. Carry the Mission is funded by employee donations, which are matched by Baptist at 50 cents for every dollar raised. MBHS splits the funds raised through Carry the Mission to support different areas in the community: 40% goes to local nonprofits and groups that meet the established criteria, 40% goes to Baptist employees experiencing unexpected financial difficulties, and 20% goes to support the Baptist Health Foundation. Through this program, MBHS is able to support a wide range of groups in the community.

Identifier	ReturnReference	Explanation
Part VI, Line 6	Affiliated Health Care System	Mississippi Baptist Medical Center (MBMC) is part of an affiliated health care system. Mississippi Baptist Health Systems (MBHS) is the holding company for several nonprofit entities to which it provides various management and support services. In addition to MBMC, MBHS is the parent company to Mississippi Hospital for Restorative Care, a 25 bed long term acute care hospital, Baptist Medical Center-Leake, a 25 bed critical access hospital and a 44 bed skilled nursing home, and the Medical Foundation of Central Mississippi, a network of primary care and specialty physicians. Through various partnership relationships, MBHS also provides home health care and adult day care services.
Part VI, Line 7	State filing of Community Benefit Report	Mississippi Baptist Medical Center, Inc. does not file a community benefit report with the state of Mississippi as there is no requirement to do so.

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Mississippi Baptist Medical Center

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

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

OMB No 1545-0047

2012

Open to Public
Inspection

Employer identification number
64-0881013

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Lantern Medical Clinic 3218 Service Dr Pearl, MS 39208	26-2621541	501(c)(3)		5,083 FMV		Med Supplies	See Part IV
(2) Mission First 275 Roseneath St Jackson, MS 39203	64-0797107	501(c)(3)		16,421 FMV		Med Supplies	See Part IV
(3) The Volunteers of Gleaner's 237 Briarwood Dr Jackson, MS 39206	64-0728104	501(c)(3)		16,273 FMV		Med Supplies	See Part IV
(4) Hope House of Hospitality 786 E Northside Dr Jackson, MS 39206	64-0622022	501(c)(3)		35,940 FMV		Med Supplies	See Part IV

2

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

4

3

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

0

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
Part I, Line 2		Mississippi Baptist Medical Center, Inc donates medical supplies to charitable organizations involved in public health These donations are based on the needs of the organization
Part II, Column (h)		Mississippi Baptist Medical Center, Inc makes donations of medical supplies to charitable organizations involved in public health The donations made to each of the organizations listed in Schedule I, Part II were given to fund and help further each organization's work in the community

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
Mississippi Baptist Medical Center

Employer identification number
64-0881013

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 ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
1b 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		
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?		
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 ☒ Compensation committee ☒ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☐ Compensation survey or study ☒ Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
4a Receive a severance payment or change-of-control payment?	Yes	
4b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
4c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		No
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		
5a The organization?		No
5b Any related organization? If "Yes," to line 5a or 5b, describe in Part III		No
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		
6a The organization?		No
6b Any related organization? If "Yes," to line 6a or 6b, describe in Part III		No
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		No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

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 4a		Former officer, Eric McVey, received \$127,284 ins severance payments during calendar year 2012
Part I, Line 4b		Participants Russell W York \$51,699 Eric McVey \$35,640 William Grete \$45,057 LeeAnn Foreman \$19,543 J Kemp Poole \$27,792 Mark Slyter \$81,242 Michael Stevens \$28,363 Kerry Tirman \$42,407 Bobbie K Ware \$40,603 Terms and Conditions Baptist Health Systems, Inc established the Baptist Health Systems, Inc supplemental executive retirement plan, a nonqualified, unfunded deferred compensation plan effective July 1, 2010, for the benefit of certain management or highly-compensated employees of Baptist Health Systems, Inc. Participants are chosen by the chairman's council of the board (the council) of Baptist Health Systems, Inc. The purpose of the plan is to enhance the ability of Baptist Health Systems, Inc to attract and retain qualified management personnel with a market-competitive supplemental retirement benefit for a select group of management or highly-compensated employees on a tax deferred basis. Baptist Health Systems, Inc will contribute to each participant's plan an annual amount equal to a percentage of the participant's base salary commencing in 2010 and continuing each year thereafter until the year in which the participant separates from employment. An applicable percentage of either 17.5% or 15% of base salary will be contributed to each participant's plan (or such other percentage as the council determines). The vested accrued balance or employer contribution (plus earnings or losses) will be paid for any event requiring such payment other than death, as soon as administratively feasible but no later than the last day of the calendar year in which the event occurs. If the event that results in the payment of the benefit is death, the balance will be paid as soon as the board obtains satisfactory proof of death, but no later than the 15th day of the third month following the end of the calendar year in which the participant dies. Certain participants who remain in continuous employment have a non-forfeitable right to receive the employer contribution made in a plan year as of the first day of the plan year that is five years from the first day of the plan year in which such contribution was made. However, if such participant has attained a specified age, the participant shall have a non-forfeitable right to receive any future employer contributions along with earnings or losses that have not vested and an immediate non-forfeitable right to receive any future employer contributions as of the date such contributions are made. New participants other than those specifically identified in the plan have a non-forfeitable right to receive their accrued balance based on a vesting schedule as described in the plan document. Otherwise, a participant shall have a non-forfeitable right to receive his accrued balance upon his separation from service on account of death, disability, or upon involuntary separation from service without cause if such separation occurs prior to the completion of the five year period described above, prior to attaining the age specified above, or prior to the applicable vesting schedule described above.

Software ID:
Software Version:
EIN: 64-0881013
Name: Mississippi Baptist Medical Center

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
C Gerald Cotton	(i)	0	0	0	0	0	0	
	(ii)	161,250	0	0	0	0	161,250	
Eric A McVey	(i)	0	0	0	0	0	0	
	(ii)	0	0	127,284	35,640	6,618	169,542	160,642
Kurt W Metzner	(i)	0	0	0	0	0	0	
	(ii)	462,090	0	0	0	427	462,517	
Russell W York	(i)	0	0	0	0	0	0	
	(ii)	289,547	72,496	145,254	51,699	42,250	601,246	126,723
Kerry Tirman	(i)	0	0	0	0	0	0	
	(ii)	221,028	42,231	41,297	42,407	23,947	370,910	
Bobbie K Ware	(i)	0	0	0	0	0	0	
	(ii)	245,284	56,356	21,588	40,603	17,871	381,702	21,588
William Grete	(i)	0	0	0	0	0	0	
	(ii)	253,217	62,564	38,938	45,057	32,481	432,257	21,838
Thomas L Kilgore	(i)	175,830	0	2,140	0	19,569	197,539	
	(ii)							
Lee Ann Foreman	(i)	0	0	0	0	0	0	
	(ii)	122,941	29,698	1,618	21,988	19,385	195,630	
Mark Slyter	(i)	0	0	0	0	0	0	
	(ii)	383,232	127,997	86,579	81,242	28,201	707,251	
Jeffrey Garrett	(i)	190,316	11,853	13,683	3,976	18,854	238,682	
	(ii)							
George P Ayers	(i)	177,480	7,995	0	5,468	24,405	215,348	
	(ii)							
J Kemp Poole	(i)	0	0	0	0	0	0	
	(ii)	203,798	44,448	0	27,792	16,311	292,349	
Cooper B Moore	(i)	145,409	4,264	10,212	6,091	21,273	187,249	
	(ii)							
Albert W Padgett	(i)	147,339	9,481	0	1,566	9,268	167,654	
	(ii)							
Michael K Stevens	(i)	0	0	0	0	0	0	
	(ii)	215,407	49,011	4,397	28,363	34,119	331,297	4,397

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mississippi Baptist Medical Center

Employer identification number

64-0881013

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) Medical Practice Solutions	See Part V	187,659	A/R Mgmt/Billing/Cash Posting		No
(2) Healthcare Financial Services Inc	See Part V	1,503,935	Bad Debt Collection/Court Cost		No
(3) Hederman Brothers Printing	See Part V	108,498	Printing Services		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
Part IV, Column (B)		Medical Practice Solutions - Related Entity which officer Russell York also serves as an officer Healthcare Financial Services, Inc - Related Entity which officer Russell York also serves as an officer Hederman Brothers Printing - Entity more than 35% owned by Board Member H Douglas Hederman

