



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Part IIISTatement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1

Briefly describe the organization’s mission

TO IMPROVE THE HEALTHCARE OF THE COMMUNITIES WE SERVE BY PROVIDING PATIENT FOCUSED, HIGH QUALITY, COST-EFFECTIVE SERVICES WHILE PROMOTING HEALTH AND WELLNESS

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 172,794,814 including grants of \$ 200,289) (Revenue \$ 230,171,174)

THE HOSPITALS' PRIMARY PROGRAM ACTIVITY IS THE PROVISION OF PATIENT CARE THE HOSPITALS PROVIDED NURSING CARE IN THE AREAS OF MEDICAL, POST-SURGICAL, PSYCHIATRIC, CRITICAL CARE, INTERMEDIATE CARE, LABOR AND DELIVERY, POST PARTUM, NURSERY, PEDIATRICS AND WOUND OSTOMY CARE THE UTILIZATION DATA INCLUDES 16,610 ADULT AND PEDIATRIC ADMISSIONS, 77,052 PATIENT DAYS, 2,115 BIRTHS, AND 79,936 EMERGENCY ROOM VISITS THE HOSPITALS ALSO PROVIDED SURGICAL SERVICES TO 16,288 PATIENTS, WHICH INCLUDED 2,549 INPATIENTS, 5,869 OUTPATIENTS AND 7,870 ENDOSCOPY PATIENTS IMAGING SERVICES PROVIDED BY THE HOSPITALS INCLUDED 90,317 DIAGNOSTIC RADIOLOGY PROCEDURES, 29,596 PET/CT SCANS, 2,984 NUCLEAR MEDICINE PROCEDURES, 18,458 ULTRASOUNDS, 6,329 MRI SCANS, AND 11,310 MAMMOGRAMS

4b

(Code) (Expenses \$ 877,964 including grants of \$) (Revenue \$ 294,277)

EDUCARE, THE COMMUNITY EDUCATION DEPARTMENT OF HOUSTON HOSPITALS PROVIDED HEALTH FAIRS, SENIOR CARE LUNCHEONS, BLOOD PRESSURE SCREENINGS AND EXERCISE CLASSES EDUCARE ALSO PROVIDED EDUCATION CLASSES AND SUPPORT GROUPS FOR THE FOLLOWING HEALTH ISSUES AND TOPICS ALZHEIMIERS, ARTHRITIS, BREAST CANCER, BREASTFEEDING, CARDIAC HEALTH, CHILDBIRTH, COOKING, DIABETES, DIET, DIVORCE, HYPERTENSION, LUPUS, MULTIPLE SCLEROSIS, PREGNANCY, SIBLINGS, STRESS MANAGEMENT, TOBACCO CESSATION, WALKING AND WEIGHT LOSS

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 ▶ 173,672,778

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	353
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,911
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶GA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶RHONDA CLATER 233 N HOUSTON ROAD SUITE 230 WARNER ROBINS,GA 31093 (478) 542-7826

Part VII

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

Check if Schedule O contains a response or note to any line 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) DANIEL DEIGHTON MD CHAIRMAN	5 00 9 00	X						0	0	0
(2) ARTHUR CHRISTIE VICE-CHAIRMA	3 00	X						0	0	0
(3) FRED GRAHAM DIRECTOR	3 00 12 00	X						0	0	0
(4) ED DYSON DIRECTOR	3 00	X						0	0	0
(5) NANCY SMITH DIRECTOR	3 00	X						0	0	0
(6) TOMMY STALNAKER DIRECTOR	3 00	X						0	0	0
(7) LARRY STEWART JR MD DIRECTOR	3 00	X						0	0	0
(8) CARY MARTIN CEO	50 00 1 00			X				352,065	0	16,193
(9) JEFFERSON DAVIS MD CHIEF MEDICA	50 00			X				307,130	0	21,882
(10) SEAN WHILDEN CFO	50 00 1 00			X				236,480	0	22,768
(11) MELINDA HARTLEY CHIEF NURSE	50 00			X				194,884	0	24,269
(12) GEORGE CURTIS CHIEF INFORM	45 00			X				100,538	0	4,332
(13) STEPHEN MACHEN ADMINISTRAT	50 00				X			171,791	0	12,962
(14) JOHN DAVID CAMPBELL ADMINISTRATO	50 00				X			160,911	0	13,718
(15) GRETTA GROSS DIR MEDICAL	43 00					X		218,053	0	4,297
(16) MICHAEL O'HARA SR EXECUTIV	45 00					X		174,461	0	16,649
(17) ROBERTIENA FLETCHER DIR OF PHAR	50 00					X		165,554	0	30,582

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,394,463		197,867

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 45

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HEALTHCARE EXCELLENCE INST 21045 N 9TH PLACE SUITE 205 PHOENIX AZ 85024	REVENUE CONSULT	1,472,113
IN COMPASS HEALTH INC 318 MAXWELL ROAD SUITE 500 ALPHARETTA GA 30004	HOSPITALISTS	1,253,614
CLARUS LINEN SYSTEMS 60 GRIDER STREET BUFFALO NY 14215	LAUNDRY SVCS	1,196,427
ROBINS ANESTHESIA SERVICES 212 HOSPITAL DRIVE SUITE J WARNER ROBINS GA 31088	ANESTHESIA SVCS	1,089,696
DIAGNOSTIC PET LLC 1256 SHILOH ROAD ELLAVILLE GA 31806	DIAGNOS IMAGING	538,800
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 ▶29		

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
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	46,153				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	46,153				
Program Service Revenue	2a	NET PATIENT REVENUE	Business Code 621300	225,067,333	225,067,333		
	b	EHR INCENTIVE	621300	4,798,469	4,798,469		
	c	EMPLOYEE PHARMACY	446110	234,928	234,928		
	d	CAFETERIA	722514	53,459	53,459		
	e	PURCHASE DISCOUNTS	621300	28,805	28,805		
	f	All other program service revenue		282,457	282,457		
	g	Total. Add lines 2a-2f	230,465,451				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	4,240,564			4,240,564
4		Income from investment of tax-exempt bond proceeds	339,757			339,757	
5		Royalties					
6a		Gross rents	(i) Real 329,602	(ii) Personal			
		b	Less rental expenses	144,050			
		c	Rental income or (loss)	185,552			
		d	Net rental income or (loss)	185,552			185,552
7a		Gross amount from sales of assets other than inventory	(i) Securities 270,792,542	(ii) Other 117,558			
		b	Less cost or other basis and sales expenses	260,900,850	73,091		
		c	Gain or (loss)	9,891,692	44,467		
		d	Net gain or (loss)	9,936,159			9,936,159
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b		Less direct expenses b					
c		Net income or (loss) from fundraising events					
9a		Gross income from gaming activities See Part IV, line 19	a				
b		Less direct expenses b					
c		Net income or (loss) from gaming activities					
10a		Gross sales of inventory, less returns and allowances	a				
b		Less cost of goods sold b					
c		Net income or (loss) from sales of inventory					
Miscellaneous Revenue		Business Code					
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See Instructions	245,213,636	230,465,451		14,702,032		

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 or note to any line 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.	200,289	200,289		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,523,795	623,761	900,034	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	91,715,801	71,957,027	19,758,774	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	4,780,334	3,721,170	1,059,164	
9	Other employee benefits.	14,597,667	11,363,307	3,234,360	
10	Payroll taxes.	6,802,892	5,295,596	1,507,296	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	315,951		315,951	
c	Accounting.	102,029		102,029	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	26,168,535	14,938,608	11,229,927	
12	Advertising and promotion.	561,158		561,158	
13	Office expenses.	6,394,620	4,250,381	2,144,239	
14	Information technology.	4,281,379	2,417,262	1,864,117	
15	Royalties.				
16	Occupancy.	3,854,031	673,018	3,181,013	
17	Travel.	282,902	157,241	125,661	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	3,958,304	3,154,199	804,105	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	15,131,977	12,058,012	3,073,965	
23	Insurance.	1,238,128	1,119,029	119,099	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	MEDICAL SUPPLIES & PHARMA	33,406,041	33,305,192	100,849	
b	EQUIPMENT MAINTENANCE	7,664,670	4,870,271	2,794,399	
c	PROVIDER TAX	3,190,860	3,190,860		
d	OTHER	1,919,132	377,555	1,541,577	
e	All other expenses	1,171,929		1,171,929	
25	Total functional expenses. Add lines 1 through 24e.	229,262,424	173,672,778	55,589,646	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		2,131,030	1	6,517,226
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		33,560,673	4	32,512,642
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		1,628,711	7	1,860,615
	8	Inventories for sale or use		1,242,370	8	1,307,347
	9	Prepaid expenses and deferred charges		993,454	9	628,022
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	280,847,199		
	b	Less accumulated depreciation	10b	161,313,831	10c	119,533,368
	11	Investments—publicly traded securities		231,590,907	11	261,017,803
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		77,750	13	77,750
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		10,585,030	15	8,040,969
	16	Total assets. Add lines 1 through 15 (must equal line 34)		390,658,091	16	431,495,742
Liabilities	17	Accounts payable and accrued expenses		21,468,679	17	25,615,858
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		73,544,808	20	91,090,912
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		44,208,002	25	26,375,925
	26	Total liabilities. Add lines 17 through 25		139,221,489	26	143,082,695
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		251,436,602	27	288,413,047
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		251,436,602	33	288,413,047
	34	Total liabilities and net assets/fund balances		390,658,091	34	431,495,742

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI ☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	245,213,636
2	Total expenses (must equal Part IX, column (A), line 25)	2	229,262,424
3	Revenue less expenses Subtract line 2 from line 1	3	15,951,212
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	251,436,602
5	Net unrealized gains (losses) on investments	5	16,522,695
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	4,502,538
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	288,413,047

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII ☐

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

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.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization HOUSTON HOSPITALS INC	Employer identification number 71-1045290
---	--

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	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	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	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	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	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	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 <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	<input type="checkbox"/>	Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶						

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
------------------	-------------	--

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

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 HOUSTON HOSPITALS INC	Employer identification number 71-1045290
---	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		18,220
j	Total. Add lines 1c through 1i.			18,220
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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.

Return Reference	Explanation
SCHEDULE C, PART II-B, LINE 1	A PORTION OF DUES PAID TO MEMBERSHIP ORGANIZATIONS (SUCH AS THE AMERICAN HOSPITAL ASSOCIATION) IS ALLOCATED TO LOBBYING

Part IV Supplemental Information (*continued*)[illegible]

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.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization HOUSTON HOSPITALS INC	Employer identification number 71-1045290
--	---

Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

Part III

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

- 3

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

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

Part IV

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a

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

☐ Yes

☐ No
- b

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

☐

Part V

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

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

- 2

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

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

Part VI

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		3,840,066		3,840,066
b Buildings		143,790,227	75,601,937	68,188,290
c Leasehold improvements		3,317,100	1,710,602	1,606,498
d Equipment		112,195,521	83,569,383	28,626,138
e Other		17,704,285	431,909	17,272,376
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				119,533,368

Schedule D (Form 990) 2013

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

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.

Return Reference	Explanation
SCHEDULE D, PAGE 3, PART X	(NOTE HOUSTON HOSPITALS, INC. IS PART OF HOUSTON HEALTHCARE SYSTEM, INC. THIS IS THE FOOTNOTE FROM THE COMBINED FINANCIAL STATEMENTS.) THE SYSTEM APPLIES ACCOUNTING POLICIES THAT PRESCRIBE WHEN TO RECOGNIZE AND HOW TO MEASURE THE COMBINED FINANCIAL STATEMENT EFFECTS OF INCOME TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON ITS INCOME TAX RETURNS. THESE RULES REQUIRE MANAGEMENT TO EVALUATE THE LIKELIHOOD THAT, UPON EXAMINATION BY THE RELEVANT TAXING JURISDICTIONS, THOSE INCOME TAX POSITIONS WOULD BE SUSTAINED. BASED ON THAT EVALUATION, THE SYSTEM ONLY RECOGNIZES THE MAXIMUM BENEFIT OF EACH INCOME TAX POSITION THAT IS MORE THAN 50% LIKELY OF BEING SUSTAINED. TO THE EXTENT THAT ALL OR A PORTION OF THE BENEFITS OF AN INCOME TAX POSITION ARE NOT RECOGNIZED, A LIABILITY WOULD BE RECOGNIZED FOR THE UNRECOGNIZED BENEFITS, ALONG WITH ANY INTEREST AND PENALTIES THAT WOULD RESULT FROM DISALLOWANCE OF THE POSITION. SHOULD ANY SUCH PENALTIES AND INTEREST BE INCURRED, THEY WOULD BE RECOGNIZED AS OPERATING EXPENSES. BASED ON THE RESULTS OF MANAGEMENT'S EVALUATION, NO LIABILITY IS RECOGNIZED IN THE ACCOMPANYING COMBINED BALANCE SHEETS FOR UNRECOGNIZED INCOME TAX POSITIONS. FURTHER, NO INTEREST OR PENALTIES HAVE BEEN ACCRUED OR CHARGED TO EXPENSE AS OF DECEMBER 31, 2013 AND 2012 OR FOR THE YEARS THEN ENDED. THE SYSTEM'S TAX RETURNS ARE SUBJECT TO POSSIBLE EXAMINATION BY THE TAXING AUTHORITIES. FOR FEDERAL INCOME TAX PURPOSES, THE TAX RETURNS ESSENTIALLY REMAIN OPEN FOR POSSIBLE EXAMINATION FOR A PERIOD OF THREE YEARS AFTER THE RESPECTIVE FILING DEADLINES OF THOSE RETURNS.

