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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	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 10-01-2012 , 2012, and ending 09-30-2013**




<b>B</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	<b>C</b> Name of organization SHANNON MEDICAL CENTER		<b>D</b> Employer identification number 75-2559845
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 120 E HARRIS AVENUE Suite	Room/suite	E Telephone number (325) 481-8644
	City or town, state or country, and ZIP + 4 SAN ANGELO, TX 76903		<b>G</b> Gross receipts \$ 282,845,153
	<b>F</b> Name and address of principal officer BRYAN HORNER 120 E HARRIS AVENUE SAN ANGELO, TX 76903		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> 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			
<b>J</b> Website: ▶ SHANNONHEALTH.COM			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities FOUNDED ON A LEGACY OF CARING, SHANNON IS A LOCALLY OWNED HEALTHCARE SYSTEM DEDICATED TO PROVIDING EXCEPTIONAL HEALTHCARE FOR OUR FAMILY, FRIENDS AND NEIGHBORS		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	14
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	2,029
	6 Total number of volunteers (estimate if necessary)	6	130
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	332,273
b Net unrelated business taxable income from Form 990-T, line 34	7b	-17,071	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 296,558	Current Year 24,571,437
	9 Program service revenue (Part VIII, line 2g)	228,539,051	249,178,719
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,221,159	2,427,063
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,009,250	6,667,934
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	236,066,018	282,845,153
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	121,970
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)		89,308,251	118,482,422
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)		121,380,958	138,128,506
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		210,811,179	256,620,928
19 Revenue less expenses Subtract line 18 from line 12		25,254,839	26,224,225
Net Assets or Fund Balances			Beginning of Current Year
	20 Total assets (Part X, line 16)	301,748,880	309,018,787
	21 Total liabilities (Part X, line 26)	45,995,486	28,147,646
	22 Net assets or fund balances Subtract line 21 from line 20	255,753,394	280,871,141

## 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.

<b>Sign Here</b>	***** Signature of officer			2014-08-15 Date	
	SHANE PLYMELL CFO Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name M Paige Gerich		Preparer's signature		Date
	Check <input type="checkbox"/> if self-employed			PTIN	
	Firm's name  BKD LLP			Firm's EIN 	
	Firm's address  2800 Post Oak Blvd Ste 3200 HOUSTON, TX 77056			Phone no (713) 499-4600	

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

FOUNDED ON A LEGACY OF CARING, SHANNON IS A LOCALLY OWNED HEALTHCARE SYSTEM DEDICATED TO PROVIDING EXCEPTIONAL HEALTHCARE FOR OUR FAMILY, FRIENDS AND NEIGHBORS

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code ) (Expenses \$ 203,430,603 including grants of \$ 10,000 ) (Revenue \$ 253,199,048 )

PROVIDING TOTAL MEDICAL CARE TO THE CITIZENS OF WEST TEXAS

4b

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

4c

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

4d


















Other program services (Describe in Schedule O )

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

4e

Total program service expenses 203,430,603

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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	Yes	
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		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> 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? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	101	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,029	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?	7c		No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		No
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> 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	<b>Sponsoring organizations maintaining donor advised funds.</b>			
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	<b>Section 501(c)(7) organizations.</b> 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	<b>Section 501(c)(12) organizations.</b> 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	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> 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	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>			
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> 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	1a14		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	1b11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a		No
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	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 SHANNON MEDICAL CENTER 120 E HARRIS AVENUE SAN ANGELO, TX (325) 653-6741	

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) BRYAN HORNER CEO/PRESIDENT	32 0 12 0	X		X				662,358		43,860
(2) LEN MERTZ CHAIRMAN	2 0 18 0	X		X				21,960	10,896	4,901
(3) JAMES JOHNSON SECRETARY/TREASURER	2 0 6 0	X		X				25,978	30,000	2,881
(4) JOE HENDERSON INDIVIDUAL TRUSTEE	2 0 6 0	X						27,641	29,000	4,042
(5) ORAN BERRY III INDIVIDUAL TRUSTEE	2 0 6 0	X						25,813	30,000	9,157
(6) VIRGINIA NOELKE DIRECTOR	2 0 4 0	X						20,600		
(7) MIKE BOYD INDIVIDUAL TRUSTEE	2 0 6 0	X						1,560		
(8) MIKE OLIPHANT INDIVIDUAL TRUSTEE	2 0 6 0	X						24,350	30,000	5,321
(9) STEVE CECIL INDIVIDUAL TRUSTEE	2 0 6 0	X						24,750	30,000	9,119
(10) JOANNE RICE DIRECTOR	2 0 4 0	X						20,400		
(11) PAMELA TALLEY DIRECTOR	2 0 4 0	X						24,100		
(12) EMMETE FLYNN MD DIRECTOR	2 0 4 0	X						502,638		76,283
(13) MICHELLE SNUGGS MD DIRECTOR	2 0 4 0	X						560,986		85,930
(14) ANGELA WILLIAMS DIRECTOR	2 0 6 0	X						21,000		
(15) KELLY SHANE PLYMELL CFO	32 0 8 0			X				367,856		72,765
(16) DR IRVIN ZEITLER MEDICAL DIRECTOR	37 0 5 0			X				464,293		64,217
(17) WILMA STUART CNO	40 0 0 0			X				278,595		36,824

## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	▼			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	▼			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	▼	4,278,017	159,896	625,200

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 62

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b>	No
<b>4</b>	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> . . . . .	<b>4</b>	Yes
<b>5</b>	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> . . . . .	<b>5</b>	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)	(B)	(C)
Name and business address	Description of services	Compensation
JOURNEYMAN CONSTRUCTION , 2102 MANNIX DRIVE SAN ANTONIO TX 78217	CONSTRUCTION	2,547,553
MATAGORDA LITHOTRIPSY LLP , 6339 E SPEEDWAY STE 201 TUCSON AZ 85710	LITHOTRIPSY	191,050
THE TEXAS PURCHASING COALITION , 7160 DALLAS PARKWAY 600 PLANO TX 75024	GROUP PURCH SERVICES	571,803
BRADLY BUDRANT MD , 300 LARGENT AVENUE BALLINGER TX 76821	ER/PHYSICIAN	389,439
VINSON ELKINS LLP , PO BOX 301019 DALLAS TX 75303	LEGAL SERVICES	257,723

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 ►9

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	24,571,437		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	0		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .		24,571,437		
Program Service Revenue	2a	Net Patient Revenue	Business Code 621990	248,731,174	248,514,002	217,172
	b	Rental Income	532000	447,545	447,545	
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f . . . . .		249,178,719		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		2,000,318	
4		Income from investment of tax-exempt bond proceeds . . .		0		
5		Royalties . . . . .		0		
6a		(i) Real				
		(ii) Personal				
b		Less rental expenses				
c		Rental income or (loss)		0	0	
d		Net rental income or (loss) . . . . .		0		
7a		(i) Securities				
		(ii) Other				
b		Less cost or other basis and sales expenses				
c		Gain or (loss)		460,508	-33,763	
d		Net gain or (loss) . . . . .		426,745		426,745
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .		0		
a						
b		Less direct expenses . . . . .				
c	Net income or (loss) from fundraising events . . .					
9a	Gross income from gaming activities See Part IV, line 19 . . . . .		0			
a						
b	Less direct expenses . . . . .					
c	Net income or (loss) from gaming activities . . .					
10a	Gross sales of inventory, less returns and allowances . . . . .		0			
a						
b	Less cost of goods sold . . . . .					
c	Net income or (loss) from sales of inventory . . .					
	Miscellaneous Revenue		Business Code			
11a	Cafeteria	900099	1,503,847	1,503,847		
b	Regional Cancer Treatment	900099	258,738	258,738		
c	All Other Misc Revenue	900099	4,905,349	4,790,248	115,101	
d	All other revenue . . . . .					
e	Total. Add lines 11a-11d . . . . .		6,667,934			
12	Total revenue. See Instructions . . . . .		282,845,153	255,514,380	332,273	2,427,063

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

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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.	10,000	10,000		
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.	3,322,300		3,322,300	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	132,458	132,458		
7	Other salaries and wages.	69,112,822	54,731,612	14,381,210	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	32,307,548	24,800,773	7,506,775	
9	Other employee benefits.	8,326,057	6,431,631	1,894,426	
10	Payroll taxes.	5,281,237	4,010,526	1,270,711	
11	Fees for services (non-employees):				
a	Management.	259,204		259,204	
b	Legal.	147,889		147,889	
c	Accounting.	108,737		108,737	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	26,958,298	19,319,388	7,638,910	
12	Advertising and promotion.	792,484	22,857	769,627	
13	Office expenses.	4,174,761	262,351	3,912,410	
14	Information technology.	2,559,504	539,351	2,020,153	
15	Royalties.	0			
16	Occupancy.	2,637,487	302,740	2,334,747	
17	Travel.	394,067	204,669	189,398	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	0			
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	9,877,819	5,280,593	4,597,226	
23	Insurance.	1,160,038	2,377	1,157,661	
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	48,284,843	48,237,769	47,074	
b	Bad Debt	35,073,195	35,073,195		
c	Equipment Costs	3,560,514	2,961,668	598,846	
d	Collection Fees	742,993		742,993	
e	All other expenses	1,396,673	901,068	495,605	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	256,620,928	203,225,026	53,395,902	0
26	<b>Joint costs.</b> 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

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				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		9,570,703	1	6,369,988
	2	Savings and temporary cash investments		85,753	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		19,901,278	4	22,632,481
	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		409,752	7	430,593
	8	Inventories for sale or use		3,836,122	8	3,950,868
	9	Prepaid expenses and deferred charges		1,824,416	9	2,061,931
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a203,697,572			
	b	Less accumulated depreciation	10b145,911,890	60,940,221	10c	57,785,682
	11	Investments—publicly traded securities		53,420,637	11	56,294,174
	12	Investments—other securities See Part IV, line 11		1,000	12	1,000
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		2,589,275	14	2,592,529
	15	Other assets See Part IV, line 11		149,169,723	15	156,899,541
	16	Total assets. Add lines 1 through 15 (must equal line 34)		301,748,880	16	309,018,787
Liabilities	17	Accounts payable and accrued expenses		18,510,079	17	20,744,662
	18	Grants payable		0	18	0
	19	Deferred revenue		2,025	19	3,965
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	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		27,483,382	25	7,399,019
	26	Total liabilities. Add lines 17 through 25		45,995,486	26	28,147,646
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		115,476,746	27	130,840,999
	28	Temporarily restricted net assets		140,276,648	28	150,030,142
	29	Permanently restricted net assets		0	29	0
	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		255,753,394	33	280,871,141
	34	Total liabilities and net assets/fund balances		301,748,880	34	309,018,787

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	282,845,153
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	256,620,928
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	26,224,225
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	255,753,394
5	Net unrealized gains (losses) on investments . . . . .	5	-1,201,573
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	95,095
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	280,871,141

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization SHANNON MEDICAL CENTER	Employer identification number 75-2559845
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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 )

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

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

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

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

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 )

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

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 )

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

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

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

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

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)

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

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?

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 D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
SHANNON MEDICAL CENTER

Employer identification number  
75-2559845

Part I

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

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

Part II

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

1

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

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

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

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

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

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

3a

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

(i) unrelated organizations . . . . .

3a(i)

Yes

No

(ii) related organizations . . . . .

3a(ii)

Yes

No

b

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

3b

Yes

No

4

Describe in Part XIII the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .	0	5,122,978		5,122,978
b Buildings . . . . .	0	71,470,672	52,350,651	19,120,021
c Leasehold improvements . . . . .				
d Equipment . . . . .	0	123,431,378	91,953,852	31,477,526
e Other . . . . .	0	3,672,544	1,607,387	2,065,157
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				57,785,682

Schedule D (Form 990) 2012



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

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .	<b>1</b>	246,514,969
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>	-1,201,573
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>	
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>	-35,083,195
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	-36,284,768
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	282,799,737
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>	45,416
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	45,416
<b>5</b>	Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .	<b>5</b>	282,845,153

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

<b>1</b>	Total expenses and losses per audited financial statements . . . . .	<b>1</b>	221,537,733
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25		
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>	
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>	
<b>c</b>	Other losses . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	221,537,733
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>	35,083,195
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	35,083,195
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . .	<b>5</b>	256,620,928

**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
INCOME & EXPENSES INCLUDED IN FORM 990 NOT ON BOOKS	SCHEDULE D, PART XI, LINE 2D & XII, LINE 4B	BAD DEBT (INCLUDED W/ REVENUE ON AUDIT) \$ 35,073,195 GRANTS INCLUDED IN REVENUE ON AUDIT 10,000 ----- \$ 35,083,195
UNCERTAIN TAX POSITIONS	SCHEDULE D, PART XIV	MANAGEMENT HAS EVALUATED THEIR INCOME TAX POSITIONS UNDER THE GUIDANCE INCLUDED IN ASC 740. BASED ON THEIR REVIEW, MANAGEMENT HAS NOT IDENTIFIED ANY MATERIAL UNCERTAIN TAX POSITIONS TO BE RECORDED OR DISCLOSED IN THE FINANCIAL STATEMENTS.
INCOME INCLUDED ON THE RETURN NOT ON BOOKS	SCHEDULE D, PART XI, LINE 4B	CONTRIBUTIONS RECORDED TO NET ASSETS \$45,416

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  
SHANNON MEDICAL CENTER

Employer identification number  
75-2559845

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .			14,598,300		14,598,300	6 590 %
b Medicaid (from Worksheet 3, column a) . . . . .			25,237,929	22,052,396	3,185,533	1 440 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			286,671	193,280	93,391	0 040 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			40,122,900	22,245,676	17,877,224	8 070 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			477,967	253,312	224,655	0 100 %
f Health professions education (from Worksheet 5) . . . . .			366,497	12,800	353,697	0 160 %
g Subsidized health services (from Worksheet 6) . . . . .			9,934,513		9,934,513	4 480 %
h Research (from Worksheet 7) . . . . .			145,192		145,192	0 070 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			3,065		3,065	
j <b>Total</b> Other Benefits . . . . .			10,927,234	266,112	10,661,122	4 810 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			51,050,134	22,511,788	28,538,346	12 880 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support	206	24,424		24,424	0.010 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total	206	24,424		24,424	0.010 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

8,280,972

3

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

3

4

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

Section B. Medicare

5

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

5

74,852,401

6

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

6

66,401,421

7

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

7

8,450,980

8

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	SHANNON MEDICAL CENTER 120 E HARRIS AVENUE SAN ANGELO, TX 76903	X	X	X				X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

SHANNON 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)

01

		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) <b>a</b> <input checked="" type="checkbox"/> A definition of the community served by the hospital facility <b>b</b> <input checked="" type="checkbox"/> Demographics of the community <b>c</b> <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 <b>d</b> <input checked="" type="checkbox"/> How data was obtained <b>e</b> <input checked="" type="checkbox"/> The health needs of the community <b>f</b> <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups <b>g</b> <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs <b>h</b> <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests <b>i</b> <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs <b>j</b> <input type="checkbox"/> Other (describe in Part VI)	1	Yes	
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</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) <b>a</b> <input checked="" type="checkbox"/> Hospital facility's website <b>b</b> <input checked="" type="checkbox"/> Available upon request from the hospital facility <b>c</b> <input type="checkbox"/> Other (describe in Part VI)	5	Yes	
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date) <b>a</b> <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA <b>b</b> <input type="checkbox"/> Execution of the implementation strategy <b>c</b> <input type="checkbox"/> Participation in the development of a community-wide plan <b>d</b> <input type="checkbox"/> Participation in the execution of a community-wide plan <b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans <b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA <b>g</b> <input checked="" type="checkbox"/> Prioritization of health needs in its community <b>h</b> <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community <b>i</b> <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		No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> 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?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> 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>200</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		<b>17</b>	No
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <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?  
3

Name and address		Type of Facility (describe)
1	SHANNON SURGERY CENTER 120 E HARRIS AVENUE SAN ANGELO, TX 76903	AMBULATROY SURGERY CENTER
2	SHANNON HOME HEALTH 2030 PULLIAM STE 6 SAN ANGELO, TX 76905	HOME HEALTH CENTER
3	SHANNON DIALYSIS CENTER 2018 PULLIAM SAN ANGELO, TX 76905	DIALYSIS
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
DESCRIPTION OF BAD DEBT		ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE SYSTEM ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYER SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYER 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, THE SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY 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, THE SYSTEM RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS 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 OR PROVIDED BY POLICY AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS
COSTING METHODOLOGY	LINES 2 AND 3	LINE 2 AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS AFTER APPLYING THE COST TO CHARGE RATIO LINE 3 THE ORGANIZATION IS UNABLE TO ESTIMATE THE AMOUNT FOR LINE 3 AND HAS ELECTED TO LEAVE IT BLANK

Identifier	ReturnReference	Explanation
SURPLUS OR SHORT FALL	SECTION B MEDICARE LINE 7	SHORTFALL N/A COSTING METHODOLOGY THE RATIO OF COST TO CHARGES USED IN THE CALCULATION OF COSTS FOR MEDICARE WAS TAKEN FROM THE MEDICARE COST REPORT
WRITTEN DEBT COLLECTION POLICY	SECTION C - COLLECTION PRACTICES	CHARITY CARE AND DISCOUNTING FOR UNINSURED PATIENTS WHO ARE NOT ELIGIBLE FOR GOVERNMENT HEALTH CARE PROGRAMS AND WHOSE FINANCIAL CONDITION IS SUCH THAT THEY ARE NOT ABLE TO PAY FOR HOSPITAL SERVICES MAY BE ELIGIBLE FOR ASSISTANCE UNDER THE SHANNON MEDICAL CENTER CHARITY CARE PROGRAM PATIENTS WHO ARE UNINSURED, DO NOT QUALIFY FOR COVERAGE UNDER GOVERNMENT HEALTH CARE PROGRAMS, MAY BE ELIGIBLE FOR A 50% DISCOUNT OFF THE TOTAL BILL FOR HOSPITAL SERVICES, IF THE SERVICES ARE PAID FOR WHEN RECEIVED OR WITHIN 30 DAYS OF DISCHARGE COLLECTION OF ACCOUNTS RECEIVABLE PATIENTS / GUARANTOR WILL BE RESPONSIBLE FOR PAYMENT OF SERVICES RECEIVED AT SHANNON MEDICAL CENTER PATIENTS / GUARANTORS WILL BE RESPONSIBLE FOR FULL CHARGES, OR PATIENT PORTION NOT COVERED BY INSURANCE PAYMENT WILL BE REQUESTED PRIOR TO OR ON THE DATE OF SCHEDULED ELECTIVE SERVICES FULL CHARGES OR PATIENT PORTION NOT COVERED BY INSURANCE FOR URGENT / EMERGENT SERVICES WILL BE COLLECTED UPON DISCHARGE PATIENTS WHO ARE UNABLE TO PAY THE FULL AMOUNT OF THEIR RESPONSIBILITY AT THE TIME OF SERVICE CAN MAKE PAYMENT ARRANGEMENTS UNDER THE FOLLOWING GUIDELINES A BALANCE OF OUTPATIENT SERVICES MUST BE PAID WITHIN SIX (6) MONTHS FROM THE DATE OF SERVICE UNLESS INDIGENT STATUS IS PROVEN B BALANCE OF INPATIENT SERVICES MUST BE PAID WITHIN TWELVE (12) MONTHS FROM THE DATE OF DISCHARGE UNLESS INDIGENT STATUS IS PROVEN MONTHLY STATEMENTS WILL BE SENT THROUGHOUT THE COLLECTION CYCLE COLLECTION LETTERS WILL BE UTILIZED AT THE DISCRETION OF THE PATIENT ACCOUNT REPRESENTATIVE ACCOUNTS WILL BE REVIEWED FOR OUTSIDE COLLECTION AGENCY PLACEMENT ANYTIME FOLLOWING 90 DAYS FROM THE DATE OF SERVICE MEDICARE ACCOUNTS WILL NOT BE CONSIDERED FOR PLACEMENT UNTIL 120 DAYS FROM THE FIRST NOTICE OF PATIENT RESPONSIBILITY IN ACCORDANCE WITH MEDICARE REGULATIONS ANY OVERPAYMENT OF AN ACCOUNT WILL BE REVIEWED FOR REFUND WITHIN 30 DAYS FROM THE DATE THE CREDIT BALANCE IS CREATED BY THE OVERPAYMENT CREDIT BALANCES ON MEDICARE ACCOUNTS WILL BE PROCESSED THROUGH THE NORMAL CREDIT BALANCE PROCESS AND REPORTED ON A QUARTERLY BASIS IN COMPLIANCE WITH MEDICARE REGULATIONS

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART V, SECTION B	<p>The 2013 Community Health Needs Assessment gathered overall health information of the community. Analysis of the community needs assessment data provided a means to evaluate and prioritize areas of greatest need. To facilitate prioritization of identified health needs, a ranking and prioritization process was used. Health needs were ranked based on the following five factors:</p> <ul style="list-style-type: none"> <li>- How many people are affected by the issue or size of the issue?</li> <li>- What are the consequences of not addressing this problem?</li> <li>- The impact of the problem on vulnerable populations</li> <li>- How important the problem is to the community?</li> <li>- Prevalence of common themes</li> </ul> <p>As a result from the analysis, priorities were determined by taking into account the overall ranking, the degree to which Shannon can influence long-term change and the identified health needs impact on overall health. The following priorities were identified:</p> <ul style="list-style-type: none"> <li>- Healthy Living</li> <li>- Prevention and Disease Management</li> <li>- Education</li> </ul> <p>Because Access to Care ranks high and relates to each of the priorities, Shannon made it a goal to address Access to Care within each Priority Area.</p> <p>SHANNON MEDICAL CENTER CORRELATED COMMUNITY PRIORITIES HEALTH NEED ----- ----- HEALTHY LIVING -ACCESS TO CARE -OBESITY -PHYSICAL INACTIVITY -POOR NUTRITION PREVENTION AND DISEASE -ACCESS TO CARE MANAGEMENT -ADULT SMOKING -CANCER -COPD/RESPIRATORY DISEASE - DIABETES -EPISODIC CARE VS PREVENTATIVE MEASURES -HEART DISEASE -HIGH BLOOD PRESSURE - LACK OF MENTAL HEALTH SERVICES -LACK OF PRIMARY CARE PHYSICIANS EDUCATION -ACCESS TO CARE - DOCTOR'S OFFICE HOURS -LACK OF HEALTH EDUCATION/KNOWLEDGE -LANGUAGE/CULTURAL BARRIERS THE HOSPITALS' COMMUNITY HEALTH NEEDS ASSESSMENT &amp; IMPLEMENTATION PLAN CAN BE FOUND AT <a href="https://www.shannonhealth.com/education-resources/health-needs-assessment.aspx">https://www.shannonhealth.com/education-resources/health-needs-assessment.aspx</a></p>
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		<p>FINANCIAL ASSISTANCE BROCHURES ARE AVAILABLE IN EACH OF THE REGISTRATION AREAS THAT OUTLINE ACCESS TO INFORMATION ABOUT ASSISTANCE PROGRAMS. WE ALSO HAVE CONTRACTED ELIGIBILITY WORKERS WHO SCREEN PATIENTS FOR ALL SOCIAL SERVICE PROGRAMS AND ASSIST WITH THE APPLICATION PROCESS IF NEEDED.</p>

