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

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




B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization HENDRICK MEDICAL CENTER		D Employer identification number 75-0827446
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) PO BOX 3117 Suite	Room/suite	E Telephone number (325) 670-2000
	City or town, state or country, and ZIP + 4 ABILENE, TX 79604		G Gross receipts \$ 376,795,707
	F Name and address of principal officer JEREMY WALKER 1900 PINE ST ABILENE, TX 79601		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ WWW.EHENDRICK.ORG			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO DELIVER HIGH QUALITY HEALTHCARE EMPHASIZING EXCELLENCE AND COMPASSION CONSISTENT WITH THE HEALING MINISTRY OF JESUS CHRIST			
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3	Number of voting members of the governing body (Part VI, line 1a)	16	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	16	
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	2,792	
6	Total number of volunteers (estimate if necessary)	287		
7a	Total unrelated business revenue from Part VIII, column (C), line 12	3,708,933		
7b	Net unrelated business taxable income from Form 990-T, line 34			
Revenue	8	Contributions and grants (Part VIII, line 1h)	737,268	1,536,049
	9	Program service revenue (Part VIII, line 2g)	320,416,835	340,634,639
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,212,788	9,651,257
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	9,229,907	1,733,473
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	332,596,798	353,555,418
	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	183,271
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)	121,454,543	123,096,603
16a		Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b		Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
17		Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	176,031,323	185,414,421
18		Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	297,669,137	308,775,939
19		Revenue less expenses Subtract line 18 from line 12	34,927,661	44,779,479
Net Assets or Fund Balances				Beginning of Current Year
	20	Total assets (Part X, line 16)	466,987,632	504,310,256
	21	Total liabilities (Part X, line 26)	156,603,937	158,866,949
	22	Net assets or fund balances Subtract line 21 from line 20	310,383,695	345,443,307

Part II Signature Block

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

Sign Here	***** Signature of officer			2014-07-15 Date	
	JEREMY WALKER CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name M Paige Gerich		Preparer's signature		Date
	Firm's name  BKD LLP			Check <input type="checkbox"/> if self-employed PTIN	
	Firm's address  2800 Post Oak Blvd Ste 3200 HOUSTON, TX 77056			Firm's EIN  Phone no (713) 499-4600	

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
























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

- 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.

[illegible][illegible]

4e	Total program service expenses	275,628,947
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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 Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV 	14b Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV 	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV 	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	222	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2,792	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	16	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	16	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization JEREMY WALKER 1900 PINE ST ABILENE, TX (325) 670-2000

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

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 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

[illegible]

Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b	Sub-Total									
c	Total from continuation sheets to Part VII, Section A									
d	Total (add lines 1b and 1c)							3,970,806	189,697	596,672

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
DON FAULKNER CONSTRUCTION , 4849 ANNETTE ABILENE TX 79606	CONSTRUCTION	1,133,693
FULBRIGHT JAWORSKI , 1301 MCKINNEY SUITE 5100 HOUSTON TX 77010	LEGAL	269,741
EDWARD J KROGER , 3100 WESLAYAN STE 300 HOUSTON TX 77027	LEGAL	309,492
PABLO PUENTE , 626 FM 1082 ABILENE TX 79601	CONSTRUCTION	323,647
TITTLE LUTHER PARTNERSHIP , 340 BEECH STREET ABILENE TX 79601	ARCHITECTURE	378,702

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 ►15

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	1,165,390			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	370,659			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		1,536,049			
Program Service Revenue	2a	NEW PATIENT REVENUE	Business Code 621110	321,291,539	318,126,909	3,164,630	
	b	FEES FOR PROVISION OF MEDICAL CARE	621110	14,825,349	14,825,349		
	c	RELATED RENTAL INCOME	621110	1,210,545	1,210,545		
	d	EHR INCENTIVE PAYMENT	621110	3,307,206	3,307,206		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		340,634,639			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		3,138,072		544,303
4		Income from investment of tax-exempt bond proceeds		0			
5		Royalties		0			
6a		(i) Real					
		(ii) Personal					
		Gross rents					
		Less rental expenses					
b							
c		Rental income or (loss)					
d		Net rental income or (loss)		0			
7a		(i) Securities					
		(ii) Other					
		Gross amount from sales of assets other than inventory					
		Less cost or other basis and sales expenses					
b							
c		Gain or (loss)					
d		Net gain or (loss)		6,513,185			6,513,185
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
a							
b		Less direct expenses					
c		Net income or (loss) from fundraising events		0			
9a		Gross income from gaming activities See Part IV, line 19					
a							
b	Less direct expenses						
c	Net income or (loss) from gaming activities		0				
10a	Gross sales of inventory, less returns and allowances						
a							
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory		0				
Miscellaneous Revenue		Business Code					
11a	FIRST CARE LOSS	900099	-6,591,366			-6,591,366	
b	CAFETERIA SALES	900099	2,337,602	2,337,602			
c	MISCELLANEOUS INCOME	900099	5,987,237	5,987,237			
d	All other revenue						
e	Total. Add lines 11a-11d		1,733,473				
12	Total revenue. See Instructions		353,555,418	345,794,848	3,708,933	2,515,588	

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.	264,915	264,915		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	2,885,731	2,429,116	456,615	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	857,968	722,432	135,536	
7	Other salaries and wages.	97,989,586	83,072,569	14,917,017	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,410,634	2,028,138	382,496	
9	Other employee benefits.	11,543,830	8,539,980	3,003,850	
10	Payroll taxes.	7,408,854	6,385,357	1,023,497	
11	Fees for services (non-employees):				
a	Management.	353,694	306,444	47,250	
b	Legal.	714,847	228,780	486,067	
c	Accounting.	282,767	16,766	266,001	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	59,565	38,852	20,713	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	30,783,390	26,489,959	4,293,431	
12	Advertising and promotion.	716,125	397,727	318,398	
13	Office expenses.	3,194,229	2,472,388	721,841	
14	Information technology.	6,061,423	4,079,544	1,981,879	
15	Royalties.	0			
16	Occupancy.	3,965,610	3,887,648	77,962	
17	Travel.	479,284	317,127	162,157	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	4,148,023	4,146,267	1,756	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	19,895,127	18,943,211	951,916	
23	Insurance.	1,540,515		1,540,515	
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	58,323,557	57,763,136	560,421	
b	BAD DEBT	43,300,976	43,300,976		
c	EQUIPMENT	5,985,176	5,972,082	13,094	
d	DEIETARY EXPENSE	2,287,185	2,285,553	1,632	
e	All other expenses	3,322,928	1,539,980	1,782,948	
25	Total functional expenses. Add lines 1 through 24e.	308,775,939	275,628,947	33,146,992	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		-3,554,746	1	-3,212,577
	2	Savings and temporary cash investments		3,928,122	2	3,752,307
	3	Pledges and grants receivable, net		2,615,651	3	2,146,511
	4	Accounts receivable, net		35,801,392	4	45,605,433
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		1,166,699	7	914,488
	8	Inventories for sale or use		6,346,573	8	5,623,190
	9	Prepaid expenses and deferred charges		4,864,119	9	5,054,538
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a343,802,790			
	b	Less accumulated depreciation	10b155,377,285	188,362,676	10c	188,425,505
	11	Investments—publicly traded securities		85,417,029	11	109,259,689
	12	Investments—other securities See Part IV, line 11		101,864,503	12	117,355,461
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		6,652,165	14	7,403,787
	15	Other assets See Part IV, line 11		33,523,449	15	21,981,924
	16	Total assets. Add lines 1 through 15 (must equal line 34)		466,987,632	16	504,310,256
Liabilities	17	Accounts payable and accrued expenses		17,330,795	17	19,530,760
	18	Grants payable		0	18	0
	19	Deferred revenue		107,701	19	94,626
	20	Tax-exempt bond liabilities		96,751,527	20	93,571,705
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		3,784,668	23	5,527,826
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		38,629,246	25	40,142,032
	26	Total liabilities. Add lines 17 through 25		156,603,937	26	158,866,949
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		304,595,960	27	338,862,236
	28	Temporarily restricted net assets		2,141,425	28	2,225,156
	29	Permanently restricted net assets		3,646,310	29	4,355,915
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		310,383,695	33	345,443,307
	34	Total liabilities and net assets/fund balances		466,987,632	34	504,310,256

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	353,555,418
2	Total expenses (must equal Part IX, column (A), line 25)	2	308,775,939
3	Revenue less expenses Subtract line 2 from line 1	3	44,779,479
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	310,383,695
5	Net unrealized gains (losses) on investments	5	124,961
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	-9,844,828
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	345,443,307

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:

Software Version:

EIN: 75-0827446

Name: HENDRICK 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			
Scott Hibbs DIRECTOR	2 0 4 0	X								
Mike Woodard DIRECTOR	2 0 2 0	X								
David Scott DIRECTOR	2 0 2 0	X								
J V Martin INTERIM CHAIR	2 0 2 0	X		X						
David Morris 2ND VICE-CHAIR	2 0 2 0	X		X						
Lanny Vinson DIRECTOR	2 0 2 0	X								
Shelly Utely DIRECTOR	2 0 4 0	X								
Ron Fogle DIRECTOR	2 0 4 0	X								
Hillary Moore DIRECTOR	2 0 2 0	X								
Dennis Laster DIRECTOR	2 0 2 0	X								
Ward Hayes DIRECTOR	2 0 4 0	X								
Terry Beal DIRECTOR	2 0 4 0	X								
Joe Alcorta DIRECTOR	2 0 2 0	X								
Cathy Ashby VICE-CHAIR	2 0 2 0	X		X						
Joe Crawford SECRETARY	2 0 4 0	X		X						
Kelly Kinard DIRECTOR	2 0 2 0	X								
Tim Laws SECRETARY	2 0 2 0	X		X						
Leland Robinson DIRECTOR	2 0 4 0	X								
LARRY SMITH DIRECTOR	2 0 2 0	X								
Tim Lancaster President	40 0 10 0			X				811,480		133,486
Stephen Kimmel CFO/Senior VP	40 0 10 0			X				479,420		80,536
Joe Pearson Vice President	20 0 32 0			X				365,152		67,857
Mike McBroom Vice President	40 0 4 0			X				265,439		26,556
Jo Rake Vice President	40 0 4 0			X				244,296		30,655
Lisa Harp Vice President	40 0 2 0			X				160,736		25,757

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			
Rosemaria Levinsky Vice President	40 0 2 0			X				260,050		30,972
Tim Riley Vice President	40 0 2 0			X				239,301		41,711
Bob Prewit Vice President	40 0 2 0			X				139,171		25,055
Stephen Faehnle MD Vice President	40 0 2 0			X				275,257		40,812
NORM ARCHIBALD VICE PRESIDENT	2 0 42 0			X					189,697	30,240
BRIAN BESENT ASSISTANT VICE PRESIDENT	2 0 4 0			X						
SUSAN WADE ASSISTANT VICE PRESIDENT	40 0 2 0			X						
DAVID STEPHENSON ASSISTANT VICE PRESIDENT	40 0 2 0			X						
Tensita Kolin RN	40 0 0 0					X		124,185		11,538
Robert Harlow Physicist	40 0 0 0					X		163,422		20,839
Lilia Regala RN	40 0 0 0					X		158,356		10,420
Winona Migliavacca Director, Surgical Serv	40 0 0 0					X		138,790		10,433
Melissa Howell Pharmacy Coordinator	40 0 0 0					X		145,751		9,805

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Department of the Treasury
Internal Revenue Service

Name of the organization
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2011 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization HENDRICK MEDICAL CENTER	Employer identification number 75-0827446
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

		(a)	(b)	
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		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		19,187
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.			19,187
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
GRANTS TO OTHER ORGANIZATIONS FOR LOBBYING PURPOSES	PART II-B, QUESTION 1F	AMOUNT REPORTED IN PART II-B, QUESTION 1F REPRESENTS PORTION OF DUES PAID TO TRADE ASSOCIATIONS THAT IS ATTRIBUTABLE TO LOBBYING ACTIVITIES

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **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.**

Name of the organization HENDRICK MEDICAL CENTER	Employer identification number 75-0827446
--	---

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	8,252,609	8,097,738	7,368,261	7,037,475	7,730,703
b Contributions	1,058,994				
c Net investment earnings, gains, and losses	442,669	161,355	734,341	335,489	-686,086
d Grants or scholarships					
e Other expenditures for facilities and programs	2,363,135	6,484	4,864	4,703	7,142
f Administrative expenses					
g End of year balance	7,391,137	8,252,609	8,097,738	7,368,261	7,037,475

2

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

a

Board designated or quasi-endowment ▶ 74 240 %

b

Permanent endowment ▶ 25 760 %

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

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		19,152,172		19,152,172
b Buildings		107,883,145	43,983,858	63,899,287
c Leasehold improvements		7,331,846	2,735,176	4,596,670
d Equipment		200,926,028	108,658,252	92,267,776
e Other		8,509,600	0	8,509,600
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				188,425,505

Schedule D (Form 990) 2012

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return					
1	Total revenue, gains, and other support per audited financial statements			1	312,011,128
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			2e	-41,546,400
a	Net unrealized gains on investments	2a	124,961		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-41,671,361		
e	Add lines 2a through 2d			2e	-41,546,400
3	Subtract line 2e from line 1			3	353,557,528
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			4c	-2,110
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b	-2,110		
c	Add lines 4a and 4b			4c	-2,110
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)			5	353,555,418
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return					
1	Total expenses and losses per audited financial statements			1	265,297,140
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			2e	14,116
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d	14,116		
e	Add lines 2a through 2d			2e	14,116
3	Subtract line 2e from line 1			3	265,283,024
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :			4c	43,492,915
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b	43,492,915		
c	Add lines 4a and 4b			4c	43,492,915
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)			5	308,775,939

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
RECONCILIATION OF REVENUE PER AUDITED F/S WITH REVENUE PER RETURN	SCH D, PART XI, LINES 2D AND 4B	REVENUE ON BOOKS, NOT ON RETURN CHANGE IN UNRESTRICTED HMCF NET ASSETS 1,982,182 EQUITY IN EARNINGS OF SUBSIDIARY (160,628) OTHER REVENUE ON AUDIT INCLUDED IN RETURN EXPENSES (158,709) BAD DEBT EXPENSE IN AUDIT REVENUE (43,334,206) ----- -- (41,671,361) REVENUE ON RETURN, NOT ON BOOKS CONTRIBUTIONS RECORDED TO NET ASSETS 27,598 DEPRECIATION EXPENSE RECORDED IN RETURN REVENUE (29,708) ----- (2,110)
RECONCILIATION OF EXPENSES PER AUDITED F/S WITH EXPENSES PER RETURN	SCH D, PART XII, LINES 2D AND 4B	EXPENSES ON BOOKS, NOT ON RETURN OTHER CHANGES (15,592) DEPRECIATION EXPENSE INCLUDED IN RETURN REVENUE 29,708 ----- 14,116 EXPENSES ON RETURN, NOT ON BOOKS BAD DEBT EXPENSE IN AUDIT REVENUE 43,334,206 OTHER REVENUE ON AUDIT INCLUDED IN RETURN EXPENSES 158,709 ----- 43,492,915
DESCRIBE THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS	PART V, LINE 4	CHILDREN'S HOSPITAL, MAINTENANCE, CANCER, NURSING, ETC
FIN 48 FINANCIAL STATEMENTS FOOTNOTE	SCH D, PART X, LINE 2	IN ACCORDANCE WITH ASC 740-10 FASB INTERPRETATION (FIN) 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, MANAGEMENT EVALUATED HENDRICK'S TAX POSITIONS AND CONCLUDED THAT HENDRICK HAD TAKEN NO UNCERTAIN TAX POSITIONS THAT REQUIRED ADJUSTMENT TO THE FINANCIAL STATEMENTS TO COMPLY WITH THE PROVISIONS OF THIS GUIDANCE. WITH A FEW EXCEPTIONS, HENDRICK IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS BY THE U S FEDERAL, STATE OR LOCAL TAX AUTHORITIES FOR YEARS BEFORE 2010.