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

Mississippi Baptist Medical Center

Employer identification number

64-0881013

Identifier	Return Reference	Explanation
Form 990, Page 6, Part VI, Section A, Line 6		
Form 990, Page 6, Part VI, Section A, Line 7a		The Board of Mississippi Baptist Medical Center, Inc is appointed by Mississippi Baptist Health Systems, Inc
Form 990, Page 6, Part VI, Section A, Line 7b		The Board of Mississippi Baptist Health Systems approves all major capital expenditures
Form 990, Page 6, Part VI, Section B, Line 11b		An electronic copy of the Form 990 is distributed through the Director's Desk, a web based document distribution service All outside board members /directors have the opportunity to review the form prior to filing with the IRS
Form 990, Page 6, Part VI, Section B, Line 12c		The Compliance Committee of the governing body meets quarterly to review all compliance issues Any persons with conflicts of interest are prohibited from participating in the Board's deliberations and decisions in the transaction in which the conflict exists
Form 990, Page 6, Part VI, Section B, Line 15 a&b		An independent compensation consulting firm, The Hay Group, conducts annual surveys to help establish the compensation of the organization's top management officials, officers and key employees The Chairman's Council functions as the compensation committee of the Board The Hay Group presents their findings and recommendations to the Council for their consideration and action The Council approves the salaries and benefit package for all senior management The Hay Group maintains minutes of the Chairman's Council meetings where compensation and benefits are discussed and approvals made
Form 990, Page 6, Part VI, Section C, Line 19		The organization's governing documents, conflict of interest policy and financial statements are available to the public upon request
Form 990, Page 12, Part XI, Line 9		Transfer to Mississippi Baptist Health Systems, Inc (2,713,486) Mississippi Homecare of Jackson II, LLC Book/Tax Difference (165,358) Total Other Changes in Net Assets or Fund Balance= (2,878,844)

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Mississippi Baptist Medical Center

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

Employer identification number

64-0881013

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
(1) MS Hospital for Restorative Care Inc 1225 North State Street Jackson, MS 39202 64-0833383	Hospital	MS	501(c)(3)	3	MBHS		No
(2) Medical Foundation of Central MS 1225 North State Street Jackson, MS 39202 75-3068151	Clinics	MS	501(c)(3)	3	MBHS		No
(3) MS Baptist Health Systems Inc 1225 North State Street Jackson, MS 39202 64-0306253	Holding Co	MS	501(c)(3)	IIB-II	na		No
(4) Baptist Medical Center - Leake Inc 1225 North State Street Jackson, MS 39202 45-2896080	Hospital	MS	501(c)(3)	3	MBHS		No

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	
(1) Baptist Outpatient Imaging LLC 1225 North State Street Jackson, MS 39202 45-2968057	Medical Services	MS	na									

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) MS Baptist Medical Enterprises Inc 1225 North State Street Jackson, MS 39202 64-0776164	Investments	MS	N/A	C Corp					No
(2) Medical Practice Solutions 1225 North State Street Jackson, MS 39202 64-0833731	Med Consultn	MS	N/A	C Corp					No
(3) MS Real Estate Enterprises Inc 1225 North State Street Jackson, MS 39202 64-0746856	Investments	MS	N/A	C Corp					No
(4) Healthcare Financial Services Inc 1225 North State Street Jackson, MS 39202 64-0847789	Financial Svcs	MS	na	C Corp					No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b Yes

1c No

1d No

1e No

1f No

1g No

1h No

1i No

1j Yes

1k Yes

1l Yes

1m Yes

1n No

1o No

1p No

1q No

1r No

1s No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 64-0881013
Name: Mississippi Baptist Medical Center

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	
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**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Financial Statements and Schedules

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201-2127

Independent Auditors' Report

The Board of Trustees
Mississippi Baptist Health Systems, Inc

We have audited the accompanying combined financial statements of Mississippi Baptist Health Systems, Inc. and subsidiaries (the System), which comprise the combined balance sheets as of August 31, 2013 and 2012, and the related combined statements of operations, changes in net assets and cash flows for the years then ended, and related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Mississippi Baptist Health Systems, Inc. and subsidiaries as of August 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note l(z) to the combined financial statements, the System adopted the provisions of Accounting Standard Update No. 2011-07, *Health Care Presentation and Disclosure of Patient Services Revenue, Provision of Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* on September 1, 2012, and retroactively applied the provisions to all periods presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Jackson, Mississippi
November 8, 2013

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Balance Sheets

August 31, 2013 and 2012

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 2,924,716	3,263,535
Assets limited as to use – required for current liabilities	749,324	374,663
Patient accounts receivable, less allowance for uncollectible accounts of \$31,194,000 and \$21,211,000 in 2013 and 2012, respectively	56,148,231	51,671,112
Due from third-party payors	1,073,000	2,006,000
Other receivables	4,072,856	3,207,456
Inventories	6,805,767	6,435,682
Prepaid expenses	6,395,791	5,145,257
Total current assets	78,169,685	72,103,705
Assets limited as to use	270,949,542	283,223,143
Property and equipment, net	301,831,877	263,804,646
Other assets	19,993,069	19,896,514
Total assets	\$ 670,944,173	639,028,008
Liabilities and Net Assets		
Current liabilities		
Current installments of long-term debt	\$ 12,176,941	5,279,899
Accounts payable	16,399,514	10,486,776
Accrued payroll costs and withholdings	15,554,651	15,580,174
Due to third-party payors	5,970,000	1,290,000
Other accrued expenses	16,084,910	14,845,848
Total current liabilities	66,186,016	47,482,697
Long-term debt, excluding current installments	216,143,101	203,893,316
Estimated professional and general liability costs	9,000,000	8,200,000
Other noncurrent liabilities	19,873,564	29,524,017
Total liabilities	311,202,681	289,100,030
Net assets		
Unrestricted	341,335,833	333,348,231
Temporarily restricted	16,069,390	14,267,703
Permanently restricted	2,336,269	2,312,044
Total net assets	359,741,492	349,927,978
Commitments and contingencies		
Total liabilities and net assets	\$ 670,944,173	639,028,008

See accompanying notes to combined financial statements

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Statements of Operations
Years ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues and other support		
Net patient service revenue	\$ 419,226,284	423,085,213
Provision for uncollectible accounts	(20,984,998)	(21,935,436)
Net patient service revenue less provision for uncollectible accounts	398,241,286	401,149,777
Other revenue	18,535,966	15,063,834
Net assets released from restrictions used for operations	649,493	677,829
Total unrestricted revenues and other support	<u>417,426,745</u>	<u>416,891,440</u>
Expenses		
Salaries, wages, and fees	233,814,505	217,114,526
Employee benefits	33,204,862	31,255,440
Supplies and other	138,693,438	131,469,293
Interest	9,167,462	9,502,799
Depreciation and amortization	25,230,047	22,977,332
Total expenses	<u>440,110,314</u>	<u>412,319,390</u>
Income (loss) from operations	<u>(22,683,569)</u>	<u>4,572,050</u>
Nonoperating gains (losses)		
Investment income, net	20,657,011	14,325,392
Change in fair value of interest rate swap	10,243,942	(8,721,656)
Interest in net assets of equity investee	—	2,253,272
Equity in net income of equity investees	1,589,107	2,409,276
Other, net	(1,837,294)	(1,134,149)
Total nonoperating gains, net	<u>30,652,766</u>	<u>9,132,135</u>
Revenues, gains, and other support in excess of expenses and losses	7,969,197	13,704,185
Net assets released from restrictions and used for purchase of property and equipment	<u>18,405</u>	<u>88,231</u>
Increase in unrestricted net assets	<u>\$ 7,987,602</u>	<u>13,792,416</u>

See accompanying notes to combined financial statements

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Statements of Changes in Net Assets

Years ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
Revenues, gains, and other support in excess of expenses and losses	\$ 7,969,197	13,704,185
Net assets released from restrictions and used for purchase of property and equipment	<u>18,405</u>	<u>88,231</u>
Increase in unrestricted net assets	<u>7,987,602</u>	<u>13,792,416</u>
Temporarily restricted net assets		
Investment income, net	761,471	515,629
Temporarily restricted contributions	1,518,748	3,521,307
Net assets released from restrictions	(667,898)	(776,060)
Other	<u>189,366</u>	<u>—</u>
Increase in temporarily restricted net assets	<u>1,801,687</u>	<u>3,260,876</u>
Permanently restricted net assets		
Endowment contributions	<u>24,225</u>	<u>10,000</u>
Increase in permanently restricted net assets	<u>24,225</u>	<u>10,000</u>
Increase in net assets	9,813,514	17,063,292
Net assets, beginning of year	<u>349,927,978</u>	<u>332,864,686</u>
Net assets, end of year	<u><u>\$ 359,741,492</u></u>	<u><u>349,927,978</u></u>

See accompanying notes to combined financial statements

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Combined Statements of Cash Flows
Years ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 9,813,514	17,063,292
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	30,818,377	28,401,491
Loss on sale of property and equipment	9,480	195,677
Realized and unrealized gains on trading securities, net	(16,145,680)	(9,554,538)
Change in fair value of interest rate swap	(10,243,942)	8,721,656
Interest in net assets of equity investee	—	(2,253,272)
Equity in net income of equity investees	(1,589,107)	(2,409,276)
Distributions from equity investees	2,920,336	2,748,872
Other	(561,000)	139,000
Restricted contributions and investment income received	(62,741)	(1,829,253)
Changes in operating assets and liabilities		
Patient and other accounts receivable, net	(5,631,519)	(6,265,574)
Inventories and prepaid expenses	(1,620,619)	653,895
Accounts payable and accrued expenses	6,751,616	5,275,627
Third-party payors	5,613,000	(2,046,000)
Estimated professional and general liability costs, and other noncurrent liabilities	1,393,489	1,007,836
Net cash provided by operating activities	<u>21,465,204</u>	<u>39,849,433</u>
Cash flows from investing activities		
Capital expenditures	(68,653,957)	(39,900,618)
Decrease (increase) in assets limited as to use, net	28,044,620	(6,333,739)
Proceeds from sale of property and equipment	97,481	31,055
Investment in equity investees	(729,450)	(573,899)
Other assets	168,519	(2,712,064)
Net cash used in investing activities	<u>(41,072,787)</u>	<u>(49,489,265)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	34,400,000	311,456
Lines of credit, net	5,303,336	2,490,000
Repayment of long-term debt	(20,280,739)	(4,888,488)
Bond issuance costs	(216,574)	—
Restricted contributions and investment income received	62,741	1,829,253
Net cash provided by (used in) financing activities	<u>19,268,764</u>	<u>(257,779)</u>
Net decrease in cash and cash equivalents	<u>(338,819)</u>	<u>(9,897,611)</u>
Cash and cash equivalents, beginning of year	<u>3,263,535</u>	<u>13,161,146</u>
Cash and cash equivalents, end of year	<u>\$ 2,924,716</u>	<u>3,263,535</u>