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		<p>The estimated population for all the counties as of 2012, including Tom Green County, is 352,805 The outer counties are Brown, Coke, Coleman, Concho, Crockett, Howard, Irion, Kimble, Mason, McCulloch, Menard, Mills, Mitchell, Nolan, Pecos, Reagan, Runnels, San Saba, Schleicher, Sterling, Sutton, Terrell, Upton and Val Verde (Source U S Census Bureau, State &amp; County Quickfacts ) Our goal is to provide our patients with the most compassionate and efficient service while ensuring the highest quality care Tom Green County's population in 2012 is reported at 113,281 The city of San Angelo serves as the county seat and population center of Tom Green County, with an estimated population in 2012 of 95,887 A breakdown of Tom Green County demographics is as follows (Source U S Census Bureau, State &amp; County Quickfacts, The County Information Project, Texas Association of Counties ) A Tom Green County Age Distribution 1 Under 18 years old - 23 2% (26,621) 2 18-64 years old - 62 6% (70,914) 3 65 years and older - 14 2% (15,746) B Tom Green County Ethnic Distribution (More than one category may be self-reported) 1 Caucasian - 56 6% (64,570) 2 Hispanic - 36 7% (41,121) 3 Black - 4 6% (5,324) 4 Other - 2 1% (2,266) C Tom Green County (Household) 1 Median Household Income - \$44,310 (Texas \$51,563) 2 Persons living below poverty level - 16 0% (Texas 17 4%) D Tom Green County Health Index 1 Tom Green County uninsured - 25 4% (Texas 25 7%, United States 15 4%) (Source U S Census Bureau, Small Area Health Insurance Estimates, 2011, U S Census Bureau, Income, Poverty, and Health Coverage in the United States 2011)</p>
PROMOTION OF COMMUNITY HEALTH		<p>In a county with no hospital taxing authority, a hospital whose mission reflects commitment to treating patients without regard to ability to pay is a highly desirable and pivotal point of community health care For 75 years, Shannon has embraced such a mission and follows through on the wishes of our benefactor, Margaret Shannon, in providing care for the people of West Texas Our 2012 - 2013 charity care figure of more than \$62,368,159 would be a burden to the taxpayers of Tom Green County, and many other counties whose citizens directly benefit from her generosity Shannon provides a host of community education events related to topics such as cancer prevention and screenings, diabetes education, fitness and nutrition, and cardiovascular health Through events like Go Red and Health Beat Live, health professionals relay current health information to the public In addition to public outreach events, Shannon publishes the Health Beat magazine which is delivered to 30,000 households and produces Health Beat television spots that air during the 6 and 10 p m news hours on two local stations They also host a free online health library These contain a variety of health education information from local healthcare providers Shannon contributed \$93,874 for these programs Shannon supports The Lighthouse for the Blind by donating used linen to the organization Based on thrift value, the cost of the linen donated is \$12,444 Shannon supports health and fitness activities, as well Each October Shannon organizes the Pink Ribbon Run for cancer awareness and education with more than 800 participants Additionally, to address the growing concern over childhood obesity, the Kids' Marathon event provides an opportunity for students, ranging in ages from Kindergarten through sixth grade, to participate in a program that encourages healthy habit formation early in life A full marathon is considered 26 2 miles Students accumulate miles and run the last 0 2 lap during a celebratory event at the San Angelo Stadium The event hosts local summer programs and camps that encourage children to remain active through the summer months Shannon also participates in the American Heart Association Heart Walk in both San Angelo and Sweetwater These events are provided at a cost of \$19,387 to Shannon Since 2004, the Shannon Sneeze &amp; Wheeze medically-supervised camp has provided children diagnosed with asthma education on topics including "what is asthma," recognizing signs and symptoms, knowing and avoiding triggers, medications (knowing the difference between relievers and controllers), and the importance of compliance and using action plans The education is provided by health care professionals and costs Shannon \$11,040 Shannon provides health and wellness presentations to numerous non-profits, businesses and organizations, including the local school districts and Angelo State University Representatives from different departments provide support and participate in local health fairs and health-related community events These presentations and events are provided at a cost of \$29,755 to Shannon Shannon is one of the collaborating organizations of the Tom Green County Partnership for Better Health The partnership began in January 2012 as a result of an initiative by the Department of State Health Services to reduce potentially preventable hospitalizations The coalition implements evidence-based strategies for reducing bacterial pneumonia, UTI and COPD Some of the initiatives include bacterial pneumonia and influenza immunizations, tobacco cessation kits and public awareness campaigns at a cost of \$8,400 Shannon is the only provider that operates the Sexual Assault Nurse Examiner program (SANE) SANE trained nurses work with the Children's Advocacy Center, the Concho Valley Rape Crisis Center and other community-based organizations to provide training and services related to sexual assault crises Shannon also provided mammography services after hours to accommodate working women's schedules and encourage preventative screenings Shannon took over the HIV Clinic from the San Angelo Aids Foundation in May 2010 There are three grants that fund the clinic Ryan White Part B grant, State Services grant, and Housing Opportunities for Persons with Aids (HOPWA) grant in the amount of \$253,012 The grants provide outpatient medical services, case management, food bank services, mental health and a host of other services for people living with HIV Shannon provides grant administration at a cost of \$2,180 Additionally, Shannon provides support services such as \$2,411 in transportation vouchers The hospital chaplain also provides free services for the bereaved as well as counseling for patients and their families Shannon's Trauma Service Department coordinates the annual Gus Eckhardt Trauma Symposium This is a full day of trauma related education for all health care practitioners in the region Approximately 200 physicians, nurses, EMTs, students, and Allied Health professionals attended the 2013 symposium Additionally, injury prevention material covering topics such as bicycle safety, child passenger safety, fall prevention, and home safety tips are continually provided to health care professionals to distribute at their practice and in their community The cost to host the symposium is \$14,352, but funds from Gus Eckhardt Endowment, DSHS funds and fees offset a large portion of the cost The cost to Shannon to host the symposium is \$1,552 158 ASU nursing students and 25 Howard College nursing students shadow Shannon staff for a cost benefit of \$155,299 to the students and the universities (#hrs x AHR x 50% effort ) 15 Radiology students from Howard College were supervised at a Shannon clinical site This benefit provides increased access to care for patients seeking radiology services not only in Tom Green County, but the surrounding counties as well The total cost is \$169,335 Shannon provided emergency and trauma services to Coleman, Concho, Fisher, Eden, Eldorado, Menard, Pecos, Runnels, and Reagan Counties in the amount of \$2,919,701 Shannon also assisted Crockett, Ector, McCulloch, Schleicher and Tom Green Counties by providing outpatient clinic and indigent health services in the amount of \$6,858,752 By providing specialty care for unmet needs, Shannon reduces the burden to local and governmental entities Lastly, Shannon contributed \$156,060 to provide community based mental health services currently not available in the Concho Valley Community Shannon participates in research efforts through active cancer and trauma registries Both registries have designated staff to facilitate data collection, which aids in the evaluation of patients who meet specific criteria Shannon donated funds to social services and community-based efforts, such as the MS Walk, local Project Graduations, and the D E S K program Additionally, donations of \$1,332 were made towards health and education efforts and by assisting the United Way Annual Campaign with administrative support Shannon contributes planning and financial assistance to community building efforts This past year, \$24,424 was donated to other organizations including Healthy Families, the National Alliance on Mental Illness, San Angelo Independent School District, American Cancer Society-Relay for Life, the All Veterans' Council, and the Chamber of Commerce's Goodfellow Airforce Base Military Appreciation Day Linen supplies were donated to Lighthouse for the Blind and provided \$12,444 in community benefit Shannon implemented a community health needs assessment that was adopted by the Board in FY2013 \$18,591 went towards surveying, interviewing and compiling data to define the needs and prioritizing Shannon's efforts and strategy going forward As the issues of providing healthcare for the uninsured and the underinsured in Tom Green County as well as our surrounding counties have continued to become more apparent, Shannon leadership has been involved with working internally and externally on improving access for all patients while balancing quality and costs Shannon has played a major role in the region through the 1115 Medicaid Waiver program By focusing on maximizing resources and advancing collaboration to improve the health of the people it serves, Shannon strikes a balance among the needs, interests, and resources available through health care providers, payers, public health departments, and community based organizations Collaboration among Regional Health Partnership 13 has provided a model for local-level agencies to break down their own siloes This helps overcome barriers that partners face at the local level and encourages new delivery systems by setting an example for collaboration across agencies Dr Irv Zeitler, Vice President of Medical Affairs at Shannon, also serves as President of the Texas Medical Board Appointed by Governor Rick Perry in 2008, Zeitler's role is t</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		Shannon, a non-profit health system established in the 1930's, provides the communities of West Central Texas with a variety of medical services. Dedicated to the region's health and well-being, the center offers diverse clinical services, including a nationally-recognized cardiac care program, nationally-recognized ICU, the region's only Level III Trauma Facility and AirMed 1 air ambulance serving a 200-mile radius of San Angelo, a dedicated Women's & Children's Hospital which is home to the Children's Miracle Network, and the most extensive Senior Health services in the Concho Valley. Shannon continues to collaborate and build relationships with a broad range of agencies, organizations and institutions to build community and organizational capacity. By effectively utilizing resources and working together, Shannon plans to implement strategies to improve the community it serves.
STATE FILLING OF COMMUNITY BENEFIT REPORT		TEXAS

Identifier	ReturnReference	Explanation
DETERMINATION FOR BILLING FOR EMERGENCY CARE	PART V, LINE 20	COLLECTION OF GROSS CHARGES FOR UNINSURED UNLESS PROMPT PAYMENT SECURED, COLLECTION OF DEDUCTIBLES/CONINSURANCE AMOUNTS BASE ON CONTRACTED RATES FOR INSURED PATIENTS
BILLING AND COLLECTIONS	SCHEDULE H, PART V, LINE 15, 16, & 17	NEITHER SHANNON MEDICAL CENTER, NOR THIRD PARTIES AUTHORIZED BY SMC, 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 BECAUSE NO ACTIONS WERE CHECKED ON LINE 16, LINE 17 INDICATES EFFORTS MADE BEFORE INITIATING ANY OF THE ACTIONS LISTED IN LINE 16