Additional Data

Software ID:

Software Version:

EIN: 75-0827446

Name: HENDRICK MEDICAL CENTER

Form 990, Schedule D, Part VII - Investments— Other Securities

(a) Description of security or cateory (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(3) Other		
(A) 1ST NATL BANK INVEST TRUST	45,793,416	F
(B) INVESTMENT IN HMOB	10,054,178	F
(C) AMHS HERITAGE LLC	4,209	F
(D) INVESTMENT IN HMC F NET ASSETS	31,830,981	F
(E) INVESTMENT IN SHA LLC	15,864,574	F
(F) UNREALIZED GAIN/LOSS	1,892,293	F
(G) SECTION 457B INVESTMENT	1,220,248	F
(H) SECTION 457F INVESTMENT	492,897	F
(I) BOND FUNDS	10,202,665	F

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Part I

General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. 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 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
Central America and the Caribbean			Program Services	Investment	3,367,548
3a Sub-total					3,367,548
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					3,367,548

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

[illegible]

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes ☒ No

Supplemental Information
Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

[illegible]

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
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other _____ 250 % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other _____ 500 % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b Yes	
b	If "Yes," did the organization make it available to the public?	5c	No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			15,688,965		15,688,965	5 080 %
b Medicaid (from Worksheet 3, column a)			24,847,539	14,385,433	10,462,105	3 390 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d Total Financial Assistance and Means-Tested Government Programs .			40,536,504	14,385,433	26,151,070	8 470 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			67,022	100	66,922	0 020 %
f Health professions education (from Worksheet 5)			413,827	75,527	338,300	0 110 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			20,004		20,004	0 010 %
j Total. Other Benefits			500,853	75,627	425,226	0 140 %
k Total. Add lines 7d and 7j .			41,037,357	14,461,060	26,576,296	8 610 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			35,004	30,000	5,004	
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			35,004	30,000	5,004	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

43,300,976

3Enter 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

2,598,059

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

5

88,471,329

6Enter Medicare allowable costs of care relating to payments on line 5.

6

95,285,553

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-6,814,224

8Describe 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

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

bIf "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 IVManagement 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	HENDRICK MEDICAL CENTER 1900 PINE STREET ABILENE, TX 79601	X	X					X		REHABILITATION CTR	

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)

HENDRICK MEDICAL CENTER

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input checked="" type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>250</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input type="checkbox"/> Asset level					
c <input checked="" type="checkbox"/> Medical indigency					
d <input checked="" type="checkbox"/> Insurance status					
e <input checked="" type="checkbox"/> Uninsured discount					
f <input checked="" type="checkbox"/> Medicaid/Medicare					
g <input checked="" type="checkbox"/> State regulation					
h <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Part VI)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Part VI)					

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

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

☒

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

☒

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

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 III, LINE 4		Hendrick recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, Hendrick analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debt Management regularly reviews data about these major payor sources or revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, Hendrick analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debt, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid) For uninsured patients that do not qualify for charity care, Hendrick recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Hendrick records a significant provision for bad debt in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts PART III, LINE 2 AMOUNTS REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS PART III, LINE 3 AMOUNTS REPORTED IN LINE 3 ARE THE ORGANIZATION'S ESTIMATE OF THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO CHARITY CARE PATIENTS ESTIMATED AT 6%
PART I, LINE 7, COLUMN F		BAD DEBT EXPENSE OF \$43,300,976 WAS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT WAS SUBTRACTED FROM TOTAL EXPENSE FOR THE CALCULATION OF "PERCENT OF TOTAL EXPENSE" IN THIS COLUMN

Identifier	ReturnReference	Explanation
PART III, LINE 8A		IT IS HENDRICK'S MISSION TO DELIVER HIGH QUALITY HEALTHCARE EMPHASIZING EXCELLENCE AND COMPASSION CONSISTENT WITH THE HEALING MINISTRY OF JESUS CHRIST THE ORGANIZATION GETS AN OPPORTUNITY TO FULFILL THIS MISSION DAILY BY SERVING A LARGE POPULATION OF MEDICARE PATIENTS THE PAYMENTS FROM MEDICARE DO NOT FULLY COVER THE COSTS INCURRED FOR TAKING CARE OF THESE PATIENTS, BUT THIS DOES NOT KEEP THE PATIENT FROM RECEIVING HIGH QUALITY HEALTHCARE THE ORGANIZATION HAD A MEDICARE SHORTFALL IN THE AMOUNT OF \$6,814,224 THE STATE OF TEXAS TREATS MEDICARE SHORTFALL AS COMMUNITY BENEFIT FOR MEETING STATUTORY REQUIREMENTS FOR CHARITY CARE AND COMMUNITY BENEFIT THE ORGANIZATION USES MEDICARE COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS (ROOM AND BOARD) BASED ON MEDICAID OR MEDICARE DAYS TO TOTAL DAYS, AND THE ANCILLARY PORTION IS APPORTIONED BASED ON PROGRAM CHARGES TO TOTAL CHARGES
PART III, LINE 9B		IF THE PATIENT QUALIFIES FOR CHARITY CARE PER WRITTEN HOSPITAL CRITERIA, THE QUALIFYING BALANCE IS WRITTEN OFF TO CHARITY CARE AND NO FURTHER COLLECTION EFFORTS ARE MADE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		HENDRICK MEDICAL CENTER ("HENDRICK") CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT ("CHNA") IN JANUARY THROUGH JUNE OF 2013, WITH THE ASSISTANCE OF BKD, LLP, A CPA AND ADVISORY FIRM THE ASSESSMENT DETERMINED THE MOST PRESSING HEALTH NEEDS OF TAYLOR, JONES AND CALLAHAN COUNTIES BASED ON CURRENT LITERATURE AND OTHER GUIDANCE FROM THE TREASURY AND THE IRS, THE FOLLOWING STEPS WERE TAKEN AS PART OF HENDRICK'S CHNA - THE "COMMUNITY SERVED" WAS DEFINED UTILIZING INPATIENT DATA REGARDING PATIENT ORIGIN - POPULATION DEMOGRAPHICS AND SOCIOECONOMIC CHARACTERISTICS OF THE COMMUNITY WERE GATHERED AND REPORTED UTILIZING VARIOUS THIRD PARTIES - HEALTH STATUS OF THE COMMUNITY WAS REVIEWED - AN INVENTORY OF HEALTH CARE FACILITIES AND RESOURCES WAS PREPARED - COMMUNITY INPUT WAS PROVIDED THROUGH KEY INFORMANT INTERVIEWS OF 39 STAKEHOLDERS - 338 INDIVIDUALS COMPLETED A COMMUNITY HEALTH SURVEY THE INFORMATION GATHERED WAS ANALYZED AND REVIEWED TO IDENTIFY HEALTH ISSUES OF UN-INSURED PERSONS, LOW-INCOME AND UNDERSERVED POPULATIONS, AND THE COMMUNITY AS A WHOLE
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		HENDRICK PROVIDES MANY OPPORTUNITIES FOR PATIENT EDUCATION ON FINANCIAL ASSISTANCE THE PROGRAMS ARE OUTLINED ON HENDRICK'S WEBSITE, SIGNS AND BROCHURES ARE AT EVERY REGISTRATION POINT, PRE-ADMIT LETTERS ARE SENT TO SURGERY PATIENTS THAT CONTAIN FINANCIAL ASSISTANCE INFORMATION, AND APPLICATIONS ARE GIVEN TO EVERY UNINSURED TRAUMA CENTER PATIENT

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		HENDRICK IS ACTIVELY DELIVERING CARE FOR A 19 COUNTY SERVICE AREA WITH A BROAD RANGE OF DEMOGRAPHICS
PROMOTION OF COMMUNITY HEALTH		THE COMMUNITY BUILDING ACTIVITIES ARE USED TO POSITIVELY IMPACT THE COMMUNITY AND EDUCATE THE COMMUNITY ON HEALTH TOPICS. THESE ARE DESIGNED TO MEET THE SPECIFIC NEEDS OF THE COMMUNITY

Identifier	ReturnReference	Explanation
OTHER INFORMATION		HENDRICK IS ABLE TO FURTHER ITS EXEMPT PURPOSE BY PROVIDING MORE PHYSICIAN COVERAGE IN NEEDED AREAS, REINVEST BACK INTO THE COMMUNITY WITH EDUCATIONAL OPPORTUNITIES, AND OTHER IN-KIND CONTRIBUTIONS THE COMMUNITY BOARD BRINGS PERSPECTIVE AND NEEDS OF THE COMMUNITY
AFFILIATED HEALTH CARE SYSTEM ROLES		HENDRICK MEDICAL CENTER IS PART OF AN ORGANIZATION OF AFFILIATED COMPANIES THAT PROVIDE MEDICAL AND OTHER HEALTH CARE RELATED SERVICES TO TAYLOR COUNTY AND SURROUNDING COUNTY SERVICE AREAS THE PRIMARY BUSINESS AREAS ARE INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES, SUB-ACUTE CARE, INPATIENT AND OUTPATIENT REHABILITATION, LONG-TERM CARE, NURSING HOME CARE, HOME HEALTH CARE, HOSPICE CARE, MEDICAL OFFICE BUILDING LEASING, DURABLE MEDICAL EQUIPMENT SALES AND LEASING, PHYSICIAN PRACTICES AND A REGIONAL HEALTH MAINTENANCE ORGANIZATION AFFILIATES INCLUDE HENDRICK MEDICAL DEVELOPMENT CORPORATION, HENDRICK MEDICAL CENTER FOUNDATION, HENDRICK PROVIDER NETWORK, HENDRICK MEDICAL OFFICE BUILDINGS, LLC, HENDRICK ANESTHESIA NETWORK, HENDRICK HOSPICE CARE, HENDRICK SOUTHWESTERN HEALTH DEVELOPMENT CORPORATION, HENDRICK CENTER FOR EXTENDED CARE, AND HENDRICK HEALTH NETWORK

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT		TX
PART V, LINE 20D		The Medical Center uses an average of the effective discount derived from application of general commercial contracted rates to determine maximum amounts that may be charged to FAP-eligible patients. In all cases, amounts charged to patients will be below the lowest negotiated commercial insurance rate, the average lowest negotiated commercial insurance rate, and medicare rates.

Identifier	ReturnReference	Explanation
PART V, LINE 16, 17, & 18		NEITHER THE HENDRICK MEDICAL CENTER, NOR THIRD PARTIES AUTHORIZED BY HMC, TAKE ANY ACTIONS UPON NON-PAYMENT FROM A PATIENT BEFORE MAKING A REASONABLE EFFORT TO DETERMINE IF THE PATIENT IS ELIGIBLE FOR THE FACILITY'S FINANCIAL ASSISTANCE POLICY
IMPLEMENTATION STRATEGY	PART V, LINE 6A	THE url TO HENDRICK MEDICAL CENTER'S COMMUNITY HEALTH NEEDS ASSESSMENT IMPLEMENTATION PLAN IS http //www ehendrick org/Uploads/Public/Documents/AboutUs/CommunityHealthNeedsAssessmentHMCWeb pdf

Identifier	ReturnReference	Explanation
PART V, LINE 3		THE ORGANIZATION CONDUCTED INTERVIEWS AND COMMUNITY SURVEYS TO GATHER INFORMATION WHICH WAS ANALYZED AND REVIEWED TO IDENTIFY HEALTH ISSUES OF THE COMMUNITY

OMB No 1545-0047

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

Open to Public Inspection

Employer identification number

75-0827446

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

(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,	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
--	---------	------------------------------------	--------------------------	-----------------------------------	-------------------------------------	--	------------------------------------

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

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
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
SCH I, PART I, QUESTION 2	DESCRIBE PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS IN THE U S	THE ORGANIZATION EVALUATES AND MONITORS DONEES BASED ON PUBLIC AND PRIVATE DATA

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

▶ Attach to Form 990. ▶ See separate instructions.

75-0827446

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
BENEFITS PROVIDED BY THE ORGANIZATION	PART I, QUESTION 1A	HOUSING ALLOWANCE IS PROVIDED TO MIKE MCBROOM. ANY TAXABLE AMOUNTS ARE RECORDED ON FORM W-2 AS TAXABLE COMPENSATION. SOCIAL CLUB DUES ARE PAID FOR TIM LANCASTER AND STEPHEN KIMMEL. ANY NON-BUSINESS PORTION OF THE DUES IS INCLUDED ON FORM W-2. ANY PERSONAL EXPENSES CHARGED TO THE ACCOUNT ARE REIMBURSED BY THE INDIVIDUAL.
PARTICIPATION IN OR PAYMENT FROM SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	PART I, QUESTION 4B	PARTICIPANTS IN 457(F) REPORTED IN W-2 DEFERRED COMPENSATION ----- ----- JOE PEARSON 25,062 39,121 STEPHEN KIMMEL 32,624 39,626 TIM LANCASTER 72,758 111,385 LISA HARP 6,102 9,133 ROSEMARIA LEVINSKY 9,569 14,095 BOB PREWIT 9,853 8,218 TIM RILEY 14,054 21,560 NORMAN ARCHIBALD 13,952 11,331

Software ID:
Software Version:
EIN: 75-0827446
Name: HENDRICK 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				
Tim Lancaster	(i) (ii)	536,181	177,466	97,833	118,885	14,601	944,966	72,758
Stephen Kimmel	(i) (ii)	338,984	96,067	44,369	47,126	33,410	559,956	32,624
Joe Pearson	(i) (ii)	238,833	74,218	52,101	46,327	21,530	433,009	25,062
Mike McBroom	(i) (ii)	206,072	51,274	8,093	11,427	15,129	291,995	
Jo Rake	(i) (ii)	176,738	48,443	19,115	13,697	16,958	274,951	
Lisa Harp	(i) (ii)	129,981	22,357	8,398	13,045	12,712	186,493	6,102
Rosemaria Levinsky	(i) (ii)	200,041	47,849	12,160	20,131	10,841	291,022	9,569
Robert Harlow	(i) (ii)	161,811	0	1,611	5,068	15,771	184,261	
Tim Riley	(i) (ii)	175,756	45,653	17,892	26,945	14,766	281,012	14,054
Bob Prewit	(i) (ii)	109,709	16,219	13,243	11,940	13,115	164,226	9,853
Lilia Regala	(i) (ii)	157,818	0	538	4,459	5,961	168,776	
Melissa Howell	(i) (ii)	145,035	0	716	3,875	5,930	155,556	
Stephen Faehnle MD	(i) (ii)	226,456	38,931	9,870	6,729	34,083	316,069	
NORM ARCHIBALD	(i) (ii)	153,382	15,697	20,618	16,182	14,058	219,937	13,952

Schedule K
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	TARRANT COUNTY CULTURAL EDU FACILITIES FIN CORP	04-3833551	87638QCAS	09-02-2009	33,940,000	TO REFINANCE BONDS & FINANCE C		X		X		X
B	TARRANT COUNTY CULTURAL EDU FACILITIES FIN CORP	04-3833551	87638QCS6	09-02-2009	44,795,000	TO REFINANCE BONDS & FINANCE C		X		X		X
C	TARRANT COUNTY CULTURAL EDU FACILITIES FIN CORP	04-3833551	87638QDM8	09-02-2009	25,000,000	TO REFINANCE BONDS & FINANCE C		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0		0			
2	Amount of bonds legally defeased	0		0		0			
3	Total proceeds of issue	33,819,674		43,952,147		24,881,900			
4	Gross proceeds in reserve funds	3,637,024		4,269,549		0			
5	Capitalized interest from proceeds	0		0		0			
6	Proceeds in refunding escrows	0		0		0			
7	Issuance costs from proceeds	402,500		472,500		365,000			
8	Credit enhancement from proceeds	0		0		0			
9	Working capital expenditures from proceeds	0		0		0			
10	Capital expenditures from proceeds	17,048,479		20,012,432		3,048,610			
11	Other spent proceeds	12,746,885		19,215,525		21,468,290			
12	Other unspent proceeds	0		0		0			
13	Year of substantial completion	2012		2012		2012			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X			X	X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III Private Business Use

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

Part III Private Business Use (Continued)

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

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X		X			
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X	X			
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider	0		0		0			
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X		X		

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
WRITTEN PROCEDURES	SCHEDULE K, PART IV LINE 7 AND PART V	ALTHOUGH THE ORGANIZATION HAS ANSWERED "NO" TO THESE QUESTIONS, PROCEDURES ARE CURRENTLY BEING PUT IN PLACE FOR NEXT YEAR

efile GRAPHIC print - DO NOT PROCESS		As Filed Data -		DLN: 93493177005054	
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 HENDRICK MEDICAL CENTER				Employer identification number 75-0827446

Identifier	Return Reference	Explanation
MEMBERS OR STOCKHOLDERS WHO CAN ELECT MEMBERS OF THE GOVERNING BODY	FORM 990, PART VI, QUESTION 7A	
DECISIONS OF GOVERNING BODY SUBJECT TO APPROVAL BY MEMBERS OR STOCKHOLDERS	FORM 990 PART VI, QUESTION 7B	ARTICLE VII OF THE RESTATED ARTICLES OF INCORPORATION PROVIDES, IN PART, THAT AN AMENDMENT OF ARTICLE II RELATING TO THE PURPOSE OF THE CORPORATION AND ARTICLE VI RELATING TO THE NUMBER AND METHOD OF THE ELECTION OR APPOINTMENT OF THE BOARD OF TRUSTEES SHALL OCCUR ONLY WITH THE CONSENT OF THE BAPTIST GENERAL CONVENTION OF TEXAS OR ITS EXECUTIVE BOARD
PROCESS TO REVIEW THE FORM 990	FORM 990, PART VI, QUESTION 11B	THE ORGANIZATION ENGAGES AN OUTSIDE ACCOUNTING FIRM TO PREPARE FORM 990 ONCE PREPARED, THE FORM IS REVIEWED BY THE ORGANIZATION'S INTERNAL ACCOUNTANTS AND ADMINISTRATIVE MANAGEMENT PRIOR TO FILING
PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, QUESTION 12C	THE ORGANIZATION SENDS OUT A CONFLICT OF INTEREST QUESTIONNAIRE ANNUALLY TO ALL TRUSTEES OF THE BOARD AND TO THE EXECUTIVE EMPLOYEES THE QUESTIONNAIRES ARE REVIEWED BY OUR OUTSIDE AUDITORS PRIOR TO THE ANNUAL AUDIT AND BY THE ORGANIZATION'S DIRECTOR OF COMPLIANCE TO IDENTIFY POSSIBLE CONFLICTS OF INTEREST AND OTHER FINANCIAL RELATIONSHIPS UNDER THE CONFLICT OF INTEREST POLICY
REVIEW OF CEO OR TOP MGMT OFFICIAL COMPENSATION	FORM 990, PART VI, QUESTIONS 15A & 15B	A COMPREHENSIVE REVIEW OF COMPENSATION IS CONDUCTED BY AN INDEPENDENT PARTY AT LEAST EVERY THREE YEARS THIS REPORT PRESENTS THE RESULTS OF THE ANALYSIS OF SALARY, INCENTIVE, TOTAL CASH COMPENSATION (SALARY PLUS INCENTIVE), BENEFITS, AND TOTAL COMPENSATION (TOTAL CASH AND BENEFITS) INTEGRATED HEALTHCARE STRATEGIES (IHS) WORKS WITH THE PERSONNEL COMMITTEE TO FORMALLY DEFINE AN EXECUTIVE TOTAL COMPENSATION PHILOSOPHY HENDRICK HEALTH SYSTEM'S CURRENT PHILOSOPHY IS TO USE RANGES BUILT AROUND THE MEDIAN OF THE MARKET WITH A 50% SPREAD FROM MINIMUM TO MAXIMUM INCENTIVE OPPORTUNITY LEVELS ARE COMPETITIVE WITH PRACTICES OF PEER GROUPS AND BENEFITS WILL BE DELIVERED AT MARKET COMPETITIVE LEVELS SEVERANCE AND PERQUISITES REFLECT A CONSERVATIVE PHILOSOPHY THE COMMITTEE DETERMINED THAT THE PEER GROUP WOULD BE PRIMARILY REGIONAL NOT-FOR-PROFIT HOSPITALS OF SIMILAR SIZE AND COMPLEXITY NATIONAL PEER GROUP WILL BE USED FOR REFERENCE PURPOSES WHERE APPROPRIATE THE HENDRICK HEALTH SYSTEM PERSONNEL COMMITTEE IS DELEGATED THE RESPONSIBILITY FOR THE EXECUTIVE COMPENSATION PROGRAM BY THE BOARD OF TRUSTEES THE COMMITTEE SETS THE OVERALL EXECUTIVE COMPENSATION PHILOSOPHY TO BE IMPLEMENTED BY HENDRICK HEALTH SYSTEM, SETS COMPENSATION COMPONENTS FOR THE PRESIDENT & CEO, REVIEWS, DISCUSSES AND MAKES DECISIONS BASED ON THE PRESIDENT & CEO'S RECOMMENDATIONS FOR HIS DIRECT REPORTS, REPORTS A SUMMARY OF THE PROCESS BACK TO THE BOARD OF TRUSTEES ALONG WITH THE ACTUAL COMPENSATION APPROVED FOR THE PRESIDENT AND CEO, AND APPROVES ALL INCENTIVE GOALS AND AWARDS
GOVERNING DOCUMENTS TO THE PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 9	CHANGE IN INTEREST OF HMCF NET ASSETS 728,707 EQUITY CONTRIBUTION TO HAN (1,971,842) EQUITY CONTRIBUTION TO HPN (10,495,344) EQUITY CONTRIBUTION TO HMDC 11,090 REVALUATION OF ESTATE RECEIVABLE 45,415 CONTRIBUTIONS RECORDED TO NET ASSETS 27,598 EQUITY IN EARNINGS OF SUBSIDIARY (160,628) CHANGE IN UNRESTRICTED HMCF NET ASSETS 1,982,184 OTHER CHANGES IN NET ASSETS (12,008) ----- TOTAL (9,844,828)

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
HENDRICK MEDICAL CENTER

Employer identification number
75-0827446

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
(1) HENDRICK MEDICAL OFFICE BUILDING PO BOX 3117 ABILENE, TX 79604 75-2856740	BLDG RENTAL	TX	3,711,340	21,882,205	HMC

Part II

Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) HENDRICK MEDICAL CENTER FOUNDATION PO BOX 3117 ABILENE, TX 79604 23-7413284	FUNDRAISING	TX	501(C)(3)	11A	HMC	Yes	
(2) HENDRICK ANESTHESIA NETWORK PO BOX 3117 ABILENE, TX 79604 75-2728889	ANESTHESIA	TX	501(C)(3)	9	HMC	Yes	
(3) HENDRICK PROVIDER NETWORK PO BOX 3117 ABILENE, TX 79604 75-2660403	PHYS GROUP	TX	501(C)(3)	9	HMC	Yes	
(4) HENDRICK CENTER FOR EXTENDED CARE PO BOX 3117 ABILENE, TX 79604 75-2434172	HOSPITAL	TX	501(C)(3)	3	HMC	Yes	
(5) HENDRICK MEDICAL DEVELOPMENT CORPORATION PO BOX 3117 ABILENE, TX 79604 75-1586080	SUPPORT SVCS	TX	501(C)(3)	11A	NA	Yes	
(6) SERVICE ORGANIZATION OF BIG COUNTRY 2950 50TH ST LUBBOCK, TX 79413 26-0746318	SUPPORT	TX	501(C)(3)	11A	NA		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) 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	
(1) SHA LLC 12940 NORTH HWY 183 AUSTIN, TX 78750 75-2569094	HEALTH SERVICES	TX	NA	UNRELATED	825,224	19,011,941		No	0	Yes		26 448 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) HENDRICK HEALTH NETWORK PO BOX 3117 ABILENE, TX 79604 72-1619011	HEALTH INSURANCE	TX	HMC	C-CORPORATION	15,588	0	100 000 %	Yes	

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b Yes

1c Yes

1d

1e

1f

1g

1h

1i

1j Yes

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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
(1) HENDRICK PROVIDER NETWORK	A	158,486	ACTUAL VALUE
(2) HENDRICK CENTER FOR EXTENDED CARE	A	75,788	ACTUAL VALUE
(3) HENDRICK MEDICAL CENTER FOUNDATION	C	993,716	ACTUAL VALUE
(4) HENDRICK ANESTHESIA NETWORK	B	1,971,842	ACTUAL VALUE
(5) HENDRICK PROVIDER NETWORK	B	10,495,344	ACTUAL VALUE
(6) HENDRICK MEDICAL DEVELOPMENT CORP	C	11,090	ACTUAL VALUE

Schedule R (Form 990) 2012

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

[illegible]

Software ID:

Software Version:

EIN: 75-0827446

Name: HENDRICK MEDICAL CENTER

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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--> 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
HENDRICK PROVIDER NETWORK	A	158,486	ACTUAL VALUE
HENDRICK CENTER FOR EXTENDED CARE	A	75,788	ACTUAL VALUE
HENDRICK MEDICAL CENTER FOUNDATION	C	993,716	ACTUAL VALUE
HENDRICK ANESTHESIA NETWORK	B	1,971,842	ACTUAL VALUE
HENDRICK PROVIDER NETWORK	B	10,495,344	ACTUAL VALUE
HENDRICK MEDICAL DEVELOPMENT CORP	C	11,090	ACTUAL VALUE



**HENDRICK MEDICAL CENTER
ABILENE, TEXAS**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEARS ENDED AUGUST 31, 2013 AND 2012**

HENDRICK MEDICAL CENTER
Abilene, Texas

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Years Ended August 31, 2013 and 2012

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December 16, 2013

**Board of Trustees
Hendrick Medical Center
Abilene, Texas**

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Hendrick Medical Center which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of operation, changes in net assets, and cash flows for the years then ended and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In order to report Hendrick's financial position and activities separately from its wholly owned and controlled subsidiaries, Hendrick has elected to report one subsidiary under the equity method of accounting and not include the remaining subsidiaries. Accounting principles generally accepted in the United States of America require that wholly owned and controlled subsidiaries be consolidated. The effects on the financial statements of not consolidating the subsidiaries is discussed in **NOTE 14** to the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hendrick Medical Center as of August 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Condley and Company, L.L.P.