See accompanying notes to combined financial statements

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

(a) *Description of Business*

Mississippi Baptist Health Systems, Inc. and subsidiaries (the System) is a multidimensional provider of healthcare services headquartered in Jackson, Mississippi. The System is comprised of its Jackson-based hospital complex, Mississippi Baptist Medical Center (MBMC), a long-term acute care facility, a 25 bed critical access hospital and 44 bed extended care facility located in Carthage, Mississippi (since November 1, 2011), medical office buildings, and other operations related to the provision of healthcare in a comprehensive system. The significant accounting policies used by the System in preparing and presenting the combined financial statements follow.

(b) *Principles of Combination*

The combined financial statements include the accounts of the System and its controlled subsidiaries. All material intercompany accounts and transactions are eliminated in combination.

(c) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the valuation of certain alternative investment vehicles, the useful lives of property and equipment, the allowances for uncollectible accounts and contractual adjustments, reserves for professional and general liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, the valuation of derivatives, deferred tax assets and liabilities, estimated third-party payor settlements and other contingencies. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term. The current economic environment has increased the degree of uncertainty inherent in the estimates and assumptions.

(d) *Cash Equivalents*

The System considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) *Inventories*

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(f) *Assets Limited as to Use*

Assets limited as to use primarily include assets held by trustees under indenture agreements, assets held by trustees for self-insurance funding, designated assets set aside by the System's board of trustees for future capital improvements, assets held as collateral under interest rate swap agreement, and amounts restricted by donors. Amounts required to satisfy current requirements for related liabilities have been classified as current assets in the combined balance sheets.

(g) *Investments and Investment Income*

The System has designated all of its investments as trading. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investments in alternative investment vehicles structured as limited liability corporations or partnerships, are recorded at net asset value as a practical expedient to fair value. The estimated fair value of these alternative investment vehicles is based on the most recent valuations provided by external investment managers. The System reviews and evaluates the values provided by the managers and agrees with the valuation methods and assumptions used to determine those values. Therefore, the System believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because these assets are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Realized and unrealized gains and losses on investments recorded at fair value and net asset value are included in the combined statements of operations as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in unrestricted net assets unless the use is restricted by donor. Donated investments are recorded at fair value at the date of receipt. Investment income from assets held by trustees is reported as other revenue.

The System accounts for investments organized as limited partnerships using the equity method, which generally approximates fair value. The change in carrying amount is included in revenue, gains, and other support in excess of expenses and losses in the accompanying combined statements of operations.

(h) *Long-lived Assets*

Property and equipment are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method.

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

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

Contributions restricted to the purchase of property and equipment with restrictions that are met within the same year as received are reported as increases in unrestricted net assets in the accompanying combined financial statements

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Assets to be disposed of are separately presented in the combined balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the combined balance sheet.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over remaining lives.

(i) *Guarantees*

The System applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 860, *Guarantees*, (Topic 860) which clarifies the accounting and disclosure requirements relating to a guarantor's issuance of certain types of guarantees. Topic 860 requires entities to disclose additional information about certain guarantees, or groups of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote. For certain guarantees, the interpretation also requires that guarantors recognize a liability equal to the fair value of the guarantee upon its issuance. The System has complied with the additional disclosure requirements of Topic 860 in these accompanying combined financial statements.

(j) *Other Assets*

The System has entered into agreements with a variety of healthcare professionals specifically to benefit the System's community service area. These agreements include loans, scholarships, and other advances, all of which are generally conditioned upon a service commitment to the community. Amounts paid under income guarantee arrangements are generally expensed as incurred, unless repayment is expected under the terms of the related agreements. Loans are generally due within two to five years. Advances under some agreements are forgiven upon fulfillment of the professional's contractual service commitment, but are due in full if such commitment is not fulfilled. Advances under such arrangements are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as a current asset in the accompanying combined balance sheets.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

The System has ownership interests in the following joint ventures, all of which are accounted for by the equity method (see note 4)

- Madison Radiological Group, LLC (50% interest).
- Mississippi Health Partners, Inc (25% interest).
- Main Street Medical, LLC (33% interest).
- Senior Care Centers of Mississippi, LLC (50% interest).
- PhysiciansPlus Baptist and St Dominic, Inc (50% interest).
- Mississippi HomeCare of Jackson II (33% interest).
- Continuum RX of Central Mississippi, LLC (49% interest), and
- Baptist Outpatient Imaging, LLC (51% noncontrolling interest)

(k) Costs of Borrowing

Bond issue costs and bond premiums are amortized using the effective interest method over the term of the related bond issue. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of related investment income. Approximately \$1,091,000 and \$412,000 of net interest cost was capitalized in fiscal 2013 and 2012, respectively.

(l) Estimated Professional and General Liability Costs

The provision for estimated professional and general liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(m) Derivative Financial Instruments

The System includes the accrued differential payable or receivable on its derivative financial instruments at fair value in the combined balance sheets. Estimated gains or losses arising from fair value changes in derivatives are included as nonoperating items in determination of revenues, gains, and other support in excess of expenses and losses. The System does not apply hedge accounting with respect to any of its derivatives.

(n) Asset Retirement Obligations

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the combined statements of operations.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(o) *Temporarily and Permanently Restricted Net Assets*

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

(p) *Donor-restricted Gifts*

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions. To the extent that restricted resources from multiple donors are available for the same purpose, the System expends such gifts on a "first-in, first-out" basis. Donor-restricted contributions which restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

(q) *Combined Statement of Operations*

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Net assets released from restrictions and used for purchase of property and equipment are reported after revenues, gains, and other support in excess of expenses and losses.

(r) *Net Patient Service Revenue and Accounts Receivable*

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

The System provides a standard discount from gross charges for uninsured patients. Such discounts are included in the provision for contractual and other adjustments.

For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates, subject to certain discounts as determined by the System. An estimated provision for uncollectible accounts is recorded that results in net patient service revenue being reported at the net amount expected to be received. The System has determined, based on an assessment at the combined entity level, that patient service revenue is primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for uncollectible accounts related to patient revenue is recorded as a deduction from patient service revenue in the accompanying combined statements of operations.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

Patient receivables are reduced by an allowance for uncollectible accounts. The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, major payor sources and other collection indicators. Periodically throughout the year management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System.

(s) *Electronic Health Record Incentive Program*

The Centers for Medicare & Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The System utilizes a grant accounting model to recognize EHR incentive revenues. The System records EHR incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30. The System recorded EHR incentive revenues of \$4,151,000 in 2013 and \$1,884,000 in 2012, comprised of \$3,370,000 in 2013 and \$324,000 in 2012 of Medicare revenues and \$781,000 in 2013 and \$1,560,000 in 2012 of Medicaid revenues. EHR incentive revenues are included in other revenue in the accompanying combined statements of operations. EHR incentive receivables from Medicare and Medicaid, which are included in due from third-party payors, were \$872,000 at August 31, 2013 and \$1,884,000 at August 31, 2012.

(t) *Charity Care*

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

(u) *Functional Expense Classification*

All expenses in the accompanying combined statements of operations were incurred for or related to the provision of healthcare services by the System.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(v) *Income Taxes*

The System is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), whereby only unrelated income is taxable. One of the System's subsidiaries is subject to Federal and state income taxes, provision for which has been made in the accompanying combined financial statements. The amount of such provision is reported in nonoperating gains and losses in the combined statements of operations.

Deferred tax assets and liabilities, when significant, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. All such income tax accounting is immaterial to the accompanying combined financial statements as of and for the years ended August 31, 2013 and 2012.

The System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(w) *Current Economic Environment*

In light of the current sluggish recovery of the U.S. economy, System management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While the System was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of the federal healthcare reform legislation which was passed in the spring of 2010 and upheld by the Supreme Court in June 2012. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT).
- Continuing volatility in the state and federal government reimbursement programs.
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10.
- Significant potential business model changes throughout the healthcare ecosystem, including within the healthcare commercial payor industry

The business of healthcare in the current economic, legislative and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on System's financial position and operating results.

(x) Fair Value Measurements

The System applies ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes an enhanced framework for measuring fair value and expands disclosures about fair value measurements, including those required for certain investments in funds that do not have readily determinable fair values including private equity investments, hedge funds, real estate, and other funds. ASC Topic 820 permits, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value in many instances may not equal fair value that would be calculated pursuant to ASC Topic 820.