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
HOUSTON HOSPITALS INC

Employer identification number
71-1045290

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>225 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		8,562	13,050,703	2,997,548	10,053,155	4 380 %
b Medicaid (from Worksheet 3, column a)		17,855	29,994,287	26,394,211	3,600,076	1 570 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		26,417	43,044,990	29,391,759	13,653,231	5 960 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	60	58,883	1,180,766	18,306	1,162,460	0 510 %
f Health professions education (from Worksheet 5)	6	3,030	3,551,905	425,442	3,126,463	1 360 %
g Subsidized health services (from Worksheet 6)	1	867	191,274		191,274	0 080 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	5	2,084	459,320		459,320	0 200 %
j Total Other Benefits	72	64,864	5,383,265	443,748	4,939,517	2 150 %
k Total . Add lines 7d and 7j	72	91,281	48,428,255	29,835,507	18,592,748	8 110 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development	1	98	16,715	16,715	0 010 %
3	Community support	2	186	47,471	47,471	0 020 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building	3	399	8,368	8,368	
7	Community health improvement advocacy					
8	Workforce development	1		130,287	130,287	0 060 %
9	Other					
10	Total	7	683	202,841	202,841	0 090 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

No

2

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

2

33,910,310

3

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

3

13,012,724

4

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

Section B. Medicare

5

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

5

63,083,594

6

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

6

73,674,518

7

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

7

-10,590,924

8

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

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

Name, address, primary website address, and state license number

		Other (Describe)							Facility reporting group
		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other
	See Additional Data Table								

Part V

Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply) a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	Yes	
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply) a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.HHC.ORG</u> b <input type="checkbox"/> Other website (list url) _____ c <input checked="" type="checkbox"/> Available upon request from the hospital facility d <input checked="" type="checkbox"/> Other (describe in Part VI)	5	Yes	
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year) a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA b <input checked="" type="checkbox"/> Execution of the implementation strategy c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input checked="" type="checkbox"/> Prioritization of health needs in its community h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 225 00000000000000% If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 00000000000000% If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	No
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

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

☒

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

☒

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

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V

Facility Information (continued)

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 9

Name and address	Type of Facility (describe)
1 THE SURGERY CENTER 1647 WATSON BLVD WARNER ROBINS, GA 31093	HOSPITAL BASED OUTPATIENT SURGERY CENTER
2 HOUSTON LAKE MED-STOP 2510 HIGHWAY 127 KATHLEEN, GA 31047	HOSPITAL BASED URGENT CARE FACILITY
3 HOUSTON LAKE REHAB 2510 HIGHWAY 127 KATHLEEN, GA 31047	HOSPITAL BASED OUTPATIENT REHAB FACILITY
4 PAVILION MED-STOP 233 N HOUSTON ROAD SUITE 140 WARNER ROBINS, GA 31093	HOSPITAL BASED URGENT CARE FACILITY
5 PAVILION REHAB 233 N HOUSTON ROAD SUITE 140 WARNER ROBINS, GA 31093	HOSPITAL BASED OUTPATIENT REHAB FACILITY
6 PAVILION DIAGNOSTIC CENTER 233 N HOUSTON ROAD SUITE 140 WARNER ROBINS, GA 31093	HOSPITAL BASED OUTPATIENT IMAGING CENTER
7 LAKE JOY MED-STOP 1118 HIGHWAY 96 WEST KATHLEEN, GA 31047	HOSPITAL BASED URGENT CARE FACILITY
8 HOUSTON HEALTHCARE IMAGING SERVICES 114 SOUTHERLAND DRIVE WARNER ROBINS, GA 31088	HOSPITAL BASED OUTPATIENT IMAGING FACILI
9 PAVILION FAMILY MEDICINE PRACTICE 233 N HOUSTON ROAD SUITE 140E WARNER ROBINS, GA 31093	HOSPITAL BASED FAMILY MEDICINE PRACTICE
10	

Part VI Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Form and Line Reference	Explanation
PART I, LINE 7, COLUMN (F) - EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	THE BAD DEBT EXPENSE AMOUNT REPORTED TIES TO THE AUDITED FINANCIAL STATEMENTS BAD DEBT IS TREATED AS A DEDUCTION TO REVENUE AND INCLUDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BAD DEBT IS NOT INCLUDED IN TOTAL EXPENSES FOR BOOK OR TAX PURPOSES THE ALLOWANCE FOR BAD DEBTS IS CALCULATED ON OUTSTANDING ACCOUNTS RECEIVABLES (NET OF PAYMENTS AND DISCOUNTS) AND CONSIDERS HISTORICAL COLLECTION RATES, THE INSURED STATUS OF THE PATIENT ACCOUNT, AND THE AGE OF THE RECEIVABLE
PART I, LINE 7 - COSTING METHODOLOGY EXPLANATION	WORKSHEET 2 FROM THE SCHEDULE H INSTRUCTIONS WAS USED TO DETERMINE THE CCR, LINE 7A WAS CALCULATED BY APPLYING THE COST-TO-CHARGE RATIO TO THE TOTAL CHARITY CARE CHARGES, LINE 7B WAS CALCULATED USING WORKSHEET 3 AND THE COST-TO-CHARGE RATIO, LINE 7C N/A, LINE 7E IS A COMPILATION OF COST RELATED TO THE PROGRAMS AND ACTIVITIES REPORTED IN WORKSHEET 4 LABOR COST PLUS ANY SUPPLIES PURCHASED LESS ANY REVENUE GENERATED BY THE ACTIVITY, LINE 7 F COSTS ARE TRACKED BY OUR COMMUNITY BENEFIT CBISA SOFTWARE, LINE 7G IS A SUMMARY OF PAYMENTS MADE TO BEHAVIORAL HEALTH PHYSICIANS FOR SEEING OUR UNINSURED AND MEDICAID BEHAVIORAL HEALTH POPULATION (AS REPORTED ON WORKSHEET 6, LINE 7H N/A, LINE 7I IS A SUMMARY OF CASH PAYMENTS REPORTED ON WORKSHEET 8

Form and Line Reference	Explanation
PART II - COMMUNITY BUILDING ACTIVITIES	HOUSTON HEALTHCARE STAFF PROVIDE AND PARTICIPATE IN NUMEROUS COMMUNITY BUILDING ACTIVITIES SOME EXAMPLES INCLUDE SERVING ON THE REGIONAL AND PERRY CHAMBER OF COMMERCE BOARDS, WITH FOCUS ON BUSINESS DEVELOPMENT, EDUCATION, COMMUNITY AFFAIRS AND GOVERNMENT AFFAIRS THIS ALSO INCLUDES NUMEROUS COMMUNITY EVENTS TAILORED TO BUSINESS AND ECONOMIC DEVELOPMENT HOUSTON HEALTHCARE HOSTS A NON-PROFIT BUSINESS EXPO AND A COMMUNITY WIDE FAMILY RESOURCE FAIR, BOTH AIMED AT INCREASING THE AWARENESS OF SERVICES AND RESOURCES IN THE AREA HOUSTON HEALTHCARE ALSO WORKS DILIGENTLY TO RECRUIT NEEDED PHYSICIANS TO THE AREA EACH YEAR STAFF MEMBERS PROMOTE AND RAISE FUNDS FOR THE UNITED WAY OF CENTRAL GEORGIA COMMUNITY SUPPORT DISASTER READINESS AND PUBLIC HEALTH EMERGENCY ACTIVITIES, COMMUNITY DISEASE SURVEILLANCE OR READINESS TRAINING BEYOND WHAT IS REQUIRED BY ACCREDITING BODIES- DISASTER READINESS PREPAREDNESS IS PROVIDED BY HOUSTON HEALTHCARE THAT IS OVER AND ABOVE LICENSURE REQUIREMENTS AND INCLUDES COMMUNICATION AWARENESS EVENTS AND GENERAL EDUCATION THIS ALSO INCLUDES THE ARES (AMATEUR RADIO EMERGENCY SERVICES) PROGRAM, WHICH PROVIDES SUPPORT TO THE GENERAL PUBLIC AND OTHER HEALTHCARE PARTNERS IN THE AREA OF EMERGENCY COMMUNICATION IN THE EVENT OF A COMMUNITY DISASTER AS WELL AS DETECTION OF SEVERE WEATHER CONDITIONS THROUGH THE USE OF COMMUNICATION WEATHER SPOTTERS TRAINED BY THE NATIONAL WEATHER SERVICE VIA AMATEUR RADIO OPERATORS WITHIN THE COMMUNITY THIS IS PROVIDED AND INSTALLED WITHIN HOUSTON HEALTHCARE- AS A FREE ACCESS COMMUNICATION USE REPORTER FOR PUBLIC USE HOUSTON HEALTHCARE HAS VOLUNTEER CHAPLAINS FOR HOUSTON MEDICAL CENTER AND PERRY HOSPITAL WHO ARE COMMUNITY MEMBERS TRAINING IS PROVIDED TO THESE CHAPLAINS ON TOPICS SUCH AS CRISIS INTERVENTION COALITION BUILDING- PARTICIPATION IN COMMUNITY COALITIONS AND OTHER COLLABORATIVE EFFORTS WITH THE COMMUNITY TO ADDRESS HEALTH AND SAFETY ISSUES HOUSTON HEALTHCARE SPONSORS THREE COMMUNITY COALITIONS 1-FAITH COMMUNITY NURSES- THIS COALITION IS MADE UP OF VOLUNTEER REGISTERED NURSES SERVING CHURCHES IN THE CENTRAL GEORGIA AREA HOUSTON HEALTHCARE PROVIDES A MONTHLY MEETING AND TRAININGS FOR THIS GROUP, AS WELL AS AN ORIENTATION PROGRAM THE FAITH COMMUNITY NURSES PROVIDE HEALTH EDUCATION, HEALTH SCREENINGS, AS WELL AS LINKING PERSONS TO HEALTH RESOURCES THIS GROUP SERVES AREA CHURCHES AND ALSO THE NEIGHBORHOODS SURROUNDING THE CHURCH IN ADDITION THE GROUP ADDRESS SOCIAL CONCERNS SUCH AS PROVIDING FOOD BANKS, CLOTHING CLOSETS, ETC HOUSTON HEALTHCARE SERVES AS THE RESOURCE CENTER FOR THEIR ACTIVITIES 2-SAFE KIDS COALITION IS LED BY HOUSTON HEALTHCARE TO PREVENT INJURIES AND PROMOTE SAFE PRACTICES FOR CHILDREN THE COALITION WORKS COLLABORATIVELY TO IDENTIFY NEEDS AND PLAN ACTIVITIES SUCH AS DISTRIBUTION/FITTING KIDS WITH BIKE HELMETS, CAR SEAT SAFETY CHECKS, DISTRIBUTION OF SMOKE DETECTORS, POISON PREVENTION AND WATER SAFETY THE COALITION WORKS CLOSELY WITH DEPARTMENT OF FAMILY AND CHILDREN SERVICES AND PUBLIC HEALTH TO ENSURE LOWER INCOME FAMILIES HAVE ACCESS TO CAR SEATS, SMOKE DETECTORS, AND OTHER SAFETY EQUIPMENT THE COALITION ALSO PROVIDES SAFETY EDUCATION FOR LOCAL SCHOOLS AND CHILD CARE CENTERS 3-CENTRAL GEORGIA PERINATAL COALITION- THIS HOUSTON HEALTHCARE LED COALITION INCLUDES PUBLIC HEALTH, SCHOOL COUNSELORS, RAINBOW HOUSE, DISTRICT PUBLIC HEALTH, LOCAL OB/GYN REPRESENTATIVES AND OTHERS THE COALITION SEEKS TO PROVIDE OPTIMAL SERVICES FOR PREGNANT WOMEN AND TO DECREASE RATES OF PRE-TERM BIRTHS, AND OTHER POOR BIRTH OUTCOMES THE COALITION ADDRESSES ACCESS TO CARE FOR ALL PREGNANT WOMEN, BUT FOCUSES AND PROVIDES ADDITIONAL SERVICES AND RESOURCES FOR WOMEN WHO ARE LOWER INCOME AND UNINSURED, AS WELL AS FOR WOMEN WHO HAVE A MEDICAL CONDITION THAT COMPLICATES THEIR PREGNANCY HOUSTON HEALTHCARE STAFF MEMBERS ALSO SERVE ON NUMEROUS COMMUNITY COALITIONS WITH EXAMPLES THAT INCLUDE - KID'S JOURNEY BOARD OF TRUSTEES AND COALITION- A HOUSTON HEALTHCARE STAFF SERVES AS A MEMBER OF THE BOARD OF TRUSTEES AND ALSO CHAIRS THE HEALTH STRATEGY TEAM TO IMPROVE THE HEALTH OF CHILDREN AND FAMILIES THIS COALITION HAS THREE STRATEGY TEAMS 1) HEALTH OF CHILDREN AND FAMILIES 2) PREVENTION OF ABUSE AND NEGLECT 3) YOUTH SUCCESS IN SCHOOLS - HOT SHOTS COALITION INCLUDES PUBLIC HEALTH, DISTRICT PUBLIC HEALTH, HOUSTON COUNTY SCHOOLS, HOUSTON HEALTHCARE AND OTHERS GOAL IS TO PROVIDE EDUCATION AND PROMOTION OF IMMUNIZATIONS AMONG CHILDREN AND ADULTS - RAINBOW HOUSE BOARD OF TRUSTEES- RAINBOW HOUSE PROVIDES EDUCATION AND ACTIVITIES TO PREVENT CHILD ABUSE - SUICIDE PREVENTION COALITION- SUICIDE PREVENTION AND ASSISTANCE WITH OTHER BEHAVIORAL HEALTH ISSUES WORKFORCE DEVELOPMENTS- RECRUITMENT OF PHYSICIANS AND OTHER HEALTH PROFESSIONALS TO MEDICAL SHORTAGE AREAS AND COLLABORATION WITH EDUCATIONAL INSTITUTIONS TO TRAIN AND RECRUIT HEALTH PROFESSIONALS NEEDED IN THE COMMUNITY OTHER THAN THE HEALTH PROFESSIONS EDUCATION ACTIVITIES REPORTED IN PART 1 LINE 7 DUE TO PHYSICIAN SHORTAGES IN SPECIALTY AREAS AND PRIMARY CARE, RECRUITMENT EFFORTS WERE INCREASED IN 2013 EXAMPLES OF TARGETED SPECIALTY AREAS INCLUDED ENDOCRINOLOGY, ENT, AND UROLOGY IN ADDITION HOUSTON HEALTHCARE MADE DONATIONS TO ASSIST WITH COST OF INSTRUCTORS FOR HEALTH PROFESSIONAL TRAINING AT MIDDLE GEORGIA TECHNICAL COLLEGE AND MACON STATE COLLEGE HOUSTON HEALTHCARE NOW OFFERS A NEW FAMILY MEDICINE RESIDENCY PROGRAM, WHICH PROVIDES CLINICAL, AS WELL AS HANDS-ON PATIENT TRAINING TO OSTEOPATHIC PHYSICIANS ENTERING THE FIELD OF FAMILY MEDICINE, WHILE HELPING TO FULFILL A NEED FOR PRIMARY CARE PHYSICIANS IN THE MIDDLE GEORGIA AREA AND IMPROVING ACCESS TO HEALTHCARE FOR THE COMMUNITY WE SERVE
PART III, LINE 2 - BAD DEBT EXPENSE METHODOLOGY	BAD DEBT EXPENSE AMOUNT REPORTED TIES TO THE AUDITED FINANCIAL STATEMENTS BAD DEBT IS TREATED AS A DEDUCTION FROM REVENUE AND INCLUDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS THE ALLOWANCE FOR BAD DEBTS IS CALCULATED ON OUTSTANDING ACCOUNTS RECEIVABLE (NET OF PAYMENTS AND DISCOUNTS) AND CONSIDERS HISTORICAL COLLECTION RATES, THE INSURED STATUS OF THE PATIENT ACCOUNT, AND THE AGE OF THE RECEIVABLE