Certified Public Accountants

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF FINANCIAL POSITION

	<u>August 31.</u>	
<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 541,709	\$ 2,464,261
Patient accounts receivable, net of allowance for doubtful accounts of \$118,280,482 in 2013, and \$98,282,862 in 2012	37,940,566	33,249,017
Securities under agreements to resell	12,569,360	18,244,205
Assets limited as to use	9,462,479	10,141,021
Inventories	5,623,190	6,346,573
Other current assets	13,811,409	8,885,785
	<u>79,948,713</u>	<u>79,330,862</u>
Total Current Assets		
	<u>79,948,713</u>	<u>79,330,862</u>
Long-Term Assets		
Assets Limited As To Use		
Held by trustee	14,549,143	14,368,283
Self-insurance trusts	14,528,152	13,182,275
Board designated funds	24,232,942	11,606,032
	<u>53,310,237</u>	<u>39,156,590</u>
Total Assets Limited As To Use		
	<u>53,310,237</u>	<u>39,156,590</u>
Less amount required to meet current obligations	<u>(9,462,479)</u>	<u>(10,141,021)</u>
Long-Term Assets Limited As To Use		
	<u>43,847,758</u>	<u>29,015,569</u>
Other Assets		
Interest in net assets of Hendrick Medical Center Foundation	31,830,981	29,120,091
Long-term investments	144,310,442	125,974,226
Long-term pledges receivable, net of unamortized discount	2,009,831	1,964,416
Due from affiliates	4,897,147	4,615,483
Property, plant and equipment, net	188,425,505	188,362,676
Goodwill	3,571,546	2,553,216
Other assets	5,468,333	6,051,093
	<u>380,513,785</u>	<u>358,641,201</u>
Total Other Assets		
	<u>380,513,785</u>	<u>358,641,201</u>
TOTAL ASSETS	<u>\$ 504,310,256</u>	<u>\$ 466,987,632</u>

The accompanying notes are an integral part of the financial statements

	August 31.	
	2013	2012
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current portion of notes and leases payable	\$ 1,310,344	\$ 946,774
Current portion of bonds payable	3,400,000	3,235,000
Accounts payable and accrued expenses	19,954,872	17,665,802
Funds held for others - current portion	67,723	57,401
Estimated third-party settlements	7,088,221	6,406,129
Current portion of reserves for self-insurance	2,268,252	2,800,205
Total Current Liabilities	34,089,412	31,111,311
Long-Term Liabilities		
Long-Term Debt		
Notes and leases payable, net of current portion	4,217,482	2,837,894
Bonds payable, net of current portion	90,171,705	93,516,527
Total Long-Term Debt	94,389,187	96,354,421
Other Liabilities		
Due to affiliates	10,245,289	20,287,818
Funds held for others	10,770,466	0
Long-term portion of reserves for self-insurance	7,347,654	7,039,000
Other liabilities	2,024,941	1,811,387
Total Other Liabilities	30,388,350	29,138,205
Total Liabilities	158,866,949	156,603,937
Net Assets		
Unrestricted	338,862,236	304,595,960
Temporarily restricted	2,225,156	2,141,425
Permanently restricted	4,355,915	3,646,310
Total Net Assets	345,443,307	310,383,695
TOTAL LIABILITIES AND NET ASSETS	\$ 504,310,256	\$ 466,987,632

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF OPERATIONS

	<u>Year Ended August 31.</u>	
	<u>2013</u>	<u>2012</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue and sales (net of contractual allowances and discounts)	\$ 311,041,045	\$ 297,291,139
Provision for bad debt	<u>(43,334,206)</u>	<u>(40,098,034)</u>
Net patient service revenue less provision for bad debt	267,706,839	257,193,105
Electronic health records incentive payments	3,307,206	1,141,347
Rent income	1,064,938	670,834
Other operating revenue	<u>33,485,870</u>	<u>29,903,057</u>
Total Unrestricted Revenues, Gains and Other Support	<u>305,564,853</u>	<u>288,908,343</u>
Expenses		
Salaries	101,206,045	100,083,048
Employee benefits	21,947,606	21,487,124
Supplies	63,564,617	64,842,300
Purchased services	24,058,260	25,084,107
Professional fees	8,077,701	5,038,124
Utilities	2,984,716	2,796,952
Insurance	1,540,515	2,587,761
General and administrative	4,251,533	3,997,136
Repair and maintenance	11,222,560	9,876,747
Rent and lease	1,533,805	1,326,283
Interest expense	4,473,307	3,733,146
Taxes	155,243	135,635
Depreciation and amortization	19,924,834	16,425,080
Other operating expenses	389,628	370,816
Bad debt recoveries	<u>(33,230)</u>	<u>(58,062)</u>
Total Expenses	<u>265,297,140</u>	<u>257,726,197</u>
Operating Income	<u>40,267,713</u>	<u>31,182,146</u>
Other Income (Expense)		
Donations	1,069,899	12,069
Baptist General Convention contributions	167,047	176,421
Investment income	3,372,913	8,789,709
Equity in earnings (losses) of unconsolidated subsidiary	(160,628)	84,539
Change in interest in unrestricted net assets of Hendrick Medical Center Foundation	1,982,182	2,020,047
Miscellaneous non-operating income (expense)	<u>14,862</u>	<u>(216,723)</u>
Total Other Income	<u>6,446,275</u>	<u>10,866,062</u>
Excess of Revenues Over Expenses	46,713,988	42,048,208
Net assets released from restriction used for other designated purposes	8,384	51,915
Equity contributions (to) from Hendrick Medical Development Corporation	11,090	(96,461)
Equity contributions to Hendrick Provider Network	(10,495,344)	(11,557,388)
Equity contributions to Hendrick Anesthesiology Network	<u>(1,971,842)</u>	<u>(1,592,656)</u>
Increase in Unrestricted Net Assets	<u>\$ 34,266,276</u>	<u>\$ 28,853,618</u>

The accompanying notes are an integral part of the financial statements

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended August 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
NET ASSETS AT AUGUST 31, 2011	\$ 275,742,342	\$ 2,097,876	\$ 3,276,125	\$ 281,116,343
Excess of revenues over expenses	42,048,208			42,048,208
Contributions for various programs		43,044		43,044
Revaluation of estate receivable		46,279		46,279
Net assets released from restriction	51,915	(51,915)		0
Change in interest in net assets of Hendrick Medical Center Foundation		6,141	370,185	376,326
Equity contributions to Hendrick Medical Development Corporation	(96,461)			(96,461)
Equity contributions to Hendrick Anesthesiology Network	(1,592,656)			(1,592,656)
Equity contributions to Hendrick Provider Network	(11,557,388)			(11,557,388)
Increase in Net Assets	28,853,618	43,549	370,185	29,267,352
NET ASSETS AT AUGUST 31, 2012	304,595,960	2,141,425	3,646,310	310,383,695
Excess of revenues over expenses	46,713,988			46,713,988
Contributions for various programs		27,598		27,598
Revaluation of estate receivable		45,415		45,415
Net assets released from restriction	8,384	(8,384)		0
Change in interest in net assets of Hendrick Medical Center Foundation		19,102	709,605	728,707
Equity contributions from Hendrick Medical Development Corporation	11,090			11,090
Equity contributions to Hendrick Anesthesiology Network	(1,971,842)			(1,971,842)
Equity contributions to Hendrick Provider Network	(10,495,344)			(10,495,344)
Increase in Net Assets	34,266,276	83,731	709,605	35,059,612
NET ASSETS AT AUGUST 31, 2013	\$ 338,862,236	\$ 2,225,156	\$ 4,355,915	\$ 345,443,307

The accompanying notes are an integral part of the financial statements

HENDRICK MEDICAL CENTER
Abilene, Texas

STATEMENTS OF CASH FLOWS

	Year Ended August 31.	
	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 35,059,612	\$ 29,267,352
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Operating depreciation and amortization	19,924,834	16,425,080
Bond discount amortization	55,179	55,179
Net realized and unrealized gain on assets	(5,874,084)	(3,863,857)
Non-cash (earnings) losses on investments	4,052,554	(2,735,999)
Provision for bad debts	43,334,206	40,098,034
Change in interest in net assets of Hendrick Medical Center Foundation	(2,710,890)	(2,396,372)
Equity in (earnings) losses of unconsolidated subsidiary	160,628	(84,539)
Non-cash equity contributions to affiliates	12,456,096	13,246,505
Non-cash transactions with affiliates	3,155,821	0
Investment income on assets limited as to use	(449,239)	(733,743)
Transfer of assets limited as to use	0	21,000,000
(Increase) Decrease in		
Patient accounts receivable	(48,025,755)	(43,036,746)
Other current assets	(4,925,624)	974,488
Inventories	723,383	(555,601)
Due from affiliates	(281,664)	(431,895)
Goodwill	(1,018,330)	(2,553,216)
Other assets	535,797	1,610,340
Increase (Decrease) in		
Accounts payable and accrued expenses	2,289,070	(5,517,677)
Estimated third-party payor settlements	682,092	(1,369,972)
Reserves for self-insurance	(223,299)	873,609
Funds held for others	10,780,788	(6,186)
Other liabilities	213,554	(254,408)
Due to affiliates	(10,042,529)	7,973,338
Net Cash Provided by Operating Activities	59,872,200	67,983,714
Cash Flows From Investing Activities		
Capital expenditures	(20,350,103)	(50,194,092)
Capital expenditures from assets limited as to use	0	(21,000,000)
Proceeds from sale of assets	41,461	77,423
Proceeds from sale of investments	29,682,305	36,618,436
Purchase of investments	(60,684,594)	(46,348,735)
Release of assets limited as to use	6,797,450	27,817,905
Capital contributions to corporate joint ventures	(3,333,333)	0
Equity distributions from corporate joint venture	0	32,120
Disbursements of notes receivable to affiliates	(65,063,705)	(61,491,880)
Collections of notes receivable from affiliates	52,607,609	48,245,375
Net Cash Used by Investing Activities	(60,302,910)	(66,243,448)

The accompanying notes are an integral part of the financial statements

	Year Ended August 31.	
	2013	2012
Cash Flows From Financing Activities		
Proceeds from borrowings	2,846,297	566,754
Principal payments on notes and leases payable	(1,103,139)	(2,682,808)
Principal payments on notes and bonds payable from assets limited as to use	<u>(3,235,000)</u>	<u>(3,095,000)</u>
Net Cash Used by Financing Activities	<u>(1,491,842)</u>	<u>(5,211,054)</u>
Net Decrease in Cash and Cash Equivalents	(1,922,552)	(3,470,788)
Cash and Cash Equivalents at Beginning of Year	<u>2,464,261</u>	<u>5,935,049</u>
Cash and Cash Equivalents at End of Year	<u>\$ 541,709</u>	<u>\$ 2,464,261</u>

**HENDRICK MEDICAL CENTER
ABILENE, TEXAS**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012**

HENDRICK MEDICAL CENTER
Abilene, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2013 and 2012

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of Hendrick Medical Center ("Hendrick") conform to accounting principles generally accepted in the United States of America and are based upon accounting practices generally followed by hospitals. The more significant accounting policies are summarized as follows:

Organization

Hendrick Medical Center, located in Abilene, Texas, is a not-for-profit acute care hospital. The primary business of the Hospital includes inpatient, outpatient and emergency care services for residents of Taylor and surrounding counties. Admitting physicians are primarily practitioners in the local area.

Basis of Presentation

Hendrick has adopted ASC 958-210, *Financial Statements of Not-for-Profit Organizations*. This standard has been applied on a retroactive basis. ASC 958-210 requires Hendrick to classify net assets based on the existence or absence of donor imposed restrictions. These classifications of net assets are described as follows:

Unrestricted - All resources over which the governing board has discretionary control.

Temporarily Restricted - Resources that have donor imposed restrictions that permits Hendrick to expend the assets as specified and is satisfied either by the passage of time or by actions of Hendrick.

Permanently Restricted - Resources that include a donor imposed restriction that stipulates that resources be maintained permanently but permits Hendrick to use or expend part or all of the income (or other economic benefit) derived from the donated assets.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements or with third-party payors.

Hendrick routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Method of Providing for Uncollectible Accounts

The provision for uncollectible accounts, including Medicare, Medicaid and Champus contractuals, bad debts, charity and other third-party contractual deductions, is made using the reserve method and is based upon management's continuing review of accounts receivable.

Inventories

The inventories of Hendrick are valued at amounts which, in the aggregate, approximate the lower of cost or market on a first-in, first-out method. Inventories consist primarily of medical supplies and related ancillary products to be utilized for various healthcare and supporting operations of the hospital.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside for self insurance reserves, and board designated funds for various purposes over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of Hendrick have been reclassified in the Statements of Financial Position at August 31, 2013 and 2012.

Interest in Net Assets of Hendrick Medical Center Foundation

Hendrick Medical Center Foundation ("HMCF") is a financially interrelated organization to Hendrick. It also serves as a fundraising organization for the benefit of Hendrick and related affiliates. In compliance with ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, Hendrick reports its interest in the net assets of HMCF on its Statements of Financial Position and any increase or decrease in HMCF's net assets as "Change in interest in net assets of Hendrick Medical Center Foundation" on the Statements of Operations.