The System's valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The System determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). The new standard does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it is already required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. The provisions of the ASU are effective for periods beginning after December 15, 2011. The System adopted the provisions of this standard in fiscal 2013. Since

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

ASU 2011-04 only affects fair value measurement disclosures. adoption of ASU 2011-04 did not have an effect on the combined balance sheets or statements of operations

(y) Endowment Accounting

The System follows the provisions of ASC Topic 958, *Classification of Donor-Restricted Endowment Funds, Subject to UPMIFA* (Topic 958) Topic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA and also requires disclosures about endowment funds (both donor-restricted and board-designated)

(z) New Accounting Pronouncement

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* This ASU changed the System's presentation of provision for uncollectible accounts in the combined statements of operations from operating expenses to a deduction from net patient service revenue It also expanded disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for uncollectible accounts The System adopted the provisions of this standard on September 1, 2012, and retroactively applied the provisions to all periods presented

(2) Assets Limited as to Use

The composition of assets limited as to use follows

	<u>2013</u>	<u>2012</u>
Designated by the board for capital improvements		
Cash and cash equivalents	\$ 351,377	4,225,260
Bond mutual funds	59,639,563	63,192,854
Equity mutual funds	86,417,920	106,791,827
Equity securities	8,335,253	6,420,658
Alternative investment vehicles	58,591,526	52,833,354
Accrued interest receivable	7,526	4,050
	<u>213,343,165</u>	<u>233,468,003</u>
Held by trustee under indenture agreements		
Cash and cash equivalents	8,623,011	8,247,247
Fixed income investments, principally obligations of the U S government and its agencies	4,210,190	4,351,519
	<u>12,833,201</u>	<u>12,598,766</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Held as collateral under interest rate swap agreement		
Cash and cash equivalents	5,925,092	—
	<u>5,925,092</u>	<u>—</u>
Held by trustee for self-insurance funding		
Cash and cash equivalents	26,316	30,078
Bond mutual funds	14,626,447	14,743,379
Alternative investment vehicles	3,938,784	3,555,749
	<u>18,591,547</u>	<u>18,329,206</u>
By donors		
Cash and cash equivalents	2,353,138	1,392,541
Bond mutual funds	3,434,248	3,409,278
Equity mutual funds	5,521,913	4,814,097
Equity securities	1,434,951	1,564,312
Corporate debt securities	421,838	385,923
Fixed income investments, principally obligations of the		
U S government and its agencies	4,544,735	4,130,856
Alternative investment vehicles	661,693	597,345
Real estate	2,226,000	2,226,000
Other investments	407,345	681,479
	<u>21,005,861</u>	<u>19,201,831</u>
Total assets limited as to use	271,698,866	283,597,806
Less amounts classified as current assets	<u>749,324</u>	<u>374,663</u>
Noncurrent assets limited as to use	<u><u>\$ 270,949,542</u></u>	<u><u>283,223,143</u></u>

Alternative investment vehicles by strategy type follows

	<u>2013</u>	<u>2012</u>
Hedge funds	\$ 39,043,447	35,732,247
Private equity funds	8,269,863	6,675,944
Real estate funds	15,878,693	14,578,257
Total alternative investment vehicles	<u><u>\$ 63,192,003</u></u>	<u><u>56,986,448</u></u>

Generally alternative investment vehicles allow for early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary and usually require 30 to 90 days notice.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

Investment income is comprised of the following

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
2013			
Interest and dividend income	\$ 5,169,006	103,796	5,272,802
Realized and unrealized gains on trading securities, net	<u>15,488,005</u>	<u>657,675</u>	<u>16,145,680</u>
	<u>\$ 20,657,011</u>	<u>761,471</u>	<u>21,418,482</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
2012			
Interest and dividend income	\$ 5,264,868	21,615	5,286,483
Realized and unrealized gains on trading securities, net	<u>9,060,524</u>	<u>494,014</u>	<u>9,554,538</u>
	<u>\$ 14,325,392</u>	<u>515,629</u>	<u>14,841,021</u>

(3) Property and Equipment

A summary of property and equipment follows

	<u>2013</u>	<u>2012</u>
Land, buildings, and building improvements	\$ 413,969,440	367,260,169
Equipment	202,243,264	188,089,648
Construction in progress	<u>22,767,462</u>	<u>25,673,903</u>
	638,980,166	581,023,720
Less accumulated depreciation	<u>337,148,289</u>	<u>317,219,074</u>
	<u>\$ 301,831,877</u>	<u>263,804,646</u>

Construction in progress at August 31, 2013 principally consists of expenditures related to renovations on the main campus and Yazoo County. These projects are planned for completion at various dates, with the most significant portion anticipated to be placed in service in fiscal 2017. The estimated total remaining cost to complete these projects is approximately \$63,000,000.

On November 1, 2011, the System executed an asset purchase agreement (agreement) with Leake County, Mississippi (the County) for the purchase of the operating assets (principally real property and equipment) of Leake County Hospital and Extended Care Facility (Leake facility) for approximately \$1,200,000 million in cash and a promissory note of approximately \$1,629,000 (which is net of a \$520,000 discount). As part of the agreement, the System has agreed to build a new hospital facility in the County or

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

renovate the existing Leake facility by November 1, 2016. If substantial progress has not been made in terms of constructing a new facility or renovation of the existing facility based on a final feasibility study within five years of closing, the System will be required to make a \$500,000 payment to the County on November 1, 2016.

Depreciation expense of \$5,588,330 for fiscal 2013 and \$5,424,159 for fiscal 2012 is included in other nonoperating gains (losses) in the System's combined statements of operations.

(4) Other Assets

The composition of other assets follows:

	<u>2013</u>	<u>2012</u>
Notes receivable	\$ 2,053,484	2,027,164
Investments in equity investees	8,466,164	9,067,942
Other investees	1,360,500	1,687,672
Bond issue costs, net	1,029,275	1,012,422
Investments supporting deferred compensation agreements (note 12)	4,300,516	3,764,536
Other	2,783,130	2,336,778
	<u>\$ 19,993,069</u>	<u>19,896,514</u>

The following is an unaudited combined summary of the balance sheets of the System's equity investees:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 36,563,467	33,315,804
Property and equipment	9,849,295	7,595,373
Other assets	5,202,387	5,575,202
Current liabilities	(4,542,863)	(4,058,938)
Long-term debt	(4,400,579)	(1,429,009)
Equity	<u>\$ 42,671,707</u>	<u>40,998,432</u>

The System's equity in the combined net income of these equity investees was \$1,589,107 and \$2,409,276 for the years ended August 31, 2013 and 2012, respectively, and is included in other nonoperating gains (losses) in the combined statements of operations.

On October 1, 2009 the System executed an agreement with King's Daughters Hospital of Yazoo City (the Hospital). The major provisions of the agreement are:

- The System acquired a 51% reversionary interest in the net assets of the Hospital (approximately \$3,000,000 at October 1, 2009).

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

- The System entered into a management agreement with the Hospital in which the System provides management services for the day-to-day operations of the Hospital consistent with the directives dictated by the Hospital's board of trustees. The initial term of the management agreement is for twenty years and can be terminated by mutual agreement of the System and the Hospital's board of trustees. Management fees from the agreement were approximately \$666,000 and \$500,000 in fiscal 2013 and 2012, respectively, and are included in other operating revenue in the combined statements of operations for the years ended August 31, 2013 and 2012.
- The System has the right to appoint four of the nine trustees of the board of trustees of the Hospital. The Hospital's board of trustees will continue to exercise ultimate authority for the supervision, direction, and control over the business, policies, and assets of the Hospital.

The 51% reversionary interest in the net assets of the Hospital, which is accounted for by the equity method, is approximately \$3,488,000 and \$4,000,000 at August 31, 2013 and 2012, respectively.

On September 1, 2011, the System executed certain agreements with a physician group for the development of a joint venture, Baptist Outpatient Imaging, LLC (BOI). The System contributed certain diagnostic equipment with a book value totaling approximately \$453,000 for a 51% noncontrolling interest in BOI totaling approximately \$2,706,000. The System's net interest in BOI of approximately \$2,253,000 at inception is included in nonoperating gains (losses) in the combined statement of operations for the year ended August 31, 2012. The System's noncontrolling interest in BOI of approximately \$2,255,000 at August 31, 2013 and \$2,500,000 at August 31, 2012 is accounted for by the equity method.

Under the agreements executed as part of the BOI joint venture, the System leases employees and medical office building space and provides supplies to BOI. The cost of these agreements provided to BOI by the System totaled approximately \$1,680,000 and \$1,476,000 for the years ended August 31, 2013 and 2012, respectively. BOI provides certain diagnostic services to the System. The cost of these services provided to the System by BOI totaled approximately \$6,804,000 and \$5,935,000 for the years ended August 31, 2013 and 2012, respectively.