Form and Line Reference	Explanation
PART III, LINE 3 BAD DEBT EXPENSE, PATIENTS ELIGIBLE FOR ASSISTANCE	WE HAVE ESTIMATED THE AMOUNT OF BAD DEBTS ATTRIBUTABLE TO PATIENTS ELIGIBLE FOR FINANCIAL ASSISTANCE BY MULTIPYING OUR TOTAL BAD DEBT EXPENSE BY THE PERCENTAGE OF WRITEOFFS ATTRIBUTABLE TO UNINSURED PATIENTS (80.39%) AND THEN MULTIPLYING THAT PRODUCT BY THE PERCENTAGE OF FAP APPLICATION APPROVED(OF THE TOTAL APPLICATIONS SUBMITTED, OR 47.74%)
BAD DEBT EXPENSE FOOTNOTE TO FINANCIAL STATEMENTS	ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS. IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE SYSTEM ANALYZES A VARIETY OF INFORMATION FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS. MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE SYSTEM PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY (FOR EXAMPLE, FOR EXPECTED UNCOLLECTIBLES, DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY). THERE WERE NO SIGNIFICANT CHANGES TO THE UNDERLYING ASSUMPTIONS IN THE ALLOWANCE METHODOLOGY FOR THIRD-PARTY PAYORS. FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE SYSTEM RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED, AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED, IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. THE SYSTEM'S PROVISION FOR BAD DEBTS DECREASED APPROXIMATELY 1,876,000 FROM APPROXIMATELY 37,874,000 FOR 2012 TO APPROXIMATELY 35,998,000 FOR 2013. THIS WAS THE RESULT OF IMPROVEMENT IN CHARITY CARE IDENTIFICATION EFFORTS. THE SYSTEM HAS NOT CHANGED ITS CHARITY CARE OR UNINSURED DISCOUNT POLICIES DURING FISCAL YEARS 2013 OR 2012.

Form and Line Reference	Explanation
PART III, LINE 8 - MEDICARE EXPLANATION	SECTION B, LINES 5-7 ARE CALCULATED USING WORKSHEET A, PROVIDED IN THE SCHEDULE H INSTRUCTIONS, AND THE 2013 AS-FILED MEDICARE COST REPORTS 16 5% OF OUR TWO HOSPITAL FACILITIES MEDICARE SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFITS BASED UPON MEDICAID ELIGIBILITY
PART III, LINE 9B - COLLECTION PRACTICES EXPLANATION	THE BAD DEBT OR COLLECTION POLICY FOR HOUSTON HOSPITALS STATES THAT COLLECTIONS ARE CEASED UPON THE PATIENT'S APPROVAL FOR INDIGENT OR CHARITY CARE PER THE ORGANIZATION'S CHARITY CARE POLICY, APPROVAL OF ELIGIBILITY EXPIRES IN 6 MONTHS, AT WHICH TIME, A PATIENT MUST REAPPLY

Form and Line Reference	Explanation
PART VI, LINE 2 - NEEDS ASSESSMENT	<p>IN ADDITION TO THE CHNA COMPLETED IN LATE 2011, OTHER METHODS UTILIZED IN OBTAINING HEALTH NEEDS OF THE COMMUNITY INCLUDED A -KEY INFORMANT FOCUS GROUP- THE FOCUS GROUP PARTICIPANTS INCLUDED 18 KEY INFORMANTS, INCLUDING PHYSICIANS, OTHER HEALTH PROFESSIONALS, SOCIAL SERVICE PROVIDERS, AND BUSINESS AND COMMUNITY LEADERS A LIST OF RECOMMENDED PARTICIPANTS FOR THE FOCUS GROUP WAS PROVIDED BY HOUSTON HEALTHCARE, WITH POTENTIAL PARTICIPANTS CHOSEN BECAUSE OF THEIR ABILITY TO IDENTIFY PRIMARY CONCERNS OF THE POPULATIONS WITH WHOM THEY WORK, AS WELL AS THE COMMUNITY OVERALL PARTICIPANTS INCLUDED A REPRESENTATIVE OF PUBLIC HEALTH, AS WELL AS SEVERAL INDIVIDUALS WHO WORK WITH LOW-INCOME, MINORITY AND OTHER MEDICALLY- UNDERSERVED POPULATIONS B - COMMUNITY HEALTH SURVEY- THIS SURVEY WAS BASED LARGELY ON THE CENTERS FOR DISEASE CONTROL AND PREVENTION BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM AS WELL AS OTHER PUBLIC HEALTH SURVEYS AND CUSTOMIZED QUESTIONS ADDRESSING GAPS IN INDICATOR DATA RELATIVE TO HEALTH PROMOTION AND DISEASE PREVENTION OBJECTIVES THE FINAL SURVEY INSTRUMENT WAS DEVELOPED BY HOUSTON HEALTHCARE AND PRC THE STUDY AREA FOR THE SURVEY INCLUDED EACH OF THE ZIP CODES DEFINING HOUSTON COUNTY THE SURVEY INCLUDED A RANDOM SAMPLE OF 200 INDIVIDUALS AGE 18 AND OLDER IN HOUSTON COUNTY C - COMMUNITY COALITIONS INPUT- SEVERAL COALITIONS WERE ASKED FOR THEIR INPUT IN IDENTIFYING COMMUNITY HEALTH NEEDS FEEDBACK FROM COALITIONS WAS CONSIDERED IMPORTANT BECAUSE THIS INFORMATION WAS FROM PEOPLE WORKING DIRECTLY WITH A CERTAIN POPULATION IT WAS NOTED THAT THE NUMBER ONE PRIORITY WAS DIFFERENT, DEPENDING ON WHICH GROUP OR COALITION PROVIDED INFORMATION BUT OVERALL THE SAME CONCERNS WERE SHARED EACH COALITION WAS ASKED TO LIST THE TOP FIVE HEALTH NEEDS COALITIONS PARTICIPATING IN THE DISCUSSIONS INCLUDED (1) PERINATAL COALITION, (2) FAITH COMMUNITY NURSES, (3) KID'S JOURNEY COALITION, (4) SAFE KIDS COALITION, AND (5) COMMUNITY BENEFIT WORK TEAM D - RESOURCES FROM OTHER ORGANIZATIONS WERE REVIEWED TO PREVENT DUPLICATION OF SERVICES AND ENHANCE RESOURCES RESOURCES OF OTHER ORGANIZATIONS WERE ALSO REVIEWED TO ENSURE IDENTIFIED NEEDS WERE MET E - REVIEW OF OTHER COMMUNITY SURVEYS OR ASSESSMENTS - WERE CONDUCTED WITH SOME EXAMPLES INCLUDING 1) 2013 TEEN HEALTH FORUM DATA ANALYSIS REPORT - MERCER UNIVERSITY COLLEGE OF HEALTH PROFESSIONS, MASTER OF PUBLIC HEALTH PROGRAM, 2) 2013 NORTH CENTRAL HEALTH DISTRICT, HOUSTON COUNTY, HEALTH STATUS REPORT, 3) 2013 COUNTY HEALTH RANKINGS AND ROADMAPS - ROBERT WOOD JOHNSON FOUNDATION, 4) GEORGIA HOSPITAL ASSOCIATION- REPORT ON THE 2010 HOSPITAL WORKFORCE SURVEY, 5) SYSTEM OF CARE- COMPREHENSIVE TEEN PREGNANCY PREVENTION FOR HOUSTON COUNTY - MAY 2011, 6) HODAC - ASSESSMENT OF ALCOHOL USAGE, AND UNDERAGE DRINKING IN THE CENTRAL GEORGIA AREA, 7) MARCH OF DIMES 2012 PREMATURE BIRTH RATE FOR GEORGIA, AND 8) COMPARISON TO HEALTHY PEOPLE 2020 GOALS- A COMPARISON WAS MADE BETWEEN THE HEALTHY PEOPLE 2020 GOALS AND THE 2011 COMMUNITY NEEDS ASSESSMENT, NOTING NATIONAL PRIORITIES AND COMPARING THE NATIONAL STATS WITH OUR LOCAL STATS F - REVIEW/EVALUATION OF PAST YEAR COMMUNITY BENEFIT OUTCOMES ALSO CONTRIBUTED TO THE TOTAL ASSESSMENT</p>
PART VI, LINE 3 - PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	<p>INFORMATION REGARDING THE INDIGENT CARE TRUST FUND IS AVAILABLE AT EACH OF OUR REGISTRATION AREAS AND DISPLAYED WITH SIGNAGE AND CARDS WE ALSO INFORM OUR PATIENTS AND FAMILIES OF OUR INDIGENT AND CHARITY CARE POLICY DURING THE INPATIENT AND OUTPATIENT ADMISSION PROCESS OUR SYSTEM WEBSITE PROVIDES INFORMATION ON OUR PATIENT FINANCIAL SERVICES, WHICH INCLUDES BILLING, INSURANCE, AND OUR INDIGENT AND CHARITY CARE GUIDELINES AND POLICY THE FIRST BILLING STATEMENT SENT OUT TO PATIENTS ALSO ADDRESSES THIS PROCESS WITH SPECIFIC INSTRUCTIONS THESE CARDS WITH FINANCIAL INFORMATION ARE AVAILABLE AT COMMUNITY EVENTS, HEALTH FAIRS AND EDUCATION SEMINARS THE CARDS AND SIGNAGE ARE PROVIDED IN ENGLISH AND SPANISH</p>