Investments and Investment Income

Donated investments are recorded at fair value at the date of receipt. Marketable equity securities included in investment portfolios are carried at their fair value, when readily available, at the statement of financial position date. Alternative investments are valued primarily by the respective fund managers based on the underlying investments. Investments in corporate joint ventures are accounted for using the equity method.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

Repurchase Agreements

Hendrick has entered into purchases of securities under agreements to resell substantially identical securities (repurchase agreements). Securities purchased under agreements to resell at August 31, 2013, consist of U.S. agencies and bonds. The amounts advanced under these agreements represent short-term securities and are reported in the accompanying Statements of Financial Position as a current asset. The securities underlying the agreements are book entry securities. The securities are held in a third-party custodian's account designated under a written custodial agreement that explicitly recognizes Hendrick's interest in the securities. At August 31, 2013, these agreements matured within ninety days and no material amount of agreements to resell securities purchased was outstanding with any individual dealer.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset (4 – 50 years) and is computed using the straight-line method. Interest cost incurred net of interest income earned on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Other Assets

Other assets including the current and non-current portions in the amount of \$19,279,742 as of August 31, 2013 consisted of the following \$5,054,537 of prepaid expenses, \$2,575,670 of bond insurance, \$1,961,063 in notes receivable from third-parties, net of allowances, \$1,113,618 of bond issuance costs, and other miscellaneous billings and receivables of \$8,574,854

Other assets including the current and non-current portions in the amount of \$14,936,878 as of August 31, 2012 consisted of the following \$4,864,119 of prepaid expenses, \$2,761,871 of bond insurance, \$2,434,406 in notes receivable from third-parties, net of allowances, \$1,194,124 of bond issuance costs, and other miscellaneous billings and receivables of \$3,682,358

Goodwill

Goodwill represents the excess of the cost over the fair market value of the net assets acquired of a cardiology practice and an imaging center. The cardiology practice was acquired on January 1, 2012 in conjunction with affiliates Hendrick Provider Network and Hendrick Medical Office Buildings, L.L.C. at a total purchase price of \$11,309,227. Hendrick received tangible assets in the amount of \$322,270, and intangibles including use of the trade name of \$142,953 and goodwill of \$2,553,216. Other assets received in the transaction were recorded on the books of the related entities noted above. The imaging center was acquired on December 1, 2012 at a total purchase price of \$2,286,720, including goodwill of \$1,018,330.

In accordance with ASC 350-10, *Goodwill and Other Intangible Assets*, goodwill is not amortized, but tested for impairment on an annual basis, or more often if indicators of potential impairment exist, by determining if the carrying value of the practice exceeds its estimated fair value. Factors that could trigger an interim impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the practice's overall business, significant negative industry or economic trends and a sustained period where market capitalization, plus an appropriate control premium, is less than net assets. See **NOTE 7** for further details regarding changes in carrying value of goodwill.

Estimated Professional, Employee Injury, and General Liability Costs

The provision for estimated self-insured professional, employee injury, and general liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Funds Held For Others

"Funds held for others" consist of amounts held for the benefit of others. The earnings from the balances (if any) are disbursed to recipients designated by the third party.

In accordance with ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, Hendrick holds all contributions to be used for the benefit of other organizations as a liability on the Statements of Financial Position.

Temporarily and Permanently Restricted Net Assets

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

Hendrick has adopted ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The Board of

Trustees determined that the majority of Hendrick's net assets do not meet the definition of endowment funds under UPMIFA

Temporarily restricted net assets consist of restricted contributions for specific purposes, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets including earnings off permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to Hendrick are reported at fair value at the date the promise is received. Unconditional promises to give and indications of intentions to give are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements

Charity Care

Hendrick provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. See **NOTE 12** for further disclosure of Hendrick's charity care policy

Net Patient Service Revenue

Hendrick has agreements with third-party payors that provide for payments to Hendrick at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined

Electronic Health Records Implementation

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act (ARRA). The HITECH Act includes provisions designed to increase the use of electronic health records ("EHR") by both physicians and hospitals. Hendrick intends to comply with the EHR meaningful use requirements of the HITECH Act in time to qualify for the maximum available Medicare and Medicaid incentive payments. Hendrick's compliance will result in significant costs including professional services focused on successfully designing and implementing EHR solutions along with costs associated with the hardware and software components of the project. During the year ended August 31, 2013 and 2012, Hendrick recognized \$3,307,206 and \$1,141,347, respectively, in other operating revenues related to Medicaid EHR incentive payments. Hendrick has incurred and will continue to incur both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives. The timing of these expenditures does not necessarily correlate with the timing of receipt of the incentive payments and the recognition of revenues. For the year ended August 31, 2013 and 2012, Hendrick estimates that they capitalized approximately \$392,000 and \$2,600,000 million and incurred approximately \$3,712,023 and \$3,851,726 of additional operating expenses including depreciation related to implementation of EHR initiatives.

respectively. Hendrick currently estimates that, at a minimum, total costs incurred to comply will be recovered through improved reimbursement amounts over the projected lifecycle of this initiative.

Income Taxes

Hendrick is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Unrelated business income of Hendrick is considered taxable. In accordance with ASC 740-10 FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, management evaluated Hendrick's tax positions and concluded that Hendrick had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With a few exceptions, Hendrick is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2010.

Medicaid Supplemental Payments

For the years ended August 31, 2013 and 2012, Hendrick received \$10,250,505 and \$7,464,761, respectively, in supplemental Medicaid payments through the upper payment limits guidance. These payments are included in "Other operating revenue" on the "Statement of Operations." Due to a changing regulatory environment, it is uncertain that these funds will continue in subsequent periods.

Excess of Revenues Over Expenses

The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, normally include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Subsequent Events

Hendrick has evaluated subsequent events through December 16, 2013, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

ASU 2011-04

In May, 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. The guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance is effective for annual periods beginning after December 15, 2011. The guidance was adopted for the fiscal year ended August 31, 2013 and primarily impacted Hendrick's disclosures, but otherwise did not have a material impact on Hendrick's financial statements.

ASU 2011-11 and ASU 2013-01

The FASB issued updated accounting guidance related to disclosures regarding offsetting assets and liabilities. The guidance enhances disclosures by requiring improved information about financial instruments and derivative instruments that are offset in accordance with sections 210-20-45 or 815-10-45 or are subject to an enforceable master netting arrangement or similar agreement which will enable users of financial statements to understand the effect of those arrangements on its financial position. This guidance is effective for annual periods beginning after January 1, 2013. The guidance is not expected to have a material impact on Hendrick's financial statements or disclosures. ASU 2013-01 further clarified the implementation of these changes.

ASU 2013-06

In April 2013, the FASB issued accounting guidance related to not-for-profit entities regarding *Services Received from Personnel of an Affiliate*. This guidance is in regard to revenue recognition for not-for-profit entities that requires that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee that should be utilized. This amendment applies to not-for-profit, business-oriented health care entities, that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments are effective prospectively for fiscal years beginning after June 15, 2014. These amendments are effective for fiscal years beginning after June 15, 2013.

ASU 2012-05

In October 2012, the FASB issued ASU 2012-05 *Not-for-profit entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This guidance was to address the diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows for not-for-profit entities.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on Hendrick's present or future financial statements.

Use of Estimates

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

NOTE 2: ASSETS LIMITED AS TO USE

The composition of assets limited as to use at August 31, is set forth below. Investments are stated at fair value at August 31, 2013 and 2012. Unrealized gains and losses on investments are recognized in the Statements of Operations for the years ended August 31, 2013 and 2012.

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Held by trustee				
Under Series 2009 bond indenture agreement				
Cash and short-term investments	\$ 6,818,682	\$ 6,818,682	\$ 7,660,515	\$ 7,660,515
U.S. agencies and bonds	6,017,316	6,276,482	5,331,115	5,320,496
Under deferred compensation trust				
Mutual funds	1,713,145	1,713,145	1,376,653	1,376,653
Total Held by Trustee	14,549,143	14,808,309	14,368,283	14,357,664

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Self-insurance trusts				
Cash and short-term investments	1,007,012	1,007,012	124,769	124,769
U S agencies and bonds	4,960,814	4,943,767	5,083,206	4,855,405
Corporate stocks and bonds	5,655,393	4,347,122	5,735,690	4,679,678
Mutual funds	2,904,933	2,337,958	2,238,610	1,880,725
Total Self-insurance Trusts	<u>14,528,152</u>	<u>12,635,859</u>	<u>13,182,275</u>	<u>11,540,577</u>
Board designated funds				
Cash and short-term investments	24,096,262	24,096,262	80,623	80,623
U S agencies and bonds	0	0	3,205,368	2,978,102
Mutual funds	0	0	7,668,806	7,653,361
Pledges receivable - capital expansion	<u>136,680</u>	<u>136,680</u>	<u>651,235</u>	<u>651,235</u>
Total Board designated funds	<u>24,232,942</u>	<u>24,232,942</u>	<u>11,606,032</u>	<u>11,363,321</u>
TOTAL ASSETS LIMITED AS TO USE	<u>\$ 53,310,237</u>	<u>\$ 51,677,110</u>	<u>\$ 39,156,590</u>	<u>\$ 37,261,562</u>

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2013

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 1,349,709	\$ (39,157)	\$ 28,817	\$ (1,572)
U S agencies and bonds	7,089,469	(310,681)	0	0
Municipal bonds	397,830	(15,396)	0	0
Mutual funds	<u>747,672</u>	<u>(37,243)</u>	<u>15,993</u>	<u>(1,525)</u>
Total temporarily impaired securities	<u>\$ 9,584,680</u>	<u>\$ (402,477)</u>	<u>\$ 44,810</u>	<u>\$ (3,097)</u>

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2012

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 171,873	\$ (11,613)	\$ 281,201	\$ (43,805)
U S agencies and bonds	2,661,769	(23,337)	0	0
Mutual funds	<u>469,828</u>	<u>(931)</u>	<u>720,590</u>	<u>(73,977)</u>
Total temporarily impaired securities	<u>\$ 3,303,470</u>	<u>\$ (35,881)</u>	<u>\$ 1,001,791</u>	<u>\$ (117,782)</u>

Management believes the unrealized losses are temporary and are caused by market and interest rate fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

NOTE 3: INVESTMENTS

Fair value (when available) and cost for investments at August 31, are summarized as follows

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Corporate joint ventures	\$ 15,868,783	\$ 15,868,783	\$ 18,495,671	\$ 18,495,671
Hendrick Medical Office Buildings, L L C	10,054,179	10,054,179	10,214,807	10,214,807
U S agencies and bonds	13,140,304	13,309,383	9,661,326	9,153,563
Corporate stocks and bonds	60,707,459	56,589,775	52,332,573	46,979,289
Municipal bonds	11,286,903	11,479,169	4,796,773	4,573,419
Mutual funds	31,017,762	32,207,327	20,846,870	20,654,774
Alternative investments	2,235,052	3,302,904	9,626,206	11,070,794
	<u>\$ 144,310,442</u>	<u>\$ 142,811,520</u>	<u>\$ 125,974,226</u>	<u>\$ 121,142,317</u>

Fair value for corporate joint ventures and Hendrick Medical Office Buildings, L L C are not readily available at August 31, 2013 and 2012

Hendrick has investments in certain investments that are considered "alternative investments" Fair market valuations are typically more difficult to ascertain and support, therefore the risk of market fluctuation can be greater for these types of investments

Hendrick has investments in two unconsolidated entities which are being recognized as "Long-term investments" on the Statements of Financial Position The investment in corporate joint ventures is as follows at August 31,

	2013	2012
S H A , L L C dba First Care – 33.33% common and preferred stock membership interest in a health maintenance organization	\$ 15,864,574	\$ 18,491,589
Premier Purchasing Partners L P – interest in purchasing group partnership and AMHS Heritage, L L C	4,209	4,082
TOTAL	<u>\$ 15,868,783</u>	<u>\$ 18,495,671</u>

S H A , L L C dba FirstCare reflected total assets of \$110,930,910 and \$111,495,603, total liabilities of \$61,322,024 and \$62,493,073, and total equity of \$49,608,886 and \$49,002,530 as of August 31, 2013 and 2012, respectively Hendrick contributed \$3,333,333 and \$0 to the entity during the years ended August 31, 2013 and 2012, respectively, and Hendrick's portion of net loss totaled \$2,804,527 for the year ended August 31, 2013 and net income of \$1,646,713 for the year ended August 31, 2012

Investment income (expense) is comprised of the following for the years ending August 31.

	2013	2012
Interest income	\$ 1,444,520	\$ 1,647,555
Dividend income	1,693,552	1,081,624
Equity in earnings (losses) from corporate joint ventures	(5,960,222)	1,680,212
Unrealized/Realized losses on equity securities and joint ventures	<u>6,195,063</u>	<u>4,380,318</u>
Total Investment Income	<u>\$ 3,372,913</u>	<u>\$ 8,789,709</u>

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2013

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 15,532,583	\$ (1,408,251)	\$ 2,575,067	\$ (375,165)
Mutual funds	22,065,138	(1,186,881)	3,420,200	(74,241)
Alternative investments	194,796	(197,322)	748,673	(1,322,664)
U S agencies and bonds	7,882,053	(446,024)	0	0
Municipal bonds	<u>6,819,764</u>	<u>(323,243)</u>	<u>0</u>	<u>0</u>
Total temporarily impaired securities	<u>\$ 52,494,334</u>	<u>\$ (3,561,721)</u>	<u>\$ 6,743,940</u>	<u>\$ (1,772,070)</u>

The following table shows the gross unrealized losses and fair value of Hendrick's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at August 31, 2012

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate stocks and bonds	\$ 10,239,680	\$ (961,907)	\$ 6,239,597	\$ (958,803)
Mutual funds	4,946,362	(627,874)	0	0
Alternative investments	4,012,541	(48,012)	1,175,910	(2,063,757)
Municipal bonds	<u>351,624</u>	<u>(35)</u>	<u>0</u>	<u>0</u>
Total temporarily impaired securities	<u>\$ 19,550,207</u>	<u>\$ (1,637,828)</u>	<u>\$ 7,415,507</u>	<u>\$ (3,022,560)</u>

Management believes the unrealized losses are temporary and are caused by interest rate fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

NOTE 4: HENDRICK MEDICAL CENTER FOUNDATION

Hendrick has an interest in net assets of Hendrick Medical Center Foundation ("Foundation") included on the Statements of Financial Position as of August 31, 2013 and 2012. Foundation is a financially interrelated organization to Hendrick and also serves as a fundraising organization for the benefit of Hendrick and related affiliates. A financial summary of the Foundation as of and for the year ended August 31, follows:

	2013	2012
Assets	\$ <u>34,680,013</u>	\$ <u>40,288,406</u>
Liabilities	\$ <u>2,707,830</u>	\$ <u>11,023,335</u>
Net assets		
Unrestricted	27,399,754	25,421,349
Temporarily restricted	80,575	61,473
Permanently restricted	<u>4,491,854</u>	<u>3,782,249</u>
Total net assets	<u>31,972,183</u>	<u>29,265,071</u>
Total liabilities and net assets	\$ <u>34,680,013</u>	\$ <u>40,288,406</u>
Total unrestricted revenues, gains and other support	\$ <u>4,115,270</u>	\$ <u>3,154,266</u>
Unrestricted expenses and other changes	<u>(2,136,865)</u>	<u>(1,122,758)</u>
Changes in temporarily and permanently restricted net assets	<u>728,707</u>	<u>376,326</u>
Total change in net assets	\$ <u>2,707,112</u>	\$ <u>2,407,834</u>

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable are as follows at August 31:

	2013	2012
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 3,638,472	\$ 4,187,666
Less: Unamortized discount	<u>(970,169)</u>	<u>(1,062,665)</u>
	2,668,303	3,125,001
Less: Allowance for uncollectibles	<u>(521,792)</u>	<u>(509,350)</u>
NET UNCONDITIONAL PROMISES TO GIVE	\$ <u>2,146,511</u>	\$ <u>2,615,651</u>
Amounts due in		
Less than one year	\$ 338,472	\$ 535,084
One to five years	320,000	672,582
More than five years	<u>2,980,000</u>	<u>2,980,000</u>
TOTAL	\$ <u>3,638,472</u>	\$ <u>4,187,666</u>

Pledges receivable (gross) were provided for the following at August 31.