(5) Other Accrued Expenses

The composition of other accrued expenses follows:

	2013	2012
Routine operating accruals	\$ 5,535,484	3,865,525
Employee health costs	2,000,000	2,000,000
Estimated workers' compensation costs	1,600,000	2,000,000
Ad valorem taxes	1,446,960	1,399,320
Interest	541,331	505,616
Accrued termination costs	878,907	1,109,692
Other	4,082,228	3,965,695
	<u>\$ 16,084,910</u>	<u>14,845,848</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(6) Long-term Debt

A summary of long-term debt follows

	<u>2013</u>	<u>2012</u>
Mississippi Hospital Equipment and Facilities Authority Revenue Bonds, Series 2007A	\$ 97,105,000	101,755,000
Unamortized bond premium	2,395,907	2,736,832
	<u>99,500,907</u>	<u>104,491,832</u>
Mississippi Hospital Equipment and Facilities Authority Revenue and Refunding Bond, Series 2009	79,985,000	79,985,000
Mississippi Hospital Equipment and Facilities Authority Variable Demand Rate Revenue Bonds, Series 2006	—	14,400,000
Mississippi Business Finance Corporation Revenue Bond, Series 2012A	20,000,000	—
Mississippi Business Finance Corporation Revenue Bond, Series 2012B	14,027,990	—
Note payable to bank, at variable interest rate adjusted monthly through October 2005 and every five years thereafter (3.02% at August 31, 2013 and 2012), with monthly principal and interest payments through October 2020, secured by real estate	1,127,222	1,284,509
Note payable to bank, at variable interest rate adjusted monthly through April 2005 and every five years thereafter (4.3% at August 31, 2013 and 2012), with monthly principal and interest payments through April 2020, secured by real estate	1,092,056	1,255,864
Note payable to Leake County, net of discount of \$401,153 at August 31, 2013 and \$466,308 at August 31, 2012 and discounted to yield 4%, with semi-annual payments through December 2022	1,748,483	1,683,328
Line of credit to bank, at variable interest payable and adjusted monthly (\$4,000,000 and 2.5% at August 31, 2013 and 2012), due November 2015	3,000,000	2,490,000
Line of credit to bank, at variable interest payable and adjusted monthly (\$10,000,000 and 2.19% at August 31, 2013), due March 2014	4,793,336	—
Other	3,045,048	3,582,682
	<u>228,320,042</u>	<u>209,173,215</u>
Less current installments	12,176,941	5,279,899
	<u>\$ 216,143,101</u>	<u>203,893,316</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

In March 2007, the System issued \$200,905,000 in Mississippi Hospital Equipment and Facilities Authority (MHEFA) Series 2007A (fixed rate) and 2007B (variable rate) revenue bonds (the Series 2007 Bonds). The proceeds of the Series 2007 Bonds were used to (1) extinguish the remaining MHEFA Series 1995 and 1990B revenue bonds, (2) establish a project fund to finance the costs of various System capital projects, primarily the West Tower expansion, (3) establish various debt service and reserve funds required by the related indenture, and (4) pay certain costs of issuance.

The System synthetically converted the \$80 million (the notional amount) Series 2007B Bonds from variable rate to fixed rate obligations through an interest rate swap agreement with a financial institution counterparty. In general, this swap obligates the System to periodically pay interest on the notional amount at a fixed rate of approximately 3.58% and receive interest at 67% of LIBOR. The notional amount amortizes in the same fashion, and the swap matures at the same date, as the related Series 2007B Bonds (August 15, 2036). Under certain circumstances typical of such agreements, the swap is subject to termination prior to the scheduled termination date or the System may be required to post collateral to secure obligations that would be owed to the counterparty under such transaction if terminated, regardless of whether such transaction is actually terminated. The System has complied with these provisions as required. The System does not offset the fair value of the swap and the fair value of the collateral posted. The System has posted collateral of approximately \$5,925,000 at August 31, 2013 and does not anticipate nonperformance by its the counterparty. In such case, either the System or the counterparty may owe a termination payment to each other depending on the prevailing market conditions at any such early termination date.

The fair value of the swap of approximately \$14,372,000 and \$24,616,000 at August 31, 2013 and 2012, respectively, is included in other noncurrent liabilities in the accompanying combined balance sheets. The net interest settlement under the swap, which is recognized as interest expense in the combined statements of operations, for the years ended August 31, 2013 and 2012 totaled approximately \$2,763,000 and \$2,730,000, respectively.

The Obligated Group (as defined) guarantees payment of all Series 2007 Bonds to MHEFA in the form of a Master Note Agreement, which terms require the System's payment of principal and interest on the Series 2007 Bonds as issued. As security for the obligation of the Obligated Group under the Master Note, the Obligated Group has granted a security interest in its gross revenue (as defined) and agreed to certain financial and other covenants typical of such agreements. Additionally, the Series 2007 Bonds are covered under the terms of a municipal bond insurance policy, which under certain conditions also covers to an extent the potential swap termination payments discussed above.

The Series 2007A Bonds pay a fixed rate of interest of 5% through final maturity.

Under the terms of the Master Trust indenture, the System is required to maintain certain deposits with a trustee. Such deposits are included in assets limited as to use.

During fiscal 2008 the System experienced so-called "failed auctions" in remarketing the Series 2007B Bonds. After a review of current market conditions with its financial advisors, the System concluded that a refinancing of the Series 2007B Bonds was the most prudent course of action. Therefore, in April 2008 the

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

System consummated a transaction with a bank, whereby an \$80,000,000 line of credit was made available for the extinguishment of the Series 2007B Bonds

During fiscal 2009 the System issued \$80,000,000 MHEFA Series 2009 variable rate revenue and refunding bond to payoff the line of credit executed in fiscal 2008 described above. The Series 2009 bond bears interest at a variable rate based on 67% of LIBOR plus a spread as defined in the loan agreement. Interest (1.8% at August 31, 2013 and 2.8% at August 31, 2012) is payable monthly and the principal balance is due May 19, 2016. During fiscal 2012 \$15,000 was paid on the Series 2009 bond obligation. The loan agreement contains certain financial and other covenants typical of such agreements.

In May 2006, the System was approved by the State of Mississippi to obtain special tax exempt financing totaling \$17,000,000 related to a medical office building located in Madison County. The special funding (GOZone) was made available through the Federal government in response to Hurricane Katrina. A supporting letter of credit was obtained from a commercial bank at an annual fee of 25 basis points of the outstanding amount.

On September 24, 2009, the System redeemed and paid \$2,600,000 of the Series 2006 bonds (GOZone financing) described above. On October 29, 2009, the System converted the remaining GOZone financing of \$14,400,000 from a variable instrument backed by a letter of credit from a commercial bank to a variable debt instrument held by the commercial bank. The interest on the remaining debt instrument was at a variable rate 2.83% at August 31, 2012. On December 1, 2012, the Series 2006 variable rate debt investment was refunded with the Series 2012B fixed rate revenue bond through the Mississippi Business Finance Corporation. Monthly principal and interest at 2.02% is paid monthly through May 2031.

On September 10, 2012, the System executed a 3% fixed rate Series 2012A revenue bond for \$20,000,000 through the Mississippi Business Finance Corporation. The proceeds of the bond were used to finance the construction of a parking garage, skywalk and other related construction on the System's main campus. Interest on the bond is payable monthly with scheduled principal payments due each March and September with a final balloon payment of approximately \$12,480,000 in August 2022.

The System also has two unsecured lines of credit (\$500,000 and \$100,000) with a bank that expire in March 2014 and July 2014, respectively. There are no outstanding balances on these lines of credit at August 31, 2013 or 2012.

Scheduled future maturities of long-term debt (excluding bond premium and note discount) follow:

Year ending August 31	
2014	\$ 12,176,941
2015	10,042,862
2016	87,318,934
2017	7,924,526
2018	8,240,165
Thereafter	100,621,860
	<u>\$ 226,325,288</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

The System paid interest of approximately \$10,635,000 in 2013 and \$10,431,000 in 2012

(7) Other Noncurrent Liabilities

The composition of other noncurrent liabilities follows

	2013	2012
Interest rate swap	\$ 14,371,664	24,615,606
Asset retirement obligations	1,201,384	1,143,875
Liabilities under deferred compensation agreements	4,300,516	3,764,536
	<u>\$ 19,873,564</u>	<u>29,524,017</u>

(8) Asset Retirement Obligations

The following table presents the activity for both the asset retirement obligations (which are included in other noncurrent liabilities in the accompanying combined balance sheets) and the related additional cost basis included in property and equipment for the years ended August 31, 2013 and 2012

	2013	2012
Balance at the beginning of the year	\$ 1,143,875	1,251,234
Accretion	57,509	54,771
Retirements	—	(162,130)
Balance at the end of the year	<u>\$ 1,201,384</u>	<u>1,143,875</u>

	2013	2012
Additional cost basis	\$ 373,043	373,043
Accumulated depreciation	(271,553)	(263,044)
	<u>\$ 101,490</u>	<u>109,999</u>

(9) Net Patient Service Revenue and Accounts Receivable

The System has agreements with governmental and other third-party payors that provide for reimbursement to the System at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the System's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based upon cost reimbursement or other

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

retroactive-determination methodologies. Payments for cost reimbursable items are made at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. The System's cost reports have been audited and settled for all fiscal years through 2011.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Mississippi.