Identifier	ReturnReference	Explanation
INPUT FROM COMMUNITY REPRESENTATIVES	SCHEDULE H, PART V, SECTION B, LINE 3	INTERVIEWS WITH 18 KEY INFORMANTS WERE CONDUCTED THROUGHOUT FEBRUARY AND MARCH 2013 INTERVIEWEES WERE DETERMINED BASED ON THEIR A) SPECIALIZED KNOWLEDGE OR EXPERTISE IN PUBLIC HEALTH, B) THEIR AFFILIATION WITH LOCAL GOVERNMENT, SCHOOLS AND INDUSTRY OR C) THEIR INVOLVEMENT WITH UNDERSERVED AND MINORITY POPULATIONS THREE REPRESENTATIVES FROM SHANNON MEDICAL CENTER CONTACTED ALL INDIVIDUALS NOMINATED FOR INTERVIEWING THEIR KNOWLEDGE OF THE COMMUNITY, AND THE PERSONAL RELATIONSHIPS THEY EACH HELD WITH THE POTENTIAL INTERVIEWEE'S ADDED VALIDITY TO THE DATA COLLECTION PROCESS
EXPLANATION OF NEEDS NOT ADDRESSED	SCHEDULE H, PART V, SECTION B, LINE 7	THERE ARE NEEDS THAT SHANNON WILL NOT ADDRESS IN THE CURRENT IMPLEMENTATION STRATEGY THAT ARE CLEARLY IMPORTANT TO IMPROVING THE HEALTH OF THE COMMUNITY HOWEVER, THEY ARE CONSIDERED TO HAVE LESS IMMEDIATE IMPACT AND WILL BE ADDRESSED IN A FUTURE PLAN, OR IF THE OPPORTUNITY ARISES, COULD BE INCORPORATED WITHIN A CURRENT STRATEGY SHANNON WILL CONTINUE TO EXPLORE POTENTIAL PARTNERSHIPS AND INTERNAL STRATEGIES TO FIND A WAY TO PROVIDE THESE ESSENTIAL SERVICES TO OUR PATIENTS PATIENTS

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**  
75-2559845

## Part I General Information on Grants and Assistance

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

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

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

[illegible]

<b>2</b>	Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . .	▶	1
<b>3</b>	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
PROCEDURES FOR MONITORING USE OF GRANT FUNDS	SCHEDULE I, PART I, QUESTION 2	THE ORGANIZATION EVALUATES AND MONITORS DONEES BASED ON PUBLIC AND PRIVATE DATA

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
SHANNON MEDICAL CENTER

Employer identification number  
75-2559845

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

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

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

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

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

Part III Supplemental Information

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

Also complete this part for any additional information

Identifier	Return Reference	Explanation
NAMES, AMOUNTS, AND DETAILS OF ARRANGEMENTS	PART 1, QUESTION 4	SERP DETAIL NAME AMOUNT BRYAN HORNER NONE 457(F) DETAIL NAME AMOUNT TIMOTHY HARTIN 17,600 SHANE PLYMELL 23,121 DR IRVIN ZEITLER 27,361
PROVIDED HEALTH, SOCIAL DUES OR INITIATION FEES	SCHEDULE J, PART I, QUESTION 1A	BRYAN HORNER AND KELLY SHANE PLYMELL RECEIVE MEMBERSHIP TO BENTWOOD COUNTRY CLUB EXCLUSIVELY FOR BUSINESS USE ANY PERSONAL USE IS REIMBURSED BY THE OFFICER AND THEREFORE NO AMOUNTS ARE REPORTABLE ON THEIR FORM W-2'S

Software ID:

Software Version:

EIN: 75-2559845

Name: SHANNON 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				
BRYAN HORNER	(i) (ii)	538,661	106,697	17,000	31,000	12,860	706,218	
EMMETE FLYNN MD	(i) (ii)	411,099	30,496	61,043	56,200	20,083	578,921	
MICHELLE SNUGGS MD	(i) (ii)	428,713	46,000	86,273	65,800	20,130	646,916	
KELLY SHANE PLYMELL	(i) (ii)	311,100	56,756		54,121	18,644	440,621	
DR IRVIN ZEITLER	(i) (ii)	390,389	73,904		58,361	5,856	528,510	
WILMA STUART	(i) (ii)	231,293	47,302		31,000	5,824	315,419	
PATRICIA TIPTON	(i) (ii)	296,615			31,000	4,921	332,536	
MARVIN HILL	(i) (ii)	294,189			31,000	16,345	341,534	
LANCE KEILERS	(i) (ii)	173,429			17,997	15,755	207,181	
TIMOTHY HARTIN	(i) (ii)	243,654		17,000	46,252	11,473	318,379	
PAULINE JAMES	(i) (ii)	178,252			18,816	16,341	213,409	

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

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

OMB No 1545-0047  
**2012**  
Open to Public Inspection

Name of the organization  
SHANNON MEDICAL CENTER

Employer identification number  
75-2559845

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) DIANE ZEITLER	IRVIN ZEITLER'S SPOUSE	132,458	EMPLOYED BY SMC		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization SHANNON MEDICAL CENTER	Employer identification number 75-2559845
--	--

Identifier	Return Reference	Explanation
PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, QUESTION 12C	
REVIEW OF COMPENSATION	FORM 990, PART VI, QUESTION 15A & 15B	INTEGRATED HEALTH STRATEGIES DID AN EXECUTIVE COMPENSATION STUDY IN JUNE 2012 AND IT COVERED ALL EXECUTIVE SALARIES. EXECUTIVE COMPENSATION IS REVIEWED ANNUALLY BY THE BOARD OF TRUSTEES' OPERATIONS COMMITTEE, WHICH CONSULTS COMPARABILITY DATA AND KEEPS CONTEMPORANEOUS RECORDS OF ITS DECISIONS.
GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST.
CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990 PART VI, QUESTION 6	MARGARET SHANNON ESTATE, A TESTAMENTARY TRUST, IS THE SOLE MEMBER OF THE ORGANIZATION.
MEMBERS OR STOCKHOLDERS WHO CAN ELECT MEMBERS OF THE GOVERNING BODY	FORM 990 PART VI, QUESTION 7A	THE BOARD OF DIRECTORS SHALL CONSIST OF EACH OF THE SEVEN TRUSTEES OF THE MARGARET SHANNON ESTATE, A TESTAMENTARY TRUST. THE OTHER DIRECTORS SHALL CONSIST OF REPRESENTATIVES OF THE COMMUNITY AND MEMBERS OF THE MEDICAL STAFF OF THE HOSPITAL, TO NUMBER IN AGGREGATE NOT MORE THAN SEVEN WHO ARE APPOINTED BY THE MEMBER AND THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION.
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 PRIOR TO FILING. THE ORGANIZATION'S FINANCE COMMITTEE WILL REVIEW AFTER THE FORM IS FILED.
DECISIONS OF THE GOVERNING BODY SUBJECT TO APPROVAL	FORM 990, PART VI, QUESTION 7B	APPROVAL OF THE SOLE MEMBER, THE TRUSTEES OF SHANNON WEST TEXAS MEMORIAL HOSPITAL, IS REQUIRED FOR BUDGETS, LARGE FINANCIAL EXPENDITURES THAT DEVIATE FROM BUDGET, SALE OF PROPERTY, MERGER, ACQUISITION, OR CONSOLIDATION, BORROWING OF MONEY, SEEKING OR GIVING GRANTS, SETTLEMENT OF CLAIMS OR LITIGATION, AMENDMENT OF BYLAWS, AND CONTRACT IN WHICH THE CORPORATION ASSUMES FINANCIAL RISK.
OTHER CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 22,098,268 TRANSFERS TO/FROM AFFILIATES (30,178,690) NET ASSETS RELEASED FROM RESTRICTION (TRUST) 8,150,000 CHANGE IN SHANNON TRUST NET ASSETS 32,673,341 NET ASSETS RELEASED FROM RESTRICTION (32,698,395) CARRYING VALUE OF REALTY 1,000,000 CTC NET ASSETS 50,571 ----- \$ 95,095

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  
SHANNON MEDICAL CENTER

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

Employer identification number  
75-2559845

Part I

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) TRUSTEES SHANNON WEST TEXAS HOSPITAL  PO BOX 49  SAN ANGELO, TX 76902 75-0800679	TRUST	TX	501(C)(3)	11B	NA		No
(2) SHANNON RURAL HEALTH CLINICS INC  120 E HARRIS AVE  SAN ANGELO, TX 76903 75-2940211	HEALTHCARE	TX	501(C)(3)	11C	SMC	Yes	
(3) SHANNON REAL ESTATE SERVICES INC  120 E HARRIS AVE  SAN ANGELO, TX 76903 27-0075630	SUPPORT SVCS	TX	501(C)(3)	11B	SMC	Yes	
(4) SHANNON HEALTH SYSTEM  120 E HARRIS AVE  SAN ANGELO, TX 76903 75-2602411	SUPPORT SVCS	TX	501(C)(3)	11A	NA		No
(5) SHANNON CLINIC  120 E HARRIS AVE  SAN ANGELO, TX 76903 75-2600873	HEALTHCARE	TX	501(C)(3)	9	SHS	Yes	
(6) SHANNON BUSINESS SERVICES INC  120 E HARRIS AVE  SAN ANGELO, TX 76903 43-2038769	SUPPORT SVCS	TX	501(C)(3)	11B	SMC	Yes	
(7) SHANNON MEDICAL MANAGEMENT  120 E HARRIS AVE  SAN ANGELO, TX 76903 20-8367966	SUPPORT SVCS	TX	501(C)(3)	9	SHS		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) REGIONAL CANCER TREATMENT CENTER  102 N MAGDALEN STE 120 SAN ANGELO, TX 76903 75-2225955	RADIOTHERAPY	TX	NA	RELATED	926,902	4,366,985		No	0	Yes		56 247 %

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) LEGACY MANAGEMENT SERVICES  2018 PULLIAM ST SAN ANGELO, TX 76903 75-2544450	MANAGEMENT	TX	NA	C - CORPORATION	0	0			No
(2) LEGACY HEALTH SOLUTIONS  2018 PULLIAM ST SAN ANGELO, TX 76903 20-0720762	MED INSURANCE	TX	NA	C - CORPORATION	0	0			No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

No

No

Yes

No

No

No

No

Yes

Yes

Yes

Yes

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

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

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

Schedule R (Form 990) 2012

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

[illegible]

Software ID:  
Software Version:  
EIN: 75-2559845  
Name: SHANNON 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
SHANNON CLINIC	K	904,479	BOOK VALUE
SHANNON REAL ESTATE SERVICES	J	376,342	BOOK VALUE
SHANNON BUSINESS SERVICES	C	45,417	BOOK VALUE
SHANNON MEDICAL MANAGEMENT	I	37,745	BOOK VALUE
SHANNON BUSINESS SERVICES	I	55,862	BOOK VALUE
SHANNON BUSINESS SERVICES	P	10,379,639	BOOK VALUE
SHANNON BUSINESS SERVICES	S	8,585,037	BOOK VALUE
SHANNON CLINIC	P	14,104,887	BOOK VALUE
SHANNON CLINIC	Q	2,460,775	BOOK VALUE
SHANNON CLINIC	R	4,974,725	BOOK VALUE
SHANNON MEDICAL MANAGEMENT	Q	7,249,376	BOOK VALUE
SHANNON MEDICAL MANAGEMENT	R	23,291,366	BOOK VALUE
SHANNON REAL ESTATE SERVICES	Q	592,460	BOOK VALUE
SHANNON REAL ESTATE SERVICES	R	4,023,478	BOOK VALUE

# **Shannon Health System**

Auditor's Report and Combined Financial Statements

September 30, 2013 and 2012



# Shannon Health System

## September 30, 2013 and 2012

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## Independent Auditor's Report

Board of Trustees  
Shannon Health System  
San Angelo, Texas

We have audited the accompanying combined financial statements of Shannon Health System and combined affiliates, (the System), which comprise the combined balance sheets as of September 30, 2013 and 2012, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements

### *Management's Responsibility for the Combined Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the 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 combined financial statements.

