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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)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2012

Open to Public Inspection

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
Hillcrest Baptist Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
100 Hillcrest Medical Blvd

City or town, state or country, and ZIP + 4
Waco, TX 76712

D Employer identification number
74-1161944

E Telephone number
(254) 215-9256

G Gross receipts $ 208,892,343

F Name and address of principal officer
Glenn Robinson
100 Hillcrest Medical Blvd
Waco,TX 76712

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 hillcrest net

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1916

M State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
See Schedule O Acute care hospital providing the highest quality healthcare in a compassiate and Christian environment, enhanced by medical education and research to Central Texas residents throughout a 29,000-square mile service area

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	2,285
6	Total number of volunteers (estimate if necessary)	**6**	175
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,940,849	1,806,622
9	Program service revenue (Part VIII, line 2g)	219,837,150	200,664,491
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,758,289	2,726,084
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,285,190	2,726,352
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	227,821,478	207,923,549
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	5,101,513	7,487,145
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)	87,165,846	92,318,931
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)	124,895,208	92,589,646
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	217,162,567	192,395,722
19	Revenue less expenses Subtract line 18 from line 12	10,658,911	15,527,827

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	270,710,677	226,451,785
21	Total liabilities (Part X, line 26)	215,066,562	223,841,547
22	Net assets or fund balances Subtract line 21 from line 20	55,644,115	2,610,238

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

****** | 2014-01-13
Signature of officer | Date

Richard Perkins Chief Financial Officer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To personally provide the highest quality healthcare in a compassionate and Christian environment, enhanced by medical education and research

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 $ 181,448,184 including grants of $ 7,487,145) (Revenue $ 198,391,490)

See Schedule OScott & White provides personalized, comprehensive, high quality health care services enhanced by medical education and research through 13 acute care hospital facilities, one additional announced facility, a 215,000+ member regional health plan serving residents in a 29,000-square mile service area, and one of the nation's largest multi-specialty group practices with more than 140 clinics at over 70 clinic locations providing care in 46 medical specialties Scott & White Healthcare ("SWHC")(EIN 26-4532547) is parent corporation of the Scott & White Healthcare System (the "System") The Scott & White Healthcare Foundation ("SWF")(EIN 27-3513154), a subsidiary of SWHC, raises funds for the priority programs and services of the entire Scott & White System The Scott & White Healthcare System had more than 14,000 employees, including over 1,200 physicians and scientists and 300+ advanced practice professionals during the fiscal year ending August 31, 2013, and served over 537,000 patients accounting for 2 5 million patient visits Scott & White Memorial Hospital ("SWMH"), located in Temple, Texas, is the flagship hospital of the Scott & White Healthcare System and is the only Level I Trauma Center between Dallas and Austin, Texas The McLane Children's Hospital Scott & White is the only stand-alone children's hospital between Dallas and Austin, Texas Hillcrest Baptist Medical Center is a 263 bed acute care hospital The Hospital had 12,998 admissions, 61,413 patient days, 2,670 newborn deliveries and 8,712 surgeries for the year ended August 31, 2013 The Hospital is a major level II trauma center, with a level III neonatal intensive care unit and the most sophisticated CT diagnostic technology available Hillcrest Baptist Medical Center reported community benefits (as reported to the Texas Department of State Health Services and in accordance with the State of Texas Statutory methodology) of $45,990,633 All hospitals in the Scott & White Healthcare System reported combined community benefits under this same methodology of $223,575,612

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

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

(Code) (Expenses $ including grants of $) (Revenue $ 2,273,301)

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $ 2,273,301)

4e **Total program service expenses** ▶ 181,448,184

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**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? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	**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? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**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? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	210		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	2,285		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a** 12		
	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			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 6		
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	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

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 ▶Richard Perkins 3000 Herring St Waco, TX (254) 202-9416

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) Terry Maness Director, Chairman	1 00	X		X				0	0	0
(2) Billy H Davis Jr Director, Vice-Chairman	1 00	X		X				0	0	0
(3) David G Hoffman MD Director	1 00	X						0	0	0
(4) Lyndon L Olson Jr Director	1 00	X						0	0	0
(5) G Michael Reitmeier Director	1 00	X						0	0	0
(6) J Mark Rister MD Director	1 00	X						0	0	0
(7) Carey Hobbs Director, Treasurer	1 00	X		X				0	0	0
(8) John Speckmiear MD Director	1 00 40 00	X						0	317,908	55,704
(9) Glenn A Robinson Director, Chief Executive Officer	40 00	X		X				0	607,573	24,014
(10) Michael D Reis MD Director, Secretary	1 00 40 00	X		X				0	499,300	51,409
(11) Patricia M Currie Director,System Chief Operating Officer	1 00 40 00	X						0	735,763	53,682
(12) Glen R Couchman MD Director, System Chief Medical Officer	1 00 40 00	X						0	741,071	53,113
(13) Richard W Perkins Chief Financial Officer	40 00			X				0	302,510	53,117
(14) James Morrison MD Chief Medical Officer	40 00				X			0	414,629	50,938
(15) Marcy R Weber Chief Nursing Officer	40 00				X			181,814	0	25,213
(16) David Blackwell Chief Human Resource Officer	40 00				X			0	175,720	39,829
(17) Brad D Crye Senior Vice-President Operations	40 00				X			0	196,401	45,737

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) Dick L Dixon System Chief Financial Officer	1 00 40 00				X			0	641,174	52,540
(19) Cynthia Dunlap System Chief Nursing Executive	1 00 40 00				X			0	308,906	45,842
(20) Robert W Pryor MD System Chief Executive Officer	1 00 40 00				X			0	1,202,973	52,070
(21) Matthew L Chambers System Chief Information Officer	1 00 40 00				X			0	536,594	54,371
(22) Marc R Hallee System Chief Human Resource Officer	1 00 40 00				X			0	496,688	46,603
(23) James Carroll System Chief Legal Counsel	1 00 40 00				X			0	511,014	46,414
(24) Stephen F Sullivan System Chief Strategy Officer	1 00 40 00				X			0	272,378	12,785
(25) Richard Warren Chief Information Officer	40 00					X		173,123	0	35,080
(26) Robert Brace Chief Compliance Officer	40 00					X		153,775	0	31,990
(27) David Gentsch Pharmacy Director	40 00					X		156,349	0	23,541
(28) Dennis Tidwell Director of Surgical Services	40 00					X		155,497	0	29,191
(29) Matthew Roher Director of Clinic Operations	40 00					X		154,439	0	29,632
(30) Peter S Brumleve Former Key Employee, System Chief Strategy Officer	0 00 40 00						X	0	199,976	14,740
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								974,997	8,160,578	927,555

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 ▶ 48

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
Scott & White Memorial Hospital 2401 S 31st Street Temple TX 76508	Contract Services	5,168,047
Scott & White Healthcare 2401 S 31st Street Temple TX 76508	Contract Services	2,681,755
Total Trauma Care PLLC 50 Hillcrest Medical Blvd Ste 102 Waco TX 76712	Physician Services	1,677,203
McLennan County Medical Education & Rese 1600 Providence Dr Waco TX 76707	Physician Services	1,568,051
Holloway Credit Solutions 1286 Carmichael Way Montgomery AL 36106	Credit and Consulting Service	751,638

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 ▶ 30

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	773,781			
	e	Government grants (contributions)	1e	884,794			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	148,047			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			1,806,622		
Program Service Revenue			Business Code				
	2a	Net Patient Care Revenue	621990	198,391,490	198,391,490		
	b	Meaningful Use	621990	2,273,001	2,273,001		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f			200,664,491		
	3	Investment income (including dividends, interest, and other similar amounts)		2,483,067			2,483,067
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	1,431,740				
	b	Less rental expenses	645,816				
	c	Rental income or (loss)	785,924				
	d	Net rental income or (loss)			785,924		785,924
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		565,995			
	b	Less cost or other basis and sales expenses		322,978			
	c	Gain or (loss)		243,017			
	d	Net gain or (loss)			243,017		243,017
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Food Service	722210	1,602,558			1,602,558
	b	Gift Shop	453220	337,870			337,870
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		1,940,428			
	12	**Total revenue.** See Instructions		207,923,549	200,664,491	0	5,452,436

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	7,487,145	7,487,145		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	2,143,747		2,143,747	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	75,536,371	72,580,028	2,956,343	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits	14,638,813	13,819,640	819,173	
10 Payroll taxes				
11 Fees for services (non-employees)				
a Management				
b Legal	53,404		53,404	
c Accounting	157,229		157,229	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees	306,375		306,375	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	21,321,676	18,965,781	2,355,895	
12 Advertising and promotion				
13 Office expenses	1,710,709	1,598,392	112,317	
14 Information technology	1,486,348	1,388,762	97,586	
15 Royalties . .				
16 Occupancy	17,011,649	15,894,749	1,116,900	
17 Travel	898,262	839,287	58,975	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,863	1,863		
20 Interest	1,204,922	1,204,922		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	11,661,472	10,895,838	765,634	
23 Insurance				
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a Medical Supplies	34,539,119	34,539,119		
b Recruitment	1,746,639	1,746,639		
c Dues & Subscriptions	310,247	310,247		
d Outreach	119,412	119,412		
e All other expenses	60,320	56,360	3,960	
25 **Total functional expenses.** Add lines 1 through 24e	192,395,722	181,448,184	10,947,538	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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		2,404,586	1	1,802,899
	2	Savings and temporary cash investments		14,486,567	2	3,980,398
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		24,012,104	4	25,158,944
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		91,011	7	59,477
	8	Inventories for sale or use		3,427,516	8	4,107,473
	9	Prepaid expenses and deferred charges		2,226,643	9	1,029,870
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 176,985,872			
	b	Less accumulated depreciation	10b 51,132,810	132,216,180	10c	125,853,062
	11	Investments—publicly traded securities		80,308,544	11	45,689,098
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		2,320,726	13	2,902,709
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		9,216,800	15	15,867,855
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		270,710,677	16	226,451,785
Liabilities	17	Accounts payable and accrued expenses		16,632,957	17	16,041,126
	18	Grants payable			18	
	19	Deferred revenue		368,344	19	452,273
	20	Tax-exempt bond liabilities		192,374,716	20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	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		5,690,545	25	207,348,148
	26	**Total liabilities.** Add lines 17 through 25		215,066,562	26	223,841,547
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		48,643,535	27	-5,370,135
	28	Temporarily restricted net assets		5,433,392	28	6,257,328
	29	Permanently restricted net assets		1,567,188	29	1,723,045
		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		55,644,115	33	2,610,238
	34	Total liabilities and net assets/fund balances		270,710,677	34	226,451,785

Part XI Reconcilliation 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	207,923,549
2	Total expenses (must equal Part IX, column (A), line 25)	2	192,395,722
3	Revenue less expenses Subtract line 2 from line 1	3	15,527,827
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	55,644,115
5	Net unrealized gains (losses) on investments	5	-3,399,819
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	-65,161,885
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	2,610,238

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?	2a		No
	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			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	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			
c	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?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

Additional Data

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest 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			
Terry Maness Director, Chairman	1 00	X		X				0	0	0
Billy H Davis Jr Director, Vice-Chairman	1 00	X		X				0	0	0
David G Hoffman MD Director	1 00	X						0	0	0
Lyndon L Olson Jr Director	1 00	X						0	0	0
G Michael Reitmeier Director	1 00	X						0	0	0
J Mark Rister MD Director	1 00	X						0	0	0
Carey Hobbs Director, Treasurer	1 00	X		X				0	0	0
John Speckmiear MD Director	1 00 40 00	X						0	317,908	55,704
Glenn A Robinson Director, Chief Executive Officer	40 00	X		X				0	607,573	24,014
Michael D Reis MD Director, Secretary	1 00 40 00	X		X				0	499,300	51,409
Patricia M Currie Director,System Chief Operating Officer	1 00 40 00	X						0	735,763	53,682
Glen R Couchman MD Director, System Chief Medical Officer	1 00 40 00	X						0	741,071	53,113
Richard W Perkins Chief Financial Officer	40 00			X				0	302,510	53,117
James Morrison MD Chief Medical Officer	40 00				X			0	414,629	50,938
Marcy R Weber Chief Nursing Officer	40 00				X			181,814	0	25,213
David Blackwell Chief Human Resource Officer	40 00				X			0	175,720	39,829
Brad D Crye Senior Vice-President Operations	40 00				X			0	196,401	45,737
Dick L Dixon System Chief Financial Officer	1 00 40 00				X			0	641,174	52,540
Cynthia Dunlap System Chief Nursing Executive	1 00 40 00				X			0	308,906	45,842
Robert W Pryor MD System Chief Executive Officer	1 00 40 00				X			0	1,202,973	52,070
Matthew L Chambers System Chief Information Officer	1 00 40 00				X			0	536,594	54,371
Marc R Hallee System Chief Human Resource Officer	1 00 40 00				X			0	496,688	46,603
James Carroll System Chief Legal Counsel	1 00 40 00				X			0	511,014	46,414
Stephen F Sullivan System Chief Strategy Officer	1 00 40 00				X			0	272,378	12,785
Richard Warren Chief Information Officer	40 00					X		173,123	0	35,080

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			
Robert Brace Chief Compliance Officer	40 00					X		153,775	0	31,990
David Gentsch Pharmacy Director	40 00					X		156,349	0	23,541
Dennis Tidwell Director of Surgical Services	40 00					X		155,497	0	29,191
Matthew Roher Director of Clinic Operations	40 00					X		154,439	0	29,632
Peter S Brumleve Former Key Employee, System Chief Strategy Officer	0 00 40 00						X	0	199,976	14,740

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - 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?