Effective April 2001, the State of Mississippi implemented the Medicare Upper Payment Limit (UPL) program for providers participating in the state Medicaid program. The System's net benefit from the UPL program in fiscal 2013 and 2012 was approximately \$6,564,000 and \$10,725,000, respectively. The gross amounts from the program for fiscal 2013 and 2012 of \$18,584,000 and \$21,454,000, respectively, are recognized as a reduction in related contractual adjustments in the combined statements of operations. The associated fundings to the program for fiscal 2013 and 2012 of \$12,020,000 and \$10,729,000, respectively, are recognized as fees expense in the combined statements of operations.

There can be no assurance that the System will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Blue Cross – All acute care services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates.

The System has also entered into other reimbursement arrangements providing for payment methodologies which include prospectively determined rates per discharge, per diem amounts, and discounts from established charges.

For patient accounts receivables associated with self pay or uninsured patients, including patients with deductibles and copayment balances for third party coverage, the System records an estimated allowance for uncollectible accounts. The allowance for uncollectible accounts increased during 2013 from \$21,211,000 at August 31, 2012 to \$31,194,000 at August 31, 2013. The increase from year to year is principally caused by the increase of self pay balances in the System's overall accounts receivable portfolio from 2012 which is caused by a number of factors, including but not limited to increased unemployment in the System's service area, loss of or modification of employer-sponsored insurance plans, rising patient responsibility balances and timing of write offs from year to year. The System's allowance for uncollectible accounts as a percentage of associated accounts receivable decreased from 78% at August 31, 2012 to 76% at August 31, 2013.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

A summary of amounts comprising net patient service revenue follows

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$ 1,359,675,993	1,213,319,087
Less provisions for contractual and other adjustments	<u>940,449,709</u>	<u>790,233,874</u>
Net patient service revenue	<u>\$ 419,226,284</u>	<u>423,085,213</u>

The composition of net patient service revenue before the provision for uncollectible accounts by major payor source follows

	<u>2013</u>	<u>Percentage</u>	<u>2012</u>	<u>Percentage</u>
Medicare	\$ 172,802,795	41%	\$ 167,126,423	39%
Medicaid	27,334,872	7	43,649,000	10
Blue Cross	97,011,236	23	92,177,485	22
Other third-party payors	107,998,231	26	108,540,768	26
Self-pay	<u>14,079,150</u>	<u>3</u>	<u>11,591,537</u>	<u>3</u>
	<u>\$ 419,226,284</u>	<u>100%</u>	<u>\$ 423,085,213</u>	<u>100%</u>

Changes in estimates related to prior cost reporting periods resulted in a decrease of approximately \$4,165,000 in net patient service revenue for the year ended August 31, 2013 and an increase of approximately \$1,330,000 in net patient service revenue for the year ended August 31, 2012

Included in provisions for contractual and other adjustments are amounts related to beneficiaries of public programs, principally Medicare, Medicaid, and Champus, of approximately \$643,000,000 and \$538,000,000 for the years ended August 31, 2013 and 2012, respectively

In the spring of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law by President Obama. The impact of the Health Care Acts is complicated and difficult to predict, but the System anticipates its reimbursement in the future will be affected by major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative delivery models. Many healthcare reform variables remain unknown and are, among other things, dependent on implementation by federal and state governments and reactions by providers, payors, employers, and individuals. The System continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are encouraged and/or required by the Health Care Acts.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(10) Community Benefit Measurements

The following outlines certain financial measurements of the System's service commitment to the broader community

	<u>2013</u>	<u>2012</u>
Benefits to the underserved (as measured by established charges)		
Traditional charity care charges foregone	\$ 24,381,000	23,821,000
Discounts provided to uninsured patients	28,020,000	18,183,000
Amounts due from patients, ultimately determined to be uncollectible	<u>20,985,000</u>	<u>21,935,000</u>
	<u>73,386,000</u>	<u>63,939,000</u>
Benefits for the broader community (as measured by recorded System costs and other records)		
Teleservices	483,000	482,000
Education and research	128,000	161,000
Charitable donations	632,000	731,000
Volunteer hours	74,000	131,000
Pastoral care	<u>357,000</u>	<u>351,000</u>
	<u>1,674,000</u>	<u>1,856,000</u>
	<u>\$ 75,060,000</u>	<u>65,795,000</u>

The amounts presented above relate only to certain measurable benefits that the System provides to its service area. This presentation is not intended to measure all such community benefits, many of which are intangible in nature or otherwise not quantifiable.

The cost of charity care provided in fiscal 2013 and 2012 approximated \$6,974,000 and \$6,857,000 respectively. The System estimated these costs by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients.

(11) Leases

Rental expense, including short-term rentals, was approximately \$6,455,000 and \$7,610,000 in fiscal 2013 and 2012, respectively.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

The following is a schedule by year of future minimum lease payments due under noncancelable operating leases that have initial or remaining lease terms in excess of one year

Year ending August 31	
2014	\$ 3,784,618
2015	3,476,352
2016	2,537,345
2017	1,703,573
2018	1,155,529
Thereafter	10,262,235
	<u>\$ 22,919,652</u>

(12) Employee Benefit Plans

The System sponsors a contributory retirement income plan providing regular full-time employees retirement benefits normally commencing at age 65. Effective January 1, 2012, the plan provides 2% of each participant's base salary plus 50% up to the next 4% an employee contributes and the gradual vesting period was decreased from seven years to three years. Prior to January 1, 2012, the plan provided 2% of each participating employee's base salary. Expense related to this plan for the years ended August 31, 2013 and 2012 totaled approximately \$3,320,000 and \$2,439,000, respectively.

The System is self-insured with regard to group hospitalization, workers compensation and unemployment compensation claims.

The System maintains an employee performance bonus for managers and employees. The employee performance bonus is based on the achievement of excelling in job-related competencies and active participation in the core strategic objectives. The System maintains a director performance bonus that is based on the achievement of defined strategic, financial, and operational goals. There were no provisions for the year ended August 31, 2013 for the employee performance bonus and for the director performance bonus. The provisions for year ended August 31, 2012 were \$900,000 for the employee performance bonus and \$340,000 for the director performance bonus. These provisions are included in salaries, wages, and fees in the accompanying combined statements of operations.

The System also maintains a benefit plan to provide supplemental retirement benefits for certain key employees.

The System and certain employees have entered into a deferred compensation agreement whereby employees may defer all or a portion of their compensation. The System, directed by the employee, invests the deferred compensation amounts in various types of investments. These investments are reported at fair value in the accompanying combined balance sheets. Also, the System may make discretionary contributions to the accounts under the plan described in the preceding paragraph. The System expensed approximately \$480,000 and \$380,000 for the years ended August 31, 2013 and 2012, respectively, which is included in employee benefits expense in the accompanying combined statements of operations. Investments of deferred compensation amounts are included in other assets and the related liability is included in other noncurrent liabilities in the accompanying combined balance sheets.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(13) Business and Credit Concentrations

The System grants credit without collateral to its patients, most of whom are local residents. The System generally does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, preferred provider arrangements, and commercial insurance policies). The mix of receivables from patients and third-party payors follows:

	<u>2013</u>	<u>2012</u>
Medicare	29%	36%
Patients	30	26
Other third-party payors	22	26
Blue Cross	13	8
Medicaid	6	4
	<u>100%</u>	<u>100%</u>

(14) Liability Coverages

The System is self-insured with respect to professional liability risks in underlying \$1 million/\$6 million (effective October 1, 2002), \$2 million/\$8 million (effective April 1, 2003), \$2 million/\$12 million (effective October 1, 2003), \$4 million/\$16 million (effective October 1, 2005), \$4 million/\$10 million (effective October 1, 2008) and \$5 million/\$12 million (effective October 1, 2011) layers of coverage. The System is also self-insured for general liability risks in underlying \$1 million/\$6 million (effective October 1, 2002), \$3 million/\$12 million (effective October 1, 2003), \$4 million/\$16 million (effective October 1, 2005), \$4 million/\$10 million (effective October 1, 2008), \$5 million/\$12 million (effective October 1, 2011) and \$5 million/\$8 million (effective October 1, 2013) layers of coverage. Claims reported but not settled prior to November 1, 2002 are generally covered under the terms of certain prior claims-made policies.