Form and Line Reference	Explanation
PART VI, LINE 4 - COMMUNITY INFORMATION	<p>GEOGRAPHIC SERVICE AREA- HOUSTON HEALTHCARE SERVES THE MEDICAL NEEDS OF RESIDENTS IN THE CENTRAL GEORGIA AREA WITH THE PRIMARY SERVICE AREA BEING HOUSTON COUNTY RESIDENTS IN SURROUNDING COUNTIES ALSO TURN TO HOUSTON HEALTHCARE FOR THEIR MEDICAL SERVICES, WITH THESE COUNTIES INCLUDING BLECKLEY, CRAWFORD, PEACH, DODGE, DOOLY, MACON, PULASKI, TAYLOR, TWIGGS AND BIBB COUNTY THESE AREAS ARE CONSIDERED OUR SECONDARY SERVICE AREA ALL HOUSTON HEALTHCARE FACILITIES ARE LOCATED IN HOUSTON COUNTY AND ARE GOVERNED BY TWO BOARDS OF TRUSTEES THE EXECUTIVE TEAM ALSO OVERSEES ALL OPERATION AND ACTIVITIES FOR THE HOUSTON HEALTHCARE SYSTEM DEMOGRAPHICS-MEETING THE DIVERSE HEALTH NEEDS OF HOUSTON COUNTY RESIDENTS IS AN ONGOING CHALLENGE THE COMMUNITY INCLUDES AN INCREASING NUMBER OF RETIREES AND ELDERLY LIVING IN OR MOVING TO HOUSTON COUNTY GEORGIA HAS THE FASTEST GROWING POPULATION OF OLDER PEOPLE, ACCORDING TO GHA IN 2009 IN HOUSTON COUNTY, 19 5 % ARE ON MEDICAID, 12 4% ARE ON PEACHCARE AND ONE IN EVERY FIVE OF GEORGIA'S NON-ELDERLY POPULATION IS UNINSURED (2010 CENSUS) THE LOW LITERACY RATE IS ESTIMATED AT 13% HOUSTON HEALTHCARE'S DIVERSE POPULATION SERVED INCLUDES 63% CAUCASIAN, 28% AFRICAN AMERICAN, 6% HISPANIC AND 2% OTHER WITH OVER 2,400 EMPLOYEES, HOUSTON HEALTHCARE IS THE 3RD LARGEST EMPLOYER IN HOUSTON COUNTY ROBINS AIR FORCE BASE IS THE LARGEST WITH OVER 21,377 CONTRACTORS, CIVIL SERVICE AND MILITARY STAFF, FOLLOWED BY HOUSTON COUNTY BOARD OF EDUCATION WITH 4,564 TEACHERS AND STAFF PERDUE FARMS, WITH OVER 1,820 POULTRY WORKERS, MANY OF WHOM ARE HISPANIC, IS THE 4TH LARGEST AND FRITO-LAY, PRODUCER OF SNACK FOOD WITH OVER 1,300 WORKERS IS THE 5TH LARGEST (HOUSTON DEVELOPMENT AUTHORITY) POPULATION OF HOUSTON COUNTY IS ESTIMATED BY THE CENSUS REPORT AT 146,000 IN 2012 WHICH INCLUDE PERRY WITH A POPULATION OF 13,839 AND WARNER ROBINS WITH A POPULATION OF 66,558 PERRY'S MEDIAN HOUSEHOLD INCOME IS 49,976 PER YEAR WITH 14% OF INDIVIDUALS LIVING BELOW POVERTY LEVEL, WARNER ROBIN'S MEDIAN HOUSEHOLD INCOME IS 45,183 PER YEAR WITH A 16 6% OF INDIVIDUALS LIVING BELOW POVERTY LEVEL (2010 CENSUS AND US DEP'T OF LABOR) THE THREE LEADING CAUSES OF DEATH INCLUDE CARDIOVASCULAR DISEASE, CANCER AND STROKE THERE ARE ALSO AN INCREASING NUMBER OF PERSONS WITH DIABETES THE PRC COMMUNITY ASSESSMENT REPORTS AN AVERAGE OF 14% OF PERSONS IN HOUSTON COUNTY ARE DIAGNOSED WITH DIABETES GEORGIA CONTINUES WITH HIGHER RATES OF PRE-TERM BIRTHS(LESS THAN 37 WEEKS) AND LOW BIRTH NEWBORNS THAN THE AVERAGE FOR THE US THE DISTRICT 5-2 THAT HOUSTON COUNTY IS IN HAS A SIGNIFICANTLY HIGHER RATE OF TOBACCO USAGE AS WELL AS LUNG CANCER THE OBESITY RATE IN CENTRAL GEORGIA RESIDENTS IS 31 1% THESE FACTS DEMONSTRATE THE NEED FOR EDUCATION ON LIFESTYLE CHANGES RELATED TO NUTRITION, EXERCISE AND TOBACCO AVOIDANCE THESE STATS AND OTHERS HAVE PROMPTED OUR DEDICATION TO IMPROVING THE COMMUNITY WE SERVE BY ESTABLISHING AN IMPLEMENTATION PLAN THAT INCLUDES PRIORITY AREAS, MEASURABLE GOALS AND OBJECTIVES ALONG WITH COLLABORATION AMONG HOUSTON HEALTHCARE LEADERSHIP AND OTHER COMMUNITY LEADERS OTHER HOSPITALS SERVING THE COMMUNITY- THERE ARE NO OTHER HOSPITALS WITHIN HOUSTON COUNTY BESIDES HOUSTON HEALTHCARE, HOWEVER SOME COMMUNITY MEMBERS UTILIZE HOSPITALS OUTSIDE OF OUR COUNTY NUMBER OF FEDERALLY DESIGNATED MEDICALLY UNDERSERVED AREAS - IN OUR SERVICE AREA, CRAWFORD, PEACH, TWIGGS AND MACON COUNTIES ARE UNDERSERVED BY PRIMARY HEALTH PROFESSIONALS, ACCORDING TO THE STATE OFFICE OF RURAL HEALTH, GENERALLY MEANING MORE THAN 3,000 PEOPLE PER DOCTOR BIBB AND HOUSTON COUNTIES HAVE POCKETS OF UNDERSERVED POPULATIONS</p>
PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH	<p>HOUSTON HEALTHCARE BOARD MEMBERS ARE ACTIVE COMMUNITY MEMBERS THEY ARE EMPLOYED OR RETIRED FROM VARIOUS COMMUNITY ORGANIZATIONS SUCH AS LOCAL SCHOOLS, LOCAL AND STATE GOVERNMENT, PHYSICIAN PRACTICES, LAW FIRMS AND INSURANCE AGENCIES THEIR EDUCATION, EXPERIENCE AND COMMUNITY INVOLVEMENT ENABLE OUR ORGANIZATION TO PROVIDE MUCH NEEDED SERVICES AND BENEFITS TO MEET COMMUNITY NEEDS AN OPEN MEDICAL STAFF ENABLES THE ORGANIZATION TO PROVIDE THE SERVICES NEEDED BY THE COMMUNITY AND ALLOWS NEEDED ACCESS TO THE INDIGENT, AS WELL AS MEDICARE, MEDICAID AND CHAMPUS TRICARE POPULATIONS HOUSTON HEALTHCARE SUPPORTS THE VOLUNTEER MEDICAL CLINIC IN SEVERAL WAYS PROVIDING A BUILDING FOR THE FREE CLINIC, ASSISTING WITH STAFF SALARY COSTS, AS WELL AS ACCEPTING REFERRALS FROM THE CLINIC FOR REQUIRED SERVICES SUCH AS LAB AND RADIOLOGY ADVOCACY INITIATIVES ARE ONGOING TO IMPROVE HEALTH AND INCREASE ACCESS THROUGH LOCAL PARTNERSHIPS WITH OTHERS IN THE COMMUNITY INCLUDING PUBLIC HEALTH AND RAFB HOUSTON HEALTHCARE COLLABORATES WITH ROBINS AIR FORCE BASE THROUGH RELAY HEALTH (ACCESS MEDICAL RECORDS), MENTAL HEALTH COLLABORATION EFFORTS TO IMPROVE TRANSITION OF CARE, PHYSICIAN GRAND ROUNDS, EDUCATIONAL TRAINING CLASSES AND MOU FOR PHYSICAL THERAPY TECHNICIANS HOUSTON HOSPITALS OPERATES AN EMERGENCY ROOM AT EACH FACILITY THAT IS OPEN 24 HOURS A DAY, 365 DAYS PER YEAR ALL SURPLUS FUNDS ARE REINVESTED INTO PROVIDING OR EXPANDING MEDICAL CARE TO THE COMMUNITY, MEDICAL EDUCATION AND FACILITY EXPANSION OR UPKEEP</p>

Form and Line Reference	Explanation
PART VI, LINE 6 - AFFILIATED HEALTH CARE SYSTEM	HOUSTON HOSPITALS, INC IS PART OF A MULTI-ENTITY HEALTHCARE SYSTEM IT PROVIDES ACUTE PATIENT CARE THROUGH ITS TWO FACILITIES, HOUSTON MEDICAL CENTER IN WARNER ROBINS, GA AND PERRY HOSPITAL IN PERRY, GA HOUTON HEALTHCARE SYSTEM, INC SERVES AS THE PARENT ENTITY AND PROVIDES STRATEGIC PLANNING FOR BOTH HOSPITAL FACILITIES AND THE SYSTEM HOUSTON HEALTHCARE EMS, INC PROVIDES AMBULANCE AND TRANSPORTAION SERVICES TO THE COMMUNITY HOUSTON HEALTHCARE PROPERTIES, INC IS A TITLE HOLDING COMPANY THAT OWNS AND MANAGES NON-HOSPITAL REAL ESTATE FOR THE BENEFIT OF THE SYSTEM
PART VI, LINE 7 - STATE FILING OF COMMUNITY BENEFIT REPORT	GEORGIA

Form and Line Reference	Explanation
ADDITIONAL INFORMATION	<p>STATEMENT REGARDING OTHER COMMUNITY BENEFITS - HOUSTON HEALTHCARE PROVIDES THE FACILITY (FREE STANDING BUILDING) FOR THE HOUSTON COUNTY VOLUNTEER MEDICAL CLINIC THIS FACILITY PROVIDES FREE MEDICAL/PHARMACEUTICAL HELP FOR THOSE CITIZENS OF HOUSTON COUNTY THAT HAVE AN EMPLOYED FAMILY MEMBER IN THEIR HOUSEHOLD BUT DO NOT HAVE HEALTH INSURANCE THE TOTAL INCOME FOR THE HOUSEHOLD MUST BE LESS THAN 200% OF THE IDENTIFIED POVERTY LEVEL THE VOLUNTEER CLINIC IS AN INTEGRAL PART OF OUR COMMUNITY HEALTHCARE SYSTEM IN ADDITION TO PROVIDING THE BUILDING, TWO HOUSTON HEALTHCARE STAFF MEMBERS, INCLUDING THE ADMINISTRATOR FOR PERRY HOSPITAL AND THE DIRECTOR FOR COMMUNITY EDUCATION AND SERVICES SERVE ON THE BOARD OF TRUSTEES FOR THE FREE HEALTH CLINIC HOUSTON HEALTHCARE ALSO PROVIDES THE SECRETARY FOR THE BOARD WHO TAKES MINUTES, AND COORDINATES MEETING PLANS AS WELL AS OTHER COMMUNICATION FOR THE BOARD MEETINGS HOUSTON HEALTHCARE ALSO PROVIDES CHRONIC DISEASE MANAGEMENT CLASSES FOR PATIENTS ATTENDING THE CLINIC, AND ASSIST WITH OBTAINING GRANTS AND OTHER FUNDING FOR THIS FREE CLINIC HOUSTON HEALTHCARE ALSO PROVIDES DIAGNOSTIC TESTING FOR PATIENTS SEEN AT THE FREE CLINIC STATEMENT REGARDING PUBLICIZING THE FINANCIAL ASSISTANCE POLICY- ALTHOUGH THE ORGANIZATION'S WRITTEN POLICY DOES NOT INDICATE THE MEASURES TAKEN TO PUBLICIZE THE FACILITY'S FINANCIAL ASSISTANCE POLICY WITHIN THE COMMUNITY SERVED, IT DOES PUBLICIZE AS REQUIRED BY THE STATE'S INDIGENT CARE TRUST FUND (ICTF) POLICY THE ORGANIZATION'S INDIGENT AND CHARITY CARE POLICY IS POSTED ON THE FACILITY'S WEBSITE ALONG WITH THE INDIGENT AND CHARITY CARE QUIDELINES A NOTICE IS PRINTED ON THE PATIENTS BILLS, IN COMMUNITY NEWSPAPERS TWICE A YEAR, POSTED ON THE WALLS AT ALL ADMISSION AREAS, CARDS ARE AVAILABLE ON THE COUNTERS (IN BOTH ENGLISH AND SPANISH), AND THE POLICY AND INDIGENT APPLICATIONS ARE AVAILABLE UPON REQUEST HOUSTON HEALTHCARE INFORMS AND EDUCATES THE COMMUNITY ABOUT THE AVAILABILITY AND ELIGIBILITY FOR FINANCIAL ASSISTANCE BY PROVIDING THESE CARDS AT COMMUNITY EVENTS, HEALTH FAIRS AND EDUCATION SEMINARS THE CARDS AND SIGNAGE ARE PROVIDED IN ENGLISH AND SPANISH INFORMATION IS ALSO GIVEN OUT REGARDING AVAILABILITY AND ELIGIBILITY FOR FINANCIAL SERVICES IN ENGLISH AND SPANISH AT NUMEROUS COMMUNITY EVENTS SUCH AS HEALTH FAIRS IF INCLUDED IN THE POLICY BOXES A-G FOR SCHEDULE H, QUESTION 14 IN PART V, SECTION B WOULD BE CHECKED</p>