		Yes	No
(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?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

(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									

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 III **Support 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

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Hillcrest Baptist Medical Center	74-1161944

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

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

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

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

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

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

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

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		13,594
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total Add lines 1c through 1i			13,594
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Hillcrest Baptist Medical Center ("HBMC") maintains memberships in the American Hospital Association, Texas Hospital Association and other national and state medical associations A percentage of the dues paid to those organization is attributed to lobbying activites and is reported as grant to other organizations for lobbying purposes Periodically, officers or employees of the organization make contact with legislators or government officials These contacts are generally by letter, with occasional contact in person or by phone The contacts are for the purpose of informing the legislator or official of the impact of proposed legislation or regulation and its ability to carry out its purpose

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	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	1,567,190	1,570,111	1,561,185	1,546,959	1,542,197
b	Contributions	396		8,926	12,438	4,738
c	Net investment earnings, gains, and losses	152,173	356		1,788	24
d	Grants or scholarships		1,513			
e	Other expenditures for facilities and programs		1,764			
f	Administrative expenses					
g	End of year balance	1,719,759	1,567,190	1,570,111	1,561,185	1,546,959

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 ▶ 100 000 %
- c Temporarily restricted endowment ▶ 0 %

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

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	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		14,430,870		14,430,870
b Buildings		110,961,770	24,142,524	86,819,246
c Leasehold improvements				
d Equipment		45,344,502	25,778,613	19,565,889
e Other		6,248,730	1,211,673	5,037,057
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				125,853,062

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Other Assets	15,867,855
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	15,867,855

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
Other	3,035,084
Intercompany	1,933,093
Debt held by Parent	200,482,102
Due to Medicare Cost Rpt	1,897,869
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	207,348,148

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	Fin 48 (ASC 740) Footnote Scott & White evaluates its income tax positions in accordance with ASC 740, Income Taxes, regarding accounting for uncertainty in income taxes ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return There are no material uncertain income tax positions as of August 31, 2013 or 2012

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 37500 0000000000 %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)			10,434,317	3,340,636	7,093,681	3 690 %
b Medicaid (from Worksheet 3, column a)			27,873,192	17,696,108	10,177,084	5 290 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			1,586,365	584,855	1,001,510	0 520 %
d **Total** Financial Assistance and Means-Tested Government Programs			39,893,874	21,621,599	18,272,275	9 500 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			2,380,347		2,380,347	1 240 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			254,727		254,727	0 130 %
j **Total.** Other Benefits			2,635,074		2,635,074	1 370 %
k **Total.** Add lines 7d and 7j			42,528,948	21,621,599	20,907,349	10 870 %

Part II **Community Building Activities** Complete this 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

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	42,786,129		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	51,800,137
6	Enter Medicare allowable costs of care relating to payments on line 5	6	55,455,877
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-3,655,740

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	Hillcrest Baptist Medical Center 100 Hillcrest Medical Blvd Waco,TX 76712	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)

Name of hospital facility or facility reporting group Hillcrest Baptist Medical Center

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
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 12			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
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**	Yes	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

			Yes	No
Financial Assistance Policy				
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 *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 100 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 375 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
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?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
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?	**19**	Yes	
If "No," indicate why			
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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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 Scott & White provides free or discounted care to uninsured patients who are considered Financially Indigent In order to qualify for financial assistance a patient must live within the 31 county service area of the Scott & White Health Care System To determine eligibility for free or discounted care, in addition to income and residency, net assets, other financial resources, credit report, and other relevant information are considered The Scott & White financial assistance policy also provides for exceptional circumstances in which a patient with income over 375% FPG could qualify for financial assistance if the cost exceeds two times their annual household income
		Part I, Line 6a The organization prepares and files an Annual Report of Community Benefit Plan with the Texas Department of State Health Services These reports are made available through the organization's website at www sw org

Identifier	ReturnReference	Explanation
		Part I, Line 7 The costing method used for Schedule H is the cost to charge ratio, as calculated in Schedule H, Worksheet 2 This method was applied to the costs reported on lines 7a, 7b and 7c
		Part III, Line 4 Audited financial statement footnote Page 18 The presentation of the provision for bad debts as a reduction of patient service revenue is based on an entity-wide assessment of the significance of patient revenue that is recognized without assessing patients' ability to pay As stated in the combined audited financial statements, the organization maintains allowances for uncollectible accounts for estimated losses resulting from a payers inability to make payments on accounts The organization assesses the reasonableness of the allowance account based on the historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowance associated with its receivable Bad debt does not include amounts for patients who are known to qualify under the organizations charity care policy The amount of bad debt attributable to patient's accounts is net of contractual allowance, payments received and recoveries of bad debt previously written off The organization has entered zero on Schedule H, Part III, Line 3, however, based on prior experience and certain demographics and other information obtained during admission, the organization believes a portion of the bad debt expenses (estimated to range from 1-5%) would be attributable to patients that would otherwise qualify for charity care Despite all of the effort and ways the organization educates patients about qualifying for its charity care program as demonstrated in Part VI, question 3 below, many uninsured patients either refuse or fail to complete a charity care application or provide sufficient information at the time of admission, during their stay or after being discharged to qualify for assistance under the organization's charity care policy

Identifier	ReturnReference	Explanation
		Part III, Line 8 The amount reported on Part III, Section B, line 7 was calculated in accordance with the Schedule H instructions utilizing the organization's allowable cost reported in the Medicare cost report based on a cost to charge ratio However, the allowable costs in the Medicare cost report do not reflect the actual cost of providing care to patients since the Medicare cost report excludes many direct patient care costs that are essential to providing quality care to these patients For example, certain coverage fees to physicians, cost of Medicare C and D, and other similar direct patient care expenses are specifically excluded as allowable cost in the cost reports Using the same methodology to calculate the unreimbursed cost of providing charity care and Medicaid (using applicable Schedule H Worksheets) would result in a shortfall higher than the shortfall reported on Part III, Section B, Line 7 The organization believes that all of the shortfall should be considered as a community benefit for the following reasons First, the IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients IRS Revenue Ruling 69-545 provides in part, that hospitals serving patients with governmental health benefits, including for example Medicare, is an indication that the hospital operates for the promotion of health in the community Second, the organization provides care to Medicare patients regardless of this shortfall, i e , loss, and thereby relieves the state and federal government of the burden of paying the full cost for the care of Medicare beneficiaries Medicare does not provide sufficient reimbursement to cover the entire cost of providing care to these patients causing the organization to use other surplus funds to cover the shortfall It is expected that reimbursement under the Medicare program will continue to decline and therefore may further limit access to care due to the anticipated reduction of participating Medicare providers in the community As a result, the care for these patients will likely continue to increase, and rest on the shoulders of, nonprofit hospitals and/or county hospital districts Third, many of the Medicare participants have low fixed incomes and therefore would qualify for charity care or other means tested government programs absent being enrolled in the Medicare program Fourth, Texas nonprofit hospitals must provide a minimum level of community benefit in order to obtain exemption from state and local taxes According to the current Texas Health and Safety Code, the unreimbursed cost of Medicare is considered to be a community benefit in determining these state statutory requirements as it helps relieve a governmental burden of providing this care that would otherwise be provided through the county hospital system in Texas
		Part III, Line 9b The Scott & White Healthcare Financial Assistance Policy, which included Hillcrest Baptist Medical Center, has a section for coordination with collection policies It states "notwithstanding any other provision of any other policy or provision at S&W regarding billing and collection matters, S&W will not engage in extraordinary collection actions before it makes reasonable efforts to determine whether an individual who has an unpaid billing from S&W is eligible for financial assistance under this Policy "Reasonable efforts" includes notification to the patient by S&W of this Policy upon admission or discharge and in written and oral communications with the patient regarding the patient's billings, including invoices, telephone calls, and such other communications as may be set forth in future guidance from the U S Department of the Treasury or Internal Revenue Service "

Identifier	ReturnReference	Explanation
Hillcrest Baptist Medical Center		Part V, Section B, Line 3 The Community Benefit Task Force identified methods, participants, questions, and procedures for gathering input from community members around issues of health in McLennan County It was critical that this report be developed with input from the general population, people representing the broad interest of the community and people with special knowledge or expertise in public health as well as those who understand the health needs of the medically underserved, low-income and minority population Direct input from these sources in the form of community surveys and one-on-one interviews, strategically helped us to better understand how best to meet needs based on the community's readiness to change, ability to access, or willingness to access specific services and resources This ensured that hospital resources would be put to the best use A healthcare partnership including Hillcrest Baptist Medical Center Scott & White Healthcare, Family Health Center, the Heart of Texas Region Advisory Council ("HOTRAC"), Providence Healthcare Network, and Waco-McLennan County Public Health District met to determine the best course for obtaining community input on health needs of residents in McLennan County Survey responses completed by the University of North Texas Survey Research Center in April 2013 helped to validate the issues that data had already shown were areas of need as well as to provide direction for the best ways to implement change HBMC conducted an additional survey of community members to help identify what possible interventions to targeted health issues would be best received In November 2012, a brief survey was distributed to targeted areas in the community to get a broad range of input McLennan County residents were asked to fill out the survey at the Mission Waco Clinic, the YMCA locations, and by email with a survey link that was distributed through the Junior League of Waco and the United Way of Waco McLennan County The findings aided in the selection of specific actions and strategies to employ in the development of the hospitals implementation strategy addressing prioritized health needs Three key informant interviews were conducted based on the representatives' special knowledge around local health issues or their service with medically underserved populations Each key informant interview began with a description of the findings from the CHNA and an explanation of the needs that were identified as priorities in the community During the interview, each was asked to comment on all of the needs to either verify or refute the issue as a major concern based on their experiences with serving community members All felt that the issues identified were indeed priority problems that needed to be addressed Through their work in the community, they had first-hand knowledge of the impact these issues caused The key community health professionals interviewed were Eva Hamby, the Director of the County Indigent Health Care Program (CIHCP) in McLennan County Her role in the community provides insight into the realities of the health needs of the indigent county residents Ms Georgeen Scanes, co-coordinator and nurse at the Mission Waco Health Clinic in McLennan County This clinic is run by volunteer staff and is utilized by patients without health insurance whose household income is less than 200% of the Federal Poverty Guidelines McLennan County Public Health District ("MCPHD") personnel Sherry Williams, RNC, WHNP, DirectorHammad Akram, EpidemiologistAlicia Hernandez, Nursing DirectorMargo Shanks, Health Services Coordinator/Health Educator
Hillcrest Baptist Medical Center		Part V, Section B, Line 4 Providence Healthcare

Identifier	ReturnReference	Explanation
Hillcrest Baptist Medical Center		Part V, Section B, Line 7 Hillcrest recognizes the importance of all needs identified by the community, but the hospital will not directly address the following focus areas identified in the CHNA at this time as other programs or organizations are better equipped to address them Children with Health InsuranceThis priority did not meet the defined evaluation criteria 1 Severity or prevalence of the issue2 Notable health disparities in specific populations3 Feasibility of possible interventions to affect change4 Community population readiness to change5 Ability to evaluate outcomes6 Resources available to impact the needAnd it was determined internally that Hillcrest does not have the ability to properly affect change within this need nor are there resources available to influence change It was also determined there are other governmental organizations better aligned to address these priority The Children's Health Insurance Program (CHIP) was created in 1997 through an amendment to the Social Security Act to provide health care coverage to low-income children not already eligible for Medicaid Like Medicaid, CHIP is jointly financed by states and the federal government States have the option of using CHIP funds to expand their existing Medicaid program, create a separate stand-alone CHIP, or do a combination of both Hillcrest serves as a strong advocate for the enrollment of eligible children into the CHIP program Our effort, to enroll children into the program, is a major component of the Hillcrest Financial Assistance Program Yet, we are aware of our limitations in reaching all the children within our services area that meet the eligibility requirements for enrollment Hillcrest, therefore, defers to those organizations identified by the State of Texas and CMS to enroll the States children in this vital insurance program One such organization has been recognized by CMS for their continued efforts in meeting this critical benefit need The Centers for Medicare & Medicaid Services (CMS) announced that the Children's Defense Fund of Texas has been recognized for outstanding efforts to identify and enroll eligible children in Medicaid and the Children's Health Insurance Program (CHIP) The efforts of the Children's Defense Fund of Texas has helped eligible children get the high quality coverage and care that Medicaid and CHIP provide,said CMS Administrator, Donald Berwick, M D "These individuals have not only helped to improve participation in health coverage, but also have enriched our understanding of the best ways to help consumers obtain and keep health coverage "The Children's Defense Fund (CDF) Texas is a strong and effective advocate for children Partnering with the Texas Association of School Administrators, CDF-Texas has modeled effective school-based outreach and enrollment strategies that have been replicated across the State and nationally CDF-Texas also has shown leadership building partnerships with local businesses, like its work with Fiesta Mart, Inc , to help get eligible children enrolled in coverage
Hillcrest Baptist Medical Center		Part V, Section B, Line 12h The Scott & White Healthcare Patient Financial Assistance Policy ("PFAP") requires patients to be a Permanent Resident of the Scott & White Provider Service Area Permanent Resident is defined as "an individual who has established and maintained residency within a Scott & White Provider Service Area for a period of at least six (6) months immediately prior to submitting an application for financial assistance " The Scott & White Provider Service Area as defined in the PFAP "is the geographic area, defined by Texas counties and determined by Scott & White, in which a patient must be a Permanent Resident in order to be eligible to receive financial assistance under this Policy " Schedule A of the PFAP lists the 31 Texas Counties that Scott & White has defined as their service area to meet the residency requirement

Identifier	ReturnReference	Explanation
Hillcrest Baptist Medical Center		Part V, Section B, Line 14g The organization is committed to promoting health in the community including providing or finding financial assistance programs to assist patients Patients who may qualify for financial assistance through the organization's charity care program or other federal, state and local government programs are informed and educated about their eligibility in several ways including, but not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization, 2) annual posting regarding the organization's charity care program in the local newspapers, 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website, 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance, and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish
Hillcrest Baptist Medical Center		Part V, Section B, Line 20d The organization's financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under this policy will always be equal to or lower than the Medicare rates However, for those qualifying as medically indigent and whose income level is over 375% of the federal poverty level shall not be billed more than 2 times their annual household income, which is generally lower than the methodology listed above and the three methods listed in Schedule H Part V, Line a-c

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Data collection is critical to understanding and meeting community health needs Scott & White continually monitors local health trends, reviews hospitalization inpatient and outpatient records, and takes feedback from community leaders and public health officials as to what the current needs are S&W staff members participate regularly in exchanges with government, education, and human service organizations to learn what other issues are in the community that are perhaps underlying causes of healthcare problems And S&W executives assist with strategic planning processes for other organizations that provide healthcare services for the medically underserved In an effort to get regular feedback from the community, Scott & White created a new department to actively engage the patients and community in continuous dialogue to provide an opportunity for them to share what their unmet needs are when they seek medical care We believe this platform will allow the opportunity to view shortcomings from the community perspective Additionally a strategic plan for conducting lengthy assessments on a 3 year cyclical basis has been made for upcoming years Data pertaining to the changing demographics, hospitalization rates for the top 15 conditions, and 100 health and quality of life indicators will be collected, monitored and reported on a regular basis on the hospital's website The data will show how counties within the Scott & White service area stand in relation to other Texas Counties, U S Counties and Healthy People 2020 goals for the indicators Also, gaps in information in the current collection of data will be identified and targeted for future exploration in the form of surveys, key informant interviews and focus groups The 2013 community health needs assessment and corresponding implementation strategy to address identified health needs was presented to and adopted by the Hospital Board of Directors The 2 documents were then posted onto the Scott & White website CHNA sw org for public accessibility The CHNA was posted onto the Scott & White website http //assets thehcn net/content/sites/sw/FINAL_2013_CHNA_HILLCREST pdfThe Implementation Strategy was posted onto the Scott & White website http //assets thehcn net/content/sites/sw/FINAL_2013_IMPLEMENTATION_STRATEGY_HILLCREST pdf
		Part VI, Line 3 The organization is committed to promoting health in the community including providing or finding financial assistance programs to assist patients Patients who may qualify for financial assistance through the organization's charity care program or other federal, state and local government programs are informed and educated about their eligibility in several ways including, but not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization, 2) annual posting regarding the organization's charity care program in the local newspapers, 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website, 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance, and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Hillcrest Baptist Medical Center serves McLennan County, where the majority of its patients reside The primary community served was determined based on 1) Examination of inpatient utilization data for fiscal year 20122) Majority of total hospital discharges live in McLennan County 3) All Hillcrest hospital campuses and clinics are located in McLennan CountyIn the past year, Hillcrest has seen Inpatients admitted 12,979Outpatients treated 142,221Emergency Dept Visits 57,494Number of Employees (FTEs) 1,395The McLennan County community is comprised of approximately 238,564 individuals The most recent data show that the population has grown nearly twelve percent from the year 2000, with a forecasted increase of two percent per year through the year 2015 when the population of McLennan County is projected to reach 250,000 residents As a community realizes population growth and/or a change in demographics, it will most certainly experience and see the effect on the community's health status Many demographic and socioeconomic characteristics are associated with health-related risks and thus the overall health status of the community The population characteristics to monitor are age, gender, race, and ethnicity, culture, urban and rural geography, income, literacy, access to care and other contributing factors This strategy allows Hillcrest to better understand and reach the most vulnerable sectors of the community while meeting pressing health care needs The end result is to improve the community's health status where its residents are empowered, knowledgeable consumers making healthy life style choices
		Part VI, Line 5 All Scott & White Healthcare System facilities are operated in a manner that furthers exempt purposes Scott & White Healthcare officers and executives plan and direct the activities of all System facilities under the direction and oversight of the Scott & White Healthcare Board of Trustees The HBMC Board of Directors is comprised of persons residing in the service area As explained in response to Form 990 Part VI, Section A, Question 7b, the HBMC Board of Directors does not consist of a majority of independent directors because HBMC relies on the Scott & White Healthcare Board of Trustees, which is controlled by a majority of community trustees, to meet community board standards Surplus funds are reinvested in facilities, equipment and programs to further HBMC's exempt purposes HBMC is operated for the benefit of the public and no part of income inures to any private individual or serves a private interest Surplus funds are used to improve the quality of patient care, expand facilities, advance medical training and education and fund research Scott & White Healthcare has a Financial Assistance Policy that all hospitals in the Scott & White Healthcare System, including HBMC, follow, which provides assistance to individuals with incomes up to 375% of the Federal Poverty Guidelines

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Scott & White provides personalized, comprehensive, high quality health care services enhanced by medical education and research through 13 acute care hospital facilities, one additional announced facility, a 215,000+ member regional health plan serving residents in a 29,000-square mile service area, and one of the nation's largest multi-specialty group practices with more than 140 clinics at over 70 clinic locations providing care in 46 medical specialties Scott & White Healthcare ("SWHC")(EIN 26-4532547) is parent corporation of the Scott & White Healthcare System (the "System") The Scott & White Healthcare Foundation ("SWF") (EIN 27-3513154), a subsidiary of SWHC, raises funds for the priority programs and services of the entire Scott & White System The Scott & White Healthcare System had more than 14,000 employees, including over 1,200 physicians and scientists and 300+ advanced practice professionals during the fiscal year ending August 31, 2013, and served over 537,000 patients accounting for 2 5 million patient visits Scott & White Memorial Hospital ("SWMH"), located in Temple, Texas, is the flagship hospital of the Scott & White Healthcare System and is the only Level I Trauma Center between Dallas and Austin, Texas The McLane Children's Hospital Scott & White is the only stand-alone children's hospital between Dallas and Austin, Texas Hillcrest Baptist Medical Center is a 263 bed acute care hospital The Hospital had 12,998 admissions, 61,413 patient days, 2,670 newborn deliveries and 8,712 surgeries for year ended August 31, 2013 The Hospital is a major level II trauma center, with a level III neonatal intensive care unit and the most sophisticated CT diagnostic technology available Hillcrest Baptist Medical Center reported community benefits (as reported to the Texas Department of State Health Services and in accordance with the State of Texas Statutory methodology) of $45,990,633 The combined hospital reported community benefits of the entire Scott & White Healthcare System under this same methodology was $223,575,612
Reports Filed With States	Part VI, Line 7	TX

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 15

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
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 As part of its mission, the organization provides grants and other assistance to related organizations and/or unrelated not-for-profit organizations which are religious, charitable, scientific, or educational in nature, within the meaning of Internal Revenue Code Section 501(c)(3), when the use will fulfill an identified community need, serve an underserved population, be in line with the mission of the organization, or provide the organization opportunities to build relationships with the community members and nonprofit organizations serving the community For related organizations, all grants and other assistance are subject to the policies and procedures set forth by Scott & White Healthcare which ensures all funds are used in accordance with the guidelines set forth above and in accordance with the related organization's exempt purpose Grants and other assistance provided to unrelated organizations are given as a restricted gift and the receiving organization must sign a statement indicating they will use the funds for the stated purpose

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest Baptist Medical Center

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Hillcrest Physician Services 100 Hillcrest Medical Blvd Waco,TX 76712	74-2967081	501 (c) (3)	5,150,000				General Support
Hillcrest Family Health Center100 Hillcrest Medical Blvd Waco,TX 76712	74-2730350	501 (c) (3)	562,284				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
American Cancer Society 2433 Ridgepoint Drive Austin,TX 78754	74-1185665	501 (c) (3)	10,382				General Support
Hewitt Chamber of CommercePO Box 661 Hewitt,TX 76643	74-1981794	501 (c) (3)	7,794				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Komen's Race for the Cure PO Box 8504 Waco,TX 76714	74-2906528	501 (c) (3)	15,474				General Support
March of Dimes1275 Mamaroneck Ave White Plains,NY 10605	13-1846366	501 (c) (3)	14,707				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Waco Symphony600 Austin Ave Waco,TX 76701	74-6062658	501 (c) (3)	5,095				General Support
Community Cancer AssociationPO Box 5002 Waco,TX 76708	74-6061914	501 (c) (3)	25,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Heart of Texas Regional Advisory3000 Herring Ave Waco, TX 76708	74-2707640	501 (c) (3)	7,500				General Support
Limestone Hillcrest Healthcare Partnership100 Hillcrest Medical Blvd Waco, TX 76712	46-3047378	501 (c) (3)	307,909				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Waco Foundation-Greater Waco1105 Wooded Acres Ste 701 Waco,TX 76710	74-6054628	501 (c) (3)	25,000				General Support
YMCA of Central Texas6800 Harvey Dr Waco,TX 76710	74-2668685	501 (c) (3)	11,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Youth ConnectionPO Box 20984 Waco,TX 76702	74-2487214	501 (c)(3)	15,000				General Support
McLennan Area CLinical Services2801 Via Fortuna Ste 500 Austin,TX 78746	46-0884394	501 (c)(3)	1,320,000				General Support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
Limestone Medical Center 701 mcClintic Groesbeck,TX 76542	74-1744089	501 (c) (3)	10,000				General Support

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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
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 3	The compensation review process is performed annually All physician compensation is reviewed including pay, production data and total compensation The physician compensation is then benchmarked against industry standards using data from ten different industry surveys This review is performed by an independent consultant and presented to the Scott & White Healthcare Board of Trustees Compensation Committee Scott & White Healthcare ("SWHC")(EIN 26-4532547) is the parent corporation of the Scott & White Healthcare System (the "System") System Officers along with regional Chief Executive Officers and Chief Medical Officers are reviewed annually An independent consultant compares total compensation to benchmark surveys The Scott & White Healthcare Board of Trustees Compensation Committee reviews the compensation and comparability data annually
	Part I, Line 7	Discretionary bonuses are an element of various Scott & White Healthcare System (the "System") compensation plans The Scott & White Healthcare Board of Trustees, which is the governing body of the Scott & White Healthcare System and the Board Compensation Committee have approved plans designed to measure performance based on differing job functions The Board of Trustees approves the bonus pools reserved for the various plans The Board of Trustees determines and approves the bonus, if any, for the System's Chief Executive Officers and other executive level personnel

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest 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				
John Speckmiear MD	(I)	0	0	0	0	0	0	0
	(II)	286,140	25	31,743	37,385	18,319	373,612	0
Glenn A Robinson	(I)	0	0	0	0	0	0	0
	(II)	443,009	162,500	2,064	0	24,014	631,587	0
Michael D Reis MD	(I)	0	0	0	0	0	0	0
	(II)	423,265	72,000	4,035	32,500	18,909	550,709	0
Patricia M Currie	(I)	0	0	0	0	0	0	0
	(II)	540,415	192,500	2,848	32,500	21,182	789,445	0
Glen R Couchman MD	(I)	0	0	0	0	0	0	0
	(II)	545,222	192,500	3,349	32,500	20,613	794,184	0
Richard W Perkins	(I)	0	0	0	0	0	0	0
	(II)	260,475	40,750	1,285	32,500	20,617	355,627	0
James Morrison MD	(I)	0	0	0	0	0	0	0
	(II)	329,748	83,940	941	32,500	18,438	465,567	0
Marcy R Weber	(I)	165,321	16,026	467	4,798	20,415	207,027	0
	(II)	0	0	0	0	0	0	0
David Blackwell	(I)	0	0	0	0	0	0	0
	(II)	157,820	16,870	1,030	23,602	16,227	215,549	0
Brad D Crye	(I)	0	0	0	0	0	0	0
	(II)	177,188	18,941	272	26,564	19,173	242,138	0
Dick L Dixon	(I)	0	0	0	0	0	0	0
	(II)	431,778	207,750	1,646	32,500	20,040	693,714	0
Cynthia Dunlap	(I)	0	0	0	0	0	0	0
	(II)	245,315	62,750	841	32,500	13,342	354,748	0
Robert W Pryor MD	(I)	0	0	0	0	0	0	0
	(II)	895,623	300,000	7,350	32,500	19,570	1,255,043	0
Matthew L Chambers	(I)	0	0	0	0	0	0	0
	(II)	392,598	140,000	3,996	32,500	21,871	590,965	0
Marc R Hallee	(I)	0	0	0	0	0	0	0
	(II)	366,554	129,750	384	32,500	14,103	543,291	0
James Carroll	(I)	0	0	0	0	0	0	0
	(II)	375,213	132,300	3,501	32,500	13,914	557,428	0
Stephen F Sullivan	(I)	0	0	0	0	0	0	0
	(II)	230,513	40,833	1,032	0	12,785	285,163	0
Richard Warren	(I)	161,612	10,223	1,288	12,511	22,569	208,203	0
	(II)	0	0	0	0	0	0	0
Robert Brace	(I)	140,026	11,686	2,063	10,380	21,610	185,765	0
	(II)	0	0	0	0	0	0	0
David Gentsch	(I)	145,916	9,708	725	10,361	13,180	179,890	0
	(II)	0	0	0	0	0	0	0

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				
Dennis Tidwell	(I)	140,289	14,499	709	10,443	18,748	184,688	0
	(II)	0	0	0	0	0	0	0
Matthew Roher	(I)	146,005	7,697	737	10,384	19,248	184,071	0
	(II)	0	0	0	0	0	0	0
Peter S Brumleve	(I)	0	0	0	0	0	0	0
	(II)	118,744	0	81,232	10,219	4,521	214,716	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? 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) Billy H Davis Jr	Director	297,360	Lease of medical office building		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

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Hillcrest Baptist Medical Center's ("HBMC") members are Hillcrest Health Systems Inc and Scott & White Memorial Hospital, organizations exempt from tax under IRC section 501(c)(3) and public charities under IRC section 509(a)(3)

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Hillcrest Health System, Inc and Scott & White Memorial Hospital are the two members of Hillcrest Baptist Medical Center Half of the directors for Hillcrest Baptist Medical Center are elected by Scott & White Healthcare, the sole corporate member of Scott & White Memorial Hospital and parent Corporation of the Scott & White Healthcare System, and the other half are elected by Hillcrest Health Systems, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	Hillcrest Baptist Medical Center's ("HBMC") members are Hillcrest Health Systems Inc ("HHS") and Scott & White Memorial Hospital ("SWMH"), organizations exempt from tax under IRC section 501(c)(3) and public charities under IRC section 509(a)(3) Scott & White Healthcare ("SWHC") is the sole corporate member of SWMH, and the parent corporation of the Scott & White Healthcare System Actions taken by the HBMC Board of Directors are subject to oversight and approval of both HHS and SWHC

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The Form 990 is prepared and reviewed by Scott & White Healthcare's ("SWHC") tax department. During the return preparation process the tax department works with other functional areas including, finance, accounting, treasury, legal, human resources, and corporate compliance for advice, information and assistance to prepare a complete and accurate return. A complete final copy of the return is provided to the organization's governing body prior to filing with the IRS.

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The compensation review process is performed annually All physician compensation is reviewed including pay, production data and total compensation The physician compensation is then benchmarked against industry standards using data from ten different industry surveys This review is performed by an independent consultant and presented to the Scott & White Healthcare Board of Trustees Compensation Committee Scott & White Healthcare ("SWHC")(EIN 26-4532547) is the parent corporation of the Scott & White Healthcare System (the "System") System Officers along with regional Chief Executive Officers and Chief Medical Officers are reviewed annually An independent consultant compares total compensation to benchmark surveys The Scott & White Healthcare Board of Trustees Compensation Committee reviews the compensation and comparability data annually

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The Scott & White governing documents and Conflict of Interest Policy (Tax) are available to the public upon request This entity does not have separately audited financial statements The audited financial statements of the Scott & White Healthcare System are available at http //www dacbond com and upon request

Identifier	Return Reference	Explanation
Other Fees	Form 990, Part IX, line 11g	Contract Labor Program service expenses 1,073,081 Management and general expenses 75,404 Fundraising expenses 0 Total expenses 1,148,485 Corporate Services Program service expenses 0 Management and general expenses 1,023,198 Fundraising expenses 0 Total expenses 1,023,198 Other Purchased Services Program service expenses 14,224,643 Management and general expenses 999,544 Fundraising expenses 0 Total expenses 15,224,187 Repairs Program service expenses 3,668,057 Management and general expenses 257,749 Fundraising expenses 0 Total expenses 3,925,806

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Loss on Extinguishment of Debt -66,172,387 Transfer to SWMH-Liability Reserve -67,510 Change in Supporting Foundation 979,793 Other 98,219

Identifier	Return Reference	Explanation
	Form 5471	Disclosure Statement Related to Forms 5471, Information Return of U S Persons With Respect to Certain Foreign Corporations, Filed on Behalf of the Taxpayer Under the constructive ownership rules of IRC Sections 958(a) and (b) The taxpayer is required to file Forms 5471, Information Return of U S Persons With Respect to Certain Foreign Corporations, as a Category 5 filer with respect to certain controlled foreign corporations (CFCs) These filing requirements are or will be satisfied through the filing of Forms 5471 for these CFCs by other U S taxpayers identified below who have the same filing requirement Taxpayer Name Scott & White Memorial Hospital Taxpayer Address 2401 S 31st Street Temple, TX 76508 Taxpayer Identification Number of U S tax return with which the Forms 5471 were or will be filed 74-1166904 IRS Service Center where U S tax return was or will be filed efile

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493195013424

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Hillcrest Baptist Medical Center

Employer identification number
74-1161944

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	(g) No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) ESWCT LLC 10077 Grogans Mill Rd Ste 100 The Woodlands, TX 77380 90-0899017	Investment	TX	N/A									

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	(i) No
See Additional Data Table									

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

		Yes	No
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 orgranization 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	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	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
See Additional Data Table			

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Software ID:
Software Version:
EIN: 74-1161944
Name: Hillcrest 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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) Section 512(b)(13) controlled entity? No
Scott & White Properties Holdings Inc 2401 S 31st Street Temple, TX 76508 45-2920596	Investment	TX	N/A	C				Yes	
Scott & White Properties Inc 2401 S 31st Street Temple, TX 76508 74-2497061	Hotel Services	TX	N/A	C				Yes	
Scott & White Assurance Ltd 23 Lime Tree Bay Grand Cayman CJ 98-0589956	Investment	CJ	N/A	C				Yes	
Hillcrest Holdings Inc 3000 Herring St Waco, TX 76708 74-2793367	Operational Support	TX	N/A	C				Yes	
Atumida 2401 S 31st Street Temple, TX 76508 27-0583030	Research	TX	N/A	C				Yes	
Insurance Company of Scott & White 2401 S 31st Street Temple, TX 76508 74-3092083	Insurance	TX	N/A	C				Yes	
Charitable Remainder Trust #1 PO Box 6101 Temple, TX 765036101 52-6854329	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #2 PO Box 6101 Temple, TX 765036101 20-6463694	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #3 PO Box 6101 Temple, TX 765036101 41-6504860	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #4 PO Box 6101 Temple, TX 765036101 74-2751167	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #5 PO Box 6101 Temple, TX 765036101 74-6391353	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #6 PO Box 6101 Temple, TX 765036101 74-6397360	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #7 PO Box 6101 Temple, TX 765036101 74-2751168	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #8 PO Box 6101 Temple, TX 765036101 74-6423552	Investment	TX	N/A	T				Yes	
Charitable Remainder Trust #9 PO Box 6101 Temple, TX 765036101 45-6783659	Investment	TX	N/A	T				Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	**No**
Phil and June Hivnor Charitable 2401 S 31st Street Temple, TX 765080001 90-0850773	Investment	TX	N/A	T				Yes	
Nelda I Staller Charitable Remainder Unitrust No 1 2401 S 31st Street Temple, TX 765080001 32-6224724	Investment	TX	N/A	T				Yes	
Scott & White Lake of the Hills Regional Medical Center 2401 S 31st Street Temple, TX 765080001 45-1608264	Hospital Services	TX	N/A	C				Yes	

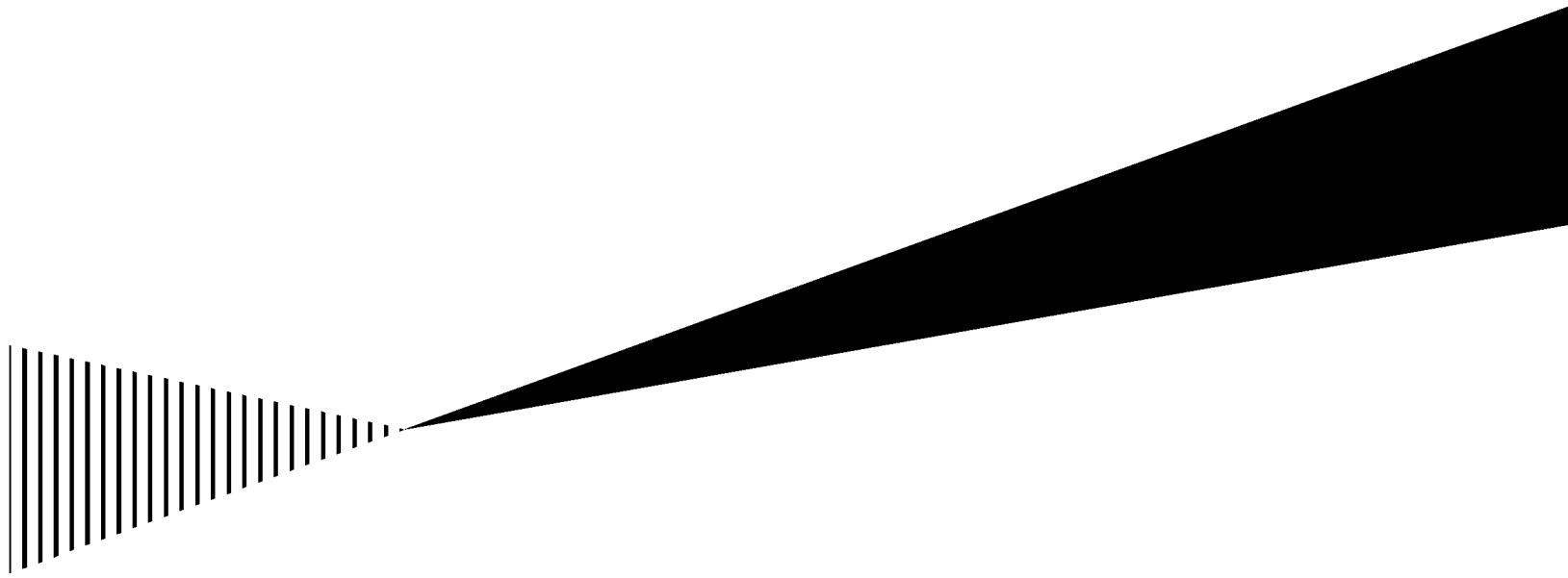
--> **Form 990, Schedule R, Part V - Transactions With Related Organizations**

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Hillcrest Health Systems Inc	C	566,000	Cost
Hillcrest Family Health Center	A	4,214	Cost
Hillcrest Family Health Center	B	562,284	Cost
Hillcrest Physician Services	B	5,150,000	Cost
Hillcrest Family Health Center	J	935,110	Cost
Hillcrest Physician Services	J	585,277	Cost
Hillcrest Family Health Center	O	6,293,527	Cost
Hillcrest Physician Services	O	2,247,876	Cost
Hillcrest Family Health Center	P	242,660	Cost
Scott & White Healthcare	B	2,082,469	Cost
Scott & White Healthcare	M	9,270,171	Cost
Scott & White Healthcare	P	4,461,432	Cost

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Scott & White Healthcare
Years Ended August 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



Building a better working world

Scott & White Healthcare

Consolidated Financial Statements and
Supplementary Information

Years Ended August 31, 2013 and 2012

Contents

Ernst & Young LLP
5 Houston Center
Suite 1200
1401 McKinney Street
Houston, TX 77010

Tel +1 713 750 1500
Fax. +1 713 750 1501
ey com

Report of Independent Auditors

The Board of Trustees
Scott & White Healthcare

We have audited the accompanying consolidated financial statements of Scott & White Healthcare, which comprise the consolidated balance sheets as of August 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Scott & White Healthcare's management is responsible for the preparation and fair presentation of these financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Scott & White Healthcare'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 financial statements

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scott & White Healthcare at August 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The accompanying consolidating balance sheet as of August 31, 2013, and the related consolidating statement of operations for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Ernst + Young LLP

January 15, 2014

Scott & White Healthcare

Consolidated Balance Sheets

	August 31 2013	2012
	(In Thousands)	
Assets		
Current assets		
Cash and cash equivalents	**$ 114,839**	$ 144,689
Assets limited as to use, current portion	**7,406**	4,526
Accounts receivable		
Patient service, less allowance for doubtful accounts ($175,303 and $173,324 in 2013 and 2012, respectively)	**178,119**	213,278
Premiums, less allowance for doubtful accounts ($27 and $91 in 2013 and 2012, respectively)	**52,592**	48,064
Other	**63,450**	43,826
Inventory	**30,905**	26,224
Total current assets	**447,311**	480,607
Assets limited as to use		
For restricted purposes	**158,447**	139,242
Internally designated for specific purposes	**505,658**	501,853
Held by trustees under bond agreements	**132,662**	186,994
	796,767	828,089
Less current portion	**(7,406)**	(4,526)
	789,361	823,563
Property and equipment, net	**1,117,569**	977,610
Investment in unconsolidated entity	**38,851**	40,293
Interest in net assets of supporting foundations	**7,235**	6,983
Other assets	**40,317**	37,120
Total assets	**$ 2,440,644**	$ 2,366,176

	August 31	
	2013	**2012**
	(In Thousands)	
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 113,108**	$ 55,150
Accrued expenses and other liabilities	**112,443**	102,438
Medical claims payable	**21,357**	25,244
Due to third-party payers	**16,047**	10,428
Current portion of long-term debt	**38,982**	34,658
Total current liabilities	**301,937**	227,918
Long-term debt, less current portion	**1,101,398**	1,005,543
Self-insured liabilities	**29,104**	27,813
Interest rate swap agreements	**89,805**	144,467
Pension and other postretirement benefit liabilities	**21,461**	41,161
Other liabilities	**39,399**	44,049
Total liabilities	**1,583,104**	1,490,951
Commitments and contingencies		
Net assets		
Attributable to noncontrolling interests in consolidated entities	**1,112**	11,609
Attributable to Scott & White Healthcare		
Unrestricted	**722,644**	748,952
Temporarily restricted	**92,277**	76,669
Permanently restricted	**41,507**	37,995
Total net assets	**857,540**	875,225
Total liabilities and net assets	**$ 2,440,644**	$ 2,366,176

See accompanying notes.

Scott & White Healthcare

Consolidated Statements of Operations

	Year Ended August 31	
	2013	**2012**
	(In Thousands)	
Unrestricted revenues and other support		
Patient service (net of contractuals) and premium revenue	**$ 2,142,784**	$ 2,153,281
Provision for bad debts	**(225,660)**	(214,794)
Net patient service and premium revenue	**1,917,124**	1,938,487
Other operating revenue	**145,097**	108,676
Total operating revenue	**2,062,221**	2,047,163
Operating expenses		
Salaries and wages	**954,359**	887,289
Employee benefits	**189,438**	176,694
Supplies	**329,128**	325,969
Purchased services	**301,533**	239,529
Staff enrichment	**22,439**	20,120
Medical claims	**202,283**	215,341
Depreciation	**93,913**	90,052
Interest	**23,165**	27,163
Total operating expenses	**2,116,258**	1,982,157
Operating (loss) income	**(54,037)**	65,006
Nonoperating (loss) income		
Contributions, gifts, and bequests	**1,959**	1,018
Investment income	**39,269**	16,818
Interest rate swap activity	**47,947**	(49,044)
Research, education, and other nonoperating activity	**(26,786)**	(17,740)
Loss on extinguishment of debt	**(66,172)**	–
	(3,783)	(48,948)
(Deficiency) excess of revenues and gains over expenses and losses	**(57,820)**	16,058
Less deficiency (excess) of revenues and gains over expenses and losses attributable to noncontrolling interests in consolidated entities	**10,768**	(1,780)
(Deficiency) excess of revenues and gains over expenses and losses attributable to Scott & White Healthcare	**$ (47,052)**	$ 14,278

See accompanying notes.

Scott & White Healthcare

Consolidated Statements of Changes in Net Assets

	Year Ended August 31	
	2013	**2012**
	(In Thousands)	
Net assets attributable to Scott & White Healthcare		
Unrestricted net assets		
(Deficiency) excess of revenues over expenses	**$ (47,052)**	$ 14,278
Net assets released from restriction for capital expenditures	**4,683**	12,677
Change in pension and other postretirement benefit liabilities	**19,242**	(13,460)
Other	**(3,181)**	1,227
Change in unrestricted net assets	**(26,308)**	14,722
Temporarily restricted net assets		
Contributions, gifts, and bequests	**23,969**	38,111
Investment income	**8,345**	3,154
Net assets released from restrictions for operations	**(16,186)**	(21,391)
Other	**(520)**	(1,314)
Change in temporarily restricted net assets	**15,608**	18,560
Permanently restricted net assets		
Contributions, gifts, and bequests	**3,532**	322
Other	**(20)**	1
Change in permanently restricted net assets	**3,512**	323
Change in net assets attributable to Scott & White Healthcare	**(7,188)**	33,605
(Deficiency) excess of revenues and gains over expenses and losses attributable to noncontrolling interests in consolidated entities	**(10,768)**	1,780
Other changes in net assets attributable to noncontrolling interests in consolidated entities	**271**	249
Total change in net assets	**(17,685)**	35,634
Net assets at beginning of year	**875,225**	839,591
Net assets at end of year	**$ 857,540**	$ 875,225

See accompanying notes.

Scott & White Healthcare

Consolidated Statements of Cash Flows

	Year Ended August 31	
	2013	**2012**
	(In Thousands)	
Operating activities		
(Decrease) increase in net assets	**$ (17,685)**	$ 35,634
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Unrealized gains on investment securities	**(23,674)**	(3,911)
Depreciation expense	**93,913**	90,052
Amortization of bond discounts	**248**	738
Gain on sale or disposal of assets, net	**(827)**	(5,899)
Loss on extinguishment of debt	**66,172**	–
Recognition of deferred gains	**(3,603)**	(3,737)
Provision for bad debts	**225,660**	214,794
Change in value of interest rate swap agreements	**(59,093)**	37,528
Change in investment in unconsolidated entities	**1,442**	(496)
Change in interest in net assets of supporting foundations	**(252)**	(812)
Change in pension and other postretirement liabilities	**(19,700)**	11,990
Changes in operating assets and liabilities		
Assets limited as to use – trading	**14,266**	13,155
Accounts receivable	**(214,653)**	(202,903)
Other assets	**(3,384)**	218
Inventory	**(4,681)**	(3,566)
Accounts payable	**21,524**	(15,510)
Accrued expenses and other liabilities	**9,059**	5,860
Medical claims payable	**(3,887)**	3,537
Due to third-party payers	**5,619**	(808)
Self-insured liabilities	**1,291**	(4,888)
Net cash provided by operating activities	**87,755**	170,976
Investing activities		
Decrease in assets limited as to use – other than trading	**41,764**	61,940
Property and equipment acquired	**(180,185)**	(173,937)
Proceeds from sale of property and equipment	**598**	6,604
Proceeds from swap termination	**4,431**	–
Net cash used in investing activities	**(133,392)**	(105,393)

Scott & White Healthcare

Consolidated Statements of Cash Flows (continued)

	Year Ended August 31	
	2013	**2012**
	(In Thousands)	
Financing activities		
Proceeds from borrowings	**$ 393,940**	$ 90,163
Repayment of long-term debt	**(28,134)**	(131,818)
Refunding of long-term debt	**(351,547)**	–
Proceeds from sale-leaseback	**1,528**	17,913
Net cash used in financing activities	**15,787**	(23,742)
Net (decrease) increase in cash and cash equivalents	**(29,850)**	41,841
Cash and cash equivalents at beginning of year	**144,689**	102,848
Cash and cash equivalents at end of year	**$ 114,839**	$ 144,689
Supplemental cash flow data		
Cash paid for interest	**$ 50,798**	$ 44,116
Property and equipment acquired under capital leases	**18,653**	2,866
Increase (decrease) in accounts payable due to property and equipment received but not paid	**36,434**	(2,596)

See accompanying notes.

Scott & White Healthcare

Notes to Consolidated Financial Statements

August 31, 2013

1. Organization

Scott & White Healthcare (SWH) is a nonprofit corporation exempt from federal taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC Scott & White Healthcare controlled entities and noncontrolled affiliate entities include over 1,700 licensed hospital beds, approximately 80 clinic locations, and a health maintenance organization primarily serving the central and eastern regions of Texas

Scott & White Healthcare and subsidiaries are collectively referred to herein as Scott & White

2. Significant Accounting Policies

Principles of Consolidation

The equity method of accounting is used for investments in entities in which Scott & White has significant influence and a financial interest, but not control Entities in which Scott & White has control but not sole membership are included in the consolidated financial statements, with a noncontrolling interest reported in the balance sheet and in the excess or deficiency of revenues and gains over expenses and losses All entities in which Scott & White has sole membership are consolidated in the consolidated financial statements All significant intercompany accounts and transactions among entities included in the consolidated financial statements have been eliminated in consolidation

Cash Equivalents

Scott & White considers all undesignated highly liquid investments with maturities of three months or less when purchased to be cash equivalents

Inventory

Inventory is stated at average cost, which is not in excess of market value

Accounts Receivable

Patient accounts receivable are stated at estimated net realizable value Scott & White maintains allowances for uncollectible accounts for estimated losses resulting from a payer's inability to make payments on accounts Scott & White uses a balance sheet approach to establish the allowance based on historical payments, payer type, and the aging of the accounts Accounts are

2. Significant Accounting Policies (continued)

written off when collection efforts have been exhausted Management continually monitors and adjusts, as necessary, allowances associated with its receivables The majority of uncollectible accounts are from uninsured patients and patient copays and deductibles

Significant concentrations of gross patient accounts receivable from state and federal government-related programs were 25% and 32% at August 31, 2013 and 2012, respectively

Premiums receivable are established for medical premium revenue and generally are not collateralized Premiums receivable also include annual settlements under the cost contract established between Scott & White's health maintenance organization and the Centers for Medicare & Medicaid Services (CMS) At August 31, 2013 and 2012, the settlement amounts receivable under this contract were $37,868,000 (cost years 2007–2013) and $30,775,000 (cost years 2009, 2011, and 2012), respectively

Significant concentrations of premiums receivable were 99% from state and federal government-related programs at August 31, 2013 and 2012

Assets Limited as to Use

Assets limited as to use include assets held for donor or other restricted purposes, assets designated by the Scott & White Board of Trustees for specific purposes such as facility replacement and initiatives that promote the Scott & White mission, and assets held in trust under bond agreements

Assets limited as to use primarily consist of cash, cash equivalents, debt securities, equity securities, and alternative investments Assets limited as to use are classified as trading or other than trading based on the manner in which Scott & White manages its investment portfolio Investments in cash equivalents, debt securities, and equity securities are stated at fair value

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or estimated fair value at the date of donation Depreciation is computed on the straight-line method using the estimated economic lives of the depreciable assets, generally ranging from 2 to 40 years The amortization related to assets recorded under capital leases is included within depreciation expense

2. Significant Accounting Policies (continued)

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized Routine maintenance and repair items are charged to operating expenses The estimated useful lives of the classes of depreciable assets are as follows

Land improvements	2–25 years
Buildings and improvements	5–40 years
Fixed and movable equipment	3–20 years

Scott & White evaluates whether events and circumstances have occurred that would require a revision to the remaining estimated useful life of long-lived assets or would indicate that the remaining balance of an asset is not recoverable The assessment of possible impairment is based on whether the carrying amount of an asset exceeds the expected total undiscounted value of cash flows expected to result from the use of the asset and its eventual disposition No impairment charges were recorded in 2013 or 2012

Property and equipment and related accumulated depreciation are as follows

	August 31	
	2013	**2012**
	(In Thousands)	
Land and improvements	**$ 71,352**	$ 71,104
Buildings and improvements	**929,145**	784,206
Fixed and movable equipment	**869,349**	726,456
Construction in progress	**115,821**	173,661
	1,985,667	1,755,427
Less accumulated depreciation	**(868,098)**	(777,817)
	$ 1,117,569	$ 977,610

Property and equipment financed under capital leases totaled approximately $18,742,000 and $8,329,000 at August 31, 2013 and 2012, respectively, and related accumulated amortization was approximately $7,468,000 and $5,043,000 at August 31, 2013 and 2012, respectively Amortization expense is included in depreciation expense in the consolidated statement of operations

2. Significant Accounting Policies (continued)

The amounts of total capitalized software costs, including purchased and internally developed software, at August 31, 2013 and 2012, were $179,715,000 and $114,000,000, respectively, less accumulated depreciation of $100,298,000 and $84,000,000, respectively Depreciation of these software costs was $16,000,000 and $12,000,000 in fiscal year 2013 and 2012, respectively

Scott & White accounts for asset retirement obligations under the provisions of Accounting Standards Codification (ASC) 410, *Asset Retirement and Environmental Obligations*, regarding accounting for conditional asset retirement obligations The asset retirement obligation as of August 31, 2013 and 2012, was $9,622,000 and $9,317,000, respectively, which is recorded in other liabilities in the consolidated balance sheets and relates to required future asbestos remediation

Derivative Financial Instruments

Scott & White accounts for its derivatives under ASC 815, Derivatives and Hedging, regarding accounting for derivative instruments and hedging activities Scott & White utilizes interest rate swap agreements (derivative agreements) to mitigate interest rate exposures Scott & White's derivative agreements are measured at fair value and are reflected in the consolidated balance sheets as either a long-term asset or long-term liability None of Scott & White's derivative financial instruments qualify for hedge accounting at August 31, 2013 or 2012 Changes in the fair value of the derivative agreements and the expense or income, representing the net of the payments made or received under the derivative agreements, are recorded as interest rate swap activity in the consolidated statements of operations

Interest in Net Assets of Supporting Foundations

Scott & White accounts for its interest in the net assets of supporting foundations under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, regarding transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others At August 31, 2013 and 2012, Scott & White's interest in the net assets of supporting foundations not eliminated upon consolidation was approximately $7,235,000 and $6,983,000, respectively

2. Significant Accounting Policies (continued)

Medical Claims Payable

Medical claims payable represent management's best estimate of the ultimate net cost of all reported and unreported claims and claim adjustment expenses incurred through August 31, 2013 and 2012 Reserves for unpaid claims are actuarially estimated using individual case-basis valuations and statistical analysis These estimates are subject to the effects of trends in claim severity and frequency Although considerable variability is inherent in such estimates, management believes that reserves for unpaid claims are adequate The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known Such adjustments are included in operations when determined There were no material adjustments to these estimates recorded during the years ended August 31, 2013 or 2012

Contributions, Gifts, and Bequests

Scott & White records contributions, gifts, and bequests of cash or other assets at estimated fair value on the date of receipt If a contribution, gift, or bequest of cash or other assets is received by Scott & White with a time or purpose restriction, Scott & White records the contribution, gift, or bequest as a temporarily or permanently restricted contribution

When a time or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as research, education, and other nonoperating activity or in the consolidated statements of changes in net assets as net assets released from restrictions for capital expenditures

Scott & White's temporarily restricted net assets are primarily restricted for research, education, capital projects, and medical care programs

Scott & White's permanently restricted net assets are primarily restricted for educational and research purposes Unless explicitly restricted by donors, income from permanently restricted net assets is recorded as temporarily restricted until appropriated for expenditure

2. Significant Accounting Policies (continued)

Pledges and grants receivable are scheduled to be collected as follows

	August 31 2013	2012
	(In Thousands)	
Less than one year	**$ 5,882**	$ 5,733
One to five years	**10,066**	13,771
Greater than five years	**80**	83
	16,028	19,587
Less discount to net present value	**(841)**	(545)
Reserve for uncollectible pledges	**(1,915)**	(1,976)
Total pledges receivable, net	**$ 13,272**	$ 17,066

Pledges and grants receivable are reported as assets limited as to use on the consolidated balance sheets They are further classified as either for restricted purposes or internally designated for specific purposes based on presence or absence of donor restrictions

Net Patient Service and Premium Revenue

Net patient service revenue is recognized in the period in which services are performed Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payers, and others for services rendered and includes estimated revenue adjustments due to audits, reviews, investigations, and bad debts Revenue adjustments are considered in the recognition of revenue in the period the related services are rendered, and such amounts are adjusted in future periods as better information becomes known or as years are no longer subject to such audits, reviews, or investigations

Premium revenue is recognized during the period in which members are entitled to receive covered health care benefits Unearned premiums are determined on a daily pro rata basis For the years ended August 31, 2013 and 2012, net patient service and premium revenue included premium revenue of $571,877,000 and $572,196,000, respectively Premium revenue from local, state, and federal agencies accounted for 40 2% and 45 8% of total premium revenue in 2013 and 2012, respectively

2. Significant Accounting Policies (continued)

Charity Care

Scott & White provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity policy Because Scott & White does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue In 2013, prior to application of disproportionate share funds of approximately $19,594,000 received from the state of Texas, the cost of charity care provided to patients was approximately $50,052,000 In 2012, prior to application of disproportionate share funds of approximately $12,621,000 received from the state of Texas, the cost of charity care provided to patients was approximately $77,817,000 The cost basis of charity care was determined using a cost-to-charge ratio methodology defined by the American Hospital Association In 2013, Scott & White amended its charity care policy, which resulted in a decrease in the amount of presumptive charity recognized in 2013 as compared to 2012

Health Insurance Program Reimbursement

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation Federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term The 2013 and 2012 net patient service and premium revenue increased approximately $9,824,000 and $6,536,000, respectively, due to changes in allowances previously estimated as a result of the final settlements for years that are no longer subject to audits, reviews, or investigations Scott & White believes that it is in compliance with all applicable Medicare and Medicaid laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing

Certain payments for services provided under the Medicare and Medicaid programs and other organizations are subject to review of the medical necessity of admission and propriety of discharge, diagnosis, and coding As part of the Tax Relief and Health Care Act of 2006, Congress directed the expansion of the Recovery Audit Contractors (RAC) reviews Management believes adequate allowance has been provided for possible adjustments that might result from retrospective billing reviews, including the ongoing or future RAC reviews

Medicare cost reports filed by Scott & White for all years before 2009 have been audited and settled as of August 31, 2013 Certain years prior to 2009 are under appeal

2. Significant Accounting Policies (continued)

Amounts due to the Medicare and Medicaid programs totaled approximately $16,047,000 and $10,428,000 at August 31, 2013 and 2012, respectively, and are reported in due to third-party payers in the consolidated balance sheets

During 2012, the proposed changes to Medicaid in Texas under the Medicaid Transformation and Quality Improvement Program and the March 2012 legislatively-mandated expansion of Managed Medicaid resulted in the discontinuation of the Upper Payment Limit (UPL) supplemental payment program in the state The new programs created to continue these supplemental payments are Uncompensated Care (UC) and Delivery System Reform Incentive Payments (DSRIP) During 2013, Scott & White began to participate in these programs through 3 regional health partnerships For the years ended August 31, 2013 and 2012, Scott & White recognized revenue of approximately $23,061,000 and $2,747,000, respectively, under these programs and these amounts are reflected as an increase in net patient service revenue

Nonoperating Gains and Losses

Nonoperating gains and losses include unrestricted contributions, gifts and bequests, investment income, research and education expenditures net of assets released from restrictions for research and education expenditures and related grant income, interest rate swap activity, income from investment in unconsolidated entity, and other income, gains, and losses unrelated to Scott & White's primary operations

Performance Indicator

The performance indicator is (deficiency) excess of revenues over expenses in the consolidated statements of operations, which includes all changes in unrestricted net assets other than net assets released from restrictions for capital expenditures, change in pension and other postretirement benefit liabilities, and unrealized gains and losses on other-than-trading investment securities

Income Tax

Scott & White evaluates its income tax positions in accordance with ASC 740, *Income Taxes*, regarding accounting for uncertainty in income taxes ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return There are no material uncertain income tax positions as of August 31, 2013 or 2012

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of Scott & White to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any Scott & White considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following recognition of net patient receivables and related revenues, including contractual allowances and provisions for bad debt, settlements with state and federal government programs, reserves for losses and expenses related to health care professional and general liabilities, determination of fair values of certain financial instruments, risks and assumptions for measurement of medical claims incurred but not reported, and defined benefit liabilities Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates Actual results could differ materially from these estimates

New Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which is intended to increase transparency about a health care entity's net patient service revenue and related allowance for doubtful accounts This update requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue Additionally, these health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts Scott & White adopted the provision of ASU 2011-07 beginning September 1, 2011

3. Net Patient Service Revenue and Net Patient Accounts Receivable

The presentation of the provision for bad debts as a reduction of patient service revenue is based on an entity-wide assessment of the significance of patient revenue that is recognized without assessing patients' ability to pay The following is a summary of Scott & White's patient service revenue, net of contractual allowances (before the provision for bad debts) by major payer Medicare and Medicaid managed plans are grouped with Medicare and Medicaid, respectively

	August 31	
	2013	**2012**
	(In Thousands)	
Medicare	**$ 659,066**	$ 615,621
Medicaid	**119,337**	125,508
Commercial	**803,781**	789,425
Self-insured	**55,368**	54,945
All other/self-pay	**206,664**	274,438
	1,844,216	1,859,937
	(273,309)	(278,852)
	$ 1,570,907	$ 1,581,085

The allowance for doubtful accounts was approximately $175,303,000 and $173,324,000 as of August 31, 2013 and 2012, respectively These balances as a percentage of accounts receivable, net of contractual allowances were approximately 50% and 45% as of August 31, 2013 and 2012, respectively

The following is a summary of Scott & White's allowance for doubtful accounts activity

	August 31	
	2013	**2012**
	(In Thousands)	
Balance at beginning of year	**$ 173,324**	$ 124,878
Provision for bad debts	**225,660**	214,794
Accounts written off, net of recoveries and other	**(223,681)**	(166,348)
Balance at end of year	**$ 175,303**	$ 173,324

3. Net Patient Service Revenue and Net Patient Accounts Receivable (continued)

Scott & White continually monitors the allowances established for its patients accounts receivable During fiscal year 2013, Scott & White determined the historical collection trends on which its accounts receivable allowances are based was not indicative of actual collections and recorded a $52,000,000 increase in these allowances in May 2013 This adjustment was determined to be a change in estimate and is reflected in 2013 operating results and is a result of enhancements to its revenue recognition process in response to ongoing changes and increased complexities in the healthcare industry

4. Investment in Unconsolidated Entity

In fiscal year 2008, Scott & White acquired a 32% membership interest in Metroplex Adventist Hospital (MAH), a Texas nonprofit corporation, located in Killeen, Texas Prior to execution of the membership interest agreement, Adventist Health System Sunbelt Healthcare Corporation was the sole member of MAH Scott & White accounts for its interest in MAH under the equity method of accounting

At August 31, 2013 and 2012, the difference between the amount at which the investment in MAH was carried and Scott & White's interest in the underlying net assets of MAH was $5,754,000 and $7,038,000, respectively The excess cost over interest in the underlying net assets of MAH is being amortized over 10 years, which was determined to be the lesser of the approximate remaining life of the assets to which the excess cost over carrying value relates or the period of time from the consummation of the membership interest agreement to the point at which the membership interest agreement may be terminated without cause Scott & White's interest in the (losses) income of MAH was $(52,000) and $3,871,000 for fiscal years 2013 and 2012, respectively, and is included as a component of research, education, and other nonoperating activity on the statements of operations

5. Self-Insured Liabilities

Scott & White self-insures substantially all of its professional liability risk through a wholly owned insurance subsidiary Commercial insurance policies are maintained to insure claims exceeding $7,000,000 individually or $35,000,000 in the aggregate during 2013 on a claims-made basis Self-insured liabilities are recorded for incurred but not reported claims and reported claims based on estimates by independent actuaries Assets have been designated to satisfy professional and general liabilities and are reported in the consolidated balance sheets as assets limited as to use for restricted purposes

6. Reinsurance of Health Maintenance Organization Medical Claims

Scott & White's health maintenance organization cedes certain premium revenues and medical claims under reinsurance agreements The ceded reinsurance agreements provide Scott & White with increased capacity to write larger risks and maintain its exposure to loss within its capital resources Scott & White's health maintenance organization is currently a party to reinsurance contracts under which it is reimbursed for a percentage of claim expenses incurred in excess of a deductible and up to a maximum benefit per member per year

Under these contracts, Scott & White is not relieved of its primary obligation to provide health care coverage to members The annual deductible ranged from $150,000 to $700,000 per member for the year ended August 31, 2013, and ranged from $100,000 to $700,000 per member for the year ended August 31, 2012 The maximum benefit per member ranged from $3,000,000 to $10,000,000 for the years ended August 31, 2013 and 2012 Coinsurance benefits for the years ended August 31, 2013 and 2012, vary by type of service

7. Long-Term Debt

	August 31 2013	2012
	(In Thousands)	
Revenue bonds, Series 2013A, interest at 4 84%, payable semiannually, principal payable through 2043	**$ 176,690**	$ –
Revenue bonds, Series 2013B, variable rate interest payable monthly (0 71% at August 31, 2013), principal payable annually through 2045	**81,680**	–
Revenue bonds, Series 2013C, variable rate interest payable monthly (0 94% at August 31, 2013), principal payable annually through 2045	**94,395**	–
Revenue bonds, Series 2010, interest at 5 36%, payable semiannually, principal payable through 2045	**339,215**	341,155
Revenue bonds, Series 2008-1, variable rate interest payable monthly (0 05% at August 31, 2013), principal payable annually through 2041 (principal payments begin in 2030)	**85,775**	85,775
Revenue bonds, Series 2008-2, variable rate interest payable monthly, principal payable annually through 2046 (principal payments begin in 2030)	–	94,395
Revenue bonds, Series 2008A, interest at 5 32%, payable semiannually, principal payable annually through 2031	**148,770**	154,355
FHA Revenue bonds, Series 2006, interest payable semiannually, principal payable annually through 2035	–	226,890
Revenue bonds, Series 2004, interest at 4 06%, payable semiannually, principal payable annually through 2014	**4,132**	4,300
Tax-exempt note payable, variable rate interest (1 27% at August 31, 2013), payable monthly, matures 2017	**56,225**	56,225
Note payable, variable rate interest payable monthly (1 29% at August 31, 2013), principal paid annually, matures 2019	**48,000**	50,000
Interim financing and lines of credit	**66,780**	50,300
Capital lease and other obligations	**18,528**	10,573
	1,120,190	1,073,968
Net unamortized premium (discount)	**20,190**	(33,767)
Less current maturities	**(38,982)**	(34,658)
Long-term portion of debt	**$ 1,101,398**	$ 1,005,543

7. Long-Term Debt (continued)

Certain entities within Scott & White are members of the Scott & White Obligated Group (Obligated Group) Obligated Group members are jointly and severally liable under a Master Trust Indenture (MTI) to make all payments required with respect to obligations secured under the MTI Obligated Group members have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof Under the MTI, the Obligated Group was obligated to pay $926,525,000 and $675,680,000 at August 31, 2013 and 2012, respectively

In March 2013, Scott & White issued Series 2013A Revenue Bonds with an aggregate principal of $176,690,000 Series 2013A bonds mature on various dates through August 2043, and interest is payable semiannually in February and August of each year Simultaneous to the issuance of its Series 2013A bonds, Scott & White issued Series 2013B Revenue Bonds The Series 2013B bonds were issued as direct placement variable rate bonds The Series 2013B bonds mature in 2045, with an initial put date in 2023 Interest is payable monthly Proceeds of the Series 2013B bonds along with the majority of proceeds for the Series 2013A bonds were used to advance refund Series 2006 FHA Revenue Bonds With the advance refunding of the Series 2006 bonds, Scott & White recognized a $66,172,000 loss on extinguishment of debt The loss was due to the write-off of a significant discount associated with the 2006 bonds as well as the escrow funding required to make future interest payments on the 2006 bonds The remaining portion of the Series 2013A bonds were used to fund development and construction costs of various expansion and construction projects

In March 2013, Scott & White also issued Series 2013C Revenue Bonds to refinance the Series 2008-2 bonds Series 2013C bonds were issued as direct placement variable rate bonds The Series 2013C bonds mature in 2046, with an initial put date in 2022

In June 2010, Scott & White issued Series 2010 Revenue Bonds with a total par amount of $345,775,000 The majority of the proceeds are being used to fund development and construction costs of various expansion and construction projects The Series 2010 bonds mature on various dates through August 2045

Scott & White's Series 2008 Revenue Bonds were issued as variable rate demand bonds in June 2008 They were originally issued in three subseries with a total par amount of $236,395,000 In October 2010, the Series 2008-3 bonds were refunded with a tax-exempt note in the amount of $56,225,000 as part of a strategy to manage maturities of the irrevocable

7. Long-Term Debt (continued)

direct-pay letters of credit used to support the payment of principal and interest on the Series 2008 bonds In March 2013, the Series 2008-2 bonds were refunded with the Series 2013C bonds The direct-pay letters of credit associated with the Series 2008-2 and 2008-3 bonds were terminated at the time of refunding The irrevocable direct-pay letter of credit associated with the Series 2008-1 bonds was replaced in April 2011 in advance of its stated expiration Unless it is extended, terminated early, or replaced, the letter of credit supporting the Series 2008-1 bonds will expire April 11, 2015

In August 2008, Scott & White issued the Series 2008A Revenue Bonds with a total par amount of $172,425,000 Proceeds were used to advance refund the outstanding principal of the Series 2000B and Series 2001 Revenue Bonds and pay costs of issuance of the Series 2008A Revenue Bonds The Series 2008A bonds mature on various dates through August 2031 Interest is paid semiannually in February and August of each year

As of August 31, 2013 and 2012, Scott & White has $137,309,000 and $115,173,000, respectively, in additional long-term debt, which includes capitalized leases, notes payable to others, and lines of credit drawn

The maturities of Scott & White's long-term debt and capital lease obligations as of August 31, 2013, are shown below (in thousands)

	Long-Term Debt	Capital Lease Obligations	Total
2014	$ 33,348	$ 5,991	$ 39,339
2015	68,111	4,337	72,448
2016	16,279	3,971	20,250
2017	17,043	984	18,027
2018	74,023	–	74,023
Thereafter	916,944	–	916,944
	1,125,748	15,283	1,141,031
Less imputed interest	–	(651)	(651)
	$ 1,125,748	$ 14,632	$ 1,140,380

7. Long-Term Debt (continued)

Total interest expense incurred during fiscal 2013 and 2012 was approximately $23,165,000 and $27,163,000, respectively, net of approximately $18,340,000 and $17,149,000 of capitalized interest costs in 2013 and 2012, respectively Interest paid during fiscal years 2013 and 2012 was approximately $50,798,000 and $44,116,000, respectively, including amounts capitalized

The estimated fair value of Scott & White's debt is $1,122,915,000 and $1,144,224,000 at August 31, 2013 and 2012, respectively Fair values were derived from market quotes obtained from an independent financial advisor and are considered Level 2 fair value measurements

The bond indentures and other interim financing agreements, including the revolving lines of credit, each contain certain restrictive covenants, including minimum levels of cash and debt service coverage Management believes Scott & White is in compliance with all financial covenants

8. Interest Rate Swap Agreements

Interest rate swap agreements (derivative agreements) between Scott & White and third parties (counterparties) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate Derivative agreements expose Scott & White to market risk and credit risk

Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions Counterparty credit risk is managed by requiring high credit standards for Scott & White's counterparties The counterparties to these contracts are financial institutions that carry investment-grade credit ratings The interest rate swap agreements contain certain collateral provisions applicable to Scott & White and counterparties to mitigate credit risk Scott & White does not anticipate nonperformance by its counterparties

Market risk is the adverse effect on the value of Scott & White's swap agreements that results from a change in interest rates The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken Management also mitigates market risk through periodic reviews of its

8. Interest Rate Swap Agreements (continued)

derivative positions in the context of its blended cost of capital Scott & White can terminate any of the swap agreements at any time and would make or receive a payment depending on the fair value of the swap agreements on the date of termination

At August 31, 2013, Scott & White has interest rate swap agreements with a total notional amount of $480,475,000, as compared to $566,285,000 at August 31, 2012 Five of the seven fixed payer interest rate swap agreements are associated with the Series 2008-1 bonds, the Series 2013C bonds, and a variable rate tax-exempt note executed in October 2010

In February 2011, Scott & White entered into two fixed receiver interest rate swap agreements with the intent to offset the cash flows of the two fixed payer swaps that were not associated with outstanding debt In anticipation of associating one of the forward fixed payer swaps with the 2013 bonds, Scott & White terminated the forward fixed receiver swap with a notional amount of $82,230,000 in February 2013 The termination resulted in a payment of $4,431,000 from the counterparty to Scott & White In March 2013, Scott & White issued its Series 2013B bonds and associated the fixed payer interest rate swap agreement with a notional amount of $82,715,000 with the bonds

Scott & White has experienced negative mark-to-market valuations in its swap positions resulting in liabilities to the counterparties that exceeded contractually established thresholds Since Scott & White's credit rating determines the required collateral threshold amount related to the majority of swap agreements, a downgrade in credit rating could have significant impact on collateral posting requirements To manage the collateral posting requirements, Scott & White amended all swap agreements with the counterparties to increase or remove minimum threshold collateral posting requirements, or to allow letters of credit to become a form of eligible collateral At August 31, 2013, a letter of credit for an amount not to exceed $50,000,000 was available for collateral support related to the three fixed forward swap agreements outstanding at that date The counterparty holds the undrawn letter of credit, and an actual draw would only be initiated if an event of default or a termination event occurs and is continuing As of August 31, 2013, no amounts have been drawn on the letter of credit

Net settlement payments on interest rate swap agreements totaled $6,715,000 and $11,516,000 for the years ended August 31, 2013 and 2012, respectively Net settlement payments and the change in fair value on interest rate swap agreements are reported in interest rate swap activity in the nonoperating section of the consolidated statements of operations The fair value of interest

8. Interest Rate Swap Agreements (continued)

rate swap agreements is reported in long-term liabilities on the consolidated balance sheets The change in the fair value of interest rate swap agreements is included as a line item on the consolidated statement of cash flows

The following table summarizes Scott & White's swap transactions, including the fair value of each swap at August 31, 2013, and the gain (loss) recorded relative to each agreement (in thousands)

Counterparty	Description	Termination Date	Interest Rate Agreements	Notional Amount	Fair Value August 31, 2013	Change in Fair Value August 31, 2013
Deutsche Bank	Fixed payer	2041	2	$ 85,775	$ (15,595)	$ 11,248
Wells Fargo	Fixed payer	2046	1	56,225	(11,381)	8,725
Goldman Sachs	Fixed payer	2041 & 2046	2	94,395	(18,546)	13,213
JP Morgan	Forward fixed payer	2045	2	162,880	(47,171)	29,591
JP Morgan	Forward fixed receiver	2018	1	81,200	2,888	(3,684)
				$ 480,475	$ (89,805)	$ 59,093

The following table summarizes Scott & White's swap transactions, including the fair value of each swap at August 31, 2012, and the gain (loss) recorded relative to each agreement (in thousands)

Counterparty	Description	Termination Date	Interest Rate Agreements	Notional Amount	Fair Value August 31, 2012	Change in Fair Value August 31, 2012
Deutsche Bank	Fixed payer	2041	2	$ 85,775	$ (26,843)	$ (7,781)
Wells Fargo	Fixed payer	2046	1	56,225	(20,106)	(6,590)
Goldman Sachs	Fixed payer	2041 & 2046	2	94,395	(31,759)	(9,353)
JP Morgan	Forward fixed payer	2045	2	164,945	(76,762)	(17,366)
JP Morgan	Forward fixed receiver	2018	2	164,945	11,003	3,562
				$ 566,285	$ (144,467)	$ (37,528)

9. Employee Benefit Plans

Defined Contribution Plans

Scott & White provides defined contribution plans to eligible employees There are three types of primary contributions to these plans employer automatic contributions, employee contributions, and employer matching contributions Employer automatic contributions are based on a percentage of each participant's compensation and can vary based on years of service Employer matching contributions are based on each participant's contribution to his or her plan account each payroll period Scott & White's contribution expense to its defined contribution plans was approximately $63,256,000 and $58,465,000 in 2013 and 2012, respectively

Defined Benefit Plans

Scott & White has two defined benefit retirement plans at August 31, 2013 These two defined benefit retirement plans are collectively referred to herein as the Pension Plans The Pension Plans are currently frozen Benefits under the Pension Plans are based on each employee's years of service and compensation computed as of the date the Pension Plans were frozen

The following section sets forth a reconciliation of benefit obligations, plan assets, and balance sheet position for the Pension Plans (in thousands)

	August 31	
	2013	**2012**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 59,416**	$ 48,836
Interest cost	**2,117**	2,360
Actuarial (gain) loss	**(7,586)**	9,991
Benefits paid	**(1,997)**	(1,771)
Benefit obligation at end of year	**51,950**	59,416
Change in plan assets		
Fair value of plan assets at beginning of year	**37,117**	32,905
Return on plan assets	**5,195**	3,835
Employer contributions	**1,928**	2,148
Benefits paid	**(1,997)**	(1,771)
Fair value of plan assets at end of year	**42,243**	37,117
Funded status	**$ (9,707)**	$ (22,299)

9. Employee Benefit Plans (continued)

The amounts recognized as an increase (decrease) in unrestricted net assets totaled $10,770,000 and $(8,576,000) for the years ended August 31, 2013 and 2012, respectively The amount in unrestricted net assets that has not yet been recognized as a component of net periodic benefit cost is $3,144,000 at August 31, 2013, which consists entirely of an actuarial net loss Of this amount, $55,000 is expected to be recognized in expense during fiscal year 2014

Components of net periodic benefit cost for the year were as follows (in thousands)

	August 31	
	2013	**2012**
Interest cost	**$ 2,117**	$ 2,360
Expected return on plan assets	**(2,974)**	(2,648)
Amortization of actuarial loss	**738**	228
Net periodic benefit income	**$ (119)**	$ (60)

Weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost were as follows

	August 31	
	2013	**2012**
Discount rate used to determine the benefit obligation	**4.62%**	3 61%
Discount rate used to determine the benefit cost	**3.61**	4 97
Expected long-term return on plan assets	**8.00**	8 00

In determining the expected long-term rate of return on plan assets, a building block approach was used Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run Current market factors such as inflation and interest rates are evaluated before long-term market assumptions are determined The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing Peer data and historical returns are reviewed to check for reasonability and appropriateness

9. Employee Benefit Plans (continued)

Information for pension plans with accumulated benefit obligations in excess of plan assets is as follows (in thousands)

	August 31	
	2013	**2012**
Projected benefit obligation	**$ 51,951**	$ 59,416
Accumulated benefit obligation	**51,591**	59,416
Fair value of plan assets	**42,243**	37,117

The following section sets forth information on the assets of the Texas Hospital Association Retirement Trust (Master Trust), in which the Pension Plans participate

The weighted-average asset allocations for the Master Trust by asset category were as follows

	Percentage of Master Trust Assets August 31	
	2013	**2012**
Equity securities	**77%**	86%
Debt securities	**22**	12
Cash	**1**	2
Total	**100%**	100%

A total return investment approach is used, whereby a mix of equities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition The investment portfolio contains a diversified blend of equity and fixed income investments Furthermore, equity investments are diversified across U S and non-U S stocks, as well as growth, value, and small and large capitalizations Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies

9. Employee Benefit Plans (continued)

The Master Trust invests plan assets for the plans of approximately 30 participating hospitals The Master Trust includes assets for both defined benefit and defined contribution plans The investment objectives for the Master Trust reflect two general goals

1 To provide returns that improve the funded status of the participating hospitals' plans over time and reduce pension costs

2 To receive favorable performance from the pension fund's active managers in exchange for the fees paid to the investment management fund

Based on the Master Trust's risk posture, the trustees developed the following asset mix targets

	Target Allocation
Large cap U S equities	50%
Small cap U S equities	15
International equities	10
Fixed income	25

The Pension Plans' interest in the Master Trust is considered an asset measured at fair value using Level 2 inputs from the perspective of the Pension Plans At August 31, 2013, 46% and 54% of the assets in the Master Trust were measured using Level 1 and Level 2 inputs, respectively At August 31, 2012, 47% and 53% of the assets in the Master Trust were measured using Level 1 and Level 2 inputs, respectively

9. Employee Benefit Plans (continued)

The following table illustrates the minimum contributions Scott & White must make to the Pension Plans in fiscal year 2014, as well as the estimated pension benefit payments, which reflect expected future service, as appropriate, that are projected to be paid each fiscal year through 2023 (in thousands)

Minimum funding fiscal year 2014	$	1,388
		Payments
Estimated benefit payments		
Fiscal year ending August 31, 2014	$	2,139
Fiscal year ending August 31, 2015		2,234
Fiscal year ending August 31, 2016		2,360
Fiscal year ending August 31, 2017		2,481
Fiscal year ending August 31, 2018		2,583
Fiscal years ending August 31, 2019 through August 31, 2023		14,929

Other Postretirement Benefits

Certain Scott & White employees participate in Scott & White's medical postretirement benefit plan This plan provides medical and dental benefits to retirees who meet specific eligibility requirements upon retirement The plan is unfunded and requires covered retirees to contribute a portion of the cost of benefits based on age at retirement and years of service Scott & White uses an incremental cost approach in estimating the annual accrued cost related to the postretirement benefit plan, which is based on estimates by independent actuaries Such an approach is considered appropriate since substantially all of the health care benefits are provided by Scott & White to retirees, using Scott & White's health maintenance organization to manage the care provided

In August 2013, the benefits under the plan were modified such that future retirees (current and future employees) who have not earned access to the plan as of December 31, 2013, will have fewer benefits They will no longer be eligible for retiree medical benefits before age 65 but will still earn the right to benefits after age 65 This is considered a "negative plan amendment" under ASC 715, *Compensation – Retirement Benefits*, and not a curtailment as some level of benefits is still available to all employees who become eligible As a result of the plan amendment, the accumulated postretirement benefit obligation decreased by approximately $7 million and is reflected within other changes in net assets on the consolidated financial statements The

9. Employee Benefit Plans (continued)

amendment has appropriately been reflected as of August 31, 2013, as it was approved by the appropriate governance in August 2013 and communicated to the employees in a reasonable period of time

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 introduced a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D Scott & White has not made the determination that the prescription drug benefit provided by its medical postretirement benefit plan is actuarially equivalent to the benefit provided by Medicare Part D Therefore, the measures of the accumulated benefit obligation or net periodic benefit cost do not reflect any amounts associated with the federal subsidy

The following section sets forth a reconciliation of benefit obligations, plan assets, and balance sheet position for the postretirement benefit obligation (in thousands)

	August 31	
	2013	**2012**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 18,862**	$ 13,240
Employer service cost	**1,220**	785
Interest cost	**643**	591
Actuarial (gain) loss	**(671)**	5,018
Plan participants' contributions	**2,131**	2,068
Benefits paid	**(3,068)**	(2,749)
Administrative expenses paid	**(4)**	(91)
Plan change	**(7,359)**	–
Benefit obligation at end of year	**11,754**	18,862
Change in plan assets		
Fair value of plan assets at beginning of year	–	–
Employer contributions	**941**	772
Plan participants' contributions	**2,131**	2,068
Benefits paid	**(3,068)**	(2,749)
Administrative expenses paid	**(4)**	(91)
Fair value of plan assets at end of year	–	–
Funded status	**$ (11,754)**	$ (18,862)

9. Employee Benefit Plans (continued)

The amount recognized as an increase (decrease) in unrestricted net assets totaled $8,472,000 and $(4,883,000) for the years ended August 31, 2013 and 2012, respectively The amount in unrestricted net assets that has not yet been recognized as a component of net periodic benefit cost is $(348,000) at August 31, 2013, which consists of an actuarial net loss of $6,327,000 and a net prior service credit of $6,675,000 Of this amount, $139,000 is expected to be recognized as a reduction to net periodic benefit cost during fiscal year 2014

Components of net periodic benefit cost for the period were as follows (in thousands)

	August 31	
	2013	**2012**
Interest cost	**$ 643**	$ 591
Employer service cost	**1,220**	785
Net prior service cost amortization	**58**	56
Net loss amortization	**384**	78
Net periodic benefit cost	**$ 2,305**	$ 1,510

Weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost were as follows

	August 31	
	2013	**2012**
Discount rate used to determine the benefit obligation	**4.0%**	3 5%
Discount rate used to determine the benefit cost	**3.5%**	4 6%
Health care cost trend rate	**8.0%**	9 0%
Ultimate health care cost trend rate	**5.0%**	5 0%
Year of ultimate trend rate	**2031**	2031
Expected long-term return on plan assets	**N/A**	N/A

The effect of a 1% increase in the assumed health care cost trend rates on the accumulated postretirement benefit obligation and on the aggregate of employer service cost and interest cost as of and for the year ended August 31, 2013, would be an increase of $1,073,000 and $353,000, respectively The effect of a 1% decrease in the assumed health care cost trend rates

9. Employee Benefit Plans (continued)

on the accumulated postretirement benefit obligation and on the aggregate of employer service cost and interest cost as of and for the year ended August 31, 2013, would be a decrease of $887,000 and $278,000, respectively

The following table illustrates Scott & White's expected future net benefit payments (in thousands)

	Payments
Estimated benefit payments by plan year	
Fiscal year ending August 31, 2014	$ 1,070
Fiscal year ending August 31, 2015	1,048
Fiscal year ending August 31, 2016	1,119
Fiscal year ending August 31, 2017	1,155
Fiscal year ending August 31, 2018	1,248
Fiscal years ending August 31, 2019 through August 31, 2023	5,943

10. Assets Limited as to Use

Scott & White's investment portfolio includes investments classified as trading and other than trading Investments classified as trading were $711,343,000 and $707,488,000 at August 31, 2013 and 2012, respectively

Investments classified as other than trading were $85,424,000 and $120,601,000 at August 31, 2013 and 2012, respectively The cost basis of investments classified as other than trading was $78,238,000 and $117,478,000 at August 31, 2013 and 2012, respectively Investments in other than trading fixed income securities with stated maturities are presented in the table below by their contractual maturity

	August 31	
	2013	**2012**
	(In Thousands)	
Less than 1 year	**$ 10,749**	$ 36,670
1–5 years	**22,234**	23,392
6–10 years	**34,669**	51,377
Greater than 10 years	**7,376**	5,478
	$ 75,028	$ 116,917

10. Assets Limited as to Use (continued)

All interest and dividends, realized gains (losses), and unrealized gains (losses) on investments classified as trading as well as all interest and dividends and realized gains (losses) on investments classified as other than trading are included in investment income in the consolidated statements of operations Investment income included in the consolidated statements of operations consists of the following

	Year Ended August 31	
	2013	**2012**
	(In Thousands)	
Net realized gains	**$ 9,251**	$ 4,504
Net unrealized gains	**21,596**	983
Dividends and interest	**8,422**	11,331
	$ 39,269	$ 16,818

Unrealized (losses) gains on investments classified as other than trading were $(3,861,000) and $1,247,000 for the years ended August 31, 2013 and 2012, respectively Unrealized gains (losses) on investments classified as other than trading are included in other changes in unrestricted net assets in the consolidated statements of changes in net assets For other-than-trading debt securities in an unrealized loss position, Scott & White does not intend to sell the investments and it is not more likely than not that Scott & White will be required to sell the investments before recovery of their amortized cost base For other-than-trading equity securities, Scott & White has evaluated the near-term prospects of the investment in relation to the severity and duration of the impairment and based on that evaluation has concluded that it has the ability and intent to hold these investments until a recovery of fair value

10. Assets Limited as to Use (continued)

Scott & White's assets limited as to use include the following

	August 31 2013	August 31 2012
	(In Thousands)	
Cash and cash equivalents	**$ 169,242**	$ 159,757
U S government agency securities	**86,860**	132,748
Corporate fixed income securities	**141,080**	149,525
Collateralized debt obligations	**17,845**	23,014
Mutual funds – fixed income	**92,746**	74,036
Equity securities	**118,611**	83,080
Mutual funds – equity	**96,493**	152,104
Alternative investments	**54,627**	32,246
Other	**19,263**	21,579
	796,767	828,089
Less current portion of assets limited as to use	**(7,406)**	(4,526)
	$ 789,361	$ 823,563

Scott & White's alternative investments are primarily partnership investment trusts and provide Scott & White with a proportionate share of the investment gains and losses Certain alternative investments have liquidity limitations, in some cases over extended periods of time, or may employ leverage, which may lead to additional risk of loss

11. Functional Expenses

The functional classification of Scott & White operating expenses is as follows

	Year Ended August 31	
	2013	**2012**
	(In Thousands)	
Clinical care	**$ 779,877**	$ 731,689
Hospital care	**670,870**	649,617
Education and research	**47,681**	46,981
Shared services support	**295,508**	225,910
Health insurance operations	**322,322**	327,960
	$ 2,116,258	$ 1,982,157

12. Commitments and Contingencies

Operating Leases

Scott & White leases equipment and property space under operating leases Rent expense totaled approximately $43,404,000 and $34,949,000 in 2013 and 2012, respectively

Future minimum lease commitments under operating leases that have initial or remaining lease terms in excess of one year are as follows as of August 31, 2013 (in thousands)

2014	$ 39,541
2015	33,380
2016	27,981
2017	22,766
2018	19,479
Thereafter	88,085
	$ 231,232

12. Commitments and Contingencies (continued)

Sale-Leaseback Agreements

Scott & White accounts for sale-leaseback transactions under the provisions of ASC 840-40, *Leases—Sale-Leaseback Transactions.*

During fiscal year 2013, Scott & White entered into one sale-leaseback transaction Computer equipment with an approximate carrying value of $1,298,000 was sold for $1,528,000 Concurrent with the sale, Scott & White entered into an operating lease agreement to lease back the sold computer equipment As a result of this transaction, Scott & White recorded a deferred gain of approximately $229,000 to be recognized as a reduction of lease expense over a period equal to the term of the operating lease At August 31, 2013, the deferred gain related to this sale-leaseback transaction remaining to be recognized was approximately $172,000 and is included in other liabilities in the consolidated balance sheet

During fiscal year 2012, Scott & White entered into two sale-leaseback transactions Property and equipment with an approximate carrying value of $13,863,000 was sold for $17,913,000 Concurrent with the sales, Scott & White entered into operating lease agreements to lease back the sold property and equipment As a result of these transactions, Scott & White recorded deferred gains of approximately $4,050,000 to be recognized as a reduction of lease expense over a period equal to the term of the operating lease At August 31, 2013, the deferred gain related to these sale-leaseback transactions remaining to be recognized was approximately $2,789,000 and is included in other liabilities in the consolidated balance sheet

Legal Proceedings

Scott & White is a defendant in various legal proceedings arising in the ordinary course of business Although the results of litigation cannot be predicted with certainty, management believes the outcome of pending litigation will not have a material adverse effect on Scott & White's consolidated financial statements

13. Fair Values of Financial Instruments

Fair value 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 (an exit price) ASC 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement The three levels of the fair value hierarchy defined by ASC 820 are listed below in order of priority

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the reporting entity has the ability to access at the measurement date

Level 2 – Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and 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 – Fair value is based on prices or valuation techniques that require inputs which are both significant to the fair value measurements and unobservable These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed

Scott & White estimates the values of its U S government agency securities, certain corporate fixed income securities, collateralized debt obligations, and interest rate swap agreements using Level 2 inputs These investments are valued primarily using a market approach using inputs such as evaluated bid prices provided by third-party pricing services when quoted market values are not available Interest rate swaps are valued using an income approach that utilizes present value techniques which are affected by inputs such as interest rate curves and credit rating Valuation of Scott & White's Level 3 asset at August 31, 2012, is based on redemption value

13. Fair Values of Financial Instruments (continued)

In addition, Scott & White has alternative investments, primarily partnership investment trusts (investment trusts), which provide Scott & White with a proportionate share of the investment gains and losses and take their positions in part through derivative contracts Investments in investment trusts are accounted for using the equity method of accounting and are therefore excluded from the scope of ASC 820-10

	Financial Assets and Liabilities at Fair Value as of August 31, 2013		
	Level 1	**Level 2**	**Level 3**
	(In Thousands)		
Assets			
Assets limited as to use			
Cash equivalents	$ 80,187	$ –	$ –
U S government agency securities	–	86,860	–
Corporate fixed income securities	124,136	16,944	–
Collateralized debt obligations	–	17,845	–
Mutual funds – fixed income	92,746	–	–
Equity securities	118,611	–	–
Mutual funds – equity	96,493	–	–
Total assets limited as to use	$ 512,173	$ 121,649	$ –
Liabilities			
Interest rate swap agreements	$ –	$ 89,805	$ –

Assets limited as to use not included in the table above include $89,055,000 in cash, $54,627,000 of alternative investments, and $19,263,000 of assets pledged or contributed, which are not financial assets that are marked to fair value on a recurring basis

13. Fair Values of Financial Instruments (continued)

In accordance with ASC 820-10, the following table presents a reconciliation of the beginning and ending balances of Scott & White's Level 3 assets (in thousands)

	Level 3 Assets
Beginning balance as of September 1, 2012	$ 17,615
Interest income	539
Realized gain	1,036
Redemptions	(19,190)
Ending balance as of August 31, 2013	$ –

	Financial Assets and Liabilities at Fair Value as of August 31, 2012		
	Level 1	Level 2	Level 3
	(In Thousands)		
Assets			
Assets limited as to use			
Cash equivalents	$ 142,777	$ –	$ –
U S government agency securities	–	155,762	–
Corporate fixed income securities	131,512	18,013	–
Mutual funds – fixed income	56,421	–	–
Equity securities	83,080	–	–
Mutual funds – equity	152,104	–	–
Guaranteed investment contract	–	–	17,615
Total assets limited as to use	$ 565,894	$ 173,775	$ 17,615
Liabilities			
Interest rate swap agreements	$ –	$ 144,467	$ –

Assets limited as to use not included in the table above include $16,980,000 in cash, $32,246,000 of alternative investments, and $21,579,000 of assets pledged or contributed, which are not financial assets that are marked to fair value on a recurring basis

13. Fair Values of Financial Instruments (continued)

In accordance with ASC 820-10, the following table presents a reconciliation of the beginning and ending balances of Scott & White's Level 3 assets (in thousands)

	Level 3 Assets
Beginning balance as of September 1, 2011	$ 17,615
Interest income	844
Redemptions	(844)
Ending balance as of August 31, 2012	$ 17,615

14. Endowments

Scott & White's endowment consists of approximately 100 individual funds established for a variety of purposes The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

Endowment net asset composition by type of funds as of August 31, 2013, is as follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Board-designated endowment	$ 48,726	$ –	$ –
Donor-restricted endowment	–	10,894	39,736
	$ 48,726	$ 10,894	$ 39,736

14. Endowments (continued)

The change in endowment net assets for the fiscal year ended August 31, 2013, is as follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment assets, beginning of year	$ 44,515	$ 7,376	$ 36,606
Investment income	1,720	1,172	–
Net appreciation	3,510	2,984	–
Total investment income	5,230	4,156	–
Contributions to endowment	1,417	–	3,532
Appropriated for expenditure	(2,436)	(638)	–
Other	–	–	(402)
Endowment assets, end of year	$ 48,726	$ 10,894	$ 39,736

Endowment net asset composition by type of funds as of August 31, 2012, is as follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Board-designated endowment	$ 44,515	$ –	$ –
Donor-restricted endowment	–	7,376	36,606
	$ 44,515	$ 7,376	$ 36,606

14. Endowments (continued)

The change in endowment net assets for the fiscal year ended August 31, 2012, is as follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment assets, beginning of year	$ 46,395	$ 6,612	$ 36,271
Investment income	1,466	1,079	–
Net appreciation	344	655	–
Total investment income	1,810	1,734	–
Contributions to endowment	1,026	–	322
Appropriated for expenditure	(4,716)	(970)	–
Other	–	–	13
Endowment assets, end of year	$ 44,515	$ 7,376	$ 36,606

Interpretation of Relevant Law

The Board of Trustees of Scott & White has interpreted the Texas enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 As a result of this interpretation, Scott & White classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Scott & White in a manner consistent with the standard of prudence prescribed by Texas law In accordance with Texas law, if relevant, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

(1) The duration and preservation of the endowment fund

(2) The purposes of the institution and the endowment fund

14. Endowments (continued)

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the institution

(7) The investment policy of the organization

Return Objectives and Risk Parameters

Scott & White has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets Endowment assets include donor-restricted assets that Scott & White must hold in perpetuity or for a donor-specified period as well as board-designated funds Under this policy, as approved by the Board of Trustees, the endowment assets are invested among various asset classes to produce investment returns that exceed the price and yield results of the respective benchmark asset classes and peer groups while assuming a moderate level of investment risk Actual returns in any given year vary

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Scott & White relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) Scott & White oversees its investment portfolio through an Investment Committee of the Scott & White Board of Trustees, and uses the recommendations of an independent investment consultant to manage the funds within the portfolio and review asset allocations

Spending Policy and How the Investment Objectives Relate to Spending Policy

The appropriation for expenditure in any year will not exceed the Board of Trustees' approved appropriation and spending rate The Board of Trustees' approved appropriation and spending rate takes into account Scott & White's historical long-term rate of return on investments and Scott & White's policy of acting to preserve the purchasing power of the endowment fund As

14. Endowments (continued)

such, Scott & White's Board of Trustees has resolved that each fiscal year the lesser of 75% of an endowment fund's investment return or 5% of the invested fund balance of an endowment fund (as of the end of the previous fiscal year) may be appropriated for expenditure

In establishing this policy, Scott & White considered the long-term expected return on its endowment Accordingly, over the long term, Scott & White expects the current spending policy to allow its endowment to grow at a rate comparable to annual inflation This is consistent with Scott & White's objective to maintain the purchasing power of the endowment assets

15. Subsequent Events

Effective October 1, 2013, SWH and Baylor Health Care System, a Texas nonprofit corporation (BHCS), consummated their affiliation (the Affiliation) pursuant to an Affiliation Agreement (the Agreement) dated June 19, 2013 The Affiliation was accomplished through the creation of a new Texas limited liability company, Baylor Scott & White Health LLC (Baylor Scott & White Health) SWH and BHCS are equal members in Baylor Scott & White Health, which has control and substantial reserved powers over all SWH and BHCS material affiliates

Management has evaluated subsequent events through January 15, 2014, the date the financial statements were available to be issued

Supplementary Information

Scott & White Healthcare

Consolidating Balance Sheet (Unaudited)

August 31, 2013

	S&W Obligated Group	SWHP	Other Entities	Eliminating Entries	SWH Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 75,150	$ 33,483	$ 6,206	$ –	$ 114,839
Assets limited as to use, current portion	7,406	–	–	–	7,406
Accounts receivable, net				–	
Patient	189,864	–	12,764	(24,509)	178,119
Premiums	–	52,592	–	–	52,592
Other	82,440	6,440	(25,430)	–	63,450
Total accounts receivable	272,304	59,032	(12,666)	(24,509)	294,161
Inventory	19,672	7,859	3,374	–	30,905
Total current assets	374,532	100,374	(3,086)	(24,509)	447,311
Assets limited as to use					
For restricted purposes	153,659	2,200	2,588	–	158,447
Internally designated for specific purposes	460,719	37,535	7,404	–	505,658
Held by trustees under bond agreements	132,662	–	–	–	132,662
	747,040	39,735	9,992	–	796,767
Less current portion	(7,406)	–	–	–	(7,406)
Total assets limited as to use	739,634	39,735	9,992	–	789,361
Property and equipment, net	1,064,928	17,803	34,838	–	1,117,569
Investment in unconsolidated entity	38,696	155	–	–	38,851
Interest in net assets of supporting foundations	7,235	–	–	–	7,235
Other assets	131,216	5,633	343	(96,875)	40,317
Total assets	$ 2,356,241	$ 163,700	$ 42,087	$ (121,384)	$ 2,440,644

	S&W Obligated Group	SWHP	Other Entities	Eliminating Entries	SWH Consolidated
Liabilities and net assets					
Current liabilities					
Accounts payable	$ 108,952	$ 3,379	$ 777	$ –	$ 113,108
Accrued expenses and other liabilities	96,224	14,551	1,668	–	112,443
Medical claims payable	–	45,866	–	(24,509)	21,357
Due to third-party payers	14,213	–	1,834	–	16,047
Current portion of long-term debt	19,481	15,000	4,501	–	38,982
Total current liabilities	238,870	78,796	8,780	(24,509)	301,937
Long-term debt, less current portion	1,100,032	–	6,682	(5,316)	1,101,398
Self-insured liabilities	29,034	–	70	–	29,104
Interest rate swap agreements	89,805	–	–	–	89,805
Pension and other postretirement benefit liabilities	17,628	–	3,833	–	21,461
Other liabilities	23,620	15,732	47	–	39,399
Total liabilities	1,498,989	94,528	19,412	(29,825)	1,583,104
Commitments and contingencies					
Net assets					
Attributable to noncontrolling interests in consolidated entities	824	–	–	288	1,112
Attributable to SWH					
Unrestricted	722,644	69,172	20,084	(89,256)	722,644
Temporarily restricted	92,277	–	1,540	(1,540)	92,277
Permanently restricted	41,507	–	1,051	(1,051)	41,507
Total net assets	854,207	69,172	22,675	(91,559)	857,540
Total liabilities and net assets	$ 2,356,241	$ 163,700	$ 42,087	$ (121,384)	$ 2,440,644

Scott & White Healthcare

Consolidating Statement of Operations (Unaudited)
Twelve Months Ended August 31, 2013

	S&W Obligated Group	SWHP	Other Entities	Eliminating Entries	SWH Consolidated
			(In Thousands)		
Unrestricted revenues and other support					
Patient service (net of contractuals) and premium revenue	$ 1,755,270	$ 571,877	$ 88,946	$ (273,309)	$ 2,142,784
Provision for bad debts	(202,418)	118	(23,360)	–	(225,660)
Net patient service and premium revenue	1,552,852	571,995	65,586	(273,309)	1,917,124
Other operating revenue	92,054	47,237	18,094	(12,288)	145,097
Total operating revenue	1,644,906	619,232	83,680	(285,597)	2,062,221
Operating expenses					
Salaries and wages	879,895	30,270	44,194	–	954,359
Employee benefits	178,021	7,546	9,699	(5,828)	189,438
Supplies	275,206	43,239	10,683	–	329,128
Purchased services	226,913	51,462	29,618	(6,460)	301,533
Staff enrichment	20,090	1,121	1,228	–	22,439
Medical claims	–	475,592	–	(273,309)	202,283
Depreciation	90,937	533	2,443	–	93,913
Interest	22,679	255	231	–	23,165
Total operating expenses	1,693,741	610,018	98,096	(285,597)	2,116,258
Operating (loss) income	(48,835)	9,214	(14,416)	–	(54,037)
Nonoperating (loss) income					
Contributions, gifts, and bequests	1,662	–	297	–	1,959
Investment income	36,963	1,806	500	–	39,269
Interest rate swap activity	47,947	–	–	–	47,947
Research, education, and other nonoperating activity	(26,049)	(1,453)	716	–	(26,786)
Loss on extinguishment of debt	(66,172)				(66,172)
Subsidiary operations gains	(2,756)	–	–	2,756	–
	(8,405)	353	1,513	2,756	(3,783)
(Deficiency) excess of revenues and gains over expenses and losses	(57,240)	9,567	(12,903)	2,756	(57,820)
Less excess of revenues and gains over expenses and losses attributable to noncontrolling interest in consolidated entities	10,188	–	–	580	10,768
Deficiency (excess) of revenues and gains over expenses and losses attributable to SWH	$ (47,052)	$ 9,567	$ (12,903)	$ 3,336	$ (47,052)

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