	<u>2013</u>	<u>2012</u>
Capital expansion	\$ 658,472	\$ 1,207,666
Long-term unconditional pledge	<u>2,980,000</u>	<u>2,980,000</u>
Total pledges before unamortized discount and allowance for uncollectibles	<u>\$ 3,638,472</u>	<u>\$ 4,187,666</u>

Pledges receivable totaling \$136,680 and \$651,235 are carried as board designated funds under the category "Assets Limited As To Use" on the Statements of Financial Position as of August 31, 2013 and 2012, respectively

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

A summary of the costs and the related accumulated depreciation at August 31, follows

	<u>2013</u>	<u>2012</u>
Land	\$ 19,152,172	\$ 17,445,239
Buildings and improvements	115,214,991	107,308,445
Fixed equipment	85,755,269	78,860,107
Major moveable equipment	115,170,760	115,544,589
Construction in progress	<u>8,509,598</u>	<u>13,531,751</u>
Total	343,802,790	332,690,131
Less accumulated depreciation	<u>(155,377,285)</u>	<u>(144,327,455)</u>
NET PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 188,425,505</u>	<u>\$ 188,362,676</u>

Depreciation expense for the years ended August 31, 2013 and 2012 was \$19,924,834 and \$16,425,080, respectively

NOTE 7: GOODWILL

The changes in the carrying amount of goodwill for the years ended August 31, 2013 and 2012, are as follows

	<u>Goodwill</u>	<u>Accumulated Impairment</u>	<u>Total</u>
Balance as of August 31, 2011	\$ 0	\$ 0	\$ 0
Acquisition	<u>2,553,216</u>	<u>0</u>	<u>2,553,216</u>
Balance as of August 31, 2012	<u>2,553,216</u>	<u>0</u>	<u>2,553,216</u>
Acquisition	<u>1,018,330</u>	<u>0</u>	<u>1,018,330</u>
Balance as of August 31, 2013	<u>\$ 3,571,546</u>	<u>\$ 0</u>	<u>\$ 3,571,546</u>

Goodwill was tested as of June 30, 2013 and determined to be unimpaired

NOTE 8: NOTES AND CAPITAL LEASES PAYABLE

Notes and capital leases payable as of August 31, consist of the following

	<u>2013</u>	<u>2012</u>
Capital lease payable		
Pyxis - payable in monthly installments of \$44,243 and \$10,672 including interest at 4.91% with balances due June 30, 2015 and February 28, 2017 - secured by equipment	\$ 1,340,062	\$ 1,917,766
Notes payable		
Hendrick Medical Development Corporation - payable in monthly installments of interest only at 9% with the principal due at maturity on October 2, 2019 - secured by real property	1,000,000	1,000,000
Development Corporation of Abilene - forgiven in annual installments of \$269,149 at 0% interest with balance due August 31, 2019 - unsecured	1,877,041	0
Development Corporation of Abilene - forgiven in annual installments of 7% of salaries, plus non-mandatory, borrower-provided benefits, expanded for research using the previous twelve months at 0% interest with balance due July 31, 2018 - unsecured	0	65,686
Development Corporation of Abilene - forgiven in annual installments of \$149,232 at 0% interest with balance due July 31, 2015 - unsecured	0	298,462
Development Corporation of Abilene - forgiven in annual installments totaling \$242,542 in 2014 and \$93,312 thereafter, at 0% interest with balance due July 31, 2018 - unsecured	615,786	0
Development Corporation of Abilene - forgiven in annual installments of 7% of salaries, plus non-mandatory, borrower-provided benefits, expanded for research using the previous twelve months at 0% interest with balance due August 31, 2021 - unsecured	328,974	0
First Financial Bank, N.A., Abilene - payable in various monthly installments at various interest rates, payable upon student graduation - unsecured	<u>365,963</u>	<u>502,754</u>
	5,527,826	3,784,668
Less current portion	<u>(1,310,344)</u>	<u>(946,774)</u>
LONG-TERM PORTION	\$ <u>4,217,482</u>	\$ <u>2,837,894</u>

Principal payment requirements for notes and capital leases payable for the fiscal years ending 2014 through 2018 and thereafter are \$1,310,344, \$1,071,538, \$583,496, \$510,253, and \$2,052,195, respectively

Hendrick is the lessee of equipment under capital leases expiring in 2015 and 2017. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives.

Following is a summary of property held under capital leases:

Equipment	\$ 2,921,358
Less accumulated amortization	<u>(1,603,140)</u>
	<u>\$ 1,318,218</u>

Minimum future lease payments under capital leases, at August 31, 2013, for the remaining years of the lease term are:

<u>Year Ended August 31,</u>	
2014	\$ 658,980
2015	570,494
2016	128,064
2017	<u>64,032</u>
Less amount representing interest	<u>(81,508)</u>
Present value of net minimum lease payments	<u>\$ 1,340,062</u>

The effective interest rate on the capital lease is 4.91%, and the capital lease is collateralized by the equipment.

NOTE 9: BONDS PAYABLE

At August 31, bonds payable consist of the following:

	<u>2013</u>	<u>2012</u>
Tarrant County Cultural Education Facilities Finance Corporation Hospital Revenue Bonds Series 2009A, 2009B, and 2009C - net of unamortized discount of \$90,526, \$683,917, and \$88,852 - payable at annual rates of 3% to 5.25%. Series 2009C payable annually at a daily variable rate of interest - secured by municipal bond insurance policies	\$ 93,571,705	\$ 96,751,527
Less current portion	<u>(3,400,000)</u>	<u>(3,235,000)</u>
LONG-TERM PORTION	<u>\$ 90,171,705</u>	<u>\$ 93,516,527</u>

Bond discount is being amortized on the straight-line method over the life of the bond issuance. Amortization was \$55,179 and \$55,179 for the years ended August 31, 2013 and 2012, respectively.

Principal payment requirements for the fiscal years ending 2014 through 2018 and thereafter are \$3,400,000, \$3,575,000, \$3,730,000, \$3,905,000 and \$79,825,000, respectively.

The Tarrant County Cultural Education Facilities Finance Corporation Hospital Revenue Bonds Series 2009A and Series 2009B were issued on September 2, 2009 in the amounts of \$33,940,000 and \$44,795,000, respectively. The Bonds mature on September 1, 2026 and September 1, 2031, respectively. The Tarrant County Cultural Educational Facilities Finance Corporation Variable Rate Hospital Revenue Bonds Series 2009C were issued on September 9, 2009 in the amount of \$25,000,000 and they mature on September 1, 2026. Bond proceeds were used to refinance the Abilene Health Facilities Development Corporation Hospital Refunding and Improvement Bonds Series 1995A, 1995B and 1995C, and to finance construction projects.

The bond trust indenture requires Hendrick to maintain a letter of credit for repayment of the Series 2009C bonds. JPMorgan Chase Bank, N.A. has issued the letter of credit in the amount of \$25,353,425 as of August 31, 2013. The letter of credit fee is 1.25% per annum and matured September 17, 2013 and was subsequently renewed with a maturity date of September 17, 2015. The letter of credit is secured by real property.

Under the terms of the Series 2009 bond trust indentures, Hendrick is also required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The bond indentures also place limits on the incurrence of additional borrowings and require that Hendrick satisfy certain measures of financial performance as long as the bonds are outstanding.

Hendrick's bonds are subject to mandatory sinking redemption in the amounts set forth in the following table:

Fiscal Year Ending August 31,	Series 2009A	Series 2009B	Series 2009C
2014	\$ 2,660,000	\$ 265,000	\$ 475,000
2015	1,610,000	410,000	1,555,000
2016	1,675,000	595,000	1,460,000
2017	1,745,000	480,000	1,680,000
2018	1,815,000	625,000	1,640,000
2019	1,895,000	575,000	1,800,000
2020	1,980,000	715,000	1,780,000
2021	2,080,000	660,000	1,955,000
2022	2,180,000	690,000	2,055,000
2023	2,285,000	705,000	2,185,000
2024	2,405,000	730,000	2,305,000
2025	2,525,000	780,000	2,415,000
2026	1,325,000	2,170,000	2,520,000
2027	0	6,285,000	0
2028	0	6,625,000	0
2029	0	6,985,000	0
2030	0	7,365,000	0
2031	0	7,770,000	0
	<u>\$ 26,180,000</u>	<u>\$ 44,430,000</u>	<u>\$ 23,825,000</u>

Interest charged to operations on notes and bonds payable for the years ended August 31, 2013 and 2012, was \$4,473,307 and \$3,733,146, respectively. Interest capitalized during the construction phase totaled \$0 and \$1,061,367 for the years ended August 31, 2013 and 2012, respectively.

NOTE 10: EMPLOYEE RETIREMENT PLANS

Hendrick sponsors a defined contribution pension plan with Guidestone available to substantially all employees. Hendrick's contributions to the plan match the employee's contribution to the plan up to either 3% or 5% (depending on the date of employment) of the covered employee's annual salary depending upon

the employee's contribution. Pension expense for the years ended August 31, 2013 and 2012, was \$2,726,888 and \$2,717,560, respectively. Hendrick funds pension plan requirements to the fiduciary monthly.

Hendrick has entered into deferred compensation contracts with certain officers to provide compensation benefits to the officers after retirement at the age of fifty-five (55) years or older. Employees benefit expense related to these agreements was \$425,024 and \$405,011 in 2013 and 2012, respectively.

Hendrick also provides a 457B and 457F plan for the benefit of their executives. The balance of the 457B plan totaled \$1,220,248 and \$974,492 at August 31, 2013 and 2012, respectively. The balance of the 457F plan totaled \$492,897 and \$402,161 at August 31, 2013 and 2012, respectively. Both of the plans are funded entirely by the employees and are included on the Statements of Financial Position under "Assets Limited As To Use" with a corresponding liability included in "Other liabilities".

NOTE 11: NET PATIENT SERVICE REVENUE AND THIRD PARTY SETTLEMENTS

Hendrick has agreements with third-party payors that provide for reimbursement to Hendrick at amounts different from its established rates. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, fee schedules, per diems, discounts from established charges and prompt payment discounts. Contractual adjustments under third-party reimbursement programs represent the difference between Hendrick's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Services rendered to Medicare recipients are primarily reimbursed according to prospectively determined rates on both inpatient and outpatient services. These rates vary according to patient classification systems which are based on clinical, diagnostic, and other factors. Hendrick is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Hendrick and audits thereof by the Medicare fiscal intermediary which can take several years to completely settle.

Inpatient services rendered to Medicaid recipients are primarily reimbursed according to prospectively determined rates per discharge. These rates vary according to a patient classification system which is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed through various payment systems including fee schedules, prospective rates, and a cost based method. Hendrick is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Hendrick and audits thereof by the Medicaid fiscal intermediary which can take several years to completely settle.

Hendrick has also entered into contractual agreements with certain other commercial insurance carriers, preferred provider organizations, and major Abilene region employers. The basis for payment to Hendrick under these agreements includes prospectively determined rates per discharge, per diems, fee schedules, discounted fee-for-service rates and other similar contractual arrangements. These revenues are also subject to review and audit by the payors.

Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenue from the Medicare program accounted for approximately 51 and 50 percent of Hendrick's net patient service revenue for the years ended August 31, 2013 and 2012, respectively. Revenue from the Medicaid program accounted for approximately 10 and 9 percent of Hendrick's net patient service revenue for the years ended August 31, 2013 and 2012, respectively.

The laws and regulations under which the Medicare and Medicaid programs operate are complex, subject to frequent change and subject to interpretation. As part of operating under these programs, there is a possibility that governmental authorities may review Hendrick's compliance with these laws and regulations. Such review may result in adjustments to reimbursement previously received and subject Hendrick to fines and penalties. Management believes they have complied with the requirements of the Medicare and Medicaid programs.

A summary of activity related to third party payor settlements is included below for the year ended August 31.

	<u>2013</u>	<u>2012</u>
Beginning of year payable balance	\$ (6,406,129)	\$ (7,776,101)
Activity related to prior years' settlements		
Payments made	902,512	619,214
Refunded amounts	(739,959)	0
Changes in prior years' estimates	3,576,305	1,980,027
Activity related to current year settlements		
Current year estimated settlements	<u>(4,420,950)</u>	<u>(1,229,269)</u>
End of year payable balance	<u>\$ (7,088,221)</u>	<u>\$ (6,406,129)</u>

A summary of third party payor settlement amounts by payor as of August 31 is included below.

	<u>2013</u>	<u>2012</u>
Payable		
Medicare	\$ (6,375,470)	\$ (4,850,273)
Medicaid	0	(843,105)
Commercial	<u>(712,751)</u>	<u>(712,751)</u>
Total payable	<u>\$ (7,088,221)</u>	<u>\$ (6,406,129)</u>

A summary of gross and net patient service revenue for the years ended August 31, follows.