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

*Opinion*

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the System as of September 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

*Supplementary Information*

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

*BKD, LLP*

Dallas, Texas  
February 19, 2014

# Shannon Health System

## Combined Balance Sheets

### September 30, 2013 and 2012

#### Assets

	2013	2012
<b>Current Assets</b>		
Cash	\$ 6,682,805	\$ 12,427,213
Short-term investments	29,539,138	21,040,497
Assets limited as to use, current	3,115,054	2,680,886
Patient accounts receivable, net of allowance, 2013 – \$35,035,000, 2012 – \$33,850,000	35,766,020	35,222,087
Estimated amounts due from third-party payers	1,175,902	-
Prepaid expenses and other	9,669,678	9,351,371
	<hr/>	<hr/>
Total current assets	85,948,597	80,722,054
	<hr/>	<hr/>
<b>Assets Limited As To Use</b>		
Restricted gift funds	2,832,832	2,380,489
Held by trustee, deferred compensation	6,922,750	12,310,272
Held by trustee, malpractice funding arrangement	5,976,548	7,985,887
	<hr/>	<hr/>
	15,732,130	22,676,648
Less amount required to meet current obligations	3,115,054	2,680,886
	<hr/>	<hr/>
	12,617,076	19,995,762
	<hr/>	<hr/>
<b>Investments</b>	30,269,598	35,486,740
	<hr/>	<hr/>
<b>Property and Equipment, At Cost</b>		
Land and land improvements	9,836,014	9,829,833
Buildings and leasehold improvements	112,095,190	106,940,451
Equipment	151,678,730	149,771,443
Construction in progress	684,711	3,630,668
	<hr/>	<hr/>
	274,294,645	270,172,395
Less accumulated depreciation	179,961,537	179,185,154
	<hr/>	<hr/>
	94,333,108	90,987,241
	<hr/>	<hr/>
<b>Other Assets</b>		
Interest in net assets of Shannon West Texas Memorial Hospital (Shannon Trust)	150,030,142	140,276,648
Other noncurrent assets	3,226,817	2,703,207
	<hr/>	<hr/>
	153,256,959	142,979,855
	<hr/>	<hr/>
Total assets	<u>\$ 376,425,338</u>	<u>\$ 370,171,652</u>

See Notes to Combined Financial Statements

## Liabilities and Net Assets

	2013	2012
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 129,013	\$ 125,327
Marginable brokerage account	858,834	-
Accounts payable	8,780,796	8,120,545
Accrued expenses and other liabilities	23,157,436	20,676,437
Accrued pension liability	300,506	17,966,942
Estimated amounts due to third party - payers	-	5,013,592
Current portion of estimated malpractice costs	1,707,222	300,397
Total current liabilities	34,933,807	52,203,240
<b>Estimated Malpractice Costs</b>	3,541,778	3,629,131
<b>Long-term Debt</b>	107,369	236,381
<b>Other Liabilities</b>		
Accrued pension liability	1,328,868	1,350,665
Other noncurrent liabilities	7,407,952	14,442,951
Total liabilities	47,319,774	71,862,368
<b>Net Assets</b>		
Unrestricted		
Shannon Health System	173,801,699	143,427,884
Noncontrolling interest	2,440,891	2,434,823
Total unrestricted net assets	176,242,590	145,862,707
Temporarily restricted	152,862,974	152,446,577
Total net assets	329,105,564	298,309,284
Total liabilities and net assets	\$ 376,425,338	\$ 370,171,652

# Shannon Health System

## Combined Statements of Operations and Changes in Net Assets

### Years Ended September 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Unrestricted Revenues, Gains and Other Support</b>		
Patient service revenue (net of contractual discounts and allowances)	\$ 363,770,983	\$ 340,818,810
Provision for uncollectible accounts	<u>(45,489,664)</u>	<u>(34,847,480)</u>
Net patient service revenue less provision for uncollectible accounts	318,281,319	305,971,330
Other revenues	<u>34,807,470</u>	<u>8,503,501</u>
Total unrestricted revenues, gains and other support	<u>353,088,789</u>	<u>314,474,831</u>
<b>Expenses and Losses</b>		
Salaries, wages and employee benefits	237,722,935	202,369,886
Supplies and other	104,276,592	102,176,656
Depreciation and amortization	12,982,369	12,316,799
Interest	<u>13,152</u>	<u>12,495</u>
Total expenses and losses	<u>354,995,048</u>	<u>316,875,836</u>
<b>Operating Loss</b>	<u>(1,906,259)</u>	<u>(2,401,005)</u>
<b>Other Income (Expense)</b>		
Investment return	2,471,506	2,224,480
Unrealized gains and losses on trading securities	(982,609)	2,874,928
Other income	<u>591,364</u>	<u>1,471,316</u>
Total other income	<u>2,080,261</u>	<u>6,570,724</u>
<b>Excess of Revenues Over Expenses</b>	<u>174,002</u>	<u>4,169,719</u>

# Shannon Health System

## Combined Statements of Operations and Changes in Net Assets (Continued)

### Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Net Assets</b>		
Excess of revenues over expenses	\$ 174,002	\$ 4,169,719
Contributions for acquisition of property and equipment	45,417	489,992
Change in pension liability	22,098,268	(3,637,340)
Net assets released from restriction used for purchase of property and equipment	8,150,000	7,000,000
Noncontrolling interest of net assets acquired	-	2,165,124
Change in ownership interest in RCTC	50,571	-
Distributions to noncontrolling interest	(138,375)	-
	<u>30,379,883</u>	<u>10,187,495</u>
Increase in unrestricted net assets		
<b>Temporarily Restricted Net Assets</b>		
Change in interest in net assets of Shannon Trust	32,673,341	45,007,052
Contributions	882,370	978,151
Net assets released from restriction	(33,139,314)	(7,822,850)
	<u>416,397</u>	<u>38,162,353</u>
Increase in temporarily restricted net assets		
<b>Change in Net Assets</b>	30,796,280	48,349,848
<b>Net Assets, Beginning of Year</b>	<u>298,309,284</u>	<u>249,959,436</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 329,105,564</u></u>	<u><u>\$ 298,309,284</u></u>

# Shannon Health System

## Combined Statements of Cash Flows

### Years Ended September 30, 2013 and 2012

	2013	2012
<b>Operating Activities</b>		
Change in net assets	\$ 30,796,280	\$ 48,349,848
Items not requiring (providing) operating cash flow		
Change in interest in Shannon Trust	(9,753,494)	(28,217,613)
Change in pension liability	278,709	3,674,752
Depreciation and amortization	12,982,369	12,316,799
Equity in earnings of unconsolidated subsidiary	-	(193,961)
Net (gain) loss on investments	722,101	(3,736,141)
Transfers from Shannon Trust	(8,150,000)	(17,009,312)
Contributions for property and equipment	(45,417)	(489,992)
Provision for uncollectible accounts	45,489,664	34,847,480
Distributions to noncontrolling interest	138,375	-
Changes in		
Patient accounts receivable, net	(46,033,597)	(36,487,701)
Estimated amounts due from and to third-party payers	(6,189,494)	175,210
Accounts payable and accrued expenses	(4,290,100)	(3,960,520)
Other current assets and liabilities	(16,965,777)	(562,150)
Net cash provided by (used in) operating activities	<u>(1,020,381)</u>	<u>8,706,699</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(15,931,885)	(13,118,807)
Purchase of investments	(4,728,599)	(19,181,305)
Proceeds from disposition of investments	7,669,517	20,098,737
Purchase of additional interest in RCTC	(50,571)	(2,695,454)
Cash acquired from RCTC	-	2,070,634
Other investing activities	385,795	(2,395,198)
Net cash used in investing activities	<u>(12,655,743)</u>	<u>(15,221,393)</u>
<b>Financing Activities</b>		
Distributions to noncontrolling interest	(138,375)	-
Contributions received from Shannon Trust and other donors	8,150,000	17,009,312
Proceeds from contributions for acquisition of property and equipment	45,417	489,992
Principal payments on long-term debt	(125,326)	(121,713)
Net cash provided by financing activities	<u>7,931,716</u>	<u>17,377,591</u>
<b>Increase (Decrease) in Cash</b>	(5,744,408)	10,862,897
<b>Cash, Beginning of Year</b>	<u>12,427,213</u>	<u>1,564,316</u>
<b>Cash, End of Year</b>	<u>\$ 6,682,805</u>	<u>\$ 12,427,213</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 13,152	\$ 12,495
Property and equipment included in accounts payable	\$ 396,351	\$ 80,403

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### Note 1: Nature of Operations and Summary of Significant Accounting Policies

##### *Nature of Operations*

The combined financial statements of Shannon Health System (the System) include the accounts of the following entities

<u>Entity</u>	<u>Description</u>	<u>Tax Status</u>
Shannon Medical Center (the Medical Center)	Acute care hospital	Tax-exempt
Shannon Clinic (the Clinic)	Multi-specialty physician services	Tax-exempt
Shannon Medical Management	Management services	Tax-exempt
Shannon Business Services	Ancillary services	Tax-exempt
Shannon Real Estate Services	Property management	Tax-exempt
Shannon Rural Health Clinics	Physician clinical services	Tax-exempt
Regional Cancer Treatment Center	Cancer treatment center	Taxable

The Trustees of Shannon West Texas Memorial Hospital (the Shannon Trust), a testamentary trust, is the sole corporate member of the System and the Medical Center. The ownership structure of the combined group is as follows:

- **Shannon Health System** – The System's sole member is the Shannon Trust. The System owns or controls Shannon Medical Management. In 2012, the System became the sole member of Shannon Clinic and Shannon Medical Management.
- **Shannon Medical Center** – The Medical Center's sole member is the Shannon Trust. The Medical Center is the sole member or owns 100% of Shannon Business Services, Shannon Real Estate Services, and Shannon Rural Health Clinics. In 2012, the sole membership of Shannon Clinic was transferred from the Medical Center to the System.
- **Regional Cancer Treatment Center** – During 2012, the Medical Center became the majority owner of Regional Cancer Treatment Center, LP (RCTC). At September 30, 2013 and 2012, the System owned 72.96% and 72.32%, respectively, of RCTC, with the remaining interest in the partnership owned by unrelated entities.

The System primarily earns revenues through the provision of inpatient, outpatient, emergency care and physician services to residents in San Angelo, Texas and surrounding areas of west Texas.

##### *Principles of Combination*

The combined financial statements of the System include the System, the Medical Center, and their respective controlled entities. All significant intercompany accounts and transactions have been eliminated in combination.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### ***Noncontrolling Interest***

Noncontrolling interest represents the 27.04% and 27.68% interest in RCTC that the System does not own at September 30, 2013 and 2012, respectively. Losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

For the years ended September 30, 2013 and 2012, changes in combined unrestricted net assets attributable to the controlling financial interest of the System and the noncontrolling interest are

	<b>Total</b>	<b>Controlling Interest</b>	<b>Noncontrolling Interest</b>
Balance October 1, 2011	\$ 135,675,212	\$ 135,675,212	\$ -
Excess of revenues over expenses	4,169,719	3,900,020	269,699
Contributions for acquisition of property and equipment	489,992	489,992	-
Change in additional minimum pension liability	(3,637,340)	(3,637,340)	-
Net assets released from restriction used for purchase of property and equipment	7,000,000	7,000,000	-
Noncontrolling interest in net assets acquired	2,165,124	-	2,165,124
Change in unrestricted net assets	10,187,495	7,752,672	2,434,823
Balance September 30, 2012	145,862,707	143,427,884	2,434,823
Excess of revenues over expenses	174,002	29,559	144,443
Contributions for acquisition of property and equipment	45,417	45,417	-
Change in additional minimum pension liability	22,098,268	22,098,268	-
Net assets released from restriction used for purchase of property and equipment	8,150,000	8,150,000	-
Change in ownership interest in RCTC	50,571	50,571	-
Distributions to noncontrolling interest	(138,375)	-	(138,375)
Change in unrestricted net assets	30,379,883	30,373,815	6,068
Balance September 30, 2013	\$ 176,242,590	\$ 173,801,699	\$ 2,440,891

The change in temporarily restricted net assets is attributable solely to the controlling interest.