The System also maintains substantial liability coverages in excess of self-insurance limits under the terms of certain claims-made insurance policies, which currently expire in October 2014. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. In any event, management anticipates that the claims-made policies in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

Incurred losses identified through the System's incident reporting system and incurred but unreported losses are accrued based on estimates that incorporate the System's current inventory of reported claims and historical experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors and other advice from consulting actuaries. The System has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts recommended by consulting actuaries.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(15) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes

	<u>2013</u>	<u>2012</u>
Davenport-Spiva Charitable Educational Trust	\$ 4,486,478	4,133,520
Patient programs	4,006,184	3,456,389
Cancer services	1,691,944	1,590,076
Cancer center	433,138	433,138
Women's services	898,401	844,398
Health education	1,252,499	691,834
Heart services	590,827	509,647
Purchase of property and equipment	1,879,384	1,859,273
Other	830,535	749,428
	<u>\$ 16,069,390</u>	<u>14,267,703</u>

Permanently restricted net assets are to be held in perpetuity, the income from which is expendable to provide healthcare services to indigent and cancer patients, to purchase property and equipment, and to fund training, research and chaplaincy support

The System has historically and to-date received a limited amount of donor-restricted endowment funds, and does not maintain any Board-designated endowments. The System's Board requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In all material respects, income from the System's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is therefore accounted for within temporarily restricted net assets until expended in accordance with the donor's wishes. The System oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

(16) Fair Values of Financial Instruments

The following summarizes the System's fair values of financial instruments in the fair value hierarchy at August 31, 2013 and 2012

(a) Assets Limited as to Use

When available, the System generally uses quoted market prices to determine fair value, and classifies such items as Level 1. The System's Level 2 securities are bonds whose fair values are determined by independent vendors, or nontraded funds whose underlying securities would otherwise be considered Level 1. The vendors compile prices from various sources and may apply matrix pricing for similar bonds on loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

The System's Level 3 securities are comprised of alternative investments and bonds that have less liquidity, a stale quoted price, or varying prices from independent sources. The Level 3 bonds are priced using cash flow models, remittance data, and the investment manager's best estimate based on the likelihood of any cash flows. The System's Level 3 alternative investments' prices are obtained from the fund manager. For the System's fund of funds, the manager receives account statements directly from independent administrators or the underlying hedge funds managers, who are responsible for the pricing of these funds. Before reliance on these valuations, the managers evaluate the investee fund's fair value estimation processes and control environment, the investee fund's policies and procedures for estimating fair value of underlying investments, the investee fund's use of independent third party valuation experts, the portion of the underlying securities traded on active markets, and the professional reputation and standing of the investee fund's auditor.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

The fair value hierarchy of assets limited as to use at August 31, 2013 and 2012 follows

		2013			
		Level 1	Level 2	Level 3	Total
Designated by board for capital improvements					
Cash and cash equivalents	\$	351,377	—	—	351,377
Bond mutual funds		59,639,563	—	—	59,639,563
Equity mutual funds		86,417,920	—	—	86,417,920
Equity securities					
Consumer goods		1,410,543	—	—	1,410,543
Financial services		2,313,529	—	—	2,313,529
Healthcare		559,253	—	—	559,253
Services		1,690,768	—	—	1,690,768
Technology		1,387,548	—	—	1,387,548
Materials		871,390	—	—	871,390
Other		102,222	—	—	102,222
Alternative investment vehicles		670,178	23,113,510	34,807,838	58,591,526
Accrued interest receivable		7,526	—	—	7,526
		155,421,817	23,113,510	34,807,838	213,343,165
Held by trustee under indenture agreements					
Cash and cash equivalents		8,623,011	—	—	8,623,011
Fixed income investments, principally obligations of the U S government its agencies		—	4,210,190	—	4,210,190
		8,623,011	4,210,190	—	12,833,201
Held as collateral under interest rate swap agreement					
Cash and cash equivalents		5,925,092	—	—	5,925,092
		5,925,092	—	—	5,925,092

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

	2013			
	Level 1	Level 2	Level 3	Total
Held by trustee for self-insurance funding				
Cash and cash equivalents	26,316	—	—	26,316
Bond mutual funds	14,626,447	—	—	14,626,447
Alternative investment vehicles	—	2,199,417	1,739,367	3,938,784
	<u>14,652,763</u>	<u>2,199,417</u>	<u>1,739,367</u>	<u>18,591,547</u>
By donors				
Cash and cash equivalents	2,353,138	—	—	2,353,138
Bond mutual funds	3,434,248	—	—	3,434,248
Equity mutual funds	5,521,913	—	—	5,521,913
Equity securities				
Consumer goods	163,263	—	—	163,263
Financial services	231,263	—	—	231,263
Healthcare	207,569	—	—	207,569
Industrial goods	75,542	—	—	75,542
Services	148,354	—	—	148,354
Technology	278,593	—	—	278,593
Materials	241,795	—	—	241,795
Utilities	56,628	—	—	56,628
Other	31,944	—	—	31,944
Corporate debt securities				
Consumer goods	—	47,665	—	47,665
Financial services	—	152,879	—	152,879
Healthcare	—	8,075	—	8,075
Industrial goods	—	22,826	—	22,826
Services	—	56,500	—	56,500
Technology	—	87,024	—	87,024
Materials	—	46,869	—	46,869
Fixed income investments, principally obligations of the U S government and its agencies	—	4,544,735	—	4,544,735
Alternative investment vehicles	—	369,490	292,203	661,693
Real estate	—	—	2,226,000	2,226,000
Other investments	<u>407,345</u>	<u>—</u>	<u>—</u>	<u>407,345</u>
	<u>13,151,595</u>	<u>5,336,063</u>	<u>2,518,203</u>	<u>21,005,861</u>
Total	<u>\$ 197,774,278</u>	<u>34,859,180</u>	<u>39,065,408</u>	<u>271,698,866</u>

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

		2012			
		Level 1	Level 2	Level 3	Total
Designated by board for capital improvements					
Cash and cash equivalents	\$	4,225,260	—	—	4,225,260
Bond mutual funds		63,192,854	—	—	63,192,854
Equity mutual funds		106,791,827	—	—	106,791,827
Equity securities					
Consumer goods		1,090,854	—	—	1,090,854
Financial services		1,735,446	—	—	1,735,446
Healthcare		398,585	—	—	398,585
Services		1,222,793	—	—	1,222,793
Technology		1,008,520	—	—	1,008,520
Materials		825,560	—	—	825,560
Other		138,900	—	—	138,900
Alternative investment vehicles		1,475,321	23,826,128	27,531,905	52,833,354
Accrued interest receivable		4,050	—	—	4,050
		182,109,970	23,826,128	27,531,905	233,468,003
Held by trustee under indenture agreements					
Cash and cash equivalents		8,247,247	—	—	8,247,247
Fixed income investments, principally obligations of the U S government its agencies		—	4,351,519	—	4,351,519
		8,247,247	4,351,519	—	12,598,766

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

	2012			
	Level 1	Level 2	Level 3	Total
Held by trustee for self-insurance funding				
Cash and cash equivalents	30,078	—	—	30,078
Bond mutual funds	14,743,379	—	—	14,743,379
Alternative investment vehicles	—	2,780,951	774,798	3,555,749
	<u>14,773,457</u>	<u>2,780,951</u>	<u>774,798</u>	<u>18,329,206</u>
By donors				
Cash and cash equivalents	1,392,541	—	—	1,392,541
Bond mutual funds	3,409,278	—	—	3,409,278
Equity mutual funds	4,814,097	—	—	4,814,097
Equity securities				
Consumer goods	170,141	—	—	170,141
Financial services	236,881	—	—	236,881
Healthcare	206,068	—	—	206,068
Industrial goods	74,415	—	—	74,415
Services	274,724	—	—	274,724
Technology	339,005	—	—	339,005
Materials	172,969	—	—	172,969
Utilities	22,429	—	—	22,429
Other	67,680	—	—	67,680
Corporate debt securities				
Oil and gas	—	33,581	—	33,581
Consumer goods	—	33,966	—	33,966
Financial services	—	143,852	—	143,852
Healthcare	—	8,317	—	8,317
Industrial goods	—	16,997	—	16,997
Services	—	50,485	—	50,485
Technology	—	90,567	—	90,567
Materials	—	41,739	—	41,739

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

	2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income investments, principally obligations of the U S government and its agencies	—	4,130,856	—	4,130,856
Alternative investment vehicles	—	467,184	130,161	597,345
Real estate	—	—	2,226,000	2,226,000
Other investments	681,479	—	—	681,479
	<u>11,861,707</u>	<u>4,983,963</u>	<u>2,356,161</u>	<u>19,201,831</u>
Total	<u><u>\$ 216,992,381</u></u>	<u><u>35,942,561</u></u>	<u><u>30,662,864</u></u>	<u><u>283,597,806</u></u>

The rollforward of Level 3 investments follows

	<u>2013</u>	<u>2012</u>
Beginning of year	\$ 30,662,864	30,690,586
Net unrealized gains (losses), net	6,143,222	(106,660)
Purchases and additions	3,685,280	1,536,800
Withdrawals	(3,764,718)	(1,163,131)
Net income (loss)	523,034	(220,620)
Realized gains (losses)	1,815,726	(74,111)
End of year	<u><u>\$ 39,065,408</u></u>	<u><u>30,662,864</u></u>

There were no significant transfers into or out of Level 1, Level 2 and Level 3 investments during fiscal 2013 and 2012

(b) Other Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments (as defined in the accounting literature) reported in the accompanying combined balance sheets (except long-term debt, asset retirement obligations, and interest rate swap) approximate their estimated fair values, in all material respects, at August 31, 2013 and 2012. Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- (1) Long-term debt The fair value of long-term debt instruments has been estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. No adjustment for fair value measurements is reflected or required in the accompanying combined balance sheets.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

- (2) Asset retirement obligations The System's asset retirement obligations relate to its legal obligation over the removal of asbestos when the System renovates or retires the impacted properties. The System employed an independent third-party to develop the initial fair value of the obligations, which include the total estimated removal costs, discounted using an expected inflation rate, estimated discount rate, and expected years until renovation for each respective building. Expenditures for properties sold or renovated which have resulted in the removal of asbestos have been charged to the related obligation. Further, there have been no additional property purchases that would require an additional obligation for asbestos removal. The only change in the estimated fair value of the obligation is the accretion to present value each period.
- (3) Interest rate swap The interest rate swap that has been entered into by the System is executed over the counter and is valued using the net present value of the cash flow streams as no quoted market prices exist for such instruments. The System also employs an independent third party to perform a mark-to-market valuation assessment on the swap to assess the reasonableness of the valuations otherwise received by the System.

