



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



Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

Information about Form 990 and its instructions is at [www.IRS.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013, 2013, and ending 12-31-2013

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Tucson Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite

5301 E Grant Road

City or town, state or province, country, and ZIP or foreign postal code

Tucson, AZ 85712

F Name and address of principal officer

D Employer identification number

86-0137567

E Telephone number

(520) 327-5461

G Gross receipts \$ 463,901,903

H(a) Is this a group return for subordinates?

☐ Yes ☒ No

H(b) Are all subordinates included?

☐ Yes ☒ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

www.tmc.az.com

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1943

M State of legal domicile

AZ

Part I	Summary																																										
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>Tucson Medical Center's mission is to deliver caring, personalized, quality healthcare to patients and their families in an environment that is supportive, education-focused and compassionate</div></div>																																										
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																																										
Revenue	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>12</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>11</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>3,777</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>489</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>73,238</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>-272,372</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	12	4	Number of independent voting members of the governing body (Part VI, line 1b)	11	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	3,777	6	Total number of volunteers (estimate if necessary)	489	7a	Total unrelated business revenue from Part VIII, column (C), line 12	73,238	7b	Net unrelated business taxable income from Form 990-T, line 34	-272,372																								
3	Number of voting members of the governing body (Part VI, line 1a)	12																																									
4	Number of independent voting members of the governing body (Part VI, line 1b)	11																																									
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	3,777																																									
6	Total number of volunteers (estimate if necessary)	489																																									
7a	Total unrelated business revenue from Part VIII, column (C), line 12	73,238																																									
7b	Net unrelated business taxable income from Form 990-T, line 34	-272,372																																									
Expenses	<table><tr><th></th><th>Prior Year</th><th>Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>2,713,468</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>439,984,890</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>3,960,885</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>5,676,931</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>452,336,174</td></tr><tr><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>691,682</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>194,457,984</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td></tr><tr><td>16b</td><td>Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0</td><td></td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>245,605,693</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>440,755,359</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>11,580,815</td></tr></table>		Prior Year	Current Year	8	Contributions and grants (Part VIII, line 1h)	2,713,468	9	Program service revenue (Part VIII, line 2g)	439,984,890	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,960,885	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,676,931	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	452,336,174	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	691,682	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	194,457,984	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	16b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	245,605,693	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	440,755,359	19	Revenue less expenses Subtract line 18 from line 12	11,580,815
	Prior Year	Current Year																																									
8	Contributions and grants (Part VIII, line 1h)	2,713,468																																									
9	Program service revenue (Part VIII, line 2g)	439,984,890																																									
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,960,885																																									
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,676,931																																									
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	452,336,174																																									
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	691,682																																									
14	Benefits paid to or for members (Part IX, column (A), line 4)	0																																									
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	194,457,984																																									
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0																																									
16b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0																																										
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	245,605,693																																									
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	440,755,359																																									
19	Revenue less expenses Subtract line 18 from line 12	11,580,815																																									
Net Assets or Fund Balances	<table><tr><th></th><th>Beginning of Current Year</th><th>End of Year</th></tr><tr><td>20</td><td>Total assets (Part X, line 16)</td><td>384,685,491</td></tr><tr><td>21</td><td>Total liabilities (Part X, line 26)</td><td>225,183,813</td></tr><tr><td>22</td><td>Net assets or fund balances Subtract line 21 from line 20</td><td>159,501,678</td></tr></table>		Beginning of Current Year	End of Year	20	Total assets (Part X, line 16)	384,685,491	21	Total liabilities (Part X, line 26)	225,183,813	22	Net assets or fund balances Subtract line 21 from line 20	159,501,678																														
	Beginning of Current Year	End of Year																																									
20	Total assets (Part X, line 16)	384,685,491																																									
21	Total liabilities (Part X, line 26)	225,183,813																																									
22	Net assets or fund balances Subtract line 21 from line 20	159,501,678																																									

Part II

Signature Block

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

Sign Here

Signature of officer

2014-11-12

Date

Steve Bush CFO

Type or print name and title

Paid Preparer Use Only

Prnt/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)




















☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	2	No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	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		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		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		No
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	339
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	3,777
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	Yes
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	0
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	No
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	No
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	No
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response 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	12	
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
1b	Enter the number of voting members included in line 1a, above, who are independent	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
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	a The governing body?	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. ▶Steve Bush 5301 E Grant Road Tucson, AZ 85712 (520) 327-5461

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

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

[illegible]

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	5,235,894		569,490

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. 148

		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 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <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
Old Pueblo Anesthesia 2810 N Swan Road Suite 100 Tucson AZ 85712	Medical Services	2,946,963
TOI, 2424 E Wyatt Drive Tucson AZ 85712	Medical Services	2,086,975
OBSTETRIX MEDICAL GROUP OF ARIZONA PC PO BOX 281034 Atlanta GA 303841034	Medical Services	1,124,500
TMC Cardiac & Cardiothoracic Surgery Mgmt 5301 E Grant Road Tucson AZ 85712	Medical Services	1,086,166
Neurological Associates of Tucson 2450 E River Road Tucson AZ 85718	Medical Services	1,080,315

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 ▶46

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	3,095,131				
	e	Government grants (contributions) 1e	77,167				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f					
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	3,172,298				
Program Service Revenue	2a	Meaningful Use Revenue	900099	3,116,448	3,116,448		
	b	Net Patient Services	900099	444,480,296	444,480,296		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f	447,596,744				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	3,114,666	129,438		2,985,228
4		Income from investment of tax-exempt bond proceeds	0				
5		Royalties	0				
6a		Gross rents	(i) Real	(ii) Personal			
			3,267,692				
		b	Less rental expenses	924,069			
		c	Rental income or (loss)	2,343,623			
d		Net rental income or (loss)	2,343,623			2,343,623	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
		b	Less cost or other basis and sales expenses				
		c	Gain or (loss)				
d		Net gain or (loss)	0				
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
		b	Less direct expenses b				
		c	Net income or (loss) from fundraising events	0			
9a		Gross income from gaming activities See Part IV, line 19	a				
		b	Less direct expenses b				
		c	Net income or (loss) from gaming activities	0			
10a		Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold b					
c	Net income or (loss) from sales of inventory	0					
Miscellaneous Revenue		Business Code					
11a	Food Service	722210	2,368,195			2,368,195	
b	Misc Revenue	900099	1,132,188			1,132,188	
c	Pharmacy	446110	3,157,049			3,157,049	
d	All other revenue		93,071		73,238	19,833	
e	Total. Add lines 11a-11d		6,750,503				
12	Total revenue. See Instructions		462,977,834	447,726,182	73,238	12,006,116	

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.	3,734,189	3,734,189		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	4,420,869		4,420,869	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	165,281,346	113,139,434	52,141,912	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	0			
9	Other employee benefits.	17,261,959	2,072	17,259,887	
10	Payroll taxes.	11,979,021		11,979,021	
11	Fees for services (non-employees):				
a	Management.	5,721,167	695,925	5,025,242	
b	Legal.	1,068,188	29,505	1,038,683	
c	Accounting.	2,837,749		2,837,749	
d	Lobbying.	47,000		47,000	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	30,188,632	6,461,894	23,726,738	
12	Advertising and promotion.	2,553,179	62,375	2,490,804	
13	Office expenses.	6,900,896	589,434	6,311,462	
14	Information technology.	7,279,589	431,435	6,848,154	
15	Royalties.	0			
16	Occupancy.	20,910,475	5,388,711	15,521,764	
17	Travel.	513,914	156,522	357,392	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	1,124,688	133,483	991,205	
20	Interest.	3,724,506		3,724,506	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	26,893,990	672,795	26,221,195	
23	Insurance.	8,010,839		8,010,839	
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	97,455,051	94,509,949	2,945,102	
b	Bad Debt	24,057,510	24,057,510		
c	Allow for IP Receivable	4,392,253		4,392,253	
d	Postage and Shipping	266,912	6,688	260,224	
e	All other expenses	274,614	29,622	244,992	
25	Total functional expenses. Add lines 1 through 24e.	446,898,536	250,101,543	196,796,993	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		26,342,726	1	16,679,375
	2	Savings and temporary cash investments		48,464,847	2	5,078,119
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		50,959,475	4	52,791,908
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	1,200,000
	8	Inventories for sale or use		13,804,967	8	15,367,909
	9	Prepaid expenses and deferred charges		5,452,846	9	12,674,200
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	512,032,118		
	b	Less accumulated depreciation	10b	271,906,873	215,651,600	10c 240,125,245
	11	Investments—publicly traded securities		15,695,473	11	58,338,723
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		8,313,557	15	8,740,084
	16	Total assets. Add lines 1 through 15 (must equal line 34)		384,685,491	16	410,995,563
Liabilities	17	Accounts payable and accrued expenses		62,176,330	17	48,902,540
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		89,263,612	20	114,599,715
	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		62,361,237	23	55,963,360
	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		11,382,634	25	10,825,480
	26	Total liabilities. Add lines 17 through 25		225,183,813	26	230,291,095
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		159,501,678	27	180,704,468
	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		159,501,678	33	180,704,468
	34	Total liabilities and net assets/fund balances		384,685,491	34	410,995,563

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	462,977,834
2	Total expenses (must equal Part IX, column (A), line 25)	2	446,898,536
3	Revenue less expenses Subtract line 2 from line 1	3	16,079,298
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	159,501,678
5	Net unrealized gains (losses) on investments	5	4,679,536
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	314,518
9	Other changes in net assets or fund balances (explain in Schedule O)	9	129,438
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	180,704,468

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)

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
Tucson Medical Center

Employer identification number
86-0137567

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

11g(i)

☐

☐

(ii)

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

11g(ii)

☐

☐

(iii)

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

11g(iii)

☐

☐

h

☐

Provide the following information about the supported organization(s)

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

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2013

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 Tucson Medical Center	Employer identification number 86-0137567
---	--

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 checked="" type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input checked="" 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			128,008
	j Total Add lines 1c through 1i				128,008
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b If "Yes," enter the amount of any tax incurred under section 4912					
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912					
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No			

Part III-A

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

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

Part III-B

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

1	Dues, assessments and similar amounts from members.	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a	
a	Current year.		
b	Carryover from last year.		
c	Total.		
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
Part II-B, Line 1i - Other Activities Description	Membership in Arizona Hospital Association - a portion of the dues are designated as lobbyingRetainers paid to Lewis & Rocca for lobbying Fees paid to Burns and Associates, Inc for lobbyingPayment to Arizona Business Coalition on HealthIRC 501 donation to UA Friends for Arizona's Future

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 Tucson Medical Center	Employer identification number 86-0137567
---	--

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part III

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

- 3

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

☐ Public exhibition

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		27,224,425		27,224,425
b Buildings		203,218,122	78,263,269	124,954,853
c Leasehold improvements		6,043,505		6,043,505
d Equipment		275,546,066	193,643,604	81,902,462
e Other				
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				240,125,245

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
Part X FIN48 Footnote	Income taxes. TMCH, TMC, Foundation, and TMC Holdings, Inc. are tax-exempt corporations as described under Section 501 of the Internal Revenue Code and CHB is a corporation pending IRS approval for tax-exempt status, however, they are subject to federal and state income tax on any unrelated business taxable income. GLPIC is a foreign corporation organized under the laws of the Cayman Islands, British West Indies, and is, therefore, not subject to income tax. Security Services, SMH, AZCC and HCSDC are for-profit corporations but did not have taxable operations that were significant to the consolidated financial statements in 2013 or 2012. Certain taxable corporations have net operating loss carryforwards. At December 31, 2013 and 2012, the related deferred tax asset is fully reserved due to the uncertainty regarding the ability of these corporations to realize such assets in future periods. Management has reviewed the Companys tax positions for all open tax years and has concluded that no material liabilities exist as of December 31, 2013 and 2012. Management files the Companys tax returns in the U.S. federal jurisdiction. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

[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
Tucson Medical Center

Employer identification number
86-0137567

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			21,220,326		21,220,326	4 750 %
b Medicaid (from Worksheet 3, column a)			27,617,082		27,617,082	6 180 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			48,837,408		48,837,408	10 930 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			2,786,562		2,786,562	0 620 %
f Health professions education (from Worksheet 5)			179,468		179,468	0 040 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			90,257		90,257	0 020 %
j Total Other Benefits			3,056,287		3,056,287	0 680 %
k Total. Add lines 7d and 7j			51,893,695		51,893,695	11 610 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			435,599		435,599	0 100 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			516,304		516,304	0 120 %
9Other						
10Total			951,903		951,903	0 220 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1Yes

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

224,057,510

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3471,010

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

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

5106,779,324

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

661,574,551

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

745,204,773

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☒ Cost accounting system

☐ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9aYes

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

9bYes

Part IVManagement Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1TMC Cardiac & Cardiothoraci	Management of Cardiac Svcs	29 630 %		70 370 %
2TMC Neuroscience Mgmt LLC	Manage Neuro Svcs	32 500 %		67 500 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

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

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	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)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from 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)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>https://www.tmc.az.com/TMCHealthcare/CHNA</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply 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	No
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 100 0000% 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 400 0000% 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 checked="" 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 type="checkbox"/> Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	13	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b	<input checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f	<input checked="" type="checkbox"/> The policy was available upon request			
g	<input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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	Yes	
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 checked="" 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	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible 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? _____

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
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 6a - Related Organization Community Benefit Report	The 2013 Report to our Community is available on the organization's website
Part III, Line 2 - Methodology Used To Estimate Bad Debt Expense	Bad debt expense is based on our historical collection percentage of gross revenue less deductions for contractuals, charity care and self pay accounts

Form and Line Reference	Explanation
Part III, Line 3 - Methodology of Estimated Amount & Rationale for Including in Community Benefit	Bad debt expense is not included in our community benefit. Only the direct deductions for charity care are included.
Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Patients are interviewed on admission to see if they may qualify for financial assistance. There is a notice on our statements advising patients to call our Patient Financial Services department to see if they qualify and patients with past due balances are sent a letter advising them of the availability of assistance before they are sent to collections. Bad Debt policy states charity accounts are to be returned from Bad Debt and all the necessary financial information is reviewed and the appropriate adjustments are made according to the policy.

Form and Line Reference	Explanation
Part VI - Needs Assessment	Please see attached PDF titled CHNA
Part VI - Patient Education of Eligibility for Assistance	Patients are interviewed on admission to determine if they may qualify for financial assistance. There is a notice on our statements advising patients to call our Patient Financial Services department to see if they qualify and patients with past due balances are sent a letter advising them of the availability of assistance before they are sent to collections.

Form and Line Reference	Explanation
Part VI - Community Information	<p>I PIMA COUNTY GEOGRAPHY, DEMOGRAPHICS AND SOCIAL STATISTICS</p> <p>Note With the exception of the Primary Care Area Statistical Area data, much of the following geography, demographic and social statistics profile was provided for use in this assessment courtesy of the Pima County Health Department on Dec 14, 2011</p> <p>Geography and History Pima County, located in Southern Arizona, is adjacent to six other Arizona counties and shares an international border with Mexico The counties are Cochise to the east, Graham to the northeast, Maricopa to the north, Pinal to the north, Santa Cruz to the southeast, and Yuma to the west The international border to the south is with the State of Sonora, Mexico The border is approximately 123 miles long, with approximately 62 miles of that border located on Tohono Oodham Nation land Ports of entry are Sasabe, AZ (Sasabe, Sonora Mexico) and Lukeville, AZ (Sonoyta, Sonora Mexico)</p> <p>Pima County, the second largest of the four original Arizona counties, was created in 1864 and included approximately all of Southern Arizona acquired from Mexico by the Gadsden Purchase Settlement of the region goes back to the arrival of the Spanish, in the 1690s, who encountered indigenous people already living there Around the middle of the 18th century, silver and gold were discovered and prospectors from Mexico entered the area in droves The latter part of the century saw an expansion of mining and ranching in Pima County and an increase in population</p> <p>The Royal Presidio de San Augustn del Tucson was completed by 1781, and it remained the northern-most outpost of Mexico until the arrival of American soldiers in 1856 From a population of 395 in 1820, Tucson has grown to become the second largest city in Arizona It has always served as the Pima County seat and was the Arizona Territorial capital from 1867 to 1877 Just south of Tucson is the Mission of San Xavier del Bac, founded in 1697 by Father Kino and is still in use today Although greatly reduced from its original size, Pima County still covers 9,184 square miles It ranges in elevation from 1,200 feet to the 9,185-foot peak of Mount Lemmon Within Pima County are two cactus forests Saguaro National Park to the northeast and Organ Pipe Cactus National Monument in the southwest</p> <p>People Pima County at a Glance, 2010</p> <p>Population 980,263</p> <p>Unemployment (Tucson, December 2010) 8 3%</p> <p>Median household income \$45,885</p> <p>Families living below poverty 22 8%</p> <p>Individuals living below poverty 18 9%</p> <p>Foreign born 13 2%</p> <p>Speak language other than English at home 28 0%</p> <p>Unemployment According to 2010 Primary Care Area (PCA) Statistical Profiles, Pima County has an unemployment rate of 8 7 percent, lower than the state rate of 9 5 percent The PCAs with the higher percentages of unemployment than the county are the following Ajo, Arivaca, Pascua Yaqui, Tanque Verde, Tohono Oodham Nation, Tucson Central, Tucson East, Tucson North Central, Tucson Southeast, and Tucson Southwest</p> <p>PCA Statistical Profiles also provide the percentage of population that falls below 200 percent of the Federal Poverty Level as reported by the U S Census American Community Survey from 2005-2009 The state percentage is 49 2, lower than the Pima County rate of 51 7 PCAs that had higher percentages of the population below 200 percent of the Federal Poverty Level are Ajo, Marana, Pascua Yaqui, Tohono Oodham Nation, Tucson Central, Tucson East Central, Tucson East, Tucson North Central, Tucson Southeast, Tucson Southwest and Tucson West</p> <p>Pima County Population, 2010</p> <p>Race/Ethnicity</p> <p>White 87 6%</p> <p>African American 4 0%</p> <p>Native American 3 6%</p> <p>Asian or Pacific Islander 2 7%</p> <p>Other 2 1%</p> <p>Hispanic Heritage 33 7%</p> <p>Age</p> <p>Under 5 years 6 9%</p> <p>5 to 9 years 12 8%</p> <p>10 to 14 years 6 5%</p> <p>15 to 19 years 6 9%</p> <p>20 to 24 years 6 9%</p> <p>25 to 34 years 14 3%</p> <p>35 to 44 years 12 5%</p> <p>45 to 54 years 13 7%</p> <p>55 to 59 years 6 1%</p> <p>60 to 64 years 5 3%</p> <p>65 years or older 14 7%</p> <p>Median age 36 8</p> <p>Educational Attainment, among residents 25 years or older</p> <p>High school graduate or higher 86 4%</p> <p>Bachelors degree or higher 29 0%</p> <p>Within Pima County, there are two American Indian Reservations the Tohono Oodham Nation and the Pascua Yaqui Tribe and Reservation The Tohono Oodham Nation is located in the western portion of Pima County and has a total land mass of 4,453 square miles including the San Xavier Indian Reservation The resident population of the entire Tohono Oodham Nation was 10,787 according to the Year 2000 Census The San Xavier Indian Reservation is the smaller eastern section of the Tohono O'odham Indian Reservation, and it lies in the southwestern part of the Tucson metropolitan area and consists of 111 square miles of land area San Xavier has a 2000 census resident population of 2,053 persons Sells is the capitol of the Nation with a population of 2,799, or 26 percent of the Tohono O'odham population Total tribal enrollment is estimated to be 23,890</p> <p>The Pascua Yaqui Tribe and Reservation is located in the southwestern part of the Tucson metropolitan area and adjacent to San Xavier Indian Reservation The Pascua Yaqui Reservation has a land area of less than 1 9 square miles, and a 2000 census resident population of 3,315 persons Total tribal enrollment is estimated to be 6,136 members</p> <p>Economics The American Indian reservations account for ownership of 42 1 percent of land located in Pima County The state of Arizona owns 14 9 percent, the U S Forest Service and Bureau of Land Management, 12 1 percent, other public lands, 17 1 percent, and individual or corporate ownership, 13 8 percent</p> <p>Pima County has an Urban Enterprise Zone that includes all of the City of South Tucson, central Tucson, portions of Marana, Sahuarita, parts of Pima County and parts of the Tohono Oodham Nation and Pascua Yaqui Indian Reservation</p> <p>vi These Urban Enterprise Zones are designated to help encourage economic development in distressed neighborhoods through tax and regulatory relief to investors willing to launch businesses in the area</p> <p>Pima County is also home to 15 designated Colonias In Arizona, Colonias encompass all types of communities that meet the federal definition of lacking sewer, wastewater removal, decent housing or other basic services</p> <p>Davis-Monthan (D-M) Air Force Base borders the southeastern edge of the City of Tucson and falls within the city limits of Tucson The Base occupies approximately 16 6 square miles of land The land occupied by D-M is owned by the United States Air Force, the State of Arizona, the City of Tucson and several private owners The 355th Fighter Wing is the host unit providing medical, logistical and operational support to all D-M units The wing's mission is to train A-10 and OA-10 pilots, and provide close support and forward air control to ground forces worldwide</p> <p>D-M is also home to the 12th Air Force, the 563rd Rescue Group, the Aerospace Maintenance and Regeneration Group also known as the Aircraft Boneyard and a regional U S Immigration and Customs Enforcement complex These units at D-M, along with tenet organizations, represent a workforce of 6,100 airmen and 1,700 civilian personnel</p> <p>Pima County is also home of the University of Arizona, a large public research university Founded in 1885, the mission of the University of Arizona is to provide a comprehensive, high-quality education that engages students in discovery through research and broad-based scholarship Home to nearly 39,000 students, the University also employs more than 11,000 staff and faculty The University brings in approximately \$530 million in research to the community and is ranked #16 among all public universities by the National Science Foundation The University occupies 387 acres in central Tucson, and is the oldest continually-maintained green space in Arizona</p> <p>Pima County is home to eight community hospitals, an Institute for Mental Disease (IMD), Sonora Behavioral Health and the Southern Arizona Veterans Affairs Health Care System The University of Arizona Medical Center University Campus (UAMC) is the countys only Level I Trauma Center Tucson Medical Center (TMC) and UAMC are the only in-patient pediatric facilities in the area St Josephs Hospital, part of the Carondelet Health Network, is the newest neurological facility, joining TMC, UAMC and Northwest Medical Center that also offer this service Carondelet also manages St Marys and the Carondelet Heart & Vascular Institute The other two hospitals serving Pima County are The University of Arizona Medical Center South Campus, which holds a level III trauma license working under the same leadership as the Level 1 Trauma Center and Northwest Healthcare Oro Valley Hospital Sells Hospital, run by the Indian Health Service, is also located in Pima County but on the Tohono Oodham Nation Reservation and serves only tribal members Pima County is also home to four Federally Qualified Health Centers, Desert Senita Community Health Center, El Rio Community Health Center, Marana Health Center and United Community Health Cent</p>
Part VI - Community Building Activities	<p>The amount reported in Part II line 3 column c represents our Senior Services Community Support We offer classes on topics relating to senior health to the community The amount reported in Part II line 8 column c represents our contribution to Welfare to Work and At Risk Youth programs We hope to help people to qualify for work so that they can afford to maintain a heathier lifestyle and possibly recieve employee sponsored medical insurance</p>

Form and Line Reference	Explanation
Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	Our medical staff is open, our board is recruited from the community, we maintain a 24 hour 7 day emergency room where we treat everyone regardless of ability to pay, we use any surplus operational funds to improve the facility and operations
Part V - Explanation of Number of Facility Type	Tucson Medical Center is a single licensed hospital providing general medical and surgical services, a 24 hour emergency department, a psychiatric hospital and hospice services

Form and Line Reference	Explanation
Part VI - Additional Information	The Organization does not file a community benefit report with the state of Arizona other than to the extent to which community benefit informatin is included in other reporting requirements such as the information provided on the Arizona Hospital Association Annual Report

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Tucson Medical Center

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
86-0137567

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

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

19

3

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

5

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
Grantmaker's Description of How Grants are Used	Members of the executive team determine which community grants will be issued from TMC

Additional Data

Software ID: 13000170
Software Version: 2013v3.1
EIN: 86-0137567
Name: Tucson Medical Center

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Cancer Society 1636 N Swan Road Tucson, AZ 85712	13-1788491		102,000	0			Cancer research and prevention

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Heart Association 2601 n Campbell Ave 204 Tucson, AZ 85719	13-5613797		87,500	0			Heart Disease Research

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ARA Parseghian Med Research 4729 E Sunrise Dr 327 Tucson,AZ 85718	86-0775966		12,500	0			Medical Research

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ASU Foundation 300 E University Drive Tempe, AZ 85281	86-6051042		5,150	0			Community Education

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Boys & Girls Club PO Box 40217 Tucson, AZ 85717	86-0172257		6,950	0			Children's Health

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Casa de los Ninos Inc 1101 N 4th Ave Tucson,AZ 85705	86-0314595		10,250	0			Childrens shelter

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
City of Tucson 225 W Alameda Tucson, AZ 85701			15,000	0			Tucson Moves a Million Miles

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Diaper Bank of Southern AZ 4500 E Speedway 75 Tucson, AZ 85712	43-1990345		13,500	0			Senior Services

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
El Rio Foundation 839 W Congress St Tucson, AZ 85745	86-0816675		7,700	0			Support El Rio Health Center

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Juvenile Diabetes Research Fdn 4560 E Broadway Suite 214 Tucson, AZ 85711	23-1907729		11,500	0			Diabetes Research

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Pima Council on Aging 8467 E Broadway Blvd Tucson, AZ 85710	86-0251768		7,800	0			Sponsor of Community Education

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Pima County Medical Society 5199 E Farness Dr Tucson, AZ 85712	86-0125897	501(c)(6)	7,500	0			Community Health

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Ronald McDonald House 3838 N Campbell Ave 6 Tucson, AZ 85719	95-3526934		7,500	0			Housing assistance

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
S AZ Leadership Council 3497 N Campbell Ave 703 Tucson, AZ 85719	86-0879845	501(c)(6)	10,000	0			Community Benefit

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Supporting Academic Trauma Fd 6266 N Desert Moon Loop Tucson, AZ 85712	46-1563127		10,000	0			SW Regional Trauma Conference

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Tucson Childrens Museum PO BOX 2609 Tucson, AZ 85702	86-0676237		25,000	0			Health related exhibit

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Tucson Festival of Books 5633 E Grant Road Tucson, AZ 85712	26-2145432		25,000	0			Literacy

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Tucson Metropolitan Chamber of Commerce Tucson, AZ 85712	86-0062660	501(c)(6)	8,000	0			State of Education Health Services

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Tucson Nurses Week Foundation PO Box 65085 Tucson, AZ 85728	86-0771880		25,000	0			Promote Nursing Careers

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Tucson Values Teachers 3497 N Campbell Ave 703 Tucson, AZ 85719	26-4637708		6,500	0			Education

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
United Way PO Box 86750 Tucson,AZ 85754	86-0098932		15,000	0			Community support

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
University of AZ Foundation 111 North Cherry Ave Tucson, AZ 85721	74-2652689		10,000	0			Community Health

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
YMCA of Southern AZ PO Box 1111 Tucson, AZ 85702	86-0101237		15,000	0			Children's water safety

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
YWCA of Tucson 738 N 5th Ave Suite 110 Tucson, AZ 85705	86-0098937		10,000	0			Sponsorship

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
Tucson Medical Center

Employer identification number
86-0137567

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 checked="" 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>	1bYes	
<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>	2Yes	
<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 checked="" 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>	4aYes	
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4bYes	
<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>	7Yes	
<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	No

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

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII
Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

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

Part III **Supplemental Information**

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
Part I, Line 1a Relevant information in regards to selections on 1a	First class travel is available to trustees on extended flights
Part I, Line 7 Non-Fixed payments not listed above	If certain quality and/or budget metrics are met a bonus payment is made. Goals are established annually by approval of the compensation committee and the Board of Directors. Payment is also approved by the compensation committee.

Additional Data

Software ID: 13000170
Software Version: 2013v3.1
EIN: 86-0137567
Name: Tucson Medical Center

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
David Ronald Ressler Vice President	(i) (ii)	145,010				9,073	154,083	
Elizabeth McCurdy Maish Vice President	(i) (ii)	185,590			32,811	14,640	233,041	
Frank Marini Vice President	(i) (ii)	276,883	48,072	27,246	31,282	25,179	408,662	
Jason Krupp Vice President	(i) (ii)	186,055				446	186,501	
John Friend Vice President	(i) (ii)	175,732	40,000		7,000	22,539	245,271	
Judith Rich CEO	(i) (ii)	559,380	144,210	107,202	35,000	17,455	863,247	
Julia Strange Vice President	(i) (ii)	146,161	25,726		14,568	14,906	201,361	
Lawrence Lincoln Medical Director	(i) (ii)	191,091			23,000	16,791	230,882	
Linda Wojtowicz Vice President	(i) (ii)	307,826	64,420	176,520	35,000	6,579	590,345	
Mark Joseph Helms Psychiatrist	(i) (ii)	267,686				18,104	285,790	
Michael Duran Vice President	(i) (ii)	158,410	28,502	16,812	17,500	20,623	241,847	
Muhammad Saeed Psychiatrist	(i) (ii)	210,978				16,832	227,810	
Rainier J Diaz Psychiatrist	(i) (ii)	231,130			8,498	21,119	260,747	
Richard Prevallet Vice President	(i) (ii)	182,537	26,768		9,013	21,784	240,102	
Rick Alan Anderson Vice President	(i) (ii)	272,388			13,143	12,478	298,009	
Stephen Bush CFO	(i) (ii)	344,344	74,100		39,110	17,563	475,117	
Susan Snedaker Director	(i) (ii)	172,997			5,224	14,564	192,785	
Timothy Alan Hartin CLO	(i) (ii)	248,348				5,963	254,311	
Tracy Nuckolls Executive VP	(i) (ii)	131,066	62,704		10,657	11,046	215,473	

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Tucson Medical Center

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

Employer identification number

86-0137567

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 Ind Devel Auth of Pima Co	86-0445981		12-16-2010	114,370,800	Campus Development		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	114,599,715							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,318,696							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	114,599,715							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Return Reference	Explanation
Part VI	Part II Proceeds6) There was no escrow because everything was paid off at closing 12) These are draw down bonds

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
Tucson Medical Center

Employer identification number
86-0137567

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) J Manuel Arreguin	Trustee	36,000	Chief of Staff Elect		No
(2) Michael Bracht	Trustee	2,946,963	Anesthesia svc agree		No
(3) Henry Boice	Trustee	141,021	Banking Services		No
(4) David Cohen	Trustee	6,570	Tax Return Prep ptr		No
(5) Michael Probstfeld	Trustee	67,000	Chief of Staff		No

Part V Supplemental Information

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

Return Reference	Explanation
Schedule L, Part V Supplemental Information	1) Trustee receives payments for professional services rendered to organization2) Trustee is a minority owner of an anesthesia group which does business with the organization 3) Trustee is employed by bank which handles most TMC investments4) Trustee is a partner in a CPA firm in which another partner prepares tax returns for related joint ventures 5) Trustee receives payments for professional services rendered to organization

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 Tucson Medical Center	Employer identification number 86-0137567
---	--

Return Reference	Explanation
Form 990, Part VI, Line 2 Description of Business or Family Relationship of Officers, Directors, E	Michael Bracht has ow nership in an anesthesia group which has a business relationship with the company David Cohen is a partner in a CPA firm in which another partner provides services to related joint ventures Henry Boice is a vice president at a bank which provides investment services J Manuel Arreguin is the Chief of Staff Elect for 2014 (votes only in absence of Chief of Staff) Michael Probstfeld is Chief of Staff for 2014

Return Reference	Explanation
Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	The organization's Member is the parent company, TMC HealthCare

Return Reference	Explanation
Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	The Member's (TMC HealthCare) Board of Trustees electes the Board of Tucson Medical Center

Return Reference	Explanation
Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	TMC HealthCare, the Member, must approve - The amendment of the Corporation's Articles of Incorporation or Bylaws - The acquisition or creation of any subsidiary or controlled corporation - The merger or consolidation of this Corporation with another corporation, or the entering into any joint venture, partnership, limited liability company, or other business venture with a third party - The dissolution or liquidation of this Corporation - The expenditure of any funds in excess of those previously approved in the capital and operating budgets of this Corporation - The entering into any loan, indebtedness, guaranty, security interest, mortgage, surety, hypothecation - The disposition of any of its assets in excess of such monetary sum as the Member may determine from time to time to any person other than to the Member or a subsidiary of the Member - The appointment of an independent auditor or hiring of independent counsel

Return Reference	Explanation
Form 990, Part VI, Line 11b Form 990 Review Process	The Form 990 is prepared and reviewed by Financial Services. It is then reviewed by the Chief Financial Officer and Chief Legal Officer for presentation to the Board of Trustees. A copy is provided to the Board via the Board sharepoint site. All questions are addressed prior to filing the form 990 with the Internal Revenue Service.

Return Reference	Explanation
Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	<p>TMC Conflict of Interest Policy Excerpt Article V Disclosure and Process for Resolution</p> <p>1 Disclosure of Conflicts of Interest Annually, all trustees, officers, and members of board committee shall complete a disclosure form that lists various relationships that give rise to actual or potential conflicts of interest and return the same to the Chief Legal Officer of the Organization In addition, they have a continuing duty to disclose potential conflicts and shall disclose any and all actual or potential conflicts of interest as they arise or are discovered during their tenure The Chief Legal Officer is vested with the authority to bring conflicts or potential conflicts to the attention of the trustees, officers, committee members or applicable body, including the requirement that the person with the alleged conflict recuse himself from participation in the discussion and voting on any issue</p> <p>2 Determining Whether a Conflict of Interest Exists The Chief Legal Officer has been vested with the authority to determine whether a conflict of interest exists If there is a disagreement with the decision of the Chief Legal Officer, then the Governance Committee shall decide if a conflict of interest exists based on the information presented by the Chief Legal Officer If a board member disagrees with the Governance Committee decision, the issue will be sent to all remaining board members of the TMC HealthCare board for a vote on the issue for the final resolution of the issue</p> <p>3 Procedures for Decision Making when a Conflict of Interest Exists If it has been determined that a conflict of interest exists, the following process shall be followed regarding the matter for which a conflict exists</p> <p>a The interested person may, but is not required to, participate in the presentation of the matter at the governing board or committee meeting, but after the presentation, he may be asked to leave the meeting during the discussion of the matter, and in any event shall not participate in the vote on the transaction or arrangement involving the possible conflict of interest</p> <p>b If the board or committee believes that it needs additional information on alternatives to the proposed business arrangement, then the following process may be followed</p> <p>a The chairperson of the board or committee shall, if appropriate, direct management to obtain additional information and alternatives, or appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement</p> <p>b After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or business arrangement from a person or entity that would not give rise to a conflict of interest</p> <p>c If a more advantageous transaction or business arrangement is not reasonably possible or readily available under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable In conformity with the above determination it shall make its decision as to whether to enter into the transaction or business arrangement</p>

Return Reference	Explanation
Form 990, Part VI, Line 15a Compensation Review & Approval Process - CEO, Top Management	<p>TMC is responsible for the payment of compensation and benefits as well as the process for reviewing and approving compensation and benefits for administrative leadership. For the Chief Executive Officer and Chief Financial Officer as well as other senior leadership positions the compensation committee contracts directly with Sullivan Cotter, an independent third-party compensation consultant, who periodically provides a written report containing a summary of relevant, contemporaneous benchmark information and makes recommendations regarding the level of compensation and benefits that would be reasonable. The compensation committee carefully reviews the information, discusses it directly with the consultant and makes recommendations based upon the information provided. The compensation committee then makes its final recommendation to the full board for their approval.</p>

Return Reference	Explanation
Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	TMC is responsible for the payment of compensation and benefits as well as the process for reviewing and approving compensation and benefits for administrative leadership. For the Chief Executive Officer and Chief Financial Officer as well as other senior leadership positions the compensation committee contracts directly with Sullivan Cotter, an independent third-party compensation consultant, who periodically provides a written report containing a summary of relevant, contemporaneous benchmark information and makes recommendations regarding the level of compensation and benefits that would be reasonable. The compensation committee carefully reviews the information, discusses it directly with the consultant and makes recommendations based upon the information provided. The compensation committee then makes its final recommendation to the full board for their approval.

Return Reference	Explanation
Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Form 990 and Form 990T are available on request The organization's website is https //www tmc-az com/ and our mission, goals, directors and executives and other organizational information is available there

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Decreases	TMC Cardiac and Cardiothoracic Surgery K-1 = -\$3916

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Increases	TMC Neuroscience Mgmt K-1 = \$133354

Department of the Treasury Internal Revenue Service	<div><div>Related Organizations and Unrelated Partnerships</div><div><div>▶ 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.</div><div>▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.</div></div></div>	OMB No 1545-0047
		2013
		Open to Public Inspection

Name of the organization Tucson Medical Center	Employer identification number 86-0137567
---	--

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
(1) Tucson Musculo Skeletal 5301 E Grant Road Tucson, AZ 85712 80-0032117	Oupatient Surgery	AZ			Tucson Medical Center

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) El Dorado Hospital 5301 E Grant Road Tucson, AZ 85712 20-0385301	Hospital - discontinued operations	AZ	501(c)3	3	N/A		No
(2) TMC Foundation 5301 E Grant Road Tucson, AZ 85712 86-0504015	Supports Tucson Medical Center	AZ	501(c)3	11	N/A		No
(3) TMC HealthCare 5301 E Grant Road Tucson, AZ 85712 20-2218975	Parent Company	AZ	501(c)3	11	N/A		No
(4) TMC Holdings Inc 5301 E Grant Rd Tucson, AZ 85712 86-0441785	Holding Company	AZ	501(c)2		N/A		No
(5) Tucson Medical Center Auxiliary PO Box 42195 Tucson, AZ 85713 86-6050769	Support to TMC	AZ	501(c)(3)	11	N/A		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) Disproptrionate 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) TMC Cardiac & Cardiothoracic Surgery 5301 E Grant Road Tucson, AZ 85712 27-0766398	Service Line Mgmt	AZ	Tucson Medical Cente		-3,916	81,638		No		Yes		29 629 %
(2) TMC Neuroscience Mgmt LLC 5301 E Grant Road Tucson, AZ 85712 27-3027087	Service Line Management	AZ	Tucson Medical Cente		133,354	99,754		No		Yes		32 500 %
(3) Arizona Connected Care LLC 5301 E Grant Road Tucson, AZ 85712	Accountable Care Org	AZ	TMC HealthCare					No			No	20 000 %

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) Hospital Care Systems Development Corp 5301 E Grant Road Tucson, AZ 85712 20-3015545	Hospital Management	AZ	N/A	c					No
(2) Medhold Inc 5301 E Grant Road Tucson, AZ 85712 86-0769548	Holding Company	AZ	N/A	c					No
(3) Saguaro Medical Holdings Inc 5301 E Grant Road Tucson, AZ 85712 20-0614853	Holding Company	AZ	N/A	c					No
(4) TMC de Mexico Ltd 5301 E Grant Road Tucson, AZ 85712 86-0769541	Holding Company	AZ	N/A	c					No
(5) TMC Healthcare Security Services Inc 5301 E Grant Road Tucson, AZ 85712 52-2414943	Security Services	AZ	N/A	c					No
(6) Rincon Community Hospital 5301 E Grant Road Tucson, AZ 85712 20-2330009	Hospital - not yet open	AZ	N/A	c					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

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

Yes

1l

No

1m

No

1n

No

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
(1) TMC Foundation	c	2,786,984	GAAP
(2) TMC Foundation	o	497,867	GAAP
(3) TMC Holdings Inc	k	1,951,215	GAAP
(4) Tucson Medical Center Auxiliary	o	126,559	GAAP

Schedule R (Form 990) 2013

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

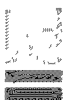
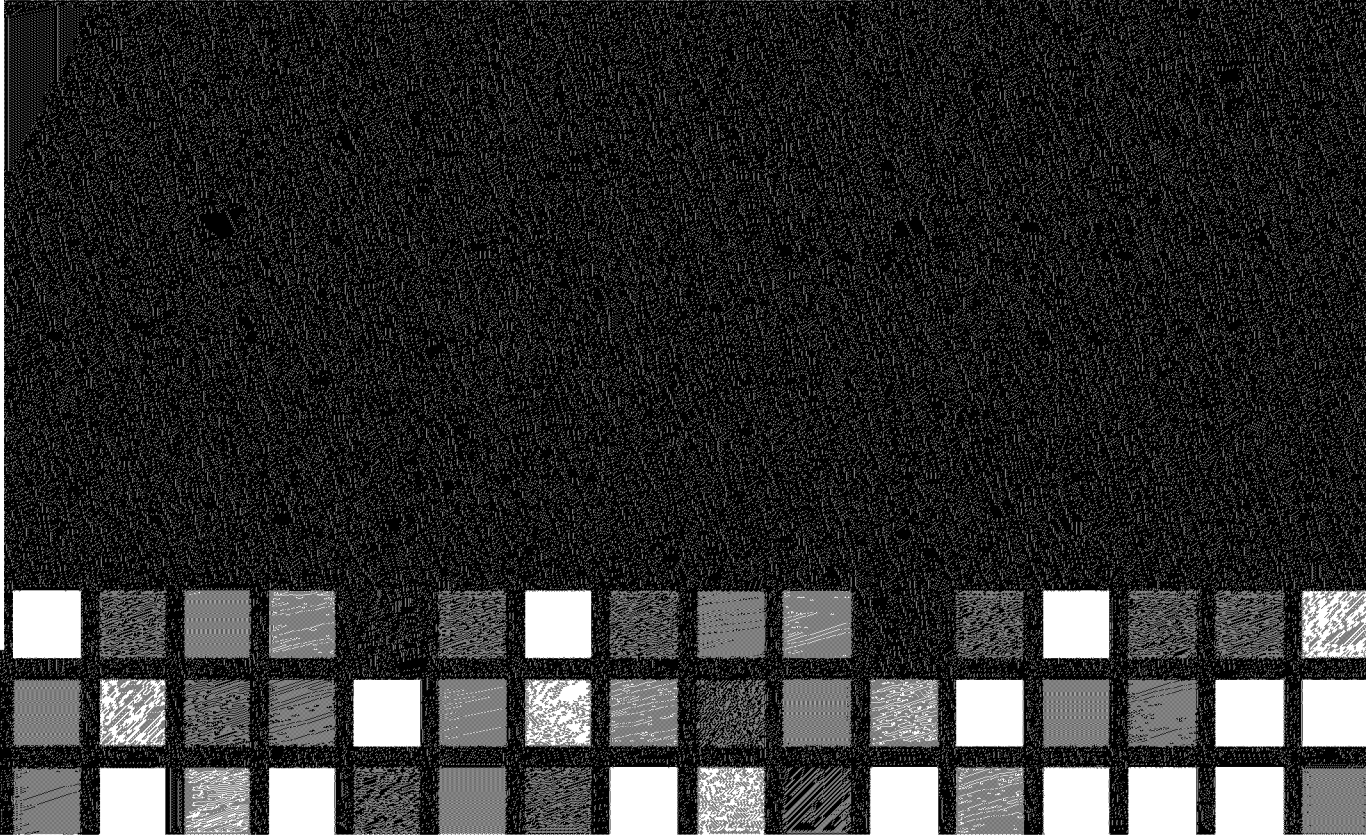
Supplemental Information

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

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

TMC HealthCare and Subsidiaries

Consolidated Financial Report
December 31, 2013



McGladrey

Assurance • Tax • Consulting

Contents

Independent Auditor's Report	1 and 2
-------------------------------------	---------

Financial Statements

Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 28

Supplementary Information

Consolidating Balance Sheets	29 – 32
Consolidating Statements of Operations	33 and 34



Independent Auditor's Report

To the Board of Trustees
TMC HealthCare and Subsidiaries
Tucson, Arizona

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TMC Healthcare and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GLP Insurance Company, is solely based on the report of other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of GLP Insurance Company, a wholly owned subsidiary, whose statements reflect total assets constituting 10.1 percent and 11.8 percent, respectively, of consolidated total assets at December 31, 2013 and 2012 and total revenues of 1.8 percent of consolidated total revenues for each of the years then ended. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company 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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the consolidated balance sheets and consolidated statements of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. As noted above, we did not audit the financial statements of GLP Insurance Company as of December 31, 2013 and 2012 and for the years then ended. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GLP Insurance Company, is solely based on the report of other auditors.

McGladrey LLP

Phoenix, Arizona
March 28, 2014

TMC HealthCare and Subsidiaries

Consolidated Balance Sheets

December 31, 2013 and 2012

(In Thousands)

Assets	2013	2012
Current Assets		
Cash and cash equivalents	\$ 36,077	\$ 42,299
Investments (Note 3)	132,060	140,614
Patient accounts receivable, net of allowances, \$22,813 in 2013 and \$23,264 in 2012 (Note 2)	53,115	51,669
Supply inventories	15,368	13,805
Prepaid expenses and other (Note 2)	19,144	10,980
Current portion of assets limited as to use (Notes 3 and 6)	4,000	3,300
Total current assets	259,764	262,667
Assets Limited as to Use, net of current portion (Notes 3 and 6)	21,883	17,593
Property and Equipment, net (Note 4)	275,553	251,543
Other Assets	5,659	5,476
Total assets	\$ 562,859	\$ 537,279
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 40,037	\$ 50,739
Accrued salaries and related liabilities	17,902	20,017
Current maturities of long-term debt (Note 6)	10,993	7,247
Due to broker for unsettled investment trades (Note 3)	22	3,944
Estimated amounts due to third-party payors (Note 2)	3,164	2,834
Total current liabilities	72,118	84,781
Interest Rate Swap Agreements (Note 7)	3,452	6,202
Other Long-Term Liabilities (Note 5)	20,398	16,503
Long-Term Debt, less current maturities (Note 6)	177,516	163,119
Total liabilities	273,484	270,605
Commitments and Contingencies (Notes 3, 4, 5, and 10)		
Net Assets		
Unrestricted	273,108	247,321
Temporarily restricted (Note 8)	12,502	15,598
Permanently restricted	3,765	3,755
Total net assets	289,375	266,674
Total liabilities and net assets	\$ 562,859	\$ 537,279

See Notes to Consolidated Financial Statements

TMC HealthCare and Subsidiaries

Consolidated Statements of Operations
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
Unrestricted revenues, gains and other support		
Net patient service revenue, net of provision for uncollectible accounts of \$24,058 in 2013 and \$22,214 in 2012 <i>(Note 2)</i>	\$ 425,170	\$ 420,714
Other income <i>(Note 10)</i>	18,833	18,897
Net assets released from restrictions	3,895	3,006
Total unrestricted revenues, gains and other support	447,898	442,617
Expenses and losses <i>(Note 9)</i>		
Salaries, wages and benefits	200,854	198,536
Supplies and other	116,423	116,679
Medical and other professional fees	42,673	44,915
General and administrative	41,664	39,376
Depreciation and amortization	28,233	25,145
Interest	4,550	6,744
Total expenses and losses	434,397	431,395
Operating income	13,501	11,222
Other income (expense)		
Investment return, net <i>(Note 3)</i>	11,894	15,024
Change in fair value of interest rate swap agreements <i>(Note 7)</i>	2,750	2,482
Contributions	284	695
Joint venture activity	(4,511)	(5,276)
Other	1,858	700
Total other income	12,275	13,625
Excess of revenues over expenses	\$ 25,776	\$ 24,847

See Notes to Consolidated Financial Statements

TMC HealthCare and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Excess of revenues over expenses	\$ 25,776	\$ -	\$ -	\$ 25,776	\$ 24,847	\$ -	\$ -	\$ 24,847
Net assets released from restrictions	-	(5,606)	-	(5,606)	-	(3,706)	-	(3,706)
Restricted contributions and investment income								
Restricted contributions	-	2,446	10	2,456	-	4,508	15	4,523
Restricted investment return	-	75	-	75	-	81	-	81
Reclassifications	11	(11)	-	-	(1,368)	1,368	-	-
Change in net assets	25,787	(3,096)	10	22,701	23,479	2,251	15	25,745
Net assets, beginning of year	247,321	15,598	3,755	266,674	223,842	13,347	3,740	240,929
Net assets, end of year	273,108	12,502	3,765	289,375	\$ 247,321	\$ 15,598	\$ 3,755	\$ 266,674

See Notes to Consolidated Financial Statements

TMC HealthCare and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 22,701	\$ 25,745
Items not requiring (providing) cash		
Depreciation and amortization	28,233	25,145
Net realized and unrealized gains and losses on investments	(6,738)	(11,069)
Gain in fair value of interest rate swap agreements	(2,750)	(2,492)
Equity losses from joint ventures	4,511	5,276
Capital and other restricted contributions	(3,075)	898
Changes in		
Patient accounts receivable, net	(1,446)	(2,393)
Supply inventories	(1,563)	(614)
Prepaid expenses and other assets	(9,307)	(1,012)
Estimated amounts due to third-party payors	330	470
Accounts payable and accrued expenses	(20,156)	(14,362)
Accrued salaries and related liabilities	(2,115)	1,881
Net cash provided by operating activities	8,625	27,473
Cash Flows From Investing Activities		
Net sales (purchases) of investments	10,302	12,874
Distributions from joint ventures	1,374	396
Investments in joint ventures	(4,925)	(4,827)
Purchase of property and equipment	(42,816)	(58,737)
Net cash used in investing activities	(36,065)	(50,294)
Cash Flows From Financing Activities		
Capital and other restricted contributions	3,075	(898)
Proceeds from issuance of long-term debt	40,388	46,047
Principal payments on long-term debt	(22,245)	(30,842)
Net cash provided by financing activities	21,218	14,307
Decrease in cash and cash equivalents	(6,222)	(8,514)
Cash and Cash Equivalents, beginning of year	42,299	50,813
Cash and Cash Equivalents, end of year	\$ 36,077	\$ 42,299
Supplemental Disclosures of Cash Flow Information		
Interest paid (net of amount capitalized, \$692 in 2013 and \$1,541 in 2012)	\$ 4,605	\$ 7,025
Property and equipment purchases included in accounts payable	\$ 9,427	\$ 19,944

See Notes to Consolidated Financial Statements

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: TMC HealthCare and Subsidiaries (collectively, the Company) is a not-for-profit corporation located in Tucson, Arizona, which provides, through its various subsidiaries and affiliates, general medical and surgical acute care, behavioral health services, health care education, and a full range of outpatient services primarily to the residents of southern Arizona. Included in the Company's consolidated financial statements are all of its wholly owned or controlled subsidiaries, which include both tax-exempt and taxable entities.

With certain exceptions, when the ownership interest in a related entity is more than 50 percent and the Company has controlling interest, the controlled company is consolidated. When the ownership interest is at least 20 percent, but not more than 50 percent, or the Company has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method, and the income or loss is reflected in joint venture activity and other.

TMC HealthCare is primarily a Not-for-Profit holding company that has an ownership interest in or control over the following organizations:

- Tucson Medical Center (TMC or the Hospital) is a not-for-profit Arizona corporation that has 568 acute medical and surgical, 48 behavioral health and 16 hospice licensed beds as of December 31, 2013. The Company is the sole corporate member of TMC.

The Hospital holds controlling membership interests in the following limited liability companies: TMC Cardiac and Cardiothoracic Surgery Management, LLC (30 percent) and TMC Neuroscience Management, LLC (32.5 percent).

- TMC Holdings, Inc. is a not-for-profit corporation, and TMC Healthcare is its sole corporate member. TMC Holdings, Inc. primarily leases medical facilities to health care providers in Tucson, Arizona.
- Saguaro Medical Holdings, Inc. (SMH) is a for-profit corporation and is wholly owned by TMC Healthcare. SMH is the sole member of Saguaro Physicians, LLC and holds 100 percent of the shares in Saguaro HealthCare, Inc. SMH holds a 50 percent non-controlling membership interest in Tucson Medical Imaging Partners, LLC and 17.6 percent non-controlling interest in Innovative Practices (defined below).
- TMC Foundation (the Foundation) is a not-for-profit corporation, and TMC Healthcare is its sole corporate member. The Foundation raises and invests funds primarily for the benefit of TMC and other community not-for-profit initiatives.
- GLP Insurance Company (GLPIC) is a foreign for-profit corporation and is wholly owned by TMC Healthcare. GLPIC provides self-insured retention insurance for professional and general liability and workers' compensation liability and arranges for certain other insurance coverage for the Company and certain physicians.

TMC HealthCare (TMCH), as reported in the accompanying consolidating financial statements, includes investments in and activities of the following subsidiaries:

- TMC HealthCare Security Services, Inc. (Security Services) is a for-profit corporation and is wholly owned by TMC Healthcare. Security Services provides contracted security services to related and non-related parties.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Nature of operations (continued):

- Hospital Care Systems Development Corporation (HCSDC) is a for-profit corporation and is wholly owned by TMC Healthcare. HCSDC holds a membership interest in HealthSouth Rehabilitation Institute of Tucson, LLC (17.5 percent).

Innovative Practices, LLC (IP) - HCSDC also holds a 64.8 percent interest in IP. Innovative Practices, LLC (IP) began operations in 2011. IP is a management services organization to manage the operations of another entity, Arizona Connected Care, LLC, and to assist in the coordination of health care services to patients in the Tucson community. Effective January 2013, the sole other party holding interest in IP sold 17.6 percent of the total interest to TMC. The shares were then assigned to Saguaro Medical Holdings, Inc. (SMH). The combined interest of HCSDC and SMH, which are both consolidated into the Company, is 82.4 percent. The Company has a 82.4 percent ownership interest in IP, however, since the Company does not have the ability to exercise control over the operation and decision making at IP, it is accounted for under the equity method. For the years ended December 31, 2013 and 2012, IP has a negative cash flow. Due to the uncertainty of the future cash flows and economic condition of IP, the Company's management recorded an allowance against the investment in IP of approximately \$4,894,000 and \$5,686,000 in 2013 and 2012, respectively, which is included in joint venture activity and other in the accompanying statement of operations.

- Arizona Connected Care, LLC (AzCC) is a for-profit joint venture in which TMC Healthcare owns a 25% minority interest. AzCC operates as an Accountable Care Organization under the Affordable Care Act of 2010. It is accounted for under the equity method. There was no material financial activity to report in 2013 and 2012.
- Community Health Benefit Corporation of Pima County (CHB) is a foundation with not-for-profit status pending IRS approval. In 2012, the operations were wholly owned by TMCH. In 2013, another unrelated not-for-profit healthcare system shares control as a 50 percent owner of CHB. CHB is accounted for under the equity method.

Joint ventures: The Company's share of the income or loss related to the joint ventures described above that are reported on an equity basis (noncontrolled entities) was a loss of approximately \$4,511,000 and \$5,276,000 in 2013 and 2012, respectively, which is included in joint venture activity on the consolidated statements of operations. Investments made in the joint ventures totaled \$4,925,000 and \$4,827,000 for the years ended December 31, 2013 and 2012, respectively, and is included in other assets on the consolidated balance sheets.

Basis of presentation: All significant intercompany transactions and balances have been eliminated in consolidation. In addition, these statements follow generally accepted accounting principles applicable to the health care industry as described in the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954*.

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

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Cash and cash equivalents: The Company considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At times, the Company's interest-bearing cash accounts exceed federally insured limits.

Investments and investment return: Investments in equity and debt securities are recorded at fair value and are classified as trading securities (see Note 3), and accordingly, all unrealized gains and losses are recorded in investment returns either based on quoted market prices or using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Company based on various factors. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets limited as to use: Assets limited as to use consists primarily of investments which represent collateral for a \$10,000,000 note payable to bank (see Note 6), funds reserved for payments under the self-insured plans managed by GLPIC, and certain other funds held for related and non related third parties. Amounts available to meet current liabilities have been classified as current assets in the accompanying consolidated balance sheets.

Patient accounts receivable: The Company reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. As a service to the patient, the Company bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts receivable are reduced by both an allowance for contractual adjustments and an allowance for doubtful accounts. Patient accounts are written off when collection efforts have been exhausted.

Supplies inventories: The Company states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and equipment: Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

The Company capitalizes interest costs on debt issued for construction projects until the projects are placed into service as additions to construction in progress. The amounts are based on the weighted-average rates paid for long-term borrowing. Total interest incurred was as follows (in thousands):

	Years Ended December 31	
	2013	2012
Interest costs capitalized	\$ 692	\$ 1,541
Interest costs charged to expense	4,550	6,744
Total interest incurred	<u>\$ 5,242</u>	<u>\$ 8,285</u>

Asset impairment: The Company routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from the estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of assets exceeds the estimated recoverability, an asset impairment charge is recognized. There was no significant asset impairment recorded in 2013 and 2012.

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

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

Accordingly, the Company records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. Net patient service revenue is reduced for the provision for uncollectible accounts.

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

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Unreimbursed healthcare costs: Unsponsored community benefits are programs or activities that provide treatment or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued or would need to be provided by another not-for-profit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs and/or (e) involve education or research that improves overall community health.

The Company provides health care services free of charge to individuals who meet certain financial criteria. All patients in need of emergency services are accepted regardless of their ability to pay. The Company provides all uninsured patients a 50 percent discount on billed charges. The Company also offers additional discounts to individuals who lack insurance or whose insurance coverage may not cover certain services, under its policy for the uninsured and underinsured. The discount is based on the sliding scale using federal poverty guidelines. The Company also incurs significant costs to provide emergency care to non-U.S. citizens, as mandated under federal regulations. In addition, management believes costs incurred in excess of revenues received on services provided to enrollees under the Arizona Health Care Cost Containment System (AHCCCS), a government-mandated program for the indigent, also represent charity care. Charges for traditional charity care services are excluded from revenues. The estimated net costs, in excess of reimbursement, is determined using a cost of charge ratio. The costs of providing care to the uninsured, under-insured and to AHCCCS recipients were as follows for the years ended December 31 (in thousands):

	2013	2012
AHCCCS (Medicaid)	\$ 23,451	\$ 22,022
Charity	10,792	8,206
Provision for uncollectible accounts	13,570	14,406
Total cost of uncompensated care	<u>\$ 47,813</u>	<u>\$ 44,634</u>

In addition to uncompensated charges, the Company also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screening and assessments, prenatal education and care, hospice programs, support for homeless residents, Meals on Wheels for elderly shut-ins, community educational services, and various support groups.

Contributions: Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as released from restriction. Conditional contributions received are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Estimated employee health costs: An annual estimated provision is accrued for the self-insured portion of employee health claims using an actuarial provided report and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Pledges receivable: Estimated cash flows from pledge receivables due after one year are discounted using a risk-adjusted rate that is commensurate with the pledges' due dates and established in the year the pledge is received

Estimated professional and other claims: Provisions for outstanding losses related to medical malpractice and other claims represent management's best estimate of the ultimate cost of settling all outstanding losses whether reported or not reported as of year-end. In arriving at the estimated ultimate settlement cost, the Company utilizes the services of third-party administrators to advise on the appropriate levels of the provision for reported losses, and engages the services of an independent consulting actuary. The provision is shown gross, and the estimate of outstanding losses recoverable from reinsurers, being that portion of the outstanding losses that the Company deems to be recoverable under its reinsurance agreements, is reported in prepaid expenses and other on the consolidated balance sheets.

Estimated workers' compensation claims: Provisions for outstanding losses represent management's best estimate of the ultimate cost of settling all outstanding workers' compensation claims, whether reported or not reported as of year-end. The Company utilizes the services of a third-party administrator and a consulting actuary for advice on determining the estimated liability.

While the Company is self-insured for a substantial portion of its general and workers' compensation liabilities, the Company maintains commercial insurance coverage against catastrophic loss. Additionally, the Company maintains a self-insurance program for its long-term disability coverage. The provision for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income taxes: TMCH, TMC, Foundation, and TMC Holdings, Inc. are tax-exempt corporations as described under Section 501 of the Internal Revenue Code and CHB is a corporation pending IRS approval for tax-exempt status, however, they are subject to federal and state income tax on any unrelated business taxable income. GLPIC is a foreign corporation organized under the laws of the Cayman Islands, British West Indies, and is, therefore, not subject to income tax. Security Services, SMH, AZCC and HCSDC are for-profit corporations but did not have taxable operations that were significant to the consolidated financial statements in 2013 or 2012. Certain taxable corporations have net operating loss carryforwards. At December 31, 2013 and 2012, the related deferred tax asset is fully reserved due to the uncertainty regarding the ability of these corporations to realize such assets in future periods.

Management has reviewed the Company's tax positions for all open tax years and has concluded that no material liabilities exist as of December 31, 2013 and 2012. Management files the Company's tax returns in the U.S. federal jurisdiction. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Asset retirement obligations: The Company accounts for the estimated costs associated with long-lived asset retirements in accordance with the Asset Retirement and Environmental Obligation Topic of the FASB ASC. The asset retirement liability, recorded in other long-term liabilities, is accreted to the present value of the estimated future costs of the obligations at the end of each period.

Fair value of financial instruments: The carrying values of cash, cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair values due to the short-term nature of these financial instruments. The recorded amount of long-term debt is a reasonable estimate of fair value at 2013 and 2012.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Derivative financial instruments: The Company uses interest rate swap instruments as part of its risk management strategy to manage exposure to fluctuation in interest rates. All derivatives instruments are recorded at fair value in the consolidated balance sheets, which resulted in liabilities at each year-end.

Other income (expenses): The Company includes its investment return, changes in the fair value of the interest rate swap agreements and financial results derived from joint venture activities, in other income (expenses) in the consolidated statements of operations.

In 2013, the Company contributed \$2,128,000 to an unrelated Not-for-Profit foundation to help fund land improvements for local public recreation. The Company also committed to another \$3,146,000 to be paid in 2014 to support the education program of a local university medical school. In 2012, the Company contributed \$6,000,000 to an unrelated third party foundation to help build a public athletic complex in Tucson. The amounts are included in supplies and other on the consolidated statement of operations.

Performance indicator: The consolidated statements of operations include "revenue over expenses" as the Company's performance indicator. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include permanent transfers to and from affiliates for other than goods and services.

Subsequent events: Subsequent events have been evaluated through March 28, 2014, which is the date the consolidated financial statements were available to be issued.

In March 2014, the Company issued variable rate tax exempt private placement bonds in the aggