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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 11-01-2012 , 2012, and ending 10-31-2013

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
East Texas Medical Center Reg Healthcare

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1000 South Beckham Avenue

City or town, state or country, and ZIP + 4
Tyler, TX 75701

D Employer identification number
75-1803327

E Telephone number
(903) 531-8920

G Gross receipts $ 83,927,182

F Name and address of principal officer

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☑ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW ETMC ORG

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

L Year of formation 1981

M State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
East Texas Medical Center Regional Healthcare System provides overall management and support to the entities that comprise East Texas Medical Center Regional Healthcare System

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	7
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	4
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,903,652
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)		0
9	Program service revenue (Part VIII, line 2g)	74,332,238	74,526,428
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	845,331	1,125,115
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	105,488	8,065,304
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	75,283,057	83,716,847
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,494,208	29,094
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	30,997,819	29,249,737
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	46,643,682	54,966,410
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	81,135,709	84,245,241
19	Revenue less expenses Subtract line 18 from line 12	-5,852,652	-528,394

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	567,484,708	521,354,070
21	Total liabilities (Part X, line 26)	670,569,387	619,623,764
22	Net assets or fund balances Subtract line 21 from line 20	-103,084,679	-98,269,694

Part II Signature Block

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

Sign Here

****** | 2014-08-08
Signature of officer | Date

Byron Hale CFO
Type or print name and title

Paid Preparer Use Only

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

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

East Texas Medical Center Regional Healthcare System provides overall management and support to the entities that comprise East Texas Medical Center Regional Healthcare System The purpose of the organization is to organize, plan, develop, coordinate and direct a complex, full-service regional healthcare operation, as well as manage, maintain, and lease all land, buildings, and improvements of the healthcare system This ensures consistent quality throughout the system

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 65,432,775 including grants of $ 29,094) (Revenue $)

East Texas Medical Center Regional Healthcare System (The "System") is the parent company which wholly-owns and operates 24-subsidiary organizations that operate primarily in Texas The "System" is headquartered in Tyler, Texas and its operations extends in all directions from Tyler, in an approximate 100-mile radius The "System" consists of 15 hospitals, over 150 employed physicians, other healthcare services such as cancer treatment and home health, as well as other operations that include emergency medical services

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** ▶ 65,432,775

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	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		No
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b		

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	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? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	146		
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	0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b			No
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			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	0		
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	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			No
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			No
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			No
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	7		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	4		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?			**2** Yes	
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**	Yes	
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**	Yes	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	**12c**	Yes	
13	Did the organization have a written whistleblower policy?	**13**	Yes	
14	Did the organization have a written document retention and destruction policy?	**14**	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	**15a**	Yes	
b	Other officers or key employees of the organization	**15b**	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶Bonnie Stone 1417 South Beckham Avenue Tyler, TX (903) 596-3719

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) Wade Ridley Director	12 00 0 00	X						0	0	0
(2) Larry Durrett Director	12 00 0 00	X						0	0	0
(3) James Wynne Director	12 00 0 00	X						0	0	0
(4) BG Hartley Director	12 00 0 00	X						0	0	0
(5) Ron Donaldson MD Director	0 00 12 00	X						0	900	0
(6) Stephen Rydzak MD Director	0 00 40 00	X						0	610,717	610
(7) Elmer G Ellis Pres/CEO & Dir	40 00 0 00	X		X				1,095,672	0	23,726
(8) Byron Hale SR VP/CFO	40 00 0 00			X				522,301	0	25,756
(9) Paula Anthony VP Information Technology	40 00 0 00				X			393,597	0	24,400
(10) Mike Thomas VP Planning & Marketing	40 00 0 00				X			331,109	0	28,600
(11) Mike Gray VP Human Resources	40 00 0 00				X			316,164	0	26,353
(12) Freddie Sanchez VP Materials Management	0 00 40 00				X			0	474,897	24,879
(13) Jerry Massey Sr VP Affil Operat	40 00 0 00					X		378,007	0	28,137
(14) Kim Pearson-Wahl VP MSO	40 00 0 00					X		320,228	0	24,780
(15) Robert Layton Corp Dir Plant Ser	40 00 0 00					X		232,211	0	16,753
(16) Robert Hampton VP Property Serv	40 00 0 00					X		222,383	0	23,744
(17) Carroll Roge Corp Director Mktg	40 00 0 00					X		194,318	0	5,991

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								4,005,990	1,086,514	253,729

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 36

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Vaughn Construction 10355 Westpark Dr Houston TX 77042	Construction	15,448,894
SKAR 111 S 108th Ave Omaha NE 68154	Advertising	2,567,468
RPR Construction 301 SSE Loop 323 Tyler TX 75702	Construction	12,673,415
Hospital Housekeeping System PO Box 826 San Antonio TX 78293	Housekeeping	1,650,624
HGA PO Box 86 Minneapolis MN 55486	Construction	2,120,790
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 ▶ 14		

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶	0			
Program Service Revenue		Business Code				
	2a	Rent	21,954,741	21,893,003	61,738	
	b	Management Fee / Service	48,156,205	47,293,095	863,110	
	c	Direct Expense Charged	468,313	468,313		
	d	Bio-Medical Services	3,110,763	3,077,243	33,520	
	e	All Other program Sevices	574,106	567,873	6,233	
	f	All other program service revenue	262,300	262,300		
	g	**Total.** Add lines 2a–2f . . . . . ▶	74,526,428			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶	1,018,864		939,051	79,813
	4	Income from investment of tax-exempt bond proceeds . . ▶	0			
	5	Royalties . . . . . ▶	0			
		(i) Real / (ii) Personal				
	6a	Gross rents				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . . ▶	0			
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory: 25,242 / 291,344				
	b	Less cost or other basis and sales expenses: 210,335				
	c	Gain or (loss): 25,242 / 81,009				
	d	Net gain or (loss) . . . . . ▶	106,251			106,251
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from fundraising events . . ▶	0			
	9a	Gross income from gaming activities See Part IV, line 19 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from gaming activities . . ▶	0			
	10a	Gross sales of inventory, less returns and allowances . a				
	b	Less cost of goods sold . . b				
	c	Net income or (loss) from sales of inventory . . ▶	0			
		Miscellaneous Revenue / Business Code				
	11a					
	b					
	c					
	d	All other revenue				
	e	**Total.** Add lines 11a–11d . . . . . ▶	8,065,304			
	12	**Total revenue.** See Instructions . . . . . ▶	83,716,847	73,561,827	1,903,652	8,251,368

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	29,094	29,094		
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	4,375,150		4,375,150	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	20,329,602	16,597,215	3,732,387	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	467,250	368,081	99,169	
9 Other employee benefits	2,413,373	1,875,245	538,128	
10 Payroll taxes	1,664,362	1,308,031	356,331	
11 Fees for services (non-employees)				
a Management	1,273,695	1,178,122	95,573	
b Legal	2,703,830	2,163,064	540,766	
c Accounting	859,921	687,937	171,984	
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	0			
12 Advertising and promotion	2,180,274	1,745,296	434,978	
13 Office expenses	437,973	352,404	85,569	
14 Information technology	25,591	20,473	5,118	
15 Royalties . .	0			
16 Occupancy	1,280,256	1,069,935	210,321	
17 Travel	147,681	118,065	29,616	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	31,587	25,251	6,336	
20 Interest	5,176,794	4,141,435	1,035,359	
21 Payments to affiliates	4,056,399	4,056,399		
22 Depreciation, depletion, and amortization	19,768,307	15,961,737	3,806,570	
23 Insurance	361,926	287,812	74,114	
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 Housekeeping	1,677,975	1,342,380	335,595	
b Outside Services	2,267,378	1,899,220	368,158	
c Utilities	2,628,928	2,105,123	523,805	
d Contract/Outside Maintenance	3,738,401	2,992,081	746,320	
e All other expenses	6,349,494	5,108,375	1,241,119	
25 **Total functional expenses.** Add lines 1 through 24e	84,245,241	65,432,775	18,812,466	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		-181,608,238	1	-196,654,091
	2	Savings and temporary cash investments		185,459,281	2	200,640,908
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		123	4	806
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	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			6	0
	7	Notes and loans receivable, net			7	0
	8	Inventories for sale or use			8	0
	9	Prepaid expenses and deferred charges		1,576,323	9	3,582,704
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 485,839,405			
	b	Less accumulated depreciation	10b 269,234,369	251,754,886	10c	216,605,036
	11	Investments—publicly traded securities		1,407	11	0
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		310,300,926	15	297,178,707
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		567,484,708	16	521,354,070
Liabilities	17	Accounts payable and accrued expenses		24,488,686	17	19,277,446
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		265,960,000	20	260,900,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		30,411,072	23	29,014,362
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		349,709,629	25	310,431,956
	26	**Total liabilities.** Add lines 17 through 25		670,569,387	26	619,623,764
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		-103,084,679	27	-98,269,694
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		-103,084,679	33	-98,269,694
	34	Total liabilities and net assets/fund balances		567,484,708	34	521,354,070

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	83,716,847
2	Total expenses (must equal Part IX, column (A), line 25)	2	84,245,241
3	Revenue less expenses Subtract line 2 from line 1	3	-528,394
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-103,084,679
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	5,343,379
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	-98,269,694

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☑ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? **11g(i)**		No
(ii) A family member of a person described in (i) above? **11g(ii)**		No
(iii) A 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		No

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
See Additional Data Table									
Total									65,432,775

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test

Explanation

Additional Data

Software ID: 12000229
Software Version: 2012v2.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

Form 990, Sch A, Part I, Line 11h - Provide the following information about the supported organization(s).

(i) Name of Supported Organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section)	(iv) Is the organization in (i) listed in your governing document?		(v) Did you notify the organization in (i) of your support?		(vi) Is the organization in (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total Support for all of the above	751803327	Total	Yes			No		No	65432775
FirstNet Exchange	451436671	3	Yes			No		No	0
ETMC Foundation	752695524	9	Yes			No		No	0
ETMC RHS Self Insurance Trust	756345356	9	Yes			No		No	0
ETMC - Quitman	752766160	3	Yes			No		No	0
ETMC - Pittsburg	751919624	3	Yes			No		No	0
ETMC - Trinity	752715898	3	Yes			No		No	0
ETMC - Mount Vernon	752250730	3	Yes			No		No	0
ETMC - Jacksonville	752415084	3	Yes			No		No	0
ETMC - Henderson	264123728	3	Yes			No		No	0
ETMC - Gilmer	200079162	3	Yes			No		No	0
ETMC - Fairfield	752753454	3	Yes			No		No	0
ETNC - Crockett	752602621	3	Yes			No		No	0
ETMC - Clarksville	752638020	3	Yes			No		No	0
ETMC - Carthage	752735077	3	Yes			No		No	0

Form 990, Sch A, Part I, Line 11h - Provide the following information about the supported organization(s).

(i) Name of Supported Organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section)	(iv) Is the organization in (i) listed in your governing document?		(v) Did you notify the organization in (i) of your support?		(vi) Is the organization in (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
ETMC - Athens	751854562	3	Yes			No		No	0
ETMC Healthcare Associates	752605821	9	Yes			No		No	0
ETMC Specialty Hospital	752547158	3	Yes			No		No	0
ETMC Home Services	752503960	9	Yes			No		No	0
ETMC Rehabilitation Hospital	752599215	3	Yes			No		No	0
ETMC Cancer Institute	751803329	3	Yes			No		No	0
ETMC - Tyler	751803325	3	Yes			No		No	0

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	**Employer identification number**
East Texas Medical Center Reg Healthcare	75-1803327

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ **Yes** ☑ **No**

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

	For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		360,000
j	Total Add lines 1c through 1i			360,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Part II-B, Line 1i	Part II-B, Line 1i - Other Activities Description	Amount represents payments to registered lobbyists, for lobbing services related to healthcare matters which impact the System's operations

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

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

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

	(a) Current year	(b) Prior year	(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

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		354,412,363	199,196,860	155,215,503
c Leasehold improvements		33,759,253	3,155,763	30,603,490
d Equipment		79,458,115	64,859,208	14,598,907
e Other		18,209,674	2,022,538	16,187,136
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				216,605,036

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

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

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

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

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

(a) Description	(b) Book value
See Additional Data Table	
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	297,178,707

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Rounding	2
Malpractice Costs	8,665,871
Due to Affiliates	295,582,525
Capital Lease Obligations	6,183,558
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	310,431,956

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

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Software ID: 12000229
Software Version: 2012v2.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	**(b)** Book value
(1) SIR Insurance Plan	7,830,188
(2) Partnership Investment	864,234
(3) P A Direct & Admin Exp Receivable	10,582,976
(4) Notes Receivable ETMCRH Services	29,552,526
(5) Lake Street RRG Asset	2,452,891
(6) Employee Health Account	3,236,160
(7) Due From Outside Entities	95,123
(8) Due From Leased Hospitals	206,476,227
(9) Deferred Bond Financing Costs	3,068,169
(10) CD Collaterlized From Paramedics Plus	1,756,185
(11) 2007 Debt Service	31,264,028

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Tyler Economic Develop Counci 315 N Broadway 3rd Floor Tyler,TX 75702			15,000	0			Donation

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 0

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

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
Grantmaker's Description of How Grants are Used		Senior management will review the needs and give approval to support a variety of agencies, service organziations and projects related to meeting health and human service needs for Tyler and East Texas, as well as those contributing to overall quality of life for the community Contributions were made in terms of financial and in-kind donations, agencies and organizations supported are non-profit

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☑ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	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			
	☑ Compensation committee	☐ Written employment contract		
	☐ Independent compensation consultant	☑ Compensation survey or study		
	☑ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**	Yes	
	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 accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		No

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
Sch J, Part I, Line 6b	Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	Schedule J, Part I, Line 6bFreddie Sanchez received incentive compensation based on net earnings of First Choice Management Services
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	Schedule J, Part I, Line 1aCountry club dues are paid for business purpose Any personal use is reimbursed by the employee

Additional Data

Return to Form

Software ID: 12000229
Software Version: 2012v2.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

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				
Stephen Rydzak MD	(I) (II)	459,391	148,648	2,678		610	611,327	
Robert Layton	(I) (II)	226,622		5,589		16,753	248,964	
Robert Hampton	(I) (II)	210,884		11,499		23,744	246,127	
Paula Anthony	(I) (II)	333,697		59,900		24,400	417,997	
Mike Thomas	(I) (II)	326,901		4,208		28,600	359,709	
Mike Gray	(I) (II)	302,496		13,668		26,353	342,517	
Kim Pearson-Wahl	(I) (II)	309,992		10,236		24,780	345,008	
Jerry Massey	(I) (II)	369,699		8,308		28,137	406,144	
Freddie Sanchez	(I) (II)	309,666	155,012	10,219		24,879	499,776	
Elmer G Ellis	(I) (II)	1,050,137		45,535		23,726	1,119,398	
Carroll Roge	(I) (II)	192,618		1,700		5,991	200,309	
Byron Hale	(I) (II)	511,011		11,290		25,756	548,057	

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.**

▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Tyler Health Facilities Development Corporation	52-1315814	902261HJ8	11-05-2007	283,017,726	Bond issues and finance health facilities		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	22,965,000			
2	Amount of bonds legally defeased				
3	Total proceeds of issue	284,478,785			
4	Gross proceeds in reserve funds	19,075,269			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows	173,177,531			
7	Issuance costs from proceeds	3,053,621			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	105,221,059			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2011			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?		X						
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?	X							
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X							

Part IV Arbitrage

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

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation
Supplemental Information	Part VI	Part II, Line 3Total Proceeds exceed the issue price due to investment earnings

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

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East Texas Medical Center Reg Healthcare

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75-1803327

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Donna Hale	Family Member	142,548	Employment at ETMCRHS		No
(2) Southside Bank	Dir as Bank Offic	428,362	Interest on Loans - ETMCRS		No
(3) Adams Coker PC	Family Member	299,142	Legal Services to ETMCRHS		No
(4) Robert Gray II	Family Member	70,373	Employment at ETMCRHS		No
(5) Elizabeth Smith	Family Member	150,656	Employment at ETMCRHS		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.

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2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

Identifier	Return Reference	Explanation
	Fundraising Expenses	
	Form 990 Part IV, Line 24b - Tax exempt bonds	Tax exempt bond proceeds designated for capital projects that remain beyond the temporary period exception due to construction delays were spent in FY 2011 These proceeds were invested in short-term liquid money market investments with yields less than the bond yields
	Audited Financial Statements	The organization was included in consolidated, independent audited financial statements for the tax year
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	Rounding = $1
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	ETMC Specialty Service income on sys books = $113234
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	Equity in Affiliates = $5230144
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	The organization's governing documents, conflict of interest policy and financial statements are provided upon request
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	Compensation for other officers and key employees are reviewed and approved by independent directors, after considering the results of a compensation survey of comparable positions at comparable entities The evaluation and determination process, as well as a description of the comparable information utilized, is documented in meeting minutes promptly following the conclusion of the meeting of the directors
Form 990, Part VI, Line 15a	Form 990, Part VI, Line 15a Compensation Review & Approval Process - CEO, Top Management	Compensation for the CEO, executive directors and top management is reviewed and approved by independent directors, after considering the results of a compensation survey of comparable positions at comparable entities The evaluation and determination process, as well as a description of the comparable information utilized, is documented in meeting minutes promptly following the conclusion of the meeting of the directors
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	The organization has a written conflict of interest policy for all employees, officers and trustees Annually all officers, key employees and trustees are required to complete a conflict of interest form disclosing any actual or potential conflict of interest with the organization Should any transaction arise that may create a conflict, the transaction is reviewed and appropriate measures are taken
Form 990, Part VI, Line 11b	Form 990, Part VI, Line 11b Form 990 Review Process	The return is prepared by our staff accountant and is reviewed by senior management It is then presented to the board for their review and comments The final return is provided to the board prior to filing
Form 990, Part VI, Line 7b	Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	ETMC Regional Healthcare System is the parent and sole member of the ETMC System affiliates and appoints certain members to the board
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	ETMC Regional Healthcare System is the parent and sole member of the ETMC System affiliates and appoints certain members to the board
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	ETMC Regional Healthcare System is the parent and sole member of the ETMC System affiliates and appoints certain members to the board
Form 990, Part VI, Line 2	Form 990, Part VI, Line 2 Description of Business or Family Relationship of Officers, Directors, Et	The following members of ETMC Regional Healthcare System are also board members of entities affiliated with ETMC Regional Healthcare System Elmer G Ellis, Byron Hale, B G Hartley, Larry Durrett, Ron Donaldson, M D , Stephen Rydzak, M D , Wade Ridley and James Wynne

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

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2012

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) ETMC Regional Health Services Inc 1000 South Beckham Ave Tyler, TX 75701 75-1925036	Health Services	TX	ETMCRHS	C Corp	171,282,710	71,454,455			No

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

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Software Version: 2012v2.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
ETMC Regional Health Services Inc	q	948,456	FMV
ETMC Regional Health Services Inc	p	4,005,924	FMV
ETMC Regional Health Services Inc	j	52,081	FMV
ETMC Regional Health Services Inc	a	2,136,927	FMV
FirstNet Exchange	q	236,400	FMV
FirstNet Exchange	j	11,256	FMV
ETMC - Quitman	q	735,843	FMV
ETMC - Quitman	j	61,965	FMV
ETMC - Pittsburg	q	1,284,353	FMV
ETMC - Pittsburg	j	93,404	FMV
ETMC - Trinity	q	440,687	FMV
ETMC - Trinity	j	65,796	FMV
ETMC - Mount Vernon	q	376,760	FMV
ETMC - Mount Vernon	j	200,389	FMV
ETMC - Jacksonville	q	1,581,856	FMV
ETMC - Jacksonville	j	434,069	FMV
ETMC - Henderson	q	1,063,883	FMV
ETMC - Gilmer	q	549,759	FMV
ETMC - Gilmer	j	122,745	FMV
ETMC - Fairfield	q	546,200	FMV
ETMC - Fairfield	j	88,509	FMV
ETMC - Crockett	q	1,115,952	FMV
ETMC - Crockett	j	503,377	FMV
ETMC - Clarksville	q	543,487	FMV
ETMC - Clarksville	j	77,259	FMV

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
ETMC - Carthage	q	940,983	FMV
ETMC - Carthage	j	146,423	FMV
ETMC - Athens	q	3,359,786	FMV
ETMC - Athens	j	405,251	FMV
ETMC - Healthcare Associates	q	6,708,911	FMV
ETMC - Healthcare Associates	j	1,949,599	
ETMC - Specialty Hospital	q	461,592	FMV
ETMC - Home Services	q	388,475	FMV
ETMC - Home Services	j	82,410	FMV
ETMC - Rehabilitation Hospital	q	1,541,508	FMV
ETMC - Rehabilitation Hospital	j	2,820,710	FMV
ETMC - Cancer Institute	q	53,876	FMV
ETMC - Cancer Institute	j	71,071	FMV
ETMC - Tyler	q	28,669,023	FMV
ETMC - Tyler	p	9,282	FMV
ETMC - Tyler	j	10,112,904	FMV

East Texas Medical Center Regional Healthcare System and Affiliates

Consolidated Financial Statements and Supplementary Information
October 31, 2013 and 2012

East Texas Medical Center
Regional Healthcare System and Affiliates
Index
October 31, 2013 and 2012

Independent Auditor's Report

To the Board of Directors of
East Texas Medical Center
Regional Healthcare System and Affiliates

We have audited the accompanying consolidated financial statements of East Texas Medical Center Regional Healthcare System and Affiliates (collectively, the "System"), which comprise the consolidated balance sheets as of October 31, 2013 and 2012, and the related consolidated statements of operations, of changes in net assets, and of cash flows for the years then ended

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System at October 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

PricewaterhouseCoopers LLP

February 27, 2014

East Texas Medical Center
Regional Healthcare System and Affiliates
Consolidated Balance Sheets
October 31, 2013 and 2012

(in thousands)	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 224,504	$ 200,723
Current portion of assets limited as to use	8,369	7,846
Patient accounts receivable, net	101,363	106,005
Estimated third party settlements	9,040	3,595
Supplies	15,227	14,936
Prepaid expenses and other	42,810	26,071
Total current assets	401,313	359,176
Assets limited as to use, net of current portion	49,950	68,616
Long-term investments	6,402	5,389
Property and equipment, net	496,106	494,455
Other assets	10,016	7,179
Total assets	$ 963,787	$ 934,815
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 79,822	$ 74,344
Current portion of long-term debt	26,454	23,359
Current portion of estimated malpractice costs	3,473	4,584
Deferred revenue	1,055	1,182
Total current liabilities	110,804	103,469
Estimated malpractice costs, net of current portion	5,193	3,423
Long-term debt, net of current portion	388,599	395,579
Accrued pension	22,640	56,582
Other liabilities	1,432	1,117
Total liabilities	528,668	560,170
Net assets		
Unrestricted	428,717	369,251
Temporarily restricted	3,378	2,370
Permanently restricted	3,024	3,024
Total net assets	435,119	374,645
Total liabilities and net assets	$ 963,787	$ 934,815

The accompanying notes are an integral part of the consolidated financial statements

East Texas Medical Center
Regional Healthcare System and Affiliates
Consolidated Statements of Operations
Years Ended October 31, 2013 and 2012

(in thousands)	2013	2012
Unrestricted revenue and other support		
Patients service revenue (net of contractual allowances and discounts)	$ 915,435	$ 951,794
Provisions for bad debt	(113,309)	(154,765)
Net patient service revenue less provisions for bad debt	802,126	797,029
Other revenue	169,282	145,080
Total revenue and other support	971,408	942,109
Expenses		
Salaries and wages	441,789	425,614
Employee benefits	100,246	101,397
Professional fees	44,542	46,278
Supplies and other expenses	211,775	212,591
Purchased services	68,983	66,010
Depreciation and amortization	62,634	57,830
Interest	20,469	20,028
Total expenses	950,438	929,748
Excess of revenue and other support over expenses	20,970	12,361
Defined benefit pension adjustment	38,496	(10,488)
Increase in unrestricted net assets	$ 59,466	$ 1,873

The accompanying notes are an integral part of the consolidated financial statements

East Texas Medical Center
Regional Healthcare System and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended October 31, 2013 and 2012

(in thousands)	2013	2012
Unrestricted net assets		
Excess of revenue and other support over expenses	$ 20,970	$ 12,361
Defined benefit pension adjustment	38,496	(10,488)
Increase in unrestricted net assets	59,466	1,873
Temporarily restricted net assets		
Contributions	1,071	394
Investment income	556	273
Net assets released from restriction	(619)	(1,343)
Increase (decrease) in temporarily restricted net assets	1,008	(676)
Changes in net assets	60,474	1,197
Net assets		
Beginning of year	374,645	373,448
End of year	$ 435,119	$ 374,645

The accompanying notes are an integral part of the consolidated financial statements

East Texas Medical Center
Regional Healthcare System and Affiliates
Consolidated Statements of Cash Flows
Years Ended October 31, 2013 and 2012

(in thousands)	2013	2012
Cash flows from operating activities		
Change in net assets	$ 60,474	$ 1,197
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	62,634	57,830
Net realized and unrealized losses (gains) on investments	(282)	44
Defined benefit pension adjustment	(38,496)	10,488
Restricted contributions	(1,071)	(394)
Restricted investment income	(556)	(273)
Changes in operating assets and liabilities		
Patient accounts receivable	4,642	(13,336)
Supplies	(291)	(39)
Prepaid expenses and other	(16,739)	4,212
Accounts payable and accrued expenses	5,041	3,472
Deferred revenue	(127)	(100)
Estimated malpractice costs	659	(79)
Estimated third party settlements	(5,445)	(2,716)
Other assets and liabilities	4,423	(1,982)
Net cash provided by operating activities	74,866	58,324
Cash flows from investing activities		
Capital expenditures	(48,915)	(57,004)
Purchases of investments and assets whose use is limited	(7,616)	(38,688)
Proceeds from sale of investments and assets whose use is limited	24,751	15,687
Net cash used in investing activities	(31,780)	(80,005)
Cash flows from financing activities		
Proceeds from issuance of notes and bonds payable	5,024	36,127
Principal payments on notes and bonds payable	(12,082)	(12,027)
Principal payments on capital lease obligations	(13,874)	(12,326)
Restricted contributions	1,071	394
Restricted investment income	556	273
Net cash (used in) provided by financing activities	(19,305)	12,441
Net increase (decrease) in cash and cash equivalents	23,781	(9,240)
Cash and cash equivalents		
Beginning of year	200,723	209,963
End of year	$ 224,504	$ 200,723
Supplemental disclosure of cash flow information		
Interest paid, net of amounts capitalized	$ 20,203	$ 18,981
Assets acquired through obligations under capital leases	17,047	15,747
Property and equipment purchases included in accounts payable	437	3,008

The accompanying notes are an integral part of the consolidated financial statements

1. Organization

East Texas Medical Center Regional Healthcare System ("System") is a corporation organized pursuant to the provisions of the Texas Nonprofit Corporation Act, and is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended The System operates as a central location for top management to support and guide the activities of the System's subsidiaries The System's subsidiaries are as follows

- East Texas Medical Center ("ETMC")
- East Texas Medical Center Athens ("Athens")
- East Texas Medical Center Carthage ("Carthage")
- East Texas Medical Center Clarksville ("Clarksville")
- East Texas Medical Center Crockett ("Crockett")
- East Texas Medical Center Fairfield ("Fairfield")
- East Texas Medical Center Foundation ("Foundation")
- East Texas Medical Center Gilmer ("Gilmer")
- East Texas Medical Center Healthcare Associates ("501A")
- East Texas Medical Center Henderson ("Henderson")
- East Texas Medical Center Home Services ("Home Services")
- East Texas Medical Center Jacksonville ("Jacksonville")
- East Texas Medical Center Mount Vernon ("Mount Vernon")
- East Texas Medical Center Pittsburg ("Pittsburg")
- East Texas Medical Center Quitman ("Quitman")
- East Texas Medical Center Regional Health Services, Inc ("Services") and Subsidiaries
  - Access Direct – A Preferred Provider Network, Inc ("Access Direct")
  - Centralized Credentialing Services, Inc ("Centralized Credentialing")
  - Healthfirst TPA, Inc ("TPA")
  - MM Solutions, Inc ("MM Solutions")
  - Paramedics Plus LLC ("Paramedics Plus")
- East Texas Medical Center Rehabilitation Hospital ("Rehab")
- East Texas Medical Center Specialty Hospital ("Specialty")
- East Texas Medical Center Trinity ("Trinity")
- FirstNet Exchange ("FirstNet")

Each of the above entities is exempt from federal income tax under the provisions of section 501(c) (3) of the Internal Revenue Code of 1986, as amended with the exception of Services and its subsidiaries

The System has locations throughout 19 East Texas counties The System's purpose is to provide high quality healthcare services to the residents of the region

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System and its wholly-owned subsidiaries All significant intercompany transactions have been eliminated

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Cash and Cash Equivalents
Cash and cash equivalents include investments in money market accounts with original maturities of three months or less when purchased, excluding amounts whose use is limited by board designation or restricted under bond agreements

Investments
All investments (including investments classified as assets whose use is limited) are presented in the financial statements at their fair value Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of disposition, or market values as of the end of the financial statement period

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the determination of excess of revenue and other support over expenses unless the income or loss is restricted by donor Investment income restricted for specified purposes by donor is recorded as temporarily restricted in the consolidated statements of changes in net assets Unrealized gains and losses on investments are excluded from the determination of the excess of revenue and other support over expenses unless the investments are trading securities

Net Patient Service Revenue
Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined Management believes the amounts recorded are adequate to provide for any final adjustments

The System participates in the Medicare and Medicaid programs Laws and regulations governing these programs are complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future The System's management believes that the System is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs

Other Revenue
Other revenue is recognized from services rendered for other than providing health care services to patients It primarily includes revenue recognized by the for-profit subsidiaries Also included in other revenue are proceeds from sales of cafeteria meals, sales at gift shops, or other service facilities operated by the System

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

Supplies
Supplies inventory is valued at the lower of cost or market on a first-in, first-out basis

Property and Equipment
Property and equipment acquisitions are recorded at cost Maintenance and repairs are charged to operations as incurred, major renewals and betterments are capitalized

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method Equipment under capital leases is amortized over the lease term or the estimated useful life of the equipment, whichever is shorter Charges for depreciation and amortization are included in the accompanying consolidated statements of operations The estimated useful lives of the property and equipment held by the System are as follows

	Useful Life
Land improvements	10–20 Years
Buildings	25–40 Years
Leasehold improvements	The shorter of the life of the lease or asset life, 5-15 Years
Major movable equipment	5–15 Years
Equipment under capital leases	5 Years
Automobiles and trucks	4 Years

During periods of construction, the System capitalizes interest costs, net of the related interest earnings, on certain assets constructed with the proceeds of the System's borrowings The capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's estimated useful life

Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the gain or loss is included in the statement of operations

Impairment of Long-lived Assets
Whenever events or changes in circumstances indicate that the carrying amount of property and equipment, intangibles related to specifically acquired assets or other long-lived assets may not be recoverable, an evaluation of the recoverability of currently recorded costs is performed Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell No impairments were recorded in 2013 or 2012

Intangible Assets
Intangible assets consist of goodwill related to the purchase of the stock or net assets of various entities and are included in other assets in the consolidated balance sheets The System applies the provisions of Accounting Standards Codification (ASC) 350, *"Goodwill and Other Intangible Assets"*, in accounting for its goodwill This standard ceased the amortization of goodwill, but requires impairment tests on at least an annual basis Annual impairment tests were performed as of the balance sheet dates in 2013 and 2012 TPA did not record an impairment loss in 2013 TPA recorded an impairment loss of approximately $1,547,000 for the year ended October 31, 2012 These losses are included in depreciation and amortization expense in the accompanying consolidated statement of operations

Donor Restricted Gifts
Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition has been substantially met Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of changes in net assets as net assets released from restriction Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations

Unrestricted Net Assets
Contributions and gifts which are received with no restrictions or specified uses identified by the grantors or donors are included as unrestricted revenue in the statement of operations of the System when received Certain unrestricted net assets have been earmarked by the board of directors for future capital expansion and other long-term purposes

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific period or purpose Temporarily restricted net assets are available for various healthcare activities and were approximately $3,378,000 and $2,370,000 at October 31, 2013 and 2012, respectively

Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity Permanently restricted net assets are held for the following purposes at October 31, 2013 and 2012

(in thousands)

Mobile mammography	$	1,596
Nursing education		1,230
Physical therapy		198
	$	3,024

Excess of Revenue and Other Support over Expenses
The statement of operations includes excess of revenue and other support over expenses Changes in unrestricted net assets which are excluded from excess of revenue and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments, changes in the defined benefit plan minimum liability, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

Deferred Financing Costs
Financing costs associated with the issuance of the Hospital Revenue Bonds have been capitalized and are being amortized over the period during which the debt is outstanding using the effective interest rate method Deferred financing costs are included in other assets in the consolidated balance sheets

Recognition of Professional Liability Expense
As described in Note 9, the System has established a self-insurance trust for payment of professional liability losses and related costs Professional liability expense is recognized based on an estimated accrual for known incidents and claims and an estimated accrual for incurred but not reported incidents

Recent Accounting Pronouncements
In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-11, *"Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities "* This ASU amends the disclosure requirements on offsetting as stated in Section 210-20-50 in order to more closely align the presentation of the financial statements prepared under the United States Generally Accepted Accounting Principles and those prepared under the International Financial Reporting Standards The amendments under this update require entities to disclose both gross and net information related to instruments and transactions subject to an agreement similar to a master netting arrangement The scope of this ASU applies to derivatives, sale and repurchase arrangements, reverse sale and repurchase arrangements, securities borrowing and securities lending arrangements The System has not evaluated all of the updated provisions, which are effective for fiscal year

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

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

In January 2013, the FASB issued ASU 2013-01, "*Balance Sheet (Topic 210) - Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities."* This ASU clarifies that the scope of ASU 2011-11 is limited to derivatives accounted for in accordance with Topic 815, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement The System has not yet evaluated the impact this ASU will have on its financial statements

3. Endowments

The System's endowment consists of approximately five individual donor restricted endowment funds established for a variety of healthcare related purposes The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds

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

Endowment net asset composition by type of fund as of October 31, 2013 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,420	$ 3,024	$ 4,444

Changes in endowment net assets for the year ended October 31, 2013 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ (5)	$ 923	$ 3,024	$ 3,942
Investment return				
Investment income	-	67	-	67
Net appreciation (realized and unrealized)	5	438	-	443
Total investment return	5	505	-	510
Appropriation of endowment assets for expenditure	-	(8)	-	(8)
Endowment net assets at end of year	$ -	$ 1,420	$ 3,024	$ 4,444

Endowment net asset composition by type of fund as of October 31, 2012 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (5)	$ 923	$ 3,024	$ 3,942

Changes in endowment net assets for the year ended October 31, 2012 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ (12)	$ 667	$ 3,024	$ 3,679
Investment return				
Investment income	-	39		39
Net appreciation (realized and unrealized)	7	226		233
Total investment return	7	265	-	272
Appropriation of endowment assets for expenditure	-	(9)		(9)
Endowment net assets at end of year	$ (5)	$ 923	$ 3,024	$ 3,942

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) follows

(in thousands)	October 31, 2013	October 31, 2012
Permanently restricted net assets		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 3,024	$ 3,024
Total endowment funds classified as permanently restricted net assets	$ 3,024	$ 3,024
Temporarily restricted net assets		
Term endowment funds	$ 1,420	$ 923
Total endowment funds classified as temporarily restricted net assets	$ 1,420	$ 923

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit) When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets Deficits of this nature reported in unrestricted net assets were approximately $0 and $5,000 as of October 31, 2013 and 2012, respectively These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent

Return Objectives and Risk Parameters
The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets Under this policy, the return objectives for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends) The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the Foundation determines the method to be used to appropriate endowment funds for expenditure The Foundation has a policy of preserving the original gift as an income producing investment only, with a long term goal of providing income from the invested funds for the purpose of funding one or more programs, as directed In establishing this policy, the Board established investment allocation targets and ranges to achieve a rate of return that would maintain real purchasing power over long periods of time

4. Charity Care

Of the System's $950 million and $930 million of total expenses reported in 2013 and 2012, respectively, an estimated $42 million and $37 million, respectively, arose from providing services to charity patients The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients The ratio of cost to charges is calculated based on total expenses divided by gross patient service revenue

5. Net Patient Service Revenue

Net patient service revenue for the years ended October 31, 2013 and 2012 is comprised of the following

(in thousands)	2013		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 785,970	$ 129,465	$ 915,435

(in thousands)	2012		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 780,812	$ 170,982	$ 951,794

The System maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The System assesses the reasonableness of the allowance account based on historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowances associated with its receivables The allowance for doubtful accounts for the years ended October 31, 2013 and 2012 was approximately $180,576,110 and $172,695,000, respectively

The System has agreements with third-party payors that provide for payments at amounts different from its established rates The amounts by which the established rates exceed the amounts recoverable from these payors are accounted for as deductions from revenue A summary of the System's payment arrangements with major third-party payors follows

- Medicare - Inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge ("PPS") These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services are reimbursed under a prospective payment methodology based on a system of ambulatory payment classifications ("APC") The System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary Any differences between final audited settlements and amounts accrued at the end of the prior reporting period are included in current operations Net patient service revenue for the years ended October 31, 2013 and 2012 was increased by approximately $4,816,000 and $1,923,000, respectively, related to changes in amounts previously estimated as a result of final settlements and revisions to cost report estimates Medicare cost reports have been audited by the fiscal intermediary through 2009 for Pittsburg and Tyler, through 2010 for Rehab hospital, through 2011 for Henderson, Jacksonville and Quitman, and through 2012 for Clarksville, Mount Vernon, Trinity, Specialty, Fairfield, Carthage, Athens, Crockett and Gilmer

  For the years ended October 31, 2013 and 2012, 45% and 50%, respectively, of total net patient service revenue resulted from the Medicare program

- Medicaid - Inpatient acute care services are reimbursed under the Medicaid PPS system and outpatient services are reimbursed under a cost reimbursement methodology The System's outpatient services are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary Any differences between final audited settlements and amounts accrued at the end of the prior reporting period are included in current operations Net patient service revenue for the years ended October 31, 2013 and 2012 was increased by approximately $212,000 and $1,139,000, respectively, related to changes in amounts previously estimated as a result of final settlements, revisions to cost report estimates, and Disproportionate Share Hospital and 1115 Waiver funds Medicaid cost reports have been audited by the fiscal intermediary through 2011 for Tyler, Pittsburg, Clarksville, Mount Vernon and Jacksonville and through 2012 for Trinity, Crockett, Athens, Fairfield, Gilmer, Carthage, Henderson and Quitman

  For the years ended October 31, 2013 and 2012, 15% and 12%, respectively, of total net patient service revenue resulted from the Medicaid program

- Other - The System has also entered into payment agreements with certain commercial insurance carriers 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 For the years ended October 31, 2013 and 2012, 18% and 16%, respectively, of total net patient service revenue resulted from commercial insurance carriers and preferred provider organizations

- Self Pay - The System has an uninsured patient policy covering all System hospitals Under the terms of this policy, a discount from hospital's established rates is made available to uninsured patients who do not qualify for charity care For both years ended October 31, 2013 and 2012, the uninsured patient discount rate was 60% The discounts given to self pay patients are accounted for as deductions from revenue

6. Investments

Assets Limited as to Use

Under Indenture Agreements

Assets limited as to use under indenture agreements are trust funds set up under the terms of bond indentures The System is required to maintain a debt service reserve fund at a minimum amount specified in the indenture agreement

Internally Designated for Capital Acquisition

Assets internally designated for capital acquisition represent funds set aside by the board of directors to fund future purchases of property and equipment

Self-insurance

Assets internally designated for self-insurance programs represent funds set aside by the board of directors to fund the System's self-insurance programs, including professional liability and health benefits

The fair value and composition of assets limited as to use at October 31, 2013 and 2012 are set forth below

(in thousands)	2013	2012
Assets limited as to use		
Internally designated for capital acquisition		
Cash	$ 1,756	$ 1,741
	1,756	1,741
Held by trustees under indenture agreements		
Cash and mutual funds	41,384	64,146
	41,384	64,146
Held by trustees for self-insurance		
Cash and mutual funds	7,631	6,233
Other governmental and municipal obligations	648	1,095
Corporate bonds and notes	6,900	3,247
	15,179	10,575
Total assets limited as to use	58,319	76,462
Less Assets limited as to use, required for current liabilities	8,369	7,846
Assets limited as to use, net of current portion	$ 49,950	$ 68,616

Long Term Investments
The fair values of investments at October 31, 2013 and 2012 are summarized as follows

(in thousands)	2013	2012
Investments		
Mutual funds	$ 2,370	$ 2,308
Marketable debt securities	660	730
Marketable equity securities	3,372	2,351
Total investments	$ 6,402	$ 5,389

Short-term investments consist primarily of cash awaiting reinvestment and money market funds Interest income and realized gains on the sale of investments, including assets limited as to use, are included in other revenue in the statement of operations and are comprised of the following for the years ended October 31, 2013 and 2012

(in thousands)	2013	2012
Income		
Interest income	$ 163	$ 126
Net realized gains on the sale of securities	5	4
Investment income	$ 168	$ 130

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 those changes could materially affect the amounts reported on the consolidated balance sheets and statements of operations

7. Property and Equipment

Property and equipment at October 31, 2013 and 2012 are summarized as follows

(in thousands)	2013	2012
Land and land improvements	$ 36,415	$ 36,251
Buildings	543,673	497,529
Leasehold improvements	39,507	34,407
Major moveable equipment	476,920	446,352
Equipment under capital leases	68,002	58,298
Automobiles and trucks	21,193	20,867
	1,185,710	1,093,704
Less Accumulated depreciation and amortization	(708,496)	(646,267)
	477,214	447,437
Equipment deposits and construction in progress	18,892	47,018
Property and equipment, net	$ 496,106	$ 494,455

Interest costs capitalized, net of the related interest earnings, was approximately $6,667,000 and $5,243,000 for the years ended October 31, 2013 and 2012, respectively

Depreciation and amortization expense for the years ended October 31, 2013 and 2012 was approximately $62,634,000 and $57,830,000, respectively Accumulated amortization for facilities and equipment under capital lease obligations was approximately $36,611,000 and $30,200,000 at October 31, 2013 and 2012, respectively

8. Other Assets

Other assets at October 31, 2013 and 2012 are summarized as follows

(in thousands)	2013	2012
Goodwill	$ 1,393	$ 1,608
Deferred financing costs, net of accumulated amortization of $930 and $739 in 2013 and 2012, respectively	4,672	4,863
Long-term benefit plan asset	544	127
Other assets	3,407	581
	$ 10,016	$ 7,179

9. Self-Insurance

The System is self-insured with respect to medical malpractice and general liability risk for claims up to $2 million per occurrence and $6 million in the aggregate per policy year 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 discounted at 2% The amount of the discount was approximately $540,000 and $495,000 at October 31, 2013 and 2012, respectively

The System has established a revocable trust fund for the payment of medical malpractice claim settlements Professional insurance consultants have been retained to assist the System with determining amounts to be deposited in the trust fund An actuarially determined accrual for possible losses attributable to incidents that may have occurred but have not been identified under the incident reporting system has been made The ultimate cost to settle all the asserted and unasserted claims against the System may vary, perhaps substantially, from the amounts recorded

The System is a nonsubscriber to the Texas Worker Compensation program, and as such, it is not subject to the requirements for providing worker compensation insurance to its employees The System does participate in a self-insurance program for the purpose of providing injury and lostwage benefits to employees The System administers the employee injury benefits plan and pays all claims out of operations The System accrues an estimated liability for possible losses for claims incurred but not reported

The System also participates in a self-insurance program for the purpose of providing group medical insurance to employees and their dependents A third party administrator administers the plan and the amounts funded have been placed in a self-insurance fund The System accrues an estimated liability for possible losses for claims incurred but not reported

10. Benefit Plans

The System maintains four noncontributory, tax-qualified defined benefit pension plans Benefits under the plans are frozen for all participants The plans' benefit formulas generally base payments to retired employees upon their length of service and a percentage of qualifying compensation during the final years of employment The System's funding policy is to make annual contributions to satisfy the Internal Revenue Service's funding standards Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future

The System uses an October 31 measurement date for its plans

The combined employee pension plans' obligations, plan assets and funded status as determined by the actuarial valuation at October 31, 2013 and 2012 are presented in the following table

(in thousands)	2013	2012
Change in benefit obligations		
Benefit obligations at beginning of year	$ 148,908	$ 130,377
Service cost	82	88
Interest cost	5,121	5,579
Actuarial (gain) loss	(19,060)	22,562
Benefits paid	(1,719)	(1,641)
Settlements	(9,949)	(8,057)
Benefit obligations at end of year	$ 123,383	$ 148,908
Change in plan assets		
Fair value of plan assets at beginning of year	$ 92,453	$ 82,076
Actual return on plan assets	17,889	9,365
Employer contributions	2,666	10,710
Benefits paid	(1,719)	(1,641)
Settlements	(9,949)	(8,057)
Fair value of plan assets at end of year	$ 101,340	$ 92,453
Funded status		
Accumulated benefit obligation at end of year	$ 123,383	$ 148,908
Projected benefit obligation at end of year	123,383	148,908
Fair value of plan assets	101,340	92,453
Funded status	$ (22,043)	$ (56,455)
Amounts not yet recognized as components of net periodic benefit cost		
Unrecognized net actuarial loss	$ 26,354	$ 64,851
Unrecognized prior service cost	-	-
	$ 26,354	$ 64,851
Amounts recognized in balance sheets		
Noncurrent asset (recorded in other assets)	$ 597	$ 127
Current liability (recorded in accounts payable and accrued expenses)	-	-
Noncurrent liability (recorded in accrued pension)	(22,640)	(56,582)
	$ (22,043)	$ (56,455)

	2013	2012
Net periodic benefit cost		
Service cost	$ 82	$ 88
Interest cost	5,121	5,579
Expected return on plan assets	(7,365)	(6,883)
Net loss	6,096	6,067
Settlements	2,815	3,526
Net periodic benefit cost	$ 6,749	$ 8,377
Other changes in plan assets and benefit obligations recognized as changes to unrestricted net assets		
Net loss	$ 29,585	$ 20,081
Amortization of net gain (loss)	8,911	(9,593)
Total change to unrestricted net assets	$ 38,496	$ 10,488
Amounts recognized in unrestricted net assets expected to be reflected in expense in next fiscal year		
Amortization of prior service cost	$ -	
Amortization of net loss/gain	2,004	
	$ 2,004	

Weighted-average assumptions used to determine benefit obligation at October 31 are as follows

	2013	2012
Discount rates	4 44 %	3 49 %
Rates of increase in compensation levels	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost at October 31 are as follows

	2013	2012
Discount rate	3 49 %	4 45 %
Expected long-term return on plan assets	8 00	8 00
Rate of compensation increase	N/A	N/A

The System determines the discount rate assumption by using a yield curve calculation for each plan For this purpose, the Citigroup Pension Discount Curve is utilized

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

Plan Assets

The following tables show the quantitative disclosures under ASC 820 regarding the fair value of the Defined Benefit Plan's investments as of October 31, 2013 and 2012

	2013 Fair Value Measurements			
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common collective trust				
Equity securities	$ -	$ 76,005	$ -	$ 76,005
Debt securities	-	22,295	-	22,295
Other	-	3,040	-	3,040
	$ -	$ 101,340	$ -	$ 101,340

	2012 Fair Value Measurements			
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common collective trust				
Equity securities	$ -	$ 68,415	$ -	$ 68,415
Debt securities	-	19,415	-	19,415
Other	-	4,623	-	4,623
	$ -	$ 92,453	$ -	$ 92,453

The System's pension plan weighted-average asset allocations held in the Texas Hospital Association Retirement Trust (THA Trust) at fair value at October 31, 2013 and 2012 by asset category are as follows

	2013	2012
Asset category		
Equity securities	75 %	74 %
Debt securities	22	21
Other	3	5
	100 %	100 %

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

The System's pension plan interest in the THA Trust is considered a Level 2 asset from the perspective of the plans, that is, its fair value is measurable with significant observable inputs for the years ended October 31, 2013 and 2012 All assets in the THA Trust are Level 1 assets from the perspective of the THA Trust, that is, the fair value of all THA Trust assets are measurable with quoted prices in active markets for identical assets

Contributions
The System plans to contribute approximately $327,000 to its qualified plans during 2014

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid

(in thousands)

2014	$ 6,330
2015	6,336
2016	6,317
2017	6,370
2018	7,155
2019–2022	34,613

Employee Defined Contribution Plan
The System maintains a defined contribution retirement plan covering all employees with one or more years of service Employee contributions are allowed based on a percentage of the employee's salary as defined by the plan document Participants are fully vested in their voluntary contributions plus actual earnings thereon Employee contributions are invested in various funds

held for qualified participants The System matches up to 3% of the employees' compensation Participants are fully vested in matching contributions after three years For the years ended October 31, 2013 and 2012, the System contributed approximately $6,035,000 and $5,711,000, respectively, to the defined contribution plan

11. Notes, Bonds Payable and Obligations under Capital Leases

Long-term obligations of the System consist of the following at October 31, 2013 and 2012

(in thousands)	2013	2012
Series 2007 A bonds payable with interest rates ranging from 5% to 5 37%, maturing through November 2037, collateralized by pledged revenues, deed of trust and security agreement	$ 260,900	$ 265,960
Series 2011 bonds payable with an interest rate of 6%, maturing through November 2041, collateralized by pledged revenues, deed of trust and security agreement	35,750	35,750
Revenue bonds with interest rates ranging from 5 5% to to 6 69%, maturing through November 2033, collateralized by pledged revenues, deed of trust and security agreement	34,555	35,310
Revenue bonds with interest rate of 2 25%, maturing through June 2021, collateralized by pledged revenues, deed of trust and security agreement	4,876	5,119
Series 2009 bonds payable with an interest rate of 6 25%, maturing through November 2019, collateralized by pledged revenues and security agreement	4,280	4,780
Notes payable with interest rates ranging from 3 3% to 6 75%, maturing through July 2022, collateralized by equipment, buildings and land	5,431	1,402
Note payable, due September 2019, payable monthly plus interest at 3 65%, collateralized by buildings and land	1,245	1,429
Note payable, due May 2021, payable monthly plus interest at 4 25%, collateralized by buildings and land	2,372	2,580
Note payable, due January 2027 payable monthly plus interest at 4 95%, collateralized by buildings and land	5,305	5,590
Note payable, due December 2013, payable monthly plus interest at 3 4%, collateralized by buildings and land	1,067	1,153
Note payable, due July 2016, payable monthly plus interest at 4 5%, collateralized by equipment	4,420	5,942
Note payable, due October 2015, payable monthly plus interest at 3 25%, collateralized by equipment	2,068	3,053
Note payable, due July 2019, payable monthly plus interest at 5 5%, collateralized by buildings and land	1,452	1,660
Note payable, due November 2034, payable monthly plus interest at 3 25%, collateralized by buildings and land	1,589	1,640
Note payable, due September 2024, payable monthly plus interest at 4 85%, collateralized by buildings and land	4,921	5,255
Note payable, due January 2014, payable monthly plus interest at 5%, collateralized by equipment	119	785
Obligations under capital leases	44,703	41,530
Total notes, bonds payable and obligations under capital leases	415,053	418,938
Less Current portion	26,454	23,359
Total notes, bonds payable and obligations under capital leases, net of current portion	$ 388,599	$ 395,579

Series 2007A Bonds
The $283,865,000 principal amount of Series 2007A Bonds were issued in November 2007 for the purposes of (1) to refund the System's Series 1993 A/B Bonds outstanding in the aggregate principal amount of $38,890,000, Series 1997 A, B, and C Bonds outstanding in the aggregate principal amount of $100,240,000, (2) to advance refund the System's Series 1997 D Bonds outstanding in the aggregate principal amount of $48,750,000, (3) to finance the acquisition, construction, and improvement or certain health facilities and equipment, and (4) to pay certain costs of issuance of the bonds

A portion of the Series 2007A Bonds is due each November 1, through 2037 The interest rate on the Series 2007A Bonds ranges from 5 0% to 5 375% As security to the bondholders, the System granted to the Bond Master Trustee, a deed of trust lien on and security interest in, certain real property and equipment, in Tyler, Athens and Jacksonville Additionally, the System granted to the Bond Master Trustee a security interest in all revenues and receipts of all of its subsidiary organizations

The Series 2007A Bonds are subject to optional redemption by the System, in whole or in part on November 1, 2017 or on any date thereafter at a redemption price equal to the principal amount to be redeemed plus accrued unpaid interest

Pittsburg Bonds
Series 2007, 2008, 2009 and 2009A Camp County ETMC Pittsburg Hospital Revenue Bonds in the aggregate principal amount of $37,000,000 were issued for the purpose of providing funds to construct and equip a new hospital facility in Pittsburg, Texas A portion of the bonds is due each November 1 through 2033 The interest rates range from 5 5% to 6 69% The bonds are collateralized in parity with the 2007A Bonds

Series 2009 Bonds
The $5,700,000 principal amount of Series 2009 Bonds were issued in June 2009 for the purpose of providing funds to construct and equip fifteen new electronic communication transmission towers in East Texas A portion of the bonds is due each November 1 through 2019 The initial interest rate is fixed at 6 25% for five years and then will be reset once at the prevailing rate not to exceed 7 85% The bonds may be redeemed in whole or in part at the option of the System on any date after November 1, 2014 at a redemption price equal to the principal amount to be redeemed plus accrued unpaid interest

Henderson Bonds
On September 9, 2009, the System assumed Henderson Memorial Hospital's Series 2006 Bonds The Series 2009A Henderson Note in the principal amount of $5,831,618 was issued to evidence the obligation of the System in connection with the Series 2006 Bonds On August 1, 2011, the System refinanced the bond A portion of the bond becomes due monthly, maturing June 1, 2021 The interest rate is variable, set at 70% of LIBOR plus 2 25% The interest rate at October 31, 2013 was 2 23% The note is collateralized in parity with the 2007A Bonds

Quitman Bonds
The $35,750,000 principal amount of Series 2011 Wood County Central Hospital District Revenue Bonds was issued for the purpose of providing funds to construct and equip a new hospital facility in Quitman, Texas A portion of the bonds become due beginning November 1, 2038 through 2041 The interest rate is 6% The bonds are collateralized in parity with the 2007A Bonds

Debt Covenants
The Series 2007A Bonds contain certain covenants which the System is required to meet The most significant of these covenants include a rate covenant, a capitalization covenant and a liquidity covenant

Under the rate covenant, the System is required to maintain a ratio of available revenues to maximum annual debt service requirements that is greater than 110% The capitalization covenant requires the System to maintain a ratio of debt to total capitalization of less than 70% The liquidity covenant requires the System to maintain a minimum of 65 days of unrestricted cash on hand The System was in compliance with the covenants at October 31, 2013

Long-Term Obligations Scheduled Repayments
Maturities of long-term debt and capital lease obligations are as follows

(in thousands)	Long-Term Debt	Capital Lease Obligations
Years Ending October 31,		
2014	$ 13,927	$ 13,838
2015	12,998	10,325
2016	11,189	7,525
2017	9,832	5,023
2018	10,580	2,752
Thereafter	311,824	8,740
Total long-term debt and capital lease obligations	370,350	48,203
Less Amount representing interest	-	(3,500)
Total capital lease obligations, net of interest	370,350	44,703
Less Current maturities	13,927	12,527
Total long-term debt and capital lease obligations, net of interest and current maturities	$ 356,423	$ 32,176

12. Lease Commitments

The System leases various equipment under operating leases expiring in various years Minimum rental commitments under operating leases having initial or remaining noncancelable terms of more than one year at October 31, 2013 are as follows

(in thousands)

2014	$ 13,182
2015	12,520
2016	12,017
2017	11,493
2018	10,600
Thereafter	5,309
Total future minimum lease payments	$ 65,121

Total rental expense for the years ended October 31, 2013 and 2012 was approximately $13,673,000 and $13,069,000, respectively, and is included in purchased services in the accompanying consolidated statements of operations

13. Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets at October 31, 2013 and 2012 for cash and cash equivalents, assets limited as to use, patient accounts receivable, supplies, prepaid expenses and other, long-term investments, accounts payable, accrued expenses and estimated third party settlements approximate their fair value

The fair value of the System's long-term debt at October 31, 2013 and 2012 is as follows

	2013		2012	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 415,053	$ 380,243	$ 418,938	$ 382,637

The fair value of the System's long-term debt is estimated using discounted cash flow analyses, based on the current incremental borrowing rates for similar types of borrowing arrangements

ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) The three levels of the fair value hierarchy under ASC 820 are described below

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the System has the ability to access

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in inactive markets,
- Inputs other than quoted prices that are observable for the asset or liability, and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement Valuation techniques used need to maximize the use of unobservable inputs

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

The table below presents the assets and liabilities measured at fair value on a recurring basis at October 31, 2013 and 2012, categorized by the level of inputs used in valuation of each asset

	2013 Fair Value Measurements			
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash	$ 224,504	$ -	$ -	$ 224,504
Assets limited as to use				
Money market funds	50,771	-	-	50,771
US government bonds	648	-	-	648
Corporate bonds	-	6,900	-	6,900
Long-term investments				
Money market funds	2,370	-	-	2,370
Fixed income	-	660	-	660
Equities	-	3,372	-	3,372
Total assets at fair value	$ 278,293	$ 10,932	$ -	$ 289,225
Liabilities				
Interest rate swap	$ -	$ 754	$ -	$ 754
Total liabilities at fair value	$ -	$ 754	$ -	$ 754

(in thousands)	2012 Fair Value Measurements: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash	$ 200,723	$ -	$ -	$ 200,723
Assets limited as to use				
Money market funds	72,120	-	-	72,120
US government bonds	1,095	-	-	1,095
Corporate bonds	-	3,247	-	3,247
Long-term investments				
Money market funds	2,308	-	-	2,308
Fixed income	-	730	-	730
Equities	-	2,351	-	2,351
Total assets at fair value	$ 276,246	$ 6,328	$ -	$ 282,574
Liabilities				
Interest rate swap	$ -	$ 1,031	$ -	$ 1,031
Total liabilities at fair value	$ -	$ 1,031	$ -	$ 1,031

As of October 31, 2013, the System maintains a swap with a notional amount of $4,876,000 that is set to expire on June 1, 2021 The liability was recorded within other liabilities and the related change in value of approximately $277,000 was recorded in other revenue within the accompanying consolidated statement of operations The System measures the interest rate swap at fair value on a recurring basis The fair value of the interest rate swap is based primarily on quotes from banks

14. Income Taxes

The System has income from certain affiliated organizations and operations which are taxable for federal and state income tax purposes The following entities are included in the consolidated group East Texas Medical Regional Health Services, Inc , Centralized Credentialing Services, Inc , Healthfirst TPA, Inc , Graphics Plus, First Choice Management Services, Access Direct, MM Solutions, Inc , Paramedics Plus LLC and Health Benefit Network These subsidiaries follow ASC 740, *Accounting for Income Taxes*, which requires an asset and liability approach for financial accounting and reporting of income taxes At October 31, 2013 and 2012, a deferred tax liability of approximately $395,000 and $1,837,000, respectively, exists which is mainly attributable to the temporary differences in property and equipment As of October 31, 2013 and 2012, the System had taxes payable of $44,000 and prepaid taxes of $5,576,000, respectively In addition, the System recorded an income tax benefit related to its taxable operations of approximately $(780,000) and $(4,097,000) for the years ended October 31, 2013 and 2012, respectively The 2013 and 2012 benefit relate primarily to federal income tax These amounts are reflected in supplies and other expenses in the accompanying consolidated statements of operations

As of October 31, 2013, ETMC had no unrecognized tax benefits ETMC files tax returns in the U S federal jurisdiction, Texas, Florida, Indiana, California and Oklahoma ETMC is generally no longer subject to U S federal, state and local income tax examinations by tax authorities for years prior to October 31, 2009 The System's policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense

15. Hospital Operating Agreements

The System leases the land and buildings operated by certain of its affiliated entities Substantially all leased premises and improvements revert back to the lessors upon expiration of the leases The net book value of the leased premises and improvements totaled approximately $180,972,000 and $137,706,000 at October 31, 2013 and 2012, respectively

Capital Lease Agreements

East Texas Medical Center Athens

On January 1, 1983, Athens leased all land, buildings, improvements and equipment from the Henderson County Hospital Authority ("HCHA"), who had leased it from Henderson County, Texas The lease term is for thirty years with a provision for six additional ten-year extension options which may be exercised by Athens by giving six months notice prior to the initial lease term or any renewal term Athens exercised three of the ten-year extension options in November 2005, extending the lease to December 31, 2042

East Texas Medical Center Pittsburg

On December 1, 1983, Pittsburg leased all land, buildings, improvements, and equipment from the Camp County, City of Pittsburg, Texas, Hospital Board for an initial term of ten years with a provision for two additional ten-year automatic extensions On December 1, 2007, Pittsburg entered into a new lease with Camp County, Texas The new lease expires on October 31, 2037

East Texas Medical Center Mount Vernon

On November 1, 1988, Mount Vernon leased all land, buildings, improvements, and equipment from Franklin County, Texas, for an initial term of three years, which expired October 31, 1991 Subsequent leases were entered into which have expired On November 1, 2012, a new lease was entered into for an initial term of five years The lease includes a provision for a five year extension upon 180 days written notice

Under the terms of the lease agreement, Franklin County has agreed to subsidize Mount Vernon in all its efforts and work under the lease agreement and for maintaining the emergency room in the Hospital. The County's subsidy approximates $150,000 per year.

East Texas Medical Center Crockett

On July 1, 1995, Crockett leased all land, buildings, improvements, and equipment from Houston County Hospital District for an initial term of 20 years expiring June 30, 2015 The lease includes a provision for four additional five-year extensions that are automatic unless 180 days written notice is given by Crockett

East Texas Medical Center Clarksville

On April 1, 1996, Clarksville leased substantially all land, buildings and equipment from the Red River General Hospital Authority for an initial term of ten years with a provision for five-year extensions that are automatic unless 90 days written notice is given by Clarksville The second automatic extension commenced on April 1, 2011 extending the lease to March 31, 2016 Such lease requires the performance of certain covenants including but not limited to the requirement of Clarksville to spend an average of $350,000 per year, effective April 1, 1998, to make upgrades and improvements to the hospital Management believes all requirements have been met as of October 31, 2013

East Texas Medical Center Fairfield
On April 1, 1998, Fairfield leased substantially all land, buildings and equipment from Fairfield Hospital District for an initial term of ten years with a provision for four additional ten-year extensions that are automatic unless 365 days written notice is given by Fairfield The first ten-year extension commenced on April 1, 2008 extending the lease to March 31, 2018

East Texas Medical Center Quitman
On June 1, 1998, Quitman leased substantially all land, buildings and equipment from Wood County Central Hospital District for an initial term of ten years with a provision for four additional ten-year extensions that were automatic On November 1, 2011, Quitman entered into a new lease with Wood County Central Hospital District The lease expires on November 1, 2051 with a provision for one ten-year extension which may be exercised by Quitman by giving twenty-four months notice

Lease obligations related to these capital leases are included in obligations under capital leases disclosed in Note 11

Operating Lease Agreements
East Texas Medical Center Trinity
On August 1, 1997, Trinity leased substantially all land, buildings and equipment from the Trinity Memorial Hospital District for an initial term of ten years with a provision for four additional ten-year extensions that are automatic unless 180 days written notice is given by Trinity The second ten-year extension was exercised in February 2008, extending the lease to August 1, 2027

East Texas Medical Center Carthage
On December 1, 1997, Carthage leased substantially all land, buildings and equipment from Panola County, Texas, for an initial term of ten years with a provision for two additional ten-year extensions that are automatic unless 365 days written notice is given by Carthage The first of the ten-year extensions became effective on December 1, 2007 Such lease requires the performance of certain covenants including but not limited to new purchases and upgrades at the hospital in the amount of approximately $250,000 per year During fiscal years 2013 and 2012, new purchases and upgrades were approximately $1,107,000 and $306,000, respectively

East Texas Medical Center Henderson
On June 1, 2009, Henderson leased substantially all land, buildings, and equipment from Henderson Memorial Hospital for an initial term of fifteen years, expiring May 31, 2024 The lease includes provision for four additional five-year extensions that are automatic unless 180 days written notice is given by Henderson Such lease requires the performance of certain covenants including but not limited to new purchases and upgrades at the hospital in the amount of approximately $15 million within the first four years This requirement was met by June 1, 2013

Lease obligations related to these operating leases are included in minimum rental commitments disclosed in Note 12

16. Commitments and Contingencies

Litigation

Malpractice claims have been asserted against the System by various claimants The claims are in various stages and some may ultimately be brought to trial The System, with the assistance of its professional insurance consultants, has considered these claims in arriving at the accrual for self-insured malpractice and general liability claims asserted and incurred but not reported This estimated liability is subject to change in future years as additional information becomes available prior to ultimate settlement

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

Credit Risks

Financial instruments that potentially subject the System to concentration of credit risk consist of cash and cash equivalents and patient accounts receivable Cash and cash equivalents used in operations consist primarily of cash in financial institution checking accounts and cash held by trustees under self insurance funding arrangements and indenture agreements U S Treasury obligations and investments in money market mutual funds are also held by trustees under self insurance funding arrangements and indenture agreements

At October 31, 2013 and 2012, the System had deposits in a major financial institution that exceeded Federal Deposit Insurance Corporation insurance limits Management believes that credit risk related to these deposits is minimal

The System is located in Tyler, Texas, and operates in the surrounding east Texas area The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The composition of net patient accounts receivable at October 31, 2013 and 2012 is as follows

	2013	2012
Medicare	38 %	20 %
Medicaid	6	3
Blue Cross	11	17
Other third-party payors	45	60
	100 %	100 %

17. Related Party Transactions

The System maintains cash deposits and has debt outstanding with a financial institution An officer of the financial institution is a director of the System

18. Functional Expenses

The System provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended October 31, 2013 and 2012 are as follows

(in thousands)	2013	2012
Healthcare services	$ 855,488	$ 826,781
General and administrative	94,950	102,967
	$ 950,438	$ 929,748

19. Subsequent Events

The System has performed an evaluation of subsequent events through February 27, 2014, which is the date the financial statements were issued There were no material subsequent events requiring financial statement disclosure

Report of Independent Auditors
on Accompanying Consolidating Information

To the Board of Directors of
East Texas Medical Center
Regional Healthcare System and Affiliates

We have audited the consolidated financial statements of East Texas Medical Center Regional Healthcare System and Affiliates (collectively, the "System") as of October 31, 2013, and for the year then ended and our report thereon appears on page one of this document That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies

PricewaterhouseCoopers LLP

February 27, 2014

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Balance Sheet
October 31, 2013

(in thousands)	System	ETMC	Athens	Carthage	Clarksville	Crockett	Fairfield	Gilmer	Henderson	Jacksonville	Mt Vernon	Pittsburg
Balance Sheet												
Current assets												
Cash and cash equivalents	$ 3,986	$ 142,593	$ 10,109	$ 5,683	$ 2,479	$ 1,911	$ 5,775	$ 1,539	$ 409	$ 1,073	$ 964	$ 4,183
Current portion of assets limited as to use	6,710	-	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for doubtful accounts	-	50,214	6,766	2,063	820	1,499	1,361	1,144	2,293	3,272	713	3,550
Estimated third party settlements	-	3,322	(385)	286	684	-	(125)	(46)	1,494	137	112	703
Supplies	-	7,643	1,940	428	221	562	265	183	520	254	188	553
Prepaid expenses and other	3,680	3,378	15,559	207	81	165	970	91	281	662	83	161
Total current assets	14,376	207,150	33,989	8,667	4,285	4,137	8,246	2,911	4,997	5,398	2,060	9,150
Assets limited as to use, net of current portion	39,830	659	-	-	-	-	-	-	-	-	-	1,873
Long-term investments	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	216,604	54,245	37,152	4,886	3,030	7,480	15,928	2,206	28,500	23,191	1,656	35,761
Other assets	215,589	258,486	51,194	987	(35)	716	-	-	14	51	-	959
Total assets	$ 486,399	$ 520,540	$ 122,335	$ 14,540	$ 7,280	$ 12,333	$ 24,174	$ 5,117	$ 33,511	$ 28,640	$ 3,716	$ 47,743
Liabilities and Net Assets												
Current liabilities												
Accounts payable and accrued expenses	$ 19,276	$ 24,814	$ 7,361	$ 1,352	$ 499	$ 1,199	$ 935	$ 555	$ 1,188	$ 1,637	$ 337	$ 2,164
Current portion of long-term debt	13,860	6,119	1,221	92	193	150	277	-	913	236	92	1,388
Current portion of estimated malpractice costs	3,473	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	869	-	-	-	-	-	-	-	-	-	-
Total current liabilities	36,609	31,802	8,582	1,444	692	1,349	1,212	555	2,101	1,873	429	3,552
Estimated malpractice costs, net of current portion	5,193	-	-	-	-	-	-	-	-	-	-	-
Long-term debt, net of current portion	282,238	21,596	437	-	4,100	81	1,298	-	5,914	116	250	33,924
Accrued pension	-	19,479	2,907	-	-	-	-	-	-	-	254	-
Other liabilities	260,629	485	52,154	(3,246)	(6,606)	2,620	331	21,773	38,682	70,858	9,221	12,571
Total liabilities	584,669	73,362	64,080	(1,802)	(1,814)	4,050	2,841	22,328	46,697	72,847	10,154	50,047
Net assets												
Unrestricted	(98,270)	447,178	58,255	16,342	9,094	8,283	21,333	(17,211)	(13,186)	(44,207)	(6,438)	(2,304)
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-
Total net assets	(98,270)	447,178	58,255	16,342	9,094	8,283	21,333	(17,211)	(13,186)	(44,207)	(6,438)	(2,304)
Total liabilities and net assets	$ 486,399	$ 520,540	$ 122,335	$ 14,540	$ 7,280	$ 12,333	$ 24,174	$ 5,117	$ 33,511	$ 28,640	$ 3,716	$ 47,743

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Balance Sheet
October 31, 2013

(in thousands)	Quitman	Rehab Center	Specialty	Trinity	501A	Foundation	FirstNet Exchange	Home Services	ETMCRH Services	Eliminations	Total Combined System
Balance Sheet											
Current assets											
Cash and cash equivalents	$ 3,701	$ 6,413	$ 5,332	$ 3,513	$ (478)	$ 2,757	$ 233	$ 2,154	$ 20,175	$ -	$ 224,504
Current portion of assets limited as to use	-	-	-	-	-	-	-	-	1,659		8,369
Patient accounts receivable, net of allowance for doubtful accounts	2,480	2,938	2,575	538	7,330	-	-	1,744	10,192	(129)	101,363
Estimated third party settlements	2,820	-	-	38	-	-	-	-	-		9,040
Supplies	416	162	164	227	-	-	-	27	1,474		15,227
Prepaid expenses and other	173	25	17	61	2,964	-	-	106	16,761	(2,615)	42,810
Total current assets	9,590	9,538	8,088	4,377	9,816	2,757	233	4,031	50,261	(2,744)	401,313
Assets limited as to use, net of current portion	4,581	-	-	-	-	-	-	-	3,007		49,950
Long-term investments	-	-	-	-	-	6,402	-	-	-		6,402
Property and equipment, net	32,920	761	187	13,660	-		91	54	17,794		496,106
Other assets	1,391	186	-	375	-	2	-	-	392	(520,291)	10,016
Total assets	$ 48,482	$ 10,485	$ 8,275	$ 18,412	$ 9,816	$ 9,161	$ 324	$ 4,085	$ 71,454	$ (523,035)	$ 963,787
Liabilities and Net Assets											
Current liabilities											
Accounts payable and accrued expenses	$ 2,055	$ 1,609	$ 570	$ 505	$ 2,753	$ -	$ 24	$ 574	$ 13,159	$ (2,744)	$ 79,822
Current portion of long-term debt	215	-	-	287	-	-	-	-	1,411		26,454
Current portion of estimated malpractice costs	-	-	-	-	-	-	-	-	-		3,473
Deferred revenue	-	-	-	-	-	-	-	-	186		1,055
Total current liabilities	2,270	1,609	570	792	2,753	-	24	574	14,756	(2,744)	110,804
Estimated malpractice costs, net of current portion	-	-	-	-	-	-	-	-	-		5,193
Long-term debt, net of current portion	36,024	-	-	403	-	-	-	-	43,825	(41,607)	388,599
Accrued pension	-	-	-	-	-	-	-	-	-		22,640
Other liabilities	4,954	(31,092)	(21,453)	9,164	50,971	13	(3)	(813)	260	(470,041)	1,432
Total liabilities	43,248	(29,483)	(20,883)	10,359	53,724	13	21	(239)	58,841	(514,392)	528,668
Net assets											
Unrestricted	5,234	39,968	29,158	8,053	(43,908)	2,746	303	4,324	12,613	(8,643)	428,717
Temporarily restricted	-	-	-	-	-	3,378	-	-	-		3,378
Permanently restricted	-	-	-	-	-	3,024	-	-	-		3,024
Total net assets	5,234	39,968	29,158	8,053	(43,908)	9,148	303	4,324	12,613	(8,643)	435,119
Total liabilities and net assets	$ 48,482	$ 10,485	$ 8,275	$ 18,412	$ 9,816	$ 9,161	$ 324	$ 4,085	$ 71,454	$ (523,035)	$ 963,787

East Texas Medical Center Regional Health Services and Subsidiaries
Consolidating Balance Sheet
October 31, 2013

(in thousands)	Services	Access Direct	Centralized Credentialing	TPA	MM Solutions	Paramedics	Elimination Entry	Services Combined
Balance Sheet								
Current assets								
Cash and cash equivalents	$ 6,742	$ 203	$ 181	$ 3,261	$ 180	$ 9,608	$ -	$ 20,175
Current portion of assets limited as to use	-	-	-	-	-	1,659	-	1,659
Patient accounts receivable, net of allowance for doubtful accounts	186	9	89	3,037	90	6,781	-	10,192
Estimated third party settlements	-	-	-	-	-	-	-	-
Supplies	1,025	-	-	-	-	449	-	1,474
Prepaid expenses and other	32	-	11	267	33	16,418	-	16,761
Total current assets	7,985	212	281	6,565	303	34,915	-	50,261
Assets limited as to use, net of current portion	-	-	-	-	-	3,007	-	3,007
Long-term investments	-	-	-	-	-	-	-	-
Property and equipment, net	121	20	17	376	8	17,252	-	17,794
Other assets	52,276	-	-	(480)	-	-	(51,404)	392
Total assets	$ 60,382	$ 232	$ 298	$ 6,461	$ 311	$ 55,174	$ (51,404)	$ 71,454
Liabilities and Net Assets								
Current liabilities								
Accounts payable and accrued expenses	$ 1,164	$ 39	$ 36	$ 1,883	$ 118	$ 9,919	$ -	$ 13,159
Current portion of long-term debt	-	-	-	-	-	1,411	-	1,411
Current portion of estimated malpractice costs	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	186	-	-	-	186
Total current liabilities	1,164	39	36	2,069	118	11,330	-	14,756
Estimated malpractice costs, net of current portion	-	-	-	-	-	-	-	-
Long-term debt, net of current portion	41,607	-	-	-	-	2,218	-	43,825
Accrued pension	-	-	-	-	-	-	-	-
Other liabilities	(13,968)	(635)	(328)	6,138	(41)	23,422	(14,328)	260
Total liabilities	28,803	(596)	(292)	8,207	77	36,970	(14,328)	58,841
Net assets								
Unrestricted	31,579	828	590	(1,746)	234	18,204	(37,076)	12,613
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	31,579	828	590	(1,746)	234	18,204	(37,076)	12,613
Total liabilities and net assets	$ 60,382	$ 232	$ 298	$ 6,461	$ 311	$ 55,174	$ (51,404)	$ 71,454

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Statement of Operations
Year Ended October 31, 2013

(in thousands)	System	ETMC	Athens	Carthage	Clarksville	Crockett	Fairfield	Gilmer	Henderson	Jacksonville	Mt Vernon	Pittsburg
Income statement												
Unrestricted revenue and other support												
Patients service revenue (net of contractual allowances and discounts)	$ -	$ 448,373	$ 92,080	$ 27,324	$ 7,012	$ 16,925	$ 15,627	$ 10,530	$ 24,474	$ 34,171	$ 6,759	$ 29,291
Provisions for bad debt	-	(61,264)	(12,254)	(4,875)	1,524	(1,957)	(2,241)	(1,986)	(1,307)	(5,299)	(394)	(1,793)
Net patient service revenue less provisions for bad debt	-	387,109	79,826	22,449	8,536	14,968	13,386	8,544	23,167	28,872	6,365	27,498
Other revenue	83,831	17,709	2,530	1,230	1,651	1,502	4,068	1,511	2,261	2,376	1,979	1,822
Total revenue and other support	83,831	404,818	82,356	23,679	10,187	16,470	17,454	10,055	25,428	31,248	8,344	29,320
Expenses												
Salaries and wages	25,109	136,061	24,568	8,091	4,100	7,207	4,186	3,997	8,939	10,761	2,748	9,115
Employee benefits	4,545	37,742	6,279	2,014	1,227	1,690	931	953	2,184	2,431	822	2,498
Professional fees	7,351	31,023	6,640	3,567	861	2,045	2,480	1,700	4,721	4,797	1,343	3,133
Supplies and other expenses	14,220	141,099	24,858	5,391	2,736	4,234	3,615	2,019	6,230	8,440	1,472	5,733
Purchased services	8,075	29,814	3,224	1,663	1,230	1,777	1,122	1,188	2,441	2,858	732	2,392
Depreciation and amortization	19,769	14,010	5,280	1,078	697	1,039	1,668	631	2,554	2,266	353	3,917
Interest	5,177	7,221	2,612	36	23	94	92	-	420	1,434	17	2,189
Total expenses	84,246	396,970	73,461	21,840	10,874	18,086	14,094	10,488	27,489	32,987	7,487	28,977
Excess of revenue and other support over expenses	(415)	7,848	8,895	1,839	(687)	(1,616)	3,360	(433)	(2,061)	(1,739)	857	343
Defined benefit pension adjustment	-	32,026	5,328	-	-	-	-	-	-	-	585	557
Increase in unrestricted net assets	$ (415)	$ 39,874	$ 14,223	$ 1,839	$ (687)	$ (1,616)	$ 3,360	$ (433)	$ (2,061)	$ (1,739)	$ 1,442	$ 900

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Statement of Operations
Year Ended October 31, 2013

(in thousands)	Quitman	Rehab Center	Specialty	Trinity	Cancer Institute	501A	Foundation	FirstNet Exchange	Home Services	ETMCRH Services	Eliminations	Combined System
Income statement												
Unrestricted revenue and other support												
Patients service revenue (net of contractual allowances and discounts)	$ 19 980	$ 22 880	$ 20 314	$ 9 086	$ 781	$ 71 387	$ -	$ -	$ 10 524	$ 47 917	$ -	$ 915 435
Provisions for bad debt	(2 371)	-	-	(2 164)	(41)	(16 837)	-	-	(50)	-		(113 309)
Net patient service revenue less provisions for bad debt	17 609	22 880	20 314	6 922	740	54 550	-	-	10 474	47 917	-	802 126
Other revenue	(427)	5 236	3	2 701	34	38 146	676	492	41	123 366	(123 456)	169 282
Total revenue and other support	17 182	28 116	20 317	9 623	774	92 696	676	492	10 515	171 283	(123 456)	971 408
Expenses												
Salaries and wages	5 843	12 988	5 599	3 607	266	66 695	-	-	6 344	95 565		441 789
Employee benefits	1 526	2 437	966	904	53	6 405	-	-	1 179	23 460		100 246
Professional fees	1 707	322	130	1 491	53	3 048	-	26	75	4 343	(36 314)	44 542
Supplies and other expenses	4 550	6 744	4 174	1 738	164	14 100	655	11	1 429	31 432	(73 269)	211 775
Purchased services	1 526	2 731	4 748	890	193	2 448	26	334	374	10 933	(11 736)	68 983
Depreciation and amortization	1 361	335	96	1 061	63	-	-	11	34	6 411		62 634
Interest	645	-	-	29	23	-	-	-	-	2 594	(2 137)	20 469
Total expenses	17 158	25 557	15 713	9 720	815	92 696	681	382	9 435	174 738	(123 456)	950 438
Excess of revenue and other support over expenses	24	2 559	4 604	(97)	(41)	-	(5)	110	1 080	(3 455)	-	20 970
Defined benefit pension adjustment	-	-	-	-	-	-	-	-	-	-		38 496
Increase in unrestricted net assets	$ 24	$ 2 559	$ 4 604	$ (97)	$ (41)	$ -	$ (5)	$ 110	$ 1 080	$ (3 455)	$ -	$ 59 466

East Texas Medical Center Regional Health Services and Subsidiaries
Consolidating Statement of Operations
Year Ended October 31, 2013

(in thousands)	Services	Access Direct	Centralized Credentialing	TPA	MM Solutions	Paramedics Plus	Elimination Entry	Combined
Income statement								
Unrestricted revenue and other support								
Patients service revenue (net of contractual allowances and discounts)	$ -	$ -	$ -	$ -	$ -	$ 47,917	$ -	$ 47,917
Provisions for bad debt	-	-	-	-	-	-	-	-
Net patient service revenue less provisions for bad debt	-	-	-	-	-	47,917	-	47,917
Other revenue	4,309	690	702	12,436	1,620	100,722	2,887	123,366
Total revenue and other support	4,309	690	702	12,436	1,620	148,639	2,887	171,283
Expenses								
Salaries and wages	1,766	105	244	3,963	754	88,733	-	95,565
Employee benefits	481	63	103	1,013	180	21,620	-	23,460
Professional fees	536	70	124	(756)	180	4,189	-	4,343
Supplies and other expenses	1,862	66	117	5,340	212	23,835	-	31,432
Purchased services	312	212	64	1,286	325	8,734	-	10,933
Depreciation and amortization	36	3	1	390	7	5,974	-	6,411
Interest	1,408	-	2	150	4	1,030	-	2,594
Total expenses	6,401	519	655	11,386	1,662	154,115	-	174,738
Excess of revenue and other support over expenses	(2,092)	171	47	1,050	(42)	(5,476)	2,887	(3,455)
Defined benefit pension adjustment	-	-	-	-	-	-	-	-
Increase in unrestricted net assets	$ (2,092)	$ 171	$ 47	$ 1,050	$ (42)	$ (5,476)	$ 2,887	$ (3,455)