The fair value hierarchy of other financial instruments at August 31, 2013 and 2012 follows

		2013		
		Level 1	Level 2	Total
Recurring				
Interest rate swap	\$	—	14,371,664	14,371,664
Nonrecurring				
Asset retirement obligations		—	1,201,384	1,201,384
Disclosure				
Long-term debt		—	227,580,394	227,580,394
	\$	—	243,153,442	243,153,442
		2012		
		Level 1	Level 2	Total
Recurring				
Interest rate swap	\$	—	24,615,606	24,615,606
Nonrecurring				
Asset retirement obligations		—	1,143,875	1,143,875
Disclosure				
Long-term debt		—	212,157,764	212,157,764
	\$	—	237,917,245	237,917,245

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

August 31, 2013 and 2012

(17) Subsequent Events

On November 1, 2013, the System entered into a transaction with a bank and certain lenders to obtain financing through the New Markets Tax Credit (NMTC) program sponsored by the Department of Treasury. The NMTC program permits certain taxpayers to receive a credit against federal income taxes for making qualified equity investments in community development entities. Total financing provided to the System as a part of the transaction totals approximately \$25,400,000, which includes a senior loan of approximately \$17,200,000 with a seven year term and a junior loan of approximately \$8,200,000. The financing will be used by the System for the development and construction of the new replacement hospital facility in Carthage, Mississippi.

The System has evaluated subsequent events from the balance sheet date through November 8, 2013, the date the financial statements were issued, and determined there are no additional subsequent events to be recognized in the combined financial statements and related notes.

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC
AND SUBSIDIARIES**

Combining Schedule – Balance Sheet Information

August 31, 2013

	Mississippi Baptist Health Systems, Inc	Mississippi Baptist Medical Center, Inc	Mississippi Hospital for Restorative Care, Inc	Baptist Medical Center - Leake, Inc	Mississippi Baptist Medical Enterprises, Inc and subsidiaries	Medical Foundation of Central Mississippi, Inc	Eliminations	Combined
Current assets								
Cash and cash equivalents	\$ 1,135.873	—	—	23.480	949.070	816.293	—	2,924.716
Assets limited as to use – required for current liabilities	749.324	—	—	—	—	—	—	749.324
Patient accounts receivable, less allowance for uncollectible accounts	—	49,906.363	2,078.952	1,720.691	—	2,442.225	—	56,148.231
Due from third-party payors	—	797.000	—	201.000	—	75.000	—	1,073.000
Other receivables	1,642.080	1,425.423	—	35	1,005.318	—	—	4,072.856
Inventories	—	6,661.191	—	144.576	—	—	—	6,805.767
Prepaid expenses	4,454.095	1,334.618	—	60.456	77.882	468.740	—	6,395.791
Total current assets	7,981.372	60,124.595	2,078.952	2,150.238	2,032.270	3,802.258	—	78,169.685
Assets limited as to use	270.256.455	—	—	—	693.087	—	—	270,949.542
Property and equipment, net	291,563.013	2,357.471	—	3,724.033	4,187.360	—	—	301,831.877
Other assets	67,567.002	6,156.630	—	—	812.115	—	(54,542.678)	19,993.069
Total assets	\$ 637,367.842	68,638.696	2,078.952	5,874.271	7,724.832	3,802.258	(54,542.678)	670,944.173
Current liabilities								
Current installments of long-term debt	\$ 11,414.350	—	—	—	762.591	—	—	12,176.941
Accounts payable	13,158.841	1,196.306	—	1,141.940	902.427	—	—	16,399.514
Accrued payroll costs and withholdings	2,520.589	10,107.443	269.282	324.070	531.763	1,801.504	—	15,554.651
Due to third-party payors	—	5,564.000	406.000	—	—	—	—	5,970.000
Other accrued expenses	12,602.319	2,822.114	—	1,309.194	1,274.295	259.514	(2,182.526)	16,084.910
Total current liabilities	39,696.099	19,689.863	675.282	2,775.204	3,471.076	2,061.018	(2,182.526)	66,186.016
Long-term debt, excluding current installments	209,112.161	1,748.483	—	3,000.000	2,282.457	—	—	216,143.101
Estimated professional and general liability costs	9,000.000	—	—	—	—	—	—	9,000.000
Other noncurrent liabilities	19,818.090	—	—	—	55.474	—	—	19,873.564
Total liabilities	277,626.350	21,438.346	675.282	5,775.204	5,809.007	2,061.018	(2,182.526)	311,202.681
Net assets								
Unrestricted	341,335.833	47,200.350	1,403.670	99.067	1,915.825	1,741.240	(52,360.152)	341,335.833
Temporarily restricted	16,069.390	—	—	—	—	—	—	16,069.390
Permanently restricted	2,336.269	—	—	—	—	—	—	2,336.269
Total net assets	359,741.492	47,200.350	1,403.670	99.067	1,915.825	1,741.240	(52,360.152)	359,741.492
Total liabilities and net assets	\$ 637,367.842	68,638.696	2,078.952	5,874.271	7,724.832	3,802.258	(54,542.678)	670,944.173

See accompanying independent auditors' report

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC
AND SUBSIDIARIES**

Combining Schedule – Statement of Operations Information

Year ended August 31, 2013

	Mississippi Baptist Health Systems, Inc	Mississippi Baptist Medical Center, Inc	Mississippi Hospital for Restorative Care, Inc	Baptist Medical Center - Leake, Inc	Mississippi Baptist Medical Enterprises, Inc and subsidiaries	Medical Foundation of Central Mississippi, Inc	Eliminations	Combined
Unrestricted revenues and other support								
Net patient service revenue	\$ —	366,926,631	9,328,464	16,287,725	—	26,683,464	—	419,226,284
Provision for uncollectible accounts	—	(17,654,023)	60	(1,820,126)	—	(1,510,909)	—	(20,984,998)
Net patient service revenue less provision for uncollectible accounts	—	349,272,608	9,328,524	14,467,599	—	25,172,555	—	398,241,286
Other revenue	21,904,751	11,513,548	239,609	486,847	10,132,791	459,024	(26,200,604)	18,535,966
Net assets released from restrictions used for operations	649,493	—	—	—	—	—	—	649,493
Total unrestricted revenues and other support	22,554,244	360,786,156	9,568,133	14,954,446	10,132,791	25,631,579	(26,200,604)	417,426,745
Expenses								
Salaries, wages, and fees	22,830,328	162,808,752	4,518,462	10,680,596	5,256,832	32,041,279	(4,321,744)	233,814,505
Employee benefits	4,338,439	23,247,658	657,206	1,073,340	729,253	3,158,966	—	33,204,862
Supplies and other	27,119,734	99,477,627	1,944,585	2,884,542	3,674,382	5,335,879	(1,743,311)	138,693,438
Interest	8,857,055	65,155	—	72,670	210,982	—	(38,400)	9,167,462
Depreciation and amortization	24,333,321	19,853,807	178,442	259,553	332,457	408,015	(20,135,548)	25,230,047
Intercompany allocations	(58,464,000)	54,643,943	3,820,057	—	—	—	—	—
Total expenses	29,014,877	360,096,942	11,118,752	14,970,701	10,203,906	40,944,139	(26,239,003)	440,110,314
Income (loss) from operations	(6,460,633)	689,214	(1,550,619)	(16,255)	(71,115)	(15,312,560)	38,399	(22,683,569)
Nonoperating gains (losses)								
Investment income, net	20,693,939	—	—	1,472	—	—	(38,400)	20,657,011
Change in fair value of interest rate swap	10,243,942	—	—	—	—	—	—	10,243,942
Equity in net income of equity investees	775,338	418,478	—	—	395,291	—	—	1,589,107
Other, net	(17,283,389)	508,000	—	—	(44,000)	—	14,982,095	(1,837,294)
Total nonoperating gains, net	14,429,830	926,478	—	1,472	351,291	—	14,943,695	30,652,766
Revenues, gains, and other support in excess of (less than) expenses and losses	7,969,197	1,615,692	(1,550,619)	(14,783)	280,176	(15,312,560)	14,982,094	7,969,197
Net assets released from restrictions and used for purchase of property and equipment	18,405	—	—	—	—	—	—	18,405
Increase (decrease) in unrestricted net assets	\$ 7,987,602	1,615,692	(1,550,619)	(14,783)	280,176	(15,312,560)	14,982,094	7,987,602

See accompanying independent auditors' report