	<u>2013</u>	<u>2012</u>
Inpatient routine	\$ 106,261,308	\$ 99,833,586
Inpatient ancillary	546,164,279	526,167,842
Outpatient	<u>561,308,441</u>	<u>491,024,835</u>
Gross Patient Service Revenue	<u>1,213,734,028</u>	<u>1,117,026,263</u>
Less provisions for		
Bad debt	(43,334,206)	(40,098,034)
Contractual adjustment under third-party reimbursement programs	(632,966,603)	(582,692,910)
Charity allowances	(75,550,637)	(65,824,485)
Administrative adjustments	<u>(194,175,743)</u>	<u>(171,217,729)</u>
Total Deductions from Revenue	<u>(946,027,189)</u>	<u>(859,833,158)</u>
NET PATIENT SERVICE REVENUE	<u>\$ 267,706,839</u>	<u>\$ 257,193,105</u>

Hendrick recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable,

Hendrick analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debt. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Hendrick analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debt, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid).

For uninsured patients that do not qualify for charity care, Hendrick recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Hendrick records a significant provision for bad debt in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debt), recognized in the period is as follows for the years ending August 31:

	2013	2012
Third-party payors	\$ 277,715,116	\$ 267,270,558
Self-pay	33,325,929	30,020,581
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 311,041,045</u>	<u>\$ 297,291,139</u>

There were no significant changes in assumptions in calculating the allowance for self-pay patients between the years ended August 31, 2013 and 2012.

NOTE 12: CHARITY SERVICES

Hendrick provides total and partial income based discounts through its charity program. A patient may qualify for 100% assistance or a lesser percentage based on application criteria. The policy is primarily based on the household income of the applicant with respect to the Federal Poverty Income Levels (FPIIL) as published by the Department of Health and Human Services. Hendrick utilizes a charity discount sliding scale to determine assistance amounts where applicants with household income below 250% of the FPIIL could be eligible for full assistance and those with household income of 500% or higher of the FPIIL will not be eligible for charity assistance. Applicants for the charity program are also required to provide complete and accurate information regarding their financial circumstances by completing a *Request for Assistance* form. Misrepresentation of these facts may be cause for denial of assistance. Charity assistance is only considered after all efforts to obtain third party coverage have been exhausted. The charity program does not discriminate based on race, creed, religion, sex, or national origin.

Hendrick maintains records to identify and monitor the level of charity services it provides. These records include the amount of charges foregone for services and supplies furnished without regard to the patient's ability to pay. The estimated direct and indirect costs and expenses incurred to provide charity services for the years ended August 31, 2013 and 2012 were \$15,531,296 and \$13,754,229, respectively. These direct and indirect costs are based on management's estimate of the ratio of cost to gross charges of providing charity services. Costs were estimated by taking total costs incurred in providing patient care, less direct known costs that were not associated with patient care such as indirect marketing, bad debt, and other items unrelated to patient care. This ratio was applied to the provisions for charity care, which is based on gross charges.

Charity care totaled \$75,550,637 and \$65,824,485 for the years ended August 31, 2013 and 2012, respectively.

There were no contributions restricted solely for the purposes of providing charity services during the year

NOTE 13: ESTIMATED PROFESSIONAL, EMPLOYEE INJURY AND GENERAL LIABILITY

Hendrick has established a self-insurance plan for the purpose of providing professional and general liability insurance. Professional insurance actuary consultants have been retained to determine funding requirements. The amounts funded have been placed in a self-insurance trust account that is being administered by a trustee. The self-insurance trust account is reported in "Assets Limited As To Use". In addition to the self-insurance trust, Hendrick purchased professional and general liability insurance to cover losses in excess of \$3,000,000 per occurrence.

Hendrick has established an employee injury program known as ProCare. ProCare demonstrates Hendrick's active stance in keeping a safe and healthy workplace and providing adequate reimbursement when workplace injury or illness does occur. Hendrick no longer subscribes to the Workers Compensation Act of the State of Texas, and Hendrick provides the ProCare program on a voluntary basis. A ProCare trust has been established to fund losses resulting from employee injury. The trust account is reported within self-insurance trusts in "Assets Limited As To Use". Excess employee injury coverage has been obtained for losses in excess of \$1,000,000 per occurrence.

Hendrick is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against Hendrick and are currently in various stages of litigation. Additional claims may be asserted against Hendrick arising from services provided to patients through August 31, 2013. Hendrick is unable to determine the ultimate cost of the resolution of such potential claims. It is the opinion of management and an independent actuarial consultant that estimated professional liability costs accrued at August 31, 2013, are adequate to provide for potential losses resulting from pending or threatened litigation.

There was no charge to operating expenses for professional, employee injury and general liability costs for fiscal years 2013 and 2012.

NOTE 14: AFFILIATES UNDER COMMON CONTROL

As of August 31, 2013, Hendrick is under common management control with the following entities:

- 1) Hendrick Medical Development Corporation
- 2) Hendrick Medical Center Foundation
- 3) Hendrick Provider Network
- 4) Hendrick Anesthesiology Network
- 5) Hendrick Hospice Care
- 6) Hendrick Southwestern Health Development Corporation
- 7) Hendrick Center for Extended Care
- 8) Hendrick Medical Office Buildings, L.L.C.
- 9) Hendrick Health Network

Hendrick Health Network is consolidated in the accompanying financial statements. The resulting affect is not material to the financial presentation of Hendrick Medical Center.

If the wholly owned and controlled subsidiaries were consolidated in the accompanying financial statements, total assets would be stated at \$534,900,279 and \$493,293,806 as of August 31, 2013 and 2012. Total liabilities would be stated at \$164,596,431 and \$157,303,443, and net assets at \$370,303,848 and \$335,990,363 as of August 31, 2013 and 2012. The increase in net assets for the years ended August 31, 2013 and 2012 would total \$34,313,485 and \$34,421,241, respectively.

Related Party Transactions

Hendrick made equity transfers to Hendrick Provider Network and Hendrick Anesthesiology Network during the year ended August 31, 2013 totaling \$10,495,344 and \$1,971,842, respectively. Hendrick received equity transfers from Hendrick Medical Development Corporation during the year ended August 31, 2013 totaling \$11,090. Hendrick made equity transfers to Hendrick Provider Network, Hendrick Anesthesiology Network, and Hendrick Medical Development Corporation during the year ended August 31, 2012 totaling \$11,557,388, \$1,592,656, and \$96,461, respectively.

At various times during the year, Hendrick had note receivable balances from affiliates. These balances were \$0 at August 31, 2013 and 2012. Interest income related to notes receivable from affiliates totaled \$132,917 and \$121,687 for the years ended August 31, 2013 and 2012, respectively.

The due from and due to affiliates are separately identified in the accompanying financial statements. The due from receivables and due to payables represent various income and expenses relating to the operations of other affiliates of Hendrick.

The due from affiliates receivable at August 31, are as follows:

	<u>2013</u>	<u>2012</u>
Hendrick Medical Office Buildings, L L C	\$ 4,812,408	\$ 4,615,483
Hendrick Medical Center Foundation	<u>84,739</u>	<u>0</u>
TOTAL DUE FROM AFFILIATES	<u>\$ 4,897,147</u>	<u>\$ 4,615,483</u>

The due to affiliates payable at August 31, are as follows:

	<u>2013</u>	<u>2012</u>
Hendrick Southwestern Health Development Corporation	\$ 3,061,872	\$ 1,824,546
Hendrick Hospice Care	3,234,300	6,172,713
Hendrick Center for Extended Care	2,715,257	3,424,837
Hendrick Medical Center Foundation	<u>1,233,860</u>	<u>8,865,722</u>
TOTAL DUE TO AFFILIATES	<u>\$ 10,245,289</u>	<u>\$ 20,287,818</u>

Operating revenue from affiliates totaled \$3,833,230 and \$4,122,173 for the years ended August 31, 2013 and 2012, respectively. Rental income from affiliates totaled \$925,888 and \$561,900 for the years ended August 31, 2013 and 2012, respectively.

Hendrick expenditures to affiliates related to supplies and purchased services totaled \$4,883,417 and \$4,883,511 for the years ended August 31, 2013 and 2012, respectively. Rental expenditures to affiliates were \$668,203 and \$585,866 for the years ended August 31, 2013 and 2012, respectively. Interest expense totaling \$425,208 and \$553,588 was paid to affiliates by Hendrick during the years ended August 31, 2013 and 2012, respectively.

Hendrick conducts business with members of the Board in the ordinary course of business. All such transactions are fully disclosed and considered arms-length transactions.

NOTE 15: STATEMENT OF CASH FLOW SUPPLEMENTARY INFORMATION

Interest expense paid by Hendrick for the years ended August 31, 2013 and 2012, was \$4,564,494 and \$4,845,138, respectively.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Hendrick enters into contractual commitments for certain construction projects. As of August 31, 2013, the outstanding commitments on the contracts amount to \$0.

Minimum rental payments incurred under operating leases for the years ended August 31, 2013 and 2012, were \$5,379,126 and \$6,058,719, respectively. Payment requirements for operating leases for the fiscal years ending 2014 through 2018 and thereafter are \$6,038,833, \$3,794,984, \$3,732,575, \$2,856,940, and \$2,268,626.

Hendrick has entered into contractual commitments with certain physicians to provide guaranteed levels of income. As of August 31, 2013, the outstanding commitments on the contracts amount to \$771,032. The balance is included in "Other assets" on the Statements of Financial Position.

Hendrick made a conditional pledge to an unrelated third party to provide premises on a rent-free basis and monthly operating support of \$15,833 for five years beginning May 1, 2009. The pledge is conditional upon the third party accepting certain patients, maintaining minimum office hours and staffing requirements. The conditional amount of support that Hendrick may be committed to totals \$126,664 for the year ending August 31, 2014. This agreement was renewed for an additional five years as of November 1, 2013.

Funds Held for Others

Hendrick is acting as an agent to facilitate construction for the Texas Tech School of Nursing project and, as such, has reported a liability under "Funds held for others" totaling \$10,770,466 and \$0 as of August 31, 2013 and 2012, respectively, which represents the cost of construction. As of August 31, 2012, the liability was reported on Hendrick Medical Center Foundation's Statement of Financial Position under "Funds held for others" that reflects the present value of pledges and cash received for the project in the amounts of \$10,623,584.

Construction of the nursing school project is complete and Texas Tech School of Nursing occupies the facilities, however, ownership has not yet transferred to Texas Tech due to an anticipated New Markets Tax Credit transaction as outlined in **NOTE 22**. An expansion of the Texas Tech School of Pharmacy for approximately \$2,500,000 was included in the project and title to the expansion is anticipated to be conveyed to Texas Tech in fiscal year 2014.

Debt Guarantees

Hendrick guarantees up to \$4,000,000 in debt obligations for Texas Healthcare Linens, L.L.C. in which Hendrick Southwestern Health Development Corporation owns a 33% interest.

Should Hendrick be required to pay any portion of the total amount of loans it has guaranteed, the organization could attempt to recover some or all of the amounts from guaranteed parties. Hendrick holds no collateral in respect to the guarantees. The fair value of the guaranty as of August 31, 2013 was determined to be immaterial.

Compliance

The health care industry is subject to numerous laws and regulations of Federal, state, and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers.

During the year ended August 31, 2011, the Office of the Inspector General (OIG) identified certain billing errors related to specific drug charges resulting in the repayment of \$349,349. Hendrick then conducted an internal review to determine that an additional \$986,662 of charges were at risk and will be paid back to the respective payors. A payable was recorded in the amount of \$1,336,011 as of August 31, 2011 and throughout the year ended August 31, 2012 amounts were paid and settled reducing the liability to \$712,751 as of August 31, 2013 and 2012.

NOTE 17: CONCENTRATIONS OF CREDIT RISK

Hendrick maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Hendrick also maintains accounts at a stock brokerage firm. The accounts contain cash and securities. Cash and security balances are insured up to \$100,000 and \$500,000, respectively, by the Securities Investor Protection Corporation. At various times during the year, Hendrick may have balances at the financial institutions and stock brokerage firms in excess of insured limits.

Hendrick grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at August 31, is as follows:

	2013	2012
Medicare	31.11 %	28.02 %
Medicaid	6.72	6.62
Other third-party payors	30.66	32.28
Patients	31.51	33.08
TOTAL	100.00 %	100.00 %

NOTE 18: FUNCTIONAL EXPENSES

Hendrick provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended August 31.

	2013	2012
Health care services	\$ 191,013,941	\$ 187,145,208
General and administrative	74,283,199	70,580,989
TOTAL	\$ 265,297,140	\$ 257,726,197

NOTE 19: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Hendrick in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Assets limited as to use: These assets consist primarily of cash, U.S. Treasury obligations, notes and bonds. Fair market values are obtained from independent brokers.

Long-term investments: Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Notes receivable from affiliates: The notes receivable from affiliates bear interest at variable rates and therefore the carrying amount reported in the statement of financial position approximates its fair value.

Accounts payable, accrued expenses and reserves for self-insurance: The carrying amount reported in the statement of financial position for these categories approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the statement of financial position for estimated third-party payor settlements approximates its fair value

Long-term debt: Fair values of Hendrick's Series 2009 bonds are based on current traded value. The fair value of Hendrick's remaining long-term debt is estimated using discounted cash flow analyses, based on Hendrick's current incremental borrowing rates for similar types of borrowing arrangements

Funds held for others: The carrying amount reported in the statement of financial position for funds held for others approximates its fair value

The carrying amounts and fair values of Hendrick's financial instruments at August 31, are as follows

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 541,709	\$ 541,709	\$ 2,464,261	\$ 2,464,261
Assets limited as to use	53,310,237	53,310,237	39,156,590	39,156,590
Long-term investments	144,310,442	144,310,442	125,974,226	125,974,226
Accounts payable and accrued expenses	19,854,872	19,954,872	17,665,802	17,665,802
Reserves for self-insurance	9,615,906	9,615,906	9,839,205	9,839,205
Notes payable and capital lease obligations	5,527,826	4,834,746	3,784,668	3,861,618
Bonds payable	93,571,705	102,880,379	96,751,527	107,015,260
Funds held for others	10,838,189	10,838,189	57,401	57,401
Estimated third-party settlements	7,088,221	7,088,221	6,406,129	6,406,129

NOTE 20: FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is 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. In determining fair value, Hendrick uses various methods including market, income, and cost approaches. Based on these approaches, Hendrick often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Hendrick utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Hendrick is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active

markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For fiscal years ended August 31, 2013 and 2012, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Pledges receivable: Pledges receivable are valued at the actual amount pledged by the donor discounted to account for their estimated present value using a discount rate of the prime rate for the years ended August 31, 2013 and 2012. Pledges have also been reduced by an allowance for uncollectible accounts as determined by management.

Equity and fixed income securities including municipal and U.S. government agencies: valued at the close price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Mutual and exchange traded funds: value at the net asset value of shares held at year end at the closing price reported on the active market.

Corporate joint ventures: valued at cost which approximates fair value. Cost is obtained from company prepared financial statements. Significant unobservable inputs include capital contributions, distributions, and earnings or losses on the joint venture. The valuation of the corporate joint venture is at 100% of the reported cost based on the entity's financial statements.

Cash surrender value of life insurance: valued at the estimated cash value of the life insurance policy as calculated by the respective holder of the life insurance policy based on using observable and unobservable inputs as of August 31, 2013 and 2012.

Alternative investments: valued at net asset value ("NAV") per unit as determined by the fund administrator using observable and unobservable inputs as of August 31, 2013 and 2012. Alternative investments primarily include private equity and mezzanine funds, which are valued at the underlying investments including convertible debt and warrants. Real estate funds are valued based on the values of underlying real estate holdings. All are considered to be limited liability entities therefore values are determined using capital contributions, distributions, and other related information. Alternative investments and their underlying quantitative factors to derive the unobservable input values are not considered to be material to the financial statements.

The tables below present the balances of assets measured at fair value on a recurring basis

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	08/31/13	(Level 1)	(Level 2)	(Level 3)
Long-term investments				
Corporate joint ventures	\$ 15,868,783	\$	\$	\$ 15,868,783
Hendrick Medical Office Buildings, L L C	10,054,179			10,054,179
U S agencies and bonds	13,140,304		13,140,304	
Corporate stocks and bonds				
Consumer discretionary	7,729,412	7,729,412		
Consumer staples	5,023,653	5,023,653		
Energy	4,976,773	4,976,773		
Financial	12,141,895	9,955,607	2,186,288	
Health care	7,461,501	5,174,849	2,286,652	
Industrials	7,278,173	5,382,676	1,895,497	
Information technology	10,114,959	8,151,555	1,963,404	
Materials	2,265,662	1,736,452	529,210	
Services	965,274		965,274	
Telecommunications	1,576,560	1,576,560		
Utilities	1,173,597	1,173,597		
Total corporate stocks and bonds	60,707,459	50,881,134	9,826,325	0
Mutual funds				
High yield bond	13,308,433	13,308,433		
Intermediate-term bond	6,953,504	6,953,504		
Government short-term Bond	4,908,939	4,908,939		
Municipal short-term Bond	5,846,886	5,846,886		
Total mutual funds	31,017,762	31,017,762	0	0
Municipal bonds	11,286,903		11,286,903	
Alternative investments				
Hedge funds	271,410			271,410
Private equity	1,202,950			1,202,950
Real estate	748,673			748,673
Commodities				
Other	12,019			12,019
Total alternative investments	2,235,052	0	0	2,235,052
Assets limited as to use				
Bond indenture - short-term investment	6,818,682	6,818,682		
Bond indenture -U S agencies and bonds	6,017,316		6,017,316	
Deferred compensation - mutual funds – large blend	1,713,145	1,713,145		

Description	08/31/13	(Level 1)	(Level 2)	(Level 3)
Board designated - U S agencies and bonds				
Board designated - mutual funds – intermediate-term bond				
Pledges receivable	136,680			136,680
Board designated - cash and short-term investments	24,096,262	24,096,262		
Self insurance - cash	1,007,012	1,007,012		
Self insurance - U S agencies and bonds	4,960,814		4,960,814	
Self insurance – equities				
Consumer discretionary	1,462,390	1,462,390		
Consumer staples	260,305	260,305		
Energy	168,482	168,482		
Financial	844,650	844,650		
Health care	411,240	411,240		
Industrials	273,078	273,078		
Information technology	1,231,065	1,231,065		
Materials	611,404	611,404		
Telecommunications	108,527	108,527		
Utilities	284,252	284,252		
Total self-insurance – equities	5,655,393	5,655,393	0	0
Self insurance - mutual funds				
Diverse emerging markets	402,774	402,774		
Foreign large blend				
Foreign large value	1,010,442	1,010,442		
Intermediate-term bond	185,278	185,278		
Mid cap blend	872,361	872,361		
Small growth	434,078	434,078		
Total self-insurance-mutual funds	2,904,933	2,904,933	0	0
Total	\$ 197,620,679	\$ 124,094,323	\$ 45,231,662	\$ 28,294,694

	Level 3 Activity			
	Corporate Joint Ventures	Hendrick Medical Office Building, LLC	Alternative Investments	Pledges Receivable
Beginning balance	\$ 18,495,671	\$ 10,214,807	\$ 9,626,206	\$ 651,235
Investment income (loss)	(3,435,418)	(160,628)		
Equity distributions/sales			(7,365,421)	
Capital contributions	3,333,333		258,565	
Donor contributions				50,000
Unrealized gain (loss) ¹	631,018		(767,402)	
Realized gain ¹			435,908	
Write off of goodwill	(3,155,821)			
Capital call			47,196	
Payments received				(599,194)
Change in discount				34,639
Ending balance	<u>\$ 15,868,783</u>	<u>\$ 10,054,179</u>	<u>\$ 2,235,052</u>	<u>\$ 136,680</u>

Fair Value Measurements at Reporting Date Using				
Description	08/31/12	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Long-term investments</i>				
Corporate joint ventures	\$ 18,495,671	\$	\$	\$ 18,495,671
Hendrick Medical Office Buildings, L L C	10,214,807			10,214,807
U S agencies and bonds	9,661,326		9,661,326	
Corporate stocks and bonds				
Consumer discretionary	6,037,111	6,037,111		
Consumer staples	5,828,667	5,828,667		
Energy	5,307,819	5,307,819		
Financial	7,830,827	6,483,044	1,347,783	
Health care	8,418,708	6,888,914	1,529,794	
Industrials	4,878,005	4,404,553	473,452	
Information technology	7,873,498	7,006,851	866,647	
Materials	1,690,990	1,690,990		
Telecommunications	2,989,086	2,098,992	890,094	
Utilities	1,477,862	1,477,862		
Total corporate stocks and bonds	52,332,573	47,224,803	5,107,770	0
Mutual funds				
High yield bond	5,114,439	5,114,439		
Intermediate-term bond	4,628,778	4,628,778		
Municipal short-term Bond	11,103,653	11,103,653		
Total mutual funds	20,846,870	20,846,870	0	0
Municipal bonds	4,796,773		4,796,773	

Description	08/31/12	(Level 1)	(Level 2)	(Level 3)
Alternative investments				
Hedge funds	7,269,426			7,269,426
Private equity	1,150,748			1,150,748
Real estate	587,782			587,782
Commodities	279,162			279,162
Other	339,088			339,088
Total alternative investments	9,626,206	0	0	9,626,206
<i>Assets limited as to use</i>				
Bond indenture - short-term investment	7,660,515	7,660,515		
Bond indenture -U S agencies and bonds	5,331,115		5,331,115	
Deferred compensation - mutual funds – large blend	1,376,653	1,376,653		
Board designated - U S agencies and bonds	3,205,368		3,205,368	
Board designated - mutual funds – intermediate-term bond	7,668,806	7,668,806		
Pledges receivable	651,235			651,235
Board designated - cash and short-term investments	80,623	80,623		
Self insurance - cash	124,769	124,769		
Self insurance - U S agencies and bonds	5,083,206		5,083,206	
Self insurance – equities				
Consumer discretionary	1,356,931	1,356,931		
Consumer staples	231,169	231,169		
Energy	189,214	189,214		
Financial	782,615	782,615		
Health care	494,199	494,199		
Industrials	360,591	360,591		
Information technology	1,322,761	1,322,761		
Materials	487,067	487,067		
Telecommunications	257,630	257,630		
Utilities	253,513	253,513		
Total self-insurance – equities	5,735,690	5,735,690	0	0
Self insurance - mutual funds				
Diverse emerging markets	436,415	436,415		
Foreign large blend	353,021	353,021		
Foreign large value	375,647	375,647		
Intermediate-term bond	105,244	105,244		
Mid cap blend	786,537	786,537		
Small growth	181,746	181,746		
Total self-insurance-mutual funds	2,238,610	2,238,610	0	0
Total	\$ 165,130,816	\$ 92,957,339	\$ 33,185,558	\$ 38,987,919

	Level 3 Activity			
	Corporate Joint Ventures	Hendrick Medical Office Building, LLC	Alternative Investments	Pledges Receivable
Beginning balance	\$ 16,847,579	\$ 10,130,268	\$ 7,791,546	\$ 1,940,636
Investment income	1,078,971	84,539		
Equity distributions	(32,120)		(390,626)	
Capital contributions	33,500		2,379,452	
Unrealized gain (loss) ¹	567,741		(154,166)	
Payments received				(1,439,305)
Change in discount				149,904
Ending balance	<u>\$ 18,495,671</u>	<u>\$ 10,214,807</u>	<u>\$ 9,626,206</u>	<u>\$ 651,235</u>

¹The realized and unrealized gains (losses) on Level 3 investments are included in the Statements of Activities as "Investment income". There were no transfers to or from Level 3 investments during the years ended August 31, 2013 or 2012.

NOTE 21: PROMISES TO CONTRIBUTE AND RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, are restricted for the following

	2013	2012
Long-term pledge of gift	\$ 2,009,831	\$ 1,964,416
Annuitants whose assets are held in trust	42,591	23,489
Congestive heart failure program	18,897	19,030
Other grants	<u>153,837</u>	<u>134,490</u>
TOTAL	<u>\$ 2,225,156</u>	<u>\$ 2,141,425</u>

Pledges receivable at August 31, 2013 and 2012, totaling \$2,009,831 and \$1,964,416, respectively, consists of a \$2,980,000 unconditional long-term pledge which has been reduced by a present value discount of \$970,169 and \$1,015,584.

Permanently restricted net assets at August 31, 2013 and 2012, are restricted in the amount of \$4,355,915 and \$3,646,310 respectively, for investments to be held in perpetuity. The income from these investments is expendable to support health care services. Permanently restricted net assets have been determined by Hendrick to represent all endowment funds held at August 31, 2013 and 2012.

Changes in endowment net assets consist of the following for the year ended August 31.

	2013	2012
Endowment net assets, beginning of year	\$ 3,646,310	\$ 3,276,125
Change in interest in Hendrick Medical Center Foundation	<u>709,605</u>	<u>370,185</u>
Endowment net assets, end of year	<u>\$ 4,355,915</u>	<u>\$ 3,646,310</u>

Hendrick's interest in the net assets of Hendrick Medical Center Foundation includes the following pledges accounted for by Hendrick Medical Center Foundation

	<u>2013</u>	<u>2012</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 1,112,239	\$ 2,666,241
Less unamortized discount	<u>(52,654)</u>	<u>(131,603)</u>
	1,059,585	2,534,638
Less Allowance for uncollectibles	<u>(3,024)</u>	<u>(2,332)</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 1,056,561</u>	<u>\$ 2,532,306</u>
Amounts due in		
Less than one year	\$ 584,215	\$ 636,955
One to five years	<u>528,024</u>	<u>2,029,286</u>
TOTAL	<u>\$ 1,112,239</u>	<u>\$ 2,666,241</u>

Pledges receivable (gross) were provided for the following at August 31.

	<u>2013</u>	<u>2012</u>
Texas Tech Pharmacy School	\$ 5,000	\$ 0
Children's Miracle Network	30,239	26,241
Texas Tech School of Nursing	<u>1,077,000</u>	<u>2,640,000</u>
Total pledges before unamortized discount and allowance for uncollectibles	<u>\$ 1,112,239</u>	<u>\$ 2,666,241</u>

NOTE 22: SUBSEQUENT EVENTS

New Markets Tax Credit

Hendrick has worked with Texas Tech University Health Sciences Center (TTUHSC) to build a facility to house the TTUHSC School of Nursing and has executed term sheets with two Community Development Entities (CDE) and an Investor for the School of Nursing Project to qualify as a New Markets Tax Credit (NMTC) project. If the School of Nursing Project proceeds to closing as a NMTC project, the Foundation will make a leverage loan to a transaction-specific investment fund. The investment fund will use the proceeds of the leverage loan, plus the amount of any equity contributed to the investment fund by the NMTC Investor, to make a Qualified Equity Investment (QEI) in the CDE, and the CDE will use the proceeds of the QEI to make Qualified Low-Income Community Investment loans for the School of Nursing Project to Hendrick Provider Network (HPN), as the borrower for the School of Nursing Project and as a Qualified Active Low-Income Community Business.

Hendrick will lease the facilities to HPN. HPN will sub lease the facilities to TTUHSC School of Nursing.

The gross maximum funds anticipated if the School of Nursing Project is accepted in its entirety would be approximately \$4,100,000 with proceeds of \$1,750,000, net after transaction costs, available to support the School of Nursing Project.

The NMTC transaction is expected to close no later than December 31, 2013. If the NMTC transaction is closed, approximately \$10 million of "Funds Held for Others" will be reclassified as "temporarily restricted assets." Any depreciation on the School of Nursing building will be released each year by Hendrick as long as the property is being utilized by TTUHSC. If the School of Nursing Project is transferred to TTUHSC during any period then the amount of the reduction in net book value will be offset in temporarily restricted

assets. There can be no assurance that the NMTC transaction will close. If the NMTC transaction does not close, it is contemplated that land and improvements will be conveyed to TTUHSC.

Issuance of Revenue Bonds

Hendrick issued Tarrant County Cultural Education Facilities Finance Corporation Hospital Revenue Bonds Series 2013 for \$61,830,000 on December 5, 2013. The bonds mature at various amounts on September 1 of each year beginning in 2014 continuing through 2043. Bond proceeds were used to refinance the Tarrant County Cultural Education Facilities Corporation Variable Rate Hospital Revenue Bonds Series 2009C and to finance construction projects.