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
HOUSTON HOSPITALS INC

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

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
71-1045290

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) MACON STATE COLLEGE 100 COLLEGE STATION DRIVE MACON,GA 31206	58-1028275	GOV	75,000				NURSING EDUCATION
(2) MIDDLE GEORGIA TECHNICAL COLLEGE 3300 MACON TECH DRIVE MACON,GA 31206	58-1727346	GOV	75,000				NURSING EDUCATION
(3) MIDDLE GEORGIA COMMUNITY ACTION 83 GREEN STREET WARNER ROBINS,GA 31093	58-1192477	(C)(3)	36,000				GENERAL SUPPORT
(4) SUSAN G KOMEN 5005 LBJ FREEWAY SUITE 250 DALLAS,TX 75244	75-1835298	501C3	9,989				SUPPORT

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table 5

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

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
SCHEDULE I, PAGE 1, PART I, LINE 2	THE ORGANIZATION HAS GUIDELINES IN PLACE THAT ARE USED IN REVIEWING THE ELIGIBILITY AND APPROPRIATENESS OF GRANTEEES AND CONTRIBUTION RECIPIENTS. GRANTS ARE NOT MADE TO INDIVIDUALS OR POLITICAL ORGANIZATIONS, BUT TO CHARITIES AND RELATED ORGANIZATIONS THAT COMPLEMENT AND/OR FURTHER THE MISSION OF HOUSTON HEALTHCARE AND REFLECT POSITIVELY ON OUR ORGANIZATION. EACH GRANT IS MADE ON AN ANNUAL BASIS. ALL GRANTS REQUIRE WRITTEN DOCUMENTATION OF APPROVAL.

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, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
HOUSTON HOSPITALS INC

Employer identification number
71-1045290

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>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</div></div>	1b	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	2	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III</div><div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>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</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	4a	No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4b	No
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>	5b	No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	6a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	6b	No
<div><div>7</div><div>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</div></div>	7	No
<div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III</div></div>	8	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>	9	

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

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

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

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

Part III **Supplemental Information**

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.

Return Reference	Explanation
------------------	-------------

Additional Data

Software ID:

Software Version:

EIN: 71-1045290

Name: HOUSTON HOSPITALS INC

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				
CARY MARTIN CEO	(i) (ii)	343,527	1,214	7,324	5,000	11,193	368,258	
JEFFERSON DAVIS MD CHIEF MEDICAL OFFICE	(i) (ii)	303,475	1,052	2,603		21,882	329,012	
SEAN WHILDEN CFO	(i) (ii)	217,494	862	18,124	4,188	18,580	259,248	
MELINDA HARTLEY CHIEF NURSE EXECUTIV	(i) (ii)	191,464	782	2,638	3,833	20,436	219,153	
STEPHEN MACHEN ADMINISTRATOR (HMC)	(i) (ii)	168,052	722	3,017	4,321	8,641	184,753	
JOHN DAVID CAMPBELL ADMINISTRATOR (PERRY)	(i) (ii)	155,990	658	4,263	2,605	11,113	174,629	
GRETTA GROSS DIR MEDICAL EDUCATI	(i) (ii)	168,053	50,000			4,297	222,350	
MICHAEL O'HARA SR EXECUTIVE - HR	(i) (ii)	167,006	693	6,762	3,344	13,305	191,110	
ROBERTIENA FLETCHER DIR OF PHARMACY	(i) (ii)	165,554			3,332	27,250	196,136	
RITA BANDT ASST DIR PHARMACY	(i) (ii)	156,832	200	2,261	2,555	16,882	178,730	
SANDRA JOHNSON ASST DIR PHARMACY	(i) (ii)	150,912	200	2,191	2,905	7,873	164,081	

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.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
HOUSTON HOSPITALS INC

Employer identification number
71-1045290

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	HOSPITAL AUTHORITY OF HOUSTON COUNT	58-0833515	442042DK0	08-23-2007	71,610,473	HOSPITAL TOWER CONSTRUCTION AND EQUIPMENT		X		X		X
B	HOSPITAL AUTHORITY OF HOUSTON COUNT	58-0833515	NONENONEN	01-23-2013	20,335,000	FACILITY CONSTRUCTION AND REFUNDING OF 2010 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	130,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	71,610,473		20,335,000					
4	Gross proceeds in reserve funds	4,894,375							
5	Capitalized interest from proceeds	3,053,093							
6	Proceeds in refunding escrows	2,085,000		2,085,000					
7	Issuance costs from proceeds	871,608		192,322					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	68,788,545		18,057,678					
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X			X				
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X			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		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 050 %							
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	0 050 %							
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
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		X					

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	X			X				
b	Name of provider	CITIGROUP GLOBAL							
c	Term of GIC	2 000000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X					

Part V

Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
	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?							

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
SCHEDULE K - DATE REBATE COMPUTATION PERFORMED	HOSPITAL AUTHORITY OF HOUSTON COUNTY 10/03/12

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.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
HOUSTON HOSPITALS INC

Employer identification number
71-1045290

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) KATHERINE DEIGHTON	FAMILY MEMBER	65,730	EMPLOYMENT		No
(2) BRIAN GRAHAM	FAMILY MEMBER	47,039	EMPLOYMENT		No
(3) PIERCE CHRISTIE	FAMILY MEMBER	28,266	EMPLOYMENT		No
(4) AMY DAWSON	FAMILY MEMBER	39,029	EMPLOYMENT		No
(5) DANIEL DEIGHTON	BOARD MEMBER	35,254	RENTAL INCOME		No

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
SCHEDULE L, PART V	SCHEDULE L, PART IV BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS (A) NAME OF PERSON - KATHERINE DEIGHTON (B) RELATIONSHIP - FAMILY MEMBER OF BOARD MEMBER (C) AMOUNT - 65,730 (D) DESCRIPTION - KATHERINE DEIGHTON IS EMPLOYED BY HOUSTON HOSPITALS, INC (E) SHARING OF REVENUES - NO (A) NAME OF PERSON - BRIAN GRAHAM (B) RELATIONSHIP - FAMILY MEMBER OF BOARD MEMBER (C) AMOUNT - 47,039 (D) DESCRIPTION - BRIAN GRAHAM IS EMPLOYED BY HOUSTON HOSPITALS, INC (E) SHARING OF REVENUES - NO (A) NAME OF PERSON - PIERCE CHRISTIE (B) RELATIONSHIP - FAMILY MEMBER OF BOARD MEMBER (C) AMOUNT - 28,266 (D) DESCRIPTION - PIERCE CHRISTIE IS EMPLOYED BY HOUSTON HOSPITALS, INC (E) SHARING OF REVENUES - NO (A) NAME OF PERSON - AMY DAWSON (B) RELATIONSHIP - FAMILY MEMBER OF BOARD MEMBER (C) AMOUNT - 39,029 (D) DESCRIPTION - AMY DAWSON IS EMPLOYED BY HOUSTON HOSPITALS, INC (E) SHARING OF REVENUES - NO (A) NAME OF PERSON - DANIEL DEIGHTON (B) RELATIONSHIP - BOARD MEMBER (C) AMOUNT - 35,254 (D) DESCRIPTION - RENTAL OF REAL ESTATE (E) SHARING OF REVENUES - NO ALL TRANSACTIONS ARE AT FAIR MARKET VALUE

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.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization

HOUSTON HOSPITALS INC

Employer identification number

71-1045290

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 6	
FORM 990, PAGE 6, PART VI, LINE 7A	THE BOARD OF DIRECTORS OF HOUSTON HEALTHCARE SYSTEM, INC , A RELATED 501 (C)(3) ORGANIZATION, APPOINTS THE BOARD OF DIRECTORS OF HOUSTON HOSPITALS, INC
FORM 990, PAGE 6, PART VI, LINE 7B	CERTAIN ACTIONS OF THE BOARD OF DIRECTORS OF HOUSTON HOSPITALS, INC MUST BE APPROVED BY THE BOARD OF DIRECTORS OF HOUSTON HEALTHCARE SYSTEM, INC , A RELATED SECTION 501(C)(3) ORGANIZATION
FORM 990, PAGE 6, PART VI, LINE 11B	A DRAFT OF THE FORM 990 WAS PREPARED BY THE ORGANIZATION AND PROVIDED TO AN INDEPENDENT TAX ACCOUNTANT FOR REVIEW AND PREPARATION OF THE COMPLETE RETURN AFTER REVIEW AND COMMENTS FROM THE OFFICERS, THE RETURN WAS FINALIZED PRIOR TO FILING, A COPY OF THE FINALIZED RETURN WAS PROVIDED TO THE ORGANIZATION'S BOARD OF DIRECTORS
FORM 990, PAGE 6, PART VI, LINE 12C	ON AN ANNUAL BASIS, BOARD MEMBERS, OFFICERS AND KEY EMPLOYEES COMPLETE A CONFLICT OF INTEREST STATEMENT DISCLOSING ANY POTENTIAL CONFLICTS THE STATEMENTS ARE REVIEWED BY MANAGEMENT FOR DISCLOSURES
FORM 990, PAGE 6, PART VI, LINE 15A	A COMPREHENSIVE REVIEW OF THE CEO'S TOTAL COMPENSATION IS CONDUCTED BY THE BENEFITS AND COMPENSATION COMMITTEE OF HOUSTON HEALTHCARE SYSTEM, INC , A RELATED 501(C)(3) ORGANIZATION MINUTES REFLECTING DELIBERATIONS OF THE COMMITTEE ARE RECORDED AND FILED THE COMMITTEE IS COMPRISED OF THREE MEMBERS OF THE BOARD OF DIRECTORS IN CONSIDERING AN ADJUSTMENT IN TOTAL COMPENSATION FOR THE CEO, VARIOUS STUDIES ARE CONSIDERED AND FACTORED INTO THE FINAL DECISION, INCLUDING THE GEORGIA VHA EXECUTIVE COMPENSATION SURVEY-CEO, THE GEORGIA HOSPITAL ASSOCIATION SURVEY OF EXECUTIVE COMPENSATION AND AN EXECUTIVE SALARY SURVEY OF HOSPITAL EXECUTIVES CONDUCTED ANNUALLY BY HR ADVANTAGE, A COMPENSATION CONSULTANT WITH A NATIONAL REACH ALL OF THE ENTITIES AND INDIVIDUALS PROVIDE COMPENSATION DATA INDEPENDENT OF THE OTHERS SUBSEQUENT TO THE REVIEW, A RECOMMENDATION REGARDING THE CEO'S COMPENSATION IS REVIEWED AND MODIFIED/APPROVED BY MEMEBRS OF THE FULL BOARD OF DIRECTORS OF HOUSTON HOSPITALS, INC THE REVIEW IS PERFORMED ON AN ANNUAL BASIS
FORM 990, PAGE 6, PART VI, LINE 15B	SEE DISCUSSION ABOVE FOR QUESTION 15A A SIMILAR PROCESS IS PERFORMED ANNUALLY FOR THE CFO
FORM 990, PAGE 6, PART VI, LINE 19	GOVERNING DOCUMENTS, THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST
FORM 990, PART IX, LINE 11G	TEMPORARY EMPLOYMENT 1,050,790 534,672 0 PROFESSIONAL FEES 10,083,747 0 0 CONSULTING FEES 3,804,071 8,463,868 0 COLLECTION FEES 0 686,379 0 SECURITY 0 409,315 0 LAUNDRY SERVICE 0 1,135,693 0
FORM 990, PART XI, LINE 9	CHANGE IN PENSION OBLIGATION 13,122,561 EQUITY TRANSFERS AFFILIATED ENTITIES -8,620,023 TOTAL CHANGE IN NET ASSETS 4,502,538

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
HOUSTON HOSPITALS INC

Employer identification number
71-1045290

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on 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" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) HOUSTON HEALTHCARE SYSTEM INC PO BOX 2886 WARNER ROBINS, GA 31099 71-1045299	PARENT	GA	501C3	11C	NA		No
(2) HOUSTON HEALTHCARE EMS INC PO BOX 2886 WARNER ROBINS, GA 31099 26-3941348	AMBULANCE	GA	501C3	9	SYSTEM		No
(3) HOUSTON HEALTHCARE PROPERTIES INC PO BOX 2886 WARNER ROBINS, GA 31099 27-0174397	REAL ESTAT	GA	501C2		SYSTEM		No

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) PATIENT SELECT LLC 1601 WATSON BLVD WARNER ROBINS, GA 31093 58-2345231	MSO	GA	N/A					No			No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) HOUSTON HEALTH VENTURES INC 1601 WATSON BLVD WARNER ROBINS, GA 31093 27-2814306	PATIENT SV	GA	N/A						No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

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

	Yes	No
1a		No
1b	Yes	
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k	Yes	
1l		No
1m		No
1n	Yes	
1o	Yes	
1p		No
1q		No
1r		No
1s		No

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

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

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
------------------	-------------

HOUSTON HEALTHCARE SYSTEM, INC.

COMBINED FINANCIAL STATEMENTS

for the years ended December 31, 2013 and 2012

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1-2
Combined Financial Statements:	
Balance Sheets	3-4
Statements of Operations and Changes in Net Assets	5-6
Statements of Cash Flows	7-8
Notes to Combined Financial Statements	9-42

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Houston Healthcare System, Inc.
Warner Robins, Georgia

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Houston Healthcare System, Inc. as of December 31, 2013 and 2012, and the results of their operations, and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Draffin + Tucker, LLP

Albany, Georgia

April 17, 2014

HOUSTON HEALTHCARE SYSTEM, INC.

COMBINED BALANCE SHEETS

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,302,000	\$ 3,459,000
Assets limited as to use	510,000	372,000
Patient accounts receivable, net of contractual allowances and allowance for doubtful accounts of \$93,820,000 and \$109,890,000	33,307,000	34,136,000
Supplies, at lower of cost (first-in, first-out) or market and other assets	<u>5,496,000</u>	<u>6,195,000</u>
Total current assets	<u>47,615,000</u>	<u>44,162,000</u>
Assets limited as to use:		
Internally designated for capital acquisition and other	250,187,000	225,329,000
Held by trustee under indenture agreement	<u>10,831,000</u>	<u>6,262,000</u>
	261,018,000	231,591,000
Less amount required to meet current obligation	<u>510,000</u>	<u>372,000</u>
Total assets limited as to use	<u>260,508,000</u>	<u>231,219,000</u>
Property and equipment, net	<u>133,319,000</u>	<u>122,939,000</u>
Other assets:		
Long-term investments and other	4,244,000	4,322,000
Insurance recoveries	<u>4,102,000</u>	<u>5,956,000</u>
Total other assets	<u>8,346,000</u>	<u>10,278,000</u>
Total assets	\$ <u>449,788,000</u>	\$ <u>408,598,000</u>

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 745,000	\$ 1,098,000
Accounts payable and accrued expenses	7,179,000	7,667,000
Accrued compensation and benefits	12,428,000	12,017,000
Estimated third-party payor settlements	1,064,000	1,793,000
Other current liabilities	<u>5,260,000</u>	<u>7,409,000</u>
Total current liabilities	26,676,000	29,984,000
Long-term debt, net of current maturities	90,346,000	72,447,000
Self-insurance reserves	10,377,000	12,084,000
Accrued pension obligation	<u>15,999,000</u>	<u>32,124,000</u>
Total liabilities	143,398,000	146,639,000
Net assets:		
Unrestricted net assets	<u>306,390,000</u>	<u>261,959,000</u>
 Total liabilities and net assets	 \$ <u>449,788,000</u>	 \$ <u>408,598,000</u>

See accompanying notes to combined financial statements.

HOUSTON HEALTHCARE SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS
for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 265,538,000	\$ 271,956,000
Provision for bad debts	(35,998,000)	(37,874,000)
Net patient service revenue	229,540,000	234,082,000
Other revenue	<u>6,735,000</u>	<u>2,901,000</u>
Total unrestricted revenues, gains and other support	<u>236,275,000</u>	<u>236,983,000</u>
Expenses:		
Salaries and benefits	125,443,000	121,007,000
Supplies and drugs	39,946,000	40,590,000
Other expenses	50,695,000	47,518,000
Depreciation and amortization	15,577,000	14,733,000
Interest expense	<u>3,959,000</u>	<u>3,756,000</u>
Total expenses	<u>235,620,000</u>	<u>227,604,000</u>
Operating income	<u>655,000</u>	<u>9,379,000</u>
Nonoperating revenues (expenses):		
Investment income	14,506,000	44,060,000
Noncapital grants, contributions and other	(373,000)	<u>190,000</u>
Total nonoperating revenues	<u>14,133,000</u>	<u>44,250,000</u>
Excess revenues over expenses	14,788,000	53,629,000

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS, Continued
for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net unrealized gains on other than trading securities	\$ 26,446,000	\$ 20,089,000
Reclassification adjustment for realized gains included in excess revenues over expenses	(9,926,000)	(38,152,000)
Changes in pension assets and projected benefit obligation recognized in net assets	13,123,000	(4,731,000)
Capital contributions	<u>-</u>	<u>92,000</u>
Increase in unrestricted net assets	44,431,000	30,927,000
Net assets, beginning of year	<u>261,959,000</u>	<u>231,032,000</u>
Net assets, end of year	\$ <u>306,390,000</u>	\$ <u>261,959,000</u>

See accompanying notes to combined financial statements.

HOUSTON HEALTHCARE SYSTEM, INC.

COMBINED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Changes in net assets	\$ 44,431,000	\$ 30,927,000
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Provision for bad debts	35,998,000	37,874,000
Depreciation and amortization	15,577,000	14,733,000
Realized gains on sale of securities	(9,926,000)	(38,152,000)
Loss on sale of assets	423,000	24,000
Net unrealized (gains) losses on other than trading securities	(26,446,000)	(20,089,000)
Reclassification adjustment for realized gains	9,926,000	38,152,000
Changes in:		
Patient accounts receivable	(35,169,000)	(37,835,000)
Supplies and other assets	699,000	(454,000)
Self-insurance reserves and insurance recoveries	147,000	954,000
Long-term investments and other	78,000	(1,361,000)
Accounts payable and accrued expenses	(77,000)	111,000
Estimated third-party payor settlements	(729,000)	(4,353,000)
Other current liabilities	(2,149,000)	1,225,000
Accrued pension obligation	(16,125,000)	1,060,000
Net cash provided by operating activities	<u>16,658,000</u>	<u>22,816,000</u>
Cash flows from investing activities:		
Purchase of assets limited as to use	(282,547,000)	(218,497,000)
Proceeds from sale of assets limited as to use	279,566,000	215,616,000
Capital expenditures	(26,359,000)	(16,438,000)
Net cash used by investing activities	<u>(29,340,000)</u>	<u>(19,319,000)</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

COMBINED STATEMENTS OF CASH FLOWS, Continued for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from financing activities:		
Payments on long-term debt	\$(2,810,000)	\$(1,075,000)
Proceeds from issuance of bonds	<u>20,335,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>17,525,000</u>	<u>(1,075,000)</u>
Net increase in cash and cash equivalents	4,843,000	2,422,000
Cash and cash equivalents, beginning of year	<u>3,459,000</u>	<u>1,037,000</u>
Cash and cash equivalents, end of year	\$ <u>8,302,000</u>	\$ <u>3,459,000</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest was approximately \$3,959,000 and \$3,756,000 in 2013 and 2012, respectively.

See accompanying notes to combined financial statements.

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Houston Healthcare System, Inc. (System), located in Warner Robins, Georgia, is a not-for-profit corporation that operates acute care hospitals and freestanding outpatient treatment facilities. The System provides a full range of inpatient, outpatient, and emergency services to the residents of Houston County and surrounding areas. All intercompany transactions have been eliminated.

Effective January 1, 2009, the Hospital Authority of Houston County (Authority) implemented a reorganization plan for Houston Hospitals, Inc. and related facilities whereby all the assets, liabilities, management and governance of the facilities were transferred to Houston Hospitals, Inc., pursuant to a lease and transfer agreement which provides for a nominal rate to the Authority by the System. The lease term expires December 31, 2048.

Use of Estimates

The preparation of combined 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 combined 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 highly liquid debt instruments with an original maturity of three months or less.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the System analyzes a variety of information for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the System provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectibles, deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). There were no significant changes to the underlying assumptions in the allowance methodology for third-party payors.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected, after all reasonable collection efforts have been exhausted, is charged off against the allowance for doubtful accounts.

The System's provision for bad debts decreased approximately \$1,876,000 from approximately \$37,874,000 for 2012 to approximately \$35,998,000 for 2013. This was the result of improvement in charity care identification efforts. The System has not changed its charity care or uninsured discount policies during fiscal years 2013 or 2012.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess revenues over expenses unless the investments are trading securities. Losses on other than temporary impairment declines are included in excess revenues over expenses.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustee under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements and other, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the System have been reclassified in the combined balance sheets at December 31, 2013 and 2012.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements.

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

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The System evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The System has not recorded any impairment charges in the accompanying combined statements of operations and changes in net assets for the years ended December 31, 2013 and 2012.

Cost of Borrowing

Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no capitalized interest cost for the years ended December 31, 2013 and 2012.

Long-Term Investments and Other

Long-term investments and other consist of notes receivable, investments in unconsolidated companies, and deferred financing cost. Notes receivable are from loans secured by promissory contracts. Investments in unconsolidated companies represent the System's participation in joint ventures and partnerships, which are accounted for on the cost and equity methods. Deferred financing costs related to the issuance of long-term debt were deferred and are being amortized using the straight line method, which approximates the effective interest method.

Excess Revenues Over Expenses

The combined statement of operations and changes in net assets includes excess revenues over expenses. Changes in unrestricted net assets which are excluded from excess revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, 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).

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

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.

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 in net patient service revenue.

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. The 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 combined statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

Estimated Malpractice Costs and Other Self-Insurance Costs

The provision for estimated medical malpractice claims and other self-insurance plans includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Risk Management

The System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits.

Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The System is partially self-insured for employee health and professional liability as disclosed in Notes 10 and 11.

Income Taxes

The System is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)3 of the Internal Revenue Code.

The System applies accounting policies that prescribe when to recognize and how to measure the combined financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the System only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2013 and 2012 or for the years then ended. The System's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Houston Health Ventures, Inc. is a for-profit corporation and wholly-owned subsidiary of the System. The System has not recorded a current or deferred tax provision, as this would not have a material effect on the combined financial statements.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC 820 describes the following three levels of input that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Prior Year Reclassifications

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

Subsequent Event

In preparing these combined financial statements, the System has evaluated events and transactions for potential recognition or disclosure through April 17, 2014, the date the combined financial statements were issued.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. The System does not believe there are any significant credit risks associated with receivables due from third-party payors.

A summary of the payment arrangements with major third-party payors follows:

- Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

The System is reimbursed for certain 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 Administrative Contractor (MAC). The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports have been audited by the MAC through 2009.

Revenue from the Medicare program accounted for approximately 41% and 40% of the System's patient service revenue for the years ended 2013 and 2012, respectively. Laws and regulations governing the Medicare program are extremely 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 term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined. The 2012 patient service revenue increased approximately \$1,823,000 primarily due to changes in the SSI% requiring retroactive adjustments in amounts previously estimated. The 2013 patient service revenue increased approximately \$861,000 primarily due to retroactive adjustments in amounts previously estimated.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Patient Service Revenue, Continued

- Medicare, Continued

In April 2012, the United States Department of Health and Human Services and CMS reached a settlement agreement that corrects the calculations of Medicare reimbursements that were provided to the System's hospitals under the Medicare program's inpatient prospective payment system for federal fiscal years 1998 through 2011. As a result of the settlement, the System recognized an increase in patient service revenue of approximately \$2,320,000 in 2012.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the federal level including the initiation of the Recovery Audit Contractor (RAC) program. The RAC program was created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. 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 program.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System is 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. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2009.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Patient Service Revenue, Continued

- Medicaid, Continued

Revenue from the Medicaid program accounted for approximately 12% and 11% of the System's patient service revenue for the years ended 2013 and 2012, respectively. Laws and regulations governing the Medicaid program are extremely 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 term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

The System also contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state level including the initiation of the Medicaid Integrity Contractor (MIC) program. This program was created to review Medicaid claims for medical necessity and coding appropriateness. 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 Medicaid program.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in an increase in payments for Medicaid services to hospitals of approximately 11.88%. Approximately \$3,190,000 and \$3,107,000 of provider payments relating to the Act are included in other expense in the accompanying combined statements of operations and changes in net assets for the years ended 2013 and 2012, respectively.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Patient Service Revenue, Continued

- Other Agreements

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

The System recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a provision for bad debts equal to charges related to uninsured patients in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

Patient Service Revenue (Net of Contractual Allowances and Discounts)					
	<u>Medicare</u>	<u>Medicaid</u>	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2013	\$ <u>84,875,000</u>	\$ <u>23,605,000</u>	\$ <u>115,668,000</u>	\$ <u>41,390,000</u>	\$ <u>265,538,000</u>
2012	\$ <u>85,015,000</u>	\$ <u>21,947,000</u>	\$ <u>124,656,000</u>	\$ <u>40,338,000</u>	\$ <u>271,956,000</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

3. Uncompensated Services

The System was compensated for services at amounts less than its established rates. The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Gross patient charges	\$ <u>763,037,000</u>	\$ <u>725,583,000</u>
Uncompensated services:		
Charity and indigent care	45,708,000	38,186,000
Medicare	231,348,000	207,226,000
Medicaid	64,537,000	60,064,000
Other allowances	155,906,000	148,151,000
Bad debts	<u>35,998,000</u>	<u>37,874,000</u>
Total uncompensated care	<u>533,497,000</u>	<u>491,501,000</u>
Net patient service revenue	\$ <u>229,540,000</u>	\$ <u>234,082,000</u>

The cost of charity and indigent care services provided during 2013 and 2012 were approximately \$14,114,000 and \$11,978,000, respectively, computed by applying a total cost factor to the charges foregone.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at December 31, 2013 and 2012 is set forth in the following table. Investments are stated at fair value and considered other-than-trading.

	<u>2013</u>	<u>2012</u>
Internally designated for capital acquisition and other:		
Cash and cash equivalents	\$ 16,357,000	\$ 14,256,000
Mutual funds – fixed income	42,571,000	44,729,000
Mutual funds – equities	42,198,000	34,957,000
Government agency obligations	34,827,000	34,588,000
U.S. corporate bonds	30,706,000	24,952,000
U.S. equities	49,679,000	44,733,000
International assets – government agency obligations	857,000	-
International assets – corporate obligations	3,271,000	2,019,000
International assets - equities	<u>29,721,000</u>	<u>25,095,000</u>
	250,187,000	225,329,000
Held by trustee under indenture agreement:		
Cash and cash equivalents	4,249,000	-
Government agency obligations	<u>6,582,000</u>	<u>6,262,000</u>
	<u>\$ 261,018,000</u>	<u>\$ 231,591,000</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Investments, Continued

Assets Limited as to Use, Continued

Investment income and gains (losses) for assets limited as to use, cash and cash equivalents, and other investments are comprised of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Investment income:		
Interest income, dividends and other	\$ 4,580,000	\$ 5,908,000
Realized gains on sales of securities	<u>9,926,000</u>	<u>38,152,000</u>
	<u>\$ 14,506,000</u>	<u>\$ 44,060,000</u>
Other changes in unrestricted net assets:		
Changes in unrealized gains on other than trading securities	<u>\$ 26,446,000</u>	<u>\$ 20,089,000</u>
Reclassification adjustment for realized gains included in excess revenues over expenses	<u>\$ (9,926,000)</u>	<u>\$ (38,152,000)</u>

During 2012, the System revised its investment strategy to achieve certain objectives in the short-term and long-term interest of the System. The implementation of the revised strategy necessitated a significant rebalancing of investments. Through that process, a substantial portion of the System's investment portfolio was liquidated and reinvested. Many of the liquidated investments carried a market value above their cost basis for which unrealized gains were recognized as a change in net assets. The rebalancing process occurred predominantly in November 2012 during which approximately \$34,200,000 of the \$38,152,000 of realized gain was recorded. As the System's policy is to recognize all unrealized gains and losses on other than trading securities as a change in net assets, a reclassification of the realized gain is recorded as a change in net assets approximating \$9,926,000 and \$38,152,000 in 2013 and 2012, respectively.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Investments, Continued

Assets Limited as to Use, Continued

The following table provides a summary of the System's investments as of December 31, 2013 and 2012, for which the cost basis of securities exceeds fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions:

Description of Securities	December 31, 2013					
	<u>Less than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Mutual funds - fixed income	\$ 42,571,000	\$(1,282,000)	\$ -	\$ -	\$ 42,571,000	\$(1,282,000)
Mutual funds - equities	9,217,000	(674,000)	-	-	9,217,000	(674,000)
Government agency obligations	29,398,000	(610,000)	3,704,000	(24,000)	33,102,000	(634,000)
U.S. corporate bonds	8,492,000	(123,000)	16,742,000	(820,000)	25,234,000	(943,000)
U.S. equities	4,128,000	(407,000)	487,000	(50,000)	4,615,000	(457,000)
International assets - government agency obligations	848,000	(59,000)	-	-	848,000	(59,000)
International assets - corporate obligations	1,703,000	(22,000)	1,236,000	(42,000)	2,939,000	(64,000)
International assets - equities	1,453,000	(157,000)	-	-	1,453,000	(157,000)
Total	\$ 97,810,000	\$(3,334,000)	\$ 22,169,000	\$ (936,000)	\$ 119,979,000	\$(4,270,000)

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Investments, Continued

Assets Limited as to Use, Continued

December 31, 2012						
Description of Securities	<u>Less than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Government agency obligations	\$ 28,406,000	\$(93,000)	\$ -	\$ -	\$ 28,406,000	\$(93,000)
U.S. corporate bonds	20,646,000	(152,000)	-	-	20,646,000	(152,000)
U.S. equities	7,703,000	(396,000)	-	-	7,703,000	(396,000)
International assets						
- corporate obligations	2,008,000	(12,000)	-	-	2,008,000	(12,000)
International assets - equities	<u>3,007,000</u>	<u>(283,000)</u>	<u>-</u>	<u>-</u>	<u>3,007,000</u>	<u>(283,000)</u>
Total	\$ <u>61,770,000</u>	\$(<u>936,000</u>)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>61,770,000</u>	\$(<u>936,000</u>)

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

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. In analyzing an issuer's financial condition, management considers whether the investments are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Investments, Continued

Assets Limited as to Use, Continued

Management has considered the nature of investments in an unrealized loss position, the cause of their impairment, the severity and duration of their impairment, the current global economic conditions, the System's intentions to sell or ability to hold the investments, and other relevant information available to management in determining if investments are other than temporarily impaired. Based on an evaluation of these factors, the System has concluded that the declines in fair values of the System's investments reported in the above table are temporary.

5. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	25%	27%
Medicaid	6%	8%
Blue Cross	8%	10%
Other third-party payors	32%	33%
Patients	<u>29%</u>	<u>22%</u>
	<u>100%</u>	<u>100%</u>

At December 31, 2013, the System had deposits at major financial institutions which exceeded the Federal Deposit Insurance Corporation limits. Management believes the credit risks related to these deposits are minimal.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Property and Equipment

A summary of property and equipment at December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 15,032,000	\$ 15,499,000
Land improvements	3,647,000	2,786,000
Buildings and improvements	148,467,000	148,563,000
Equipment	<u>113,251,000</u>	<u>100,138,000</u>
	280,397,000	266,986,000
Less accumulated depreciation	<u>162,943,000</u>	<u>148,547,000</u>
	117,454,000	118,439,000
Construction in progress	<u>15,865,000</u>	<u>4,500,000</u>
Property and equipment, net	\$ <u>133,319,000</u>	\$ <u>122,939,000</u>

Depreciation expense for the years ended December 31, 2013 and 2012 amounted to approximately \$15,331,000 and \$14,585,000, respectively.

Contracts of approximately \$35,004,000 exist for the construction and renovation of an outpatient family practice, lab, surgery rooms, and expansion of Perry Hospital, a subsidiary of the System. At December 31, 2013, the remaining commitment on these contracts approximated \$23,795,000.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt

A summary of long-term debt at December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Revenue Certificates – Series 2002, Payable in annual installments ranging from \$1,025,000 on October 1, 2013 to \$1,060,000 on October 1, 2014, with variable interest paid monthly secured by gross revenues	\$ -	\$ 2,085,000
Unamortized discount	-	(8,000)
Revenue Certificates – Series 2007, Payable in annual installments ranging from \$95,000 on October 1, 2014 to \$4,655,000 on October 1, 2042, with interest rates ranging from 4.25 % to 5.25 % secured by gross revenues	71,755,000	71,845,000
Unamortized discount	(364,000)	(377,000)
Revenue Certificates – Series 2013, Payable in annual installments ranging from \$650,000 on October 1, 2014 to \$1,020,000 on October 1, 2037, with variable interest paid monthly secured by gross revenues	<u>19,700,000</u>	<u>-</u>
Total revenue certificates	91,091,000	73,545,000
Less current maturities	<u>745,000</u>	<u>1,098,000</u>
Total long-term debt	\$ <u>90,346,000</u>	\$ <u>72,447,000</u>

Discounts on long-term debt are amortized using the straight-line method over the life of the related bonds, which approximates the effective interest method.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, Continued

Under the terms of the 2002 and 2007 revenue certificates, the System is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The 2002, 2007, and 2013 revenue note indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the notes are outstanding.

On January 23, 2013, the Hospital Authority of Houston County, Georgia, Houston Hospitals, Inc., Houston Healthcare Properties, Inc., Houston Healthcare System, Inc., and Houston EMS, Inc. (Obligated Issuers) issued a \$20,335,000 principal bond Series 2013. The Obligated Issuers are subsidiaries of the System. The Obligated Issuers used proceeds (1) to refund the Authority's Tax-Exempt Adjustable Mode Revenue Bonds, Series 2002; (2) reimburse for the constructing and equipping of the 9-bed expansion at Perry Hospital, a subsidiary of the System; (3) the construction and purchase of equipment of a second cardiac catheterization lab at Houston Medical Center, a subsidiary of the System; (4) any other projects of the Obligated Issuers; and (5) to pay costs of issuance of the Series 2013 Bonds.

Scheduled principal repayments on long-term debt are as follows:

2014	\$ 745,000
2015	1,845,000
2016	1,925,000
2017	2,000,000
2018	2,080,000
Thereafter	<u>82,860,000</u>
Total	\$ <u>91,455,000</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Pension Plan

Plan Description

The System contributes to a defined benefit pension plan (the Plan) managed by a trustee. All full-time System employees hired prior to May 1, 2009, age 21 or older, with at least 1 year of service, are eligible to participate in the Plan. System employees who are vested are entitled to an annual benefit payable monthly for life, in an amount equal to 1% of final average earnings up to covered compensation, plus 1.55% of final average earnings in excess of covered compensation, times credited service up to 30 years. Participants are 100% vested after five years of employment. Participants are fully vested at age 65. The System's funding policy is to make the minimum annual contribution required by applicable regulations. 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 measurement date was December 31, 2013 and 2012.

The following table sets forth the Plan's funded status and amounts recognized in the combined financial statements at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Plan assets at fair value at December 31	\$ 74,339,000	\$ 59,156,000
Projected benefit obligation at December 31	<u>90,338,000</u>	<u>91,280,000</u>
Funded status	<u>\$(15,999,000)</u>	<u>\$(32,124,000)</u>
Amounts recognized in the combined balance sheets consist of:		
Noncurrent liabilities	<u>\$(15,999,000)</u>	<u>\$(32,124,000)</u>
Amounts recognized in unrestricted net assets:		
Net actuarial loss	<u>\$ 2,963,000</u>	<u>\$ 16,086,000</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Pension Plan, Continued

The following table sets forth the components of net periodic pension cost and other amounts recognized in unrestricted net assets for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Service cost	\$ 2,548,000	\$ 2,409,000
Interest cost	3,980,000	3,896,000
Expected return on Plan assets	(4,296,000)	(4,033,000)
Amortization of net actuarial loss	<u>765,000</u>	<u>57,000</u>
Net periodic pension cost	<u>2,997,000</u>	<u>2,329,000</u>
Other changes in Plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial (gain) loss	(12,358,000)	4,788,000
Amortization of net actuarial loss	(<u>765,000</u>)	(<u>57,000</u>)
Total recognized in unrestricted net assets	<u>(13,123,000)</u>	<u>4,731,000</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u><u>\$(10,126,000)</u></u>	<u><u>\$ 7,060,000</u></u>
Weighted-average assumptions used to determine pension benefit obligations:		
Discount rate	5.22%	4.40%
Rate of increase in future compensation levels	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	4.44%	5.19%
Expected long-term return on Plan assets	7.00%	8.00%
Rate of increase in future compensation levels	4.00%	4.00%

The System's expected rate of return on Plan assets is determined by the Plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Pension Plan, Continued

Plan Assets

The composition of Plan assets at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>Percentage</u>	<u>2012</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 8,299,000	11%	\$ 4,257,000	7%
Mutual funds – fixed income	8,378,000	11%	8,506,000	15%
Mutual funds – equities	21,129,000	28%	17,283,000	29%
Government agency obligations	3,888,000	5%	4,401,000	7%
U.S. corporate bonds	4,955,000	7%	4,372,000	7%
U.S. equities	18,477,000	25%	13,484,000	23%
International assets – government agency obligations	147,000	0%	-	0%
International assets – corporate obligations	432,000	1%	340,000	1%
International assets – equities	<u>8,634,000</u>	<u>12%</u>	<u>6,513,000</u>	<u>11%</u>
	<u>\$ 74,339,000</u>	<u>100%</u>	<u>\$ 59,156,000</u>	<u>100%</u>

The System's investment strategy is to manage the portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds. The portfolio is diversified by investing in multiple types of investment-grade securities. The investment policy requires assets of the Plan to be primarily invested in securities with at least an investment grade rating to minimize interest rate and credit risk. The Plan assets are long-term in nature and are intended to generate returns while preserving capital. The target allocation for the investment is 45% U.S. equity, 10% international equity, 35% fixed income, and 10% other securities.

Pension assets are invested in equities, fixed income securities, and cash and cash equivalents. The allocation between different investment vehicles is determined by the System's investment committee, based on current market conditions, short-term and long-term market outlooks, and cash needs for distributions and Plan expenses. Assumptions for expected returns on Plan assets are based on historical performance, long-term market outlook, and a diversified investment approach designed to provide steady, consistent returns

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Pension Plan, Continued

that minimize market fluctuations. The System utilizes the services of a professional investment advisor in the selection of individual fund managers. The investment advisor tracks the performance of each fund manager and makes recommendations for redistributions, as needed, to comply with targeted allocations or to replace underperforming funds.

The System attempts to mitigate investment risk by rebalancing between investment classes as the System's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains or losses would not be realized unless the investments are sold.

The fair values of the System's Plan assets at December 31, 2013 and 2012, by asset category are as follows:

		Fair Value Measurements		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2013</u>	<u>Fair Value</u>			
Cash and cash equivalents	\$ 8,299,000	\$ 6,000	\$ 8,293,000	\$ -
Mutual funds – fixed income	8,378,000	8,378,000	-	-
Mutual funds – equities	21,129,000	21,129,000	-	-
Government agency obligations	3,888,000	-	3,888,000	-
U.S. corporate bonds	4,955,000	-	4,955,000	-
U.S. equities	18,477,000	18,477,000	-	-
International assets - government agency obligations	147,000	-	147,000	-
International assets - corporate obligations	432,000	-	432,000	-
International assets - equities	<u>8,634,000</u>	<u>8,634,000</u>	<u>-</u>	<u>-</u>
Total	\$ <u>74,339,000</u>	\$ <u>56,624,000</u>	\$ <u>17,715,000</u>	\$ <u>-</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Pension Plan, Continued

		Fair Value Measurements		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2012</u>	<u>Fair Value</u>			
Cash and cash equivalents	\$ 4,257,000	\$ 683,000	\$ 3,574,000	\$ -
Mutual funds – fixed income	8,506,000	8,506,000	-	-
Mutual funds – equities	17,283,000	17,283,000	-	-
Government agency obligations	4,401,000	-	4,401,000	-
U.S. corporate bonds	4,372,000	511,000	3,861,000	-
U.S. equities	13,484,000	13,484,000	-	-
International assets – corporate obligations	340,000	-	340,000	-
International assets – equities	<u>6,513,000</u>	<u>6,513,000</u>	<u>-</u>	<u>-</u>
Total	\$ <u>59,156,000</u>	\$ <u>46,980,000</u>	\$ <u>12,176,000</u>	\$ <u>-</u>

See Note 13 for the methods and assumptions used by the System in estimating the fair value of the above Plan assets.

Estimated Contributions

The System plans to contribute approximately \$6 million to the Plan in 2014. No Plan assets are expected to be returned to the System during 2014.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Pension Plan, Continued

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service and decrements as appropriate, are expected to be paid:

<u>Year Ending December 31</u>	<u>Pension Benefits</u>
2014	\$ 2,178,000
2015	\$ 2,478,000
2016	\$ 2,806,000
2017	\$ 3,224,000
2018	\$ 3,618,000
2019 - 2023	\$ 25,456,000

The expected benefits to be paid are based on the same assumptions used to measure the System's benefit obligation at December 31, 2013.

The System has no actuarial loss to be recognized during the next 12 months beginning January 1, 2014.

9. Defined Contribution Plan

The System has a defined contribution retirement plan (the Retirement Plan) covering substantially all employees. The Retirement Plan is a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code which allows employee contributions upon employment and at least 1,000 hours of work, and allows employer contributions upon attainment of the age of 21 and at least one year of service. Participants may contribute up to 20% of their annual compensation up to a maximum dollar limitation. Employer contributions are made at a matching level of 50% of the participants' annual contribution to the Retirement Plan, up to a maximum of 4% of the employee's annual compensation. The System made contributions to the Retirement Plan of approximately \$1,518,000 and \$1,511,000 for the years ended December 31, 2013 and 2012, respectively.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

10. Employee Health Plan

The System has a self-insurance program under which a third-party administrator processes and pays claims. The System reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$150,000 for each individual employee. Under this self-insurance program, approximately \$13.4 million was paid or accrued during the years ended December 31, 2013 and 2012.

11. Professional Liability Claims

The System is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage. Self-insured retention related to this policy in 2011 was \$1 million per occurrence and \$5 million in aggregate, not to exceed \$20 million. Effective February 1, 2012, the System modified the retention related to this policy to \$1 million per occurrence and \$5 million in aggregate, not to exceed \$35 million. The System uses a third-party administrator to review and analyze incidents that may result in a claim against the System. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The System also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued professional claims are included in accounts payable and accrued expenses in the combined balance sheets and in management's opinion provide an adequate reserve for loss contingencies.

Various claims and assertions have been made against the System in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Obligations covered by reinsurance contracts are included in the reserves for professional liability risks, as the System remains liable to the extent the reinsurers do not meet their obligations under the reinsurance contracts. The current amount receivable under the reinsurance contracts include \$1,699,000 and \$2,837,000 at December 31, 2013 and 2012, respectively, recorded in supplies and other assets and the long-term portion of \$4,102,000 and \$5,956,000, respectively, recorded in insurance recoveries.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

12. Functional Expenses

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

	<u>2013</u>	<u>2012</u>
Health care services	\$ 198,733,000	\$ 193,566,000
General and administrative	<u>36,887,000</u>	<u>34,038,000</u>
	<u>\$ 235,620,000</u>	<u>\$ 227,604,000</u>

13. Fair Value of Financial Instruments

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

- *Cash and cash equivalents, accounts payable, accrued expenses, and estimated third-party payor settlements:* The carrying amount reported in the combined balance sheet approximates its fair value, due to the short-term nature of these instruments.
- *Assets limited as to use:* Fair values, which are the amounts reported in the combined balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.
- *Long-term debt:* The fair value of the System's fixed rate long-term debt is estimated based on quoted market value for same or similar debt instruments. The remaining long-term debt carrying amount approximates its fair value. Based on inputs used in determining the estimated fair value, the System's long-term debt would be classified as Level 2 in the fair value hierarchy.

The carrying amount and estimated fair values of the System's long-term debt at December 31, 2013 and 2012 are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ <u>91,091,000</u>	\$ <u>91,310,000</u>	\$ <u>74,545,000</u>	\$ <u>75,572,000</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

13. Fair Value of Financial Instruments, Continued

		Fair Value Measurements		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
<u>December 31, 2013</u>				
Cash and cash equivalents	\$ 20,606,000	\$ 4,573,000	\$ 16,033,000	\$ -
Mutual funds – fixed income	42,571,000	42,571,000	-	-
Mutual funds – equities	42,198,000	42,198,000	-	-
Government agency obligations	41,409,000	6,582,000	34,827,000	-
U.S. corporate bonds	30,706,000	-	30,706,000	-
U.S. equities	49,679,000	49,679,000	-	-
International assets - government agency obligations	857,000	-	857,000	-
International assets - corporate obligations	3,271,000	-	3,271,000	-
International assets - equities	<u>29,721,000</u>	<u>29,721,000</u>	<u>-</u>	<u>-</u>
Total	\$ <u>261,018,000</u>	\$ <u>175,324,000</u>	\$ <u>85,694,000</u>	\$ <u>-</u>
<u>December 31, 2012</u>				
Cash and cash equivalents	\$ 14,256,000	\$ 995,000	\$ 13,261,000	\$ -
Mutual funds – fixed income	44,729,000	44,729,000	-	-
Mutual funds – equities	34,957,000	34,957,000	-	-
Government agency obligations	40,850,000	10,850,000	30,000,000	-
U.S. corporate bonds	24,952,000	1,940,000	23,012,000	-
U.S. equities	44,733,000	44,733,000	-	-
International assets - corporate obligations	2,019,000	-	2,019,000	-
International assets - equities	<u>25,095,000</u>	<u>24,382,000</u>	<u>713,000</u>	<u>-</u>
Total	\$ <u>231,591,000</u>	\$ <u>162,586,000</u>	\$ <u>69,005,000</u>	\$ <u>-</u>

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

13. Fair Value of Financial Instruments, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach.

- *Cash and cash equivalents:* Level 2 assets consist of certificates of deposit valued at amortized cost, which approximates fair value.
- *Government agency obligations and corporate obligations:* Level 2 assets are valued using pricing models maximizing the use of observable inputs for similar securities.
- *U.S. corporate bonds:* Level 2 assets are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings. The corporate bonds contain credit ratings of A3 to AAA.

14. Medicaid Upper Payment Limit

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for enhanced payments to Medicaid providers under the Upper Payment Limit (UPL) methodology. Subsequent to the implementation of the UPL methodology, federal budget concerns have led to reconsideration of the BIPA legislation with possible elimination or reduction of enhanced Medicaid payments. Legislation has been enacted to reduce the level of UPL payments. These reductions are anticipated to remain in effect in future periods. The combined financial statements include enhanced payments for December 31, 2013 and 2012 of approximately \$853,000 and \$316,000, respectively.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Indigent Care Trust Fund

The System participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The System receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the System's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient revenue was approximately \$2,962,000 and \$2,601,000 for the years ended December 31, 2013 and 2012, respectively.

16. Commitments and Contingencies

Operating Leases

The System leases various equipment and facilities under operating leases expiring at various dates. Total rental expense in 2013 and 2012 for all operating leases was approximately \$412,000 and \$278,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2013, that have initial or remaining lease terms in excess of one year.

<u>Year Ending December 31</u>	<u>Amount</u>
2014	\$ 421,000
2015	\$ 421,000
2016	\$ 419,000
2017	\$ 139,000

Compliance Plan

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The System has implemented a compliance plan focusing on such issues. There can be no assurance that the System will not be subjected to future investigations with accompanying monetary damages.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

16. Commitments and Contingencies, Continued

Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the System.

Litigation

The System is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position or results from operations.

17. EHR Meaningful Use Incentives

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009, as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions to Medicare reimbursements beginning in fiscal year 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

Continued

HOUSTON HEALTHCARE SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

17. EHR Meaningful Use Incentives, Continued

The final rule set the earliest interim payment date for the incentive payment at May 2011. The first year of the Medicare portion of the program is defined as the federal fiscal year October 1, 2010 to September 30, 2011.

The System recognizes income related to Medicare and Medicaid incentive payments using a gain contingency model. Under this model, the income from incentive payments is recorded entirely in the period in which the last remaining contingency is resolved.

The System attested that it met all requirements to receive Medicaid Year 1 in 2012 and Medicare Year 1 and Medicaid Year 2 in 2013. The System applied for and received approval from Medicare and Medicaid notifying the System qualified for approximately \$4,798,000 in 2013 and \$871,000 in 2012 from the programs. This amount is included with other revenue on the combined statement of operations, and changes in net assets. Also, if the System satisfies specified meaningful use criteria in future periods, they may become entitled to additional Medicare and Medicaid incentive payments; however, as they have not met these specific requirements as of December 31, 2013, no such additional amounts are accrued.