# **Shannon Health System**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### ***Interest in Net Assets of the Shannon Trust***

The Shannon Trust and the Medical Center are financially interrelated organizations. The Medical Center is the named beneficiary of the Shannon Trust and accounts for its interest in the net assets of the Shannon Trust (Interest) in a manner similar to the equity method. Changes in the Interest are included in change in net assets. Transfers of assets between the Shannon Trust and the Medical Center are recognized as increases or decreases in the Interest.

#### ***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.

#### ***Cash***

At September 30, 2013, the System's cash accounts exceeded federally insured limits by approximately \$7,330,000.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets.

Other investment return is reflected in the combined statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

# **Shannon Health System**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### ***Assets Limited as to Use***

Assets limited as to use include (1) assets restricted by donors for specific purposes, (2) assets held by trustees under deferred compensation arrangements and (3) assets held by trustees under self-insurance trust arrangements. Amounts required to meet current liabilities of the System are included in current assets.

#### ***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer 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, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary.

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, the System records a significant provision for uncollectible accounts 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 or provided by policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts for self-pay patients accounts receivable was approximately 84% and 77% at September 30, 2013 and 2012, respectively. In addition, patient account write-offs were consistent between 2013 and 2012.

#### ***Self-insured Employee Health Claims***

The System is self-insured for its exposure to risk of loss from employee health claims. An estimated liability is accrued for employee health claims at September 30, 2013 and 2012, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

#### ***Supplies***

The System states supply inventories at the lower of cost, determined using the average cost method, or market.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### ***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	5 – 40 years
Equipment	3 – 10 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets, unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

#### ***Long-lived Asset Impairment***

The System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2013 and 2012.

#### ***Goodwill***

Goodwill relates to the purchase of additional interest in RCTC and the purchase of a surgery center. Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. No impairment was recognized during the years ended September 30, 2013 and 2012.

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose.

# **Shannon Health System**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### ***Net Patient Service Revenue***

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

#### ***Charity Care***

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

#### ***Contributions***

Gifts received with donor stipulations are reported at estimated fair value as either temporarily or permanently restricted support. When a donor restriction expires (*i.e.*, when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

#### ***Professional Liability Claims***

The System recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 5*.

#### ***Workers' Compensation Costs***

The Medical Center is a self-insured subscriber to the Texas Workers' Compensation Insurance Program. An annual estimated provision is accrued for the self-insured portion of employee injury claims, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported, based on the Medical Center's loss history.

#### ***Income Taxes***

The System has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the System is subject to federal income tax on any unrelated business taxable income. Subsidiaries that are not exempt from income taxes had no material tax liability.

The System files tax returns in the U.S. federal jurisdiction. With a few exceptions, the System is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

# **Shannon Health System**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

#### ***Excess of Revenues Over Expenses***

The combined statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include certain changes in pension liabilities, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and changes in ownership and distributions to noncontrolling interest.

#### ***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized at the end of the reporting period following the transfer date.

#### ***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payments under both programs are contingent on the System continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The System recognizes revenue under the grant accounting model using the cliff recognition approach. Under this approach, revenue is recognized once meaningful use status has been met for the full reporting period.

In 2013, the System completed the first-year requirements under the Medicare program and the second-year requirements under the Medicaid program and recorded revenue of approximately \$4,855,000. In 2012, the System completed the first-year requirements under the Medicaid program and recorded revenue of approximately \$1,560,000. The revenue is included in other revenues within operating revenues in the accompanying combined statements of operations and changes in net assets.

#### ***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### ***Reclassifications***

Certain reclassifications have been made to the 2012 combined financial statements to conform to the 2013 combined financial statements presentation. These reclassifications had no effect on the change in net assets.

#### **Note 2: Net Patient Service Revenue**

The System recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the combined statement of operations as a component of net patient service revenue.

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates or fee schedule amounts. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare administrative contractor. Physician and related services provided to Medicare beneficiaries are reimbursed under a fee schedule methodology.
- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Outpatient services are reimbursed based on a mixture of fee schedules and reimbursed costs. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid program. Physician services are reimbursed based on fee schedule amounts.

On December 12, 2011, the United States Department of Health and Human Services approved a new Medicaid Section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program (the Waiver)". The Waiver expands existing Medicaid managed care programs and establishes two funding pools that will assist providers with uncompensated care costs and promote health system transformation. The demonstration is effective from December 12, 2011 to September 30, 2016. During 2013 and 2012, the Medical Center received funding under the Uncompensated Care (UC) provisions of the Waiver. During 2013, the Medical Center began receiving funds under the Delivery System Reform Incentive Payment (DSRIP) provisions.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

of the Waiver. The Medical Center also receives supplemental Medicaid funding under the state of Texas Medicaid Disproportionate Share (DSH) program.

The Medical Center receives additional reimbursement from the UC, DSRIP and DSH programs to assist in serving the indigent population residing in its service area. The System recorded revenue of approximately \$16,272,000 and \$14,408,000 during 2013 and 2012, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to the System under the reimbursement programs. These audits often require several years to reach their final determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended September 30, 2013 and 2012, respectively, was approximately:

	<b>2013</b>	<b>2012</b>
Medicare	\$ 123,842,059	\$ 119,451,885
Medicaid	35,486,548	27,324,614
Other third-party payers	173,957,326	171,309,028
Self-pay	<u>30,485,050</u>	<u>22,733,283</u>
Total	<u><u>\$ 363,770,983</u></u>	<u><u>\$ 340,818,810</u></u>

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### Note 3: Concentration of Credit Risk

##### *Accounts Receivable*

The System grants credit without collateral to its patients, most of who are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2013 and 2012 is

	2013	2012
Medicare	33%	31%
Medicaid	4%	7%
Other third-party payers	43%	43%
Patients	20%	19%
	<u>100%</u>	<u>100%</u>

#### Note 4: Investments and Investment Return

Investments at September 30, include

	2013	2012
Money market funds	\$ 3,914,475	\$ 6,591,278
Equity securities	12,611	2,099,933
Fixed income mutual funds	16,711,506	11,181,817
Equity mutual funds	19,990,566	19,608,722
Corporate bonds	20,571,522	27,051,596
U S government obligations	13,980,230	12,668,374
Accrued interest	359,956	2,165
	<u>\$ 75,540,866</u>	<u>\$ 79,203,885</u>

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

Investments are included on the combined balance sheets as follows

	<u>2013</u>	<u>2012</u>
Short-term investments	\$ 29,539,138	\$ 21,040,497
Assets limited as to use		
Restricted gift funds	2,832,832	2,380,489
Held by trustee, deferred compensation	6,922,750	12,310,272
Held by trustee, malpractice funding arrangement	5,976,548	7,985,887
Long-term investments	<u>30,269,598</u>	<u>35,486,740</u>
	<u>\$ 75,540,866</u>	<u>\$ 79,203,885</u>

Total investment return is comprised of the following

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 2,210,998	\$ 1,363,267
Net realized gains on investments	260,508	861,213
Change in net unrealized gains (losses) on investments	<u>(982,609)</u>	<u>2,874,928</u>
	<u>\$ 1,488,897</u>	<u>\$ 5,099,408</u>

Total investment return is reflected in the combined statements of operations and changes in net assets as follows

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
Other nonoperating income	<u>\$ 1,488,897</u>	<u>\$ 5,099,408</u>

## Note 5: Risk Management

### *Professional Liability Claims*

The System is self-insured for medical malpractice risks for both its hospital and physician health care operations. The System purchases excess loss insurance for claims that exceed varying amounts, subject to aggregate excess loss limits. Losses from asserted and unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued malpractice losses have been estimated by professional insurance consultants and have been discounted at a rate of 3.0% in 2013 and 2012. The System has accrued estimated losses totaling approximately \$5,250,000 and \$3,930,000 at

# **Shannon Health System**

## **Notes to Combined Financial Statements**

### **September 30, 2013 and 2012**

September 30, 2013 and 2012, respectively. It is reasonably possible that the System's estimate of losses will change by a material amount in the near term.

#### ***Employee Health Insurance***

The System is self-insured for employee health claims, subject to certain reinsurance limits for claims exceeding self-insured limits. A reserve has been established for unpaid claims and claims incurred but not reported based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. The System recorded a reserve for employee health claims of approximately \$1,472,000 and \$1,504,000 at September 30, 2013 and 2012, respectively, which is included with accrued expenses and other liabilities on the accompanying combined balance sheets. It is reasonably possible that the System's estimate will change by a material amount in the near term.

#### ***Workers' Compensation***

The Medical Center is a self-insured subscriber to the Texas Workers' Compensation Insurance Program. The Medical Center accrues its estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the Medical Center's loss history. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

#### ***General Liability***

The System is self-insured for general liability risks. The System purchases excess loss insurance for claims exceeding self-insured limits. The System accrues its estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the System's loss history. As of September 30, 2013 and 2012, no amount had been accrued based on such experience. It is reasonably possible that the System's estimate will change by a material amount in the near term.

#### **Note 6: Marginable Brokerage Account**

The System has a marginable brokerage account with a financial institution. The agreement allows the System to borrow up to \$40,800,000, secured by the securities held in their investment account. At September 30, 2013, RCTC had borrowed \$858,834 on the marginable brokerage account. Interest varies with Libor and was 1.18% on September 30, 2013, and is payable monthly. No amounts were borrowed on the account as of September 30, 2012.

**Shannon Health System**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

**Note 7: Long-term Debt**

The Clinic's long-term debt at September 30 was

	<u>2013</u>	<u>2012</u>
Capital lease obligations	\$ 236,382	\$ 361,708
Less current maturities	<u>129,013</u>	<u>125,327</u>
	<u>\$ 107,369</u>	<u>\$ 236,381</u>

The Clinic has entered into various lease arrangements accounted for as capital leases. These capital lease obligations have imputed rates of interest that range from 2.67% to 3.02%, mature through 2015 and are secured by leased equipment with a cost of \$625,114 and accumulated depreciation of \$398,495 as of September 30, 2013.

Aggregate annual maturities on capital lease obligations at September 30, 2013, are as follows:

2014	\$ 134,208
2015	<u>109,213</u>
	243,421
Less amount representing interest	<u>7,039</u>
Present value of future minimum lease payments	236,382
Less current maturities	<u>129,013</u>
Noncurrent portion	<u>\$ 107,369</u>

**Note 8: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose or periods:

	<u>2013</u>	<u>2012</u>
Health care services and purchases of equipment	\$ 2,832,832	\$ 2,380,490
Retirement plan termination	-	9,789,439
Future periods	<u>150,030,142</u>	<u>140,276,648</u>
	<u>\$ 152,862,974</u>	<u>\$ 152,446,577</u>

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### Note 9: Charity Care

The System maintains records which identify and monitor the level of charity care they provide. These records include charges and costs for services and supplies furnished under the financial assistance policies. The cost of charity care provided during the years ended September 30, 2013 and 2012, totaled \$22,938,000 and \$20,221,000. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

#### Note 10: Functional Expenses

The System provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 283,021,787	\$ 251,378,536
General and administrative	<u>71,973,261</u>	<u>65,497,300</u>
	<u>\$ 354,995,048</u>	<u>\$ 316,875,836</u>

#### Note 11: Pension Plan

The Medical Center had a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements (the Employee Plan). The Employee Plan was frozen on July 1, 2005 and was terminated in 2013. Prior to termination, the Medical Center's funding policy was to make the minimum annual contribution that was required by applicable regulations, plus such amounts as the Medical Center determined to be appropriate from time to time. During 2013, the net assets of the Employee Plan were distributed to the Employee Plan participants and beneficiaries. During 2013, the Medical Center recorded expense totaling approximately \$27,660,000, related to funding and termination the Employee Plan.

The Medical Center also has a Supplemental Executive Retirement Plan (SERP) covering certain members of management. The Medical Center's funding policy is to contribute the amount of pension benefit payments at the time the benefit is paid. The Medical Center expects to contribute \$300,506 to the SERP in 2014.

**Shannon Health System**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

The Medical Center uses a September 30 measurement date for the plans. Information about the plans' funded status follows:

	<u>Employee Plan</u>	<u>SERP</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Benefit obligation	\$ (41,783,188)	\$ (1,629,374)	\$ (1,350,665)
Fair value of plan assets	<u>23,816,246</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (17,966,942)</u>	<u>\$ (1,629,374)</u>	<u>\$ (1,350,665)</u>

Assets and liabilities recognized in the combined balance sheets:

	<u>Employee Plan</u>	<u>SERP</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current liabilities	\$ 17,966,942	\$ 300,506	\$ -
Noncurrent liabilities	-	1,328,868	1,350,665

Amounts not yet recognized as components of net periodic benefit cost consist of:

	<u>Employee Plan</u>	<u>SERP</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net loss	<u>\$ 22,144,681</u>	<u>\$ 309,068</u>	<u>\$ 328,168</u>

The accumulated benefit obligation compared to plan assets is as follows:

	<u>Employee Plan</u>	<u>SERP</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Accumulated benefit obligation	<u>\$ (41,783,188)</u>	<u>\$ (1,581,595)</u>	<u>\$ (1,317,678)</u>
Fair value of plan assets	<u>\$ 23,816,246</u>	<u>\$ -</u>	<u>\$ -</u>

**Shannon Health System**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

Other significant balances and costs are

	<u>Employee Plan</u>		<u>SERP</u>
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Employer contributions	\$ 954,972	\$ -	\$ -
Benefits paid	1,510,098	-	-
Benefit costs	704,647	297,809	287,737

The following amounts have been recognized in the Medical Center's statements of operations and changes in net assets for the years ended September 30, 2013 and 2012

	<u>Employee Plan</u>		<u>SERP</u>
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Amounts arising during the period			
Net loss (gain)	\$ 4,609,311	\$ 62,206	\$ (20,338)
Amounts reclassified as components of net periodic benefit cost of the period			
Net gain	(854,591)	(81,306)	(97,042)

The estimated net loss for the SERP that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year is \$106,277

Significant assumptions include

	<u>Employee Plan</u>		<u>SERP</u>
	<u>2012</u>	<u>2013</u>	<u>2012</u>
Weighted-average assumptions used to determine benefit obligations			
Discount rate	4.30%	7.00%	7.00%
Rate of compensation increase	N/A	3.80%	3.80%

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

	Employee Plan	SERP	
	2012	2013	2012
Weighted-average assumptions used to determine benefit costs			
Discount rate	5.33%	7.00%	7.00%
Expected return on plan assets	3.00%	N/A	N/A
Rate of compensation increase	N/A	3.80%	3.80%

The Medical Center has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The future benefit payments shown below reflect expected future service, as appropriate, as they are expected to be paid by the Medical Center as of September 30, 2013.

	SERP
2014	\$ 300,506
2015	-
2016	1,814,974

A nonqualified plan trust has been created for the purpose of funding SERP obligations. However, certain rights are retained by general creditors of the Medical Center with respect to assets held in trust and, therefore, the trust assets would not be treated as sufficiently separated from the employer to constitute plan assets under accounting principles generally accepted in the United States of America. The assets held in this trust are reported on the combined balance sheets as a component of internally designated assets limited as to use.

#### ***Pension Plan Assets***

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include money market funds and fixed income mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. The Medical Center did not hold any Level 2 securities in pension plan assets at September 30, 2012.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

The fair values of the pension plan assets at September 30, 2012, by asset class were as follows

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Money market funds	\$ 22,907,937	\$ 22,907,937	\$ -	\$ -
Fixed income mutual funds	908,309	908,309	-	-

#### ***Defined Contribution Plan***

The System maintains a defined contribution retirement plan in which employees who have completed at least three months of service are eligible to participate. Participants may contribute up to 50% of pre-tax compensation. For each eligible participant, the System will make the following matching contributions: (1) 100% of the employee's contribution not in excess of 3% of the employee's compensation, plus (2) 50% of the employee's contribution between 3% and 5% of the employee's compensation. The System makes additional contributions ranging from 2.8% to 13.2% depending on the employee's total compensation. Employees are fully vested in the System's matching contributions when they are paid, while additional contributions are vested over a six-year period. The System recognized approximately \$9,769,000 and \$9,316,000 in expense related to this plan during the years ended September 30, 2013 and 2012, respectively.

#### ***Deferred Compensation Plan***

The System also offers a nonqualified deferred compensation plan for certain physicians and executives. Benefits generally vest over a period of two to five years. Amounts accrued related to this plan were approximately \$6,421,000 and \$11,747,000 at September 30, 2013 and 2012, respectively.

## **Note 12: Related Party Transactions**

#### ***Interest in Shannon Trust***

The Medical Center is the named beneficiary of the Shannon Trust. The beneficial interest in the assets of this trust is included in the Medical Center's financial statements as temporarily restricted net assets. Income is distributed in accordance with the individual trust documents. The estimated value of the expected future cash flows is \$150,030,142 and \$140,276,648, which represents the fair value of the trust assets at September 30, 2013 and 2012, respectively.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

The Medical Center receives contributions, which are listed as assets released from restrictions on the combined statements of changes in net assets, from the Shannon Trust. Total contributions from the Shannon Trust were approximately \$22,820,000 and \$17,009,000 for the years ended September 30, 2013 and 2012, respectively. In 2013 and 2012, approximately \$8,150,000 and \$7,000,000, respectively, of the contributions received from the Shannon Trust were provided to purchase capital assets and the balance was restricted to use in terminating the defined benefit pension plan.

#### ***Non-Controlling Membership Interest***

The Medical Center holds a non-controlling membership interest in the Service Organization of Concho Valley (the Organization). Organized in 2010, the Organization's primary purpose is to improve the health care of residents in west Texas through multiple means. A member of management of the Medical Center serves on the Board of Directors of the Organization. The Medical Center contributed \$7,814,000, and \$4,317,000 to the Organization in 2013 and 2012, respectively that was recorded as other operating expense in the combined statements of operations and changes in net assets.

#### **Note 13: Acquisition**

Prior to April 5, 2012, the date of purchase, the Medical Center owned a 37.97% interest in Regional Cancer Treatment Center (RCTC) which was accounted for under the equity method of accounting. On April 5, 2012, the Medical Center acquired an additional 34.35% interest in RCTC for a total interest of 72.32% which is a controlling interest in RCTC. The increase in ownership to 72.32% was accounted for under the acquisition method of accounting whereby the total implied fair value was allocated to assets acquired and liabilities assumed based on their estimated fair value at the date of the acquisition. The majority of assets and liabilities acquired were short-term in nature and the ordinary carrying value of the assets and liabilities approximated fair value. RCTC's operations are included in the financial statements of the Medical Center from the date of the purchase of the incremental interest.

The Medical Center paid \$2,695,454 for the additional 34.35% interest. The excess of the implied fair value of approximately \$7,822,000, over the fair value of the identifiable assets acquired, net of liabilities assumed was recorded as goodwill totaling approximately \$1,805,000. The Medical Center expects the acquisition will allow it to provide more comprehensive health care services in its current service area and achieve cost savings through elimination of certain duplicative administrative and other functions.

The re-measurement of the Medical Center's 37.97% prior ownership interest to fair value at April 5, 2012, resulted in a gain of approximately \$683,000 that was recorded as other income in the statement of operations and changes in net assets during the year ended September 30, 2012.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date

**Consideration and implied fair value**

Cash consideration	\$ 2,695,454
Implied value of 37.97% interest	2,961,401
Implied value of non-controlling interest	<u>2,165,124</u>
Total implied fair value	<u>7,821,979</u>

**Recognized amounts of identifiable assets acquired and liabilities assumed**

Cash	2,070,634
Short-term investments	3,205,273
Accounts receivable	355,592
Other current assets	200,957
Property, plant and equipment	259,308
Other assets	<u>22,456</u>
Total assets	6,114,220
Current liabilities	<u>96,980</u>
Total identifiable net assets	<u>6,017,240</u>
<b>Goodwill</b>	<u><u>\$ 1,804,739</u></u>

#### **Note 14: Disclosures About Fair Value of Assets and Liabilities**

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### ***Recurring Measurements***

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2013 and 2012

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
<b>September 30, 2013</b>				
Money market funds	\$ 3,914,475	\$ 3,914,475	\$ -	\$ -
Fixed income mutual funds	16,711,506	16,711,506	-	-
Equity mutual funds	19,990,566	19,990,566	-	-
Equity securities	12,611	12,611	-	-
U.S. government obligations	13,980,230	-	13,980,230	-
Corporate bonds	20,571,522	-	20,571,522	-
<b>September 30, 2012</b>				
Money market funds	\$ 6,591,278	\$ 6,591,278	\$ -	\$ -
Fixed income mutual funds	11,181,817	11,181,817	-	-
Equity mutual funds	19,608,722	19,608,722	-	-
Equity securities	2,099,933	2,099,933	-	-
U.S. government obligations	12,668,374	-	12,668,374	-
Corporate bonds	27,051,596	-	27,051,596	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2013.

#### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The System has no Level 3 Securities at September 30, 2013 or 2012.

#### ***Fair Value of Financial Instruments***

The following table presents estimated fair values of the System's financial instruments at September 30, 2013 and 2012.

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	\$ 6,682,805	\$ 6,682,805	\$ 12,427,213	\$ 12,427,213
Investments	75,540,866	75,540,866	79,203,885	79,203,885
Interest in net assets of Shannon Trust	150,030,142	150,030,142	140,276,648	140,276,648

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

#### ***Cash***

The carrying amount approximates fair value.

#### ***Interest in Net Assets of Shannon Trust***

The fair value is estimated using the fair value of the assets held by the Shannon Trust trustees, which is the same as the carrying amount.

### **Note 15: Asset Retirement Obligation**

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The System's conditional ARO is primarily related to asbestos contained in buildings that the System owns. Environmental regulations exist that require the System to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

The amount of ARO recorded at September 30, 2013 and 2012, is \$804,715 and \$766,395, respectively, and is included in other noncurrent liabilities in the accompanying combined balance sheets. A summary of changes in AROs for the years ended September 30, 2013 and 2012 is included in the table below.

**Shannon Health System**  
**Notes to Combined Financial Statements**  
**September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
Liability, beginning of year	\$ 766,395	\$ 729,900
Accretion expense	38,320	36,495
Liability, end of year	<u>\$ 804,715</u>	<u>\$ 766,395</u>

**Note 16: Accounts Payable, Accrued Expenses and Other Liabilities**

Accounts payable, accrued expenses and other liabilities included in current liabilities at September 30, 2013 and 2012 consisted of

	<b>2013</b>	<b>2012</b>
Payable to suppliers and contractors	\$ 14,437,149	\$ 12,492,877
Payable to employees (including pay roll taxes and benefits)	17,501,083	16,304,105
	<u>\$ 31,938,232</u>	<u>\$ 28,796,982</u>

**Note 17: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1 and 2*.

***Investments***

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying combined balance sheets.

***General Liability and Medical Malpractice Claims***

Estimates related to the accrual for general liability and medical malpractice claims are described in *Notes 1 and 5*.

# Shannon Health System

## Notes to Combined Financial Statements

### September 30, 2013 and 2012

#### ***Risk Sharing Arrangement***

Effective March 1, 2012, the Medical Center entered a risk sharing arrangement with SHA, LLC, a Texas health maintenance organization, to share risk related to certain covered Medicaid managed care members residing in the Medical Center's service area. Pursuant to this agreement, the Medical Center will pay or receive funds depending on the medical loss ratio (MLR) related to covered members. A MLR below 87% will result in the Medical Center receiving funds, while MLR above 89% will require the Medical Center to make a payment to SHA, LLC. This agreement expired on August 31, 2013. At September 30, 2013 and 2012, respectively, the Medical Center has accrued approximately \$230,000 and \$430,000 in potential payments under this agreement.

#### ***Asset Retirement Obligation***

As discussed in *Note 15*, the System recorded a liability for its conditional asset retirement obligations (ARO) related to asbestos contained in buildings that the System owns.

#### **Note 18: *Patient Protection and Affordable Care Act***

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Texas has indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the System's reduced revenue from other Medicare/Medicaid programs.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible it will have a negative impact on the System's net patient service revenue. In addition, it is possible the System will experience payment delays and other operational challenges during PPACA's implementation.

## **Supplementary Information**

# Shannon Health System

## Combining Schedule – Balance Sheet Information

### September 30, 2013

Assets	System	Center	Clinic	Management	RCTC	Eliminations	Total
<b>Current Assets</b>							
Cash and cash equivalents	\$ -	\$ 6,369,988	\$ -	\$ -	\$ 312,817	\$ -	\$ 6,682,805
Short-term investments	-	25,939,251	-	-	3,599,887	-	29,539,138
Assets limited as to use current	-	3,115,054	-	-	-	-	3,115,054
Patient accounts receivable, net	-	19,358,997	16,182,025	-	224,998	-	35,766,020
Estimated amounts due from third-party payers	-	1,175,902	-	-	-	-	1,175,902
Prepaid expenses and other	53,166	7,963,808	1,395,468	129,169	142,759	(14,692)	9,669,678
Total current assets	53,166	63,923,000	17,577,493	129,169	4,280,461	(14,692)	85,948,597
<b>Assets Limited As to Use</b>							
Restricted gift funds	-	2,832,832	-	-	-	-	2,832,832
Held by trustee deferred compensation	-	563,227	6,289,779	69,744	-	-	6,922,750
Held by trustee malpractice funding arrangement	-	5,976,548	-	-	-	-	5,976,548
Less amount required to meet current obligations	-	9,372,607	6,289,779	69,744	-	-	15,732,130
	-	3,115,054	-	-	-	-	3,115,054
	-	6,257,553	6,289,779	69,744	-	-	12,617,076
Investments	-	30,269,598	-	-	-	-	30,269,598
<b>Property and Equipment, At Cost</b>							
Land and land improvements	-	9,836,014	-	-	-	-	9,836,014
Buildings and leasehold improvements	-	112,228,415	-	-	-	(133,225)	112,095,190
Equipment	-	124,322,401	12,447,167	5,806,211	9,102,951	-	151,678,730
Construction in progress	-	684,711	-	-	-	-	684,711
	-	247,071,541	12,447,167	5,806,211	9,102,951	(133,225)	274,294,645
Less accumulated depreciation	-	160,049,983	10,204,472	4,314,880	5,392,202	-	179,961,537
	-	87,021,558	2,242,695	1,491,331	3,710,749	(133,225)	94,333,108
<b>Other Assets</b>							
Interest in net assets of Shannon Trust	-	150,030,142	-	-	-	-	150,030,142
Other noncurrent assets	-	2,626,861	577,500	-	22,456	-	3,226,817
	-	152,657,003	577,500	-	22,456	-	153,256,959
Total assets	\$ 53,166	\$ 340,128,712	\$ 26,687,467	\$ 1,690,244	\$ 8,013,666	\$ (147,917)	\$ 376,425,338

# Shannon Health System

## Combining Schedule – Balance Sheet Information

### September 30, 2013

		Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
<b>Liabilities and Net Assets (Deficit)</b>								
<b>Current Liabilities</b>								
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ 129,013	\$ -	\$ -	\$ -	\$ 129,013
Marginable brokerage account	-	-	-	-	-	858,834	-	858,834
Accounts payable	150	6,973,365	1,743,400	63,881	-	-	-	8,780,796
Accrued expenses and other liabilities	-	12,552,808	8,164,596	2,396,167	58,557	(14,692)	-	23,157,436
Accrued pension liability	-	300,506	-	-	-	-	-	300,506
Current portion of estimated malpractice costs	-	1,707,222	-	-	-	-	-	1,707,222
Total current liabilities	150	21,533,901	10,037,009	2,460,048	917,391	(14,692)	-	34,933,807
<b>Estimated Malpractice Costs</b>								
Long-term Debt	-	812,298	2,729,480	-	-	-	-	3,541,778
Other Liabilities	-	-	107,369	-	-	-	-	107,369
Accrued pension liability	-	1,328,868	-	-	-	-	-	1,328,868
Other noncurrent liabilities	-	1,048,429	6,289,779	69,744	-	-	-	7,407,952
Total liabilities	150	24,723,496	19,163,637	2,529,792	917,391	(14,692)	-	47,319,774
<b>Net Assets (Deficit)</b>								
Unrestricted	53,016	162,542,242	7,523,830	(839,548)	4,655,384	(133,225)	-	173,801,699
Shannon Health System Noncontrolling interest	-	-	-	-	2,440,891	-	-	2,440,891
Total unrestricted net assets (deficit)	53,016	162,542,242	7,523,830	(839,548)	7,096,275	(133,225)	-	176,242,590
Temporarily restricted	-	152,862,974	-	-	-	-	-	152,862,974
Total net assets (deficit)	53,016	315,405,216	7,523,830	(839,548)	7,096,275	(133,225)	-	329,105,564
Total liabilities and net assets (deficit)	\$ 53,166	\$ 340,128,712	\$ 26,687,467	\$ 1,690,244	\$ 8,013,666	\$ (147,917)	\$ -	\$ 376,425,338

# Shannon Health System

## Combining Schedule – Statement of Operations and Changes in Net Assets (Deficit) Information

### Year Ended September 30, 2013

	Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
<b>Unrestricted Revenues, Gains and Other Support</b>							
Patient service revenue (net of contractual discounts and allowances)	\$ -	\$ 254,641,015	\$ 108,095,770	\$ 72,035	\$ 4,676,405	\$ (3,714,242)	\$ 363,770,983
Provision for uncollectible accounts	-	(35,116,957)	(8,805,349)	(2,227)	(1,571,491)	6,360	(45,489,664)
Net patient service revenue less provision for uncollectible accounts	-	219,524,058	99,290,421	69,808	3,104,914	(3,707,882)	318,281,319
Other revenues	26,412	37,737,649	(28,239,686)	42,097,829	20,115	(16,834,849)	34,807,470
Total unrestricted revenues, gains and other support	26,412	257,261,707	71,050,735	42,167,637	3,125,029	(20,542,731)	353,088,789
<b>Expenses and Losses</b>							
Salaries, wages and employee benefits	-	121,285,924	85,437,059	29,029,446	1,212,753	757,753	237,722,935
Supplies and other	45,165	99,096,429	14,434,877	10,846,231	1,154,374	(21,300,484)	104,276,592
Depreciation and amortization	-	11,070,934	1,038,170	327,729	545,536	-	12,982,369
Interest	-	-	8,881	-	4,271	-	13,152
Total expenses and losses	45,165	231,453,287	100,918,987	40,203,406	2,916,934	(20,542,731)	354,995,048
<b>Operating Income (Loss)</b>	(18,753)	25,808,420	(29,868,252)	1,964,231	208,095	-	(1,906,259)
<b>Other Income (Expense)</b>							
Investment return	-	2,468,842	-	11	2,653	-	2,471,506
Unrealized gains and losses on trading securities	-	(1,201,573)	-	-	218,964	-	(982,609)
Other income	-	778,012	-	-	104,472	(291,120)	591,364
Total other income	-	2,045,281	-	11	326,089	(291,120)	2,080,261
<b>Excess (Deficiency) of Revenues Over Expenses</b>	(18,753)	27,853,701	(29,868,252)	1,964,242	534,184	(291,120)	174,002

# Shannon Health System

## Combining Schedule – Statement of Operations and Changes in Net Assets (Deficit) Information (Continued)

### Year Ended September 30, 2013

	Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
<b>Unrestricted Net Assets (Deficit)</b>							
Excess (deficiency) of revenues over expenses	\$ (18,753)	\$ 27,853,701	\$ (29,868,252)	\$ 1,964,242	\$ 534,184	\$ (291,120)	\$ 174,002
Contributions for acquisition of property and equipment	-	45,417	-	-	-	-	45,417
Change in pension liability	-	22,098,268	-	-	-	-	22,098,268
Transfers to (from) affiliates	27,064	(29,715,417)	31,689,640	(2,001,287)	-	-	-
Net assets released from restriction used for purchase of property and equipment	-	8,150,000	-	-	-	-	8,150,000
Change in ownership interest in RCTC	-	50,571	-	-	-	-	50,571
Distributions to noncontrolling interest	-	-	-	-	(429,495)	291,120	(138,375)
Increase (Decrease) in unrestricted net assets (deficit)	8,311	28,482,540	1,821,388	(37,045)	104,689	-	30,379,883
<b>Temporarily Restricted Net Assets</b>							
Change in interest in net assets of Shannon Trust	-	32,673,341	-	-	-	-	32,673,341
Contributions	-	882,370	-	-	-	-	882,370
Net assets released from restrictions	-	(33,139,314)	-	-	-	-	(33,139,314)
Increase in temporarily restricted net assets	-	416,397	-	-	-	-	416,397
<b>Change in Net Assets (Deficit)</b>	8,311	28,898,937	1,821,388	(37,045)	104,689	-	30,796,280
<b>Net Assets (Deficit), Beginning of Year</b>	44,705	286,506,279	5,702,442	(802,503)	6,991,586	(133,225)	298,309,284
<b>Net Assets (Deficit), End of Year</b>	\$ 53,016	\$ 315,405,216	\$ 7,523,830	\$ (839,548)	\$ 7,096,275	\$ (133,225)	\$ 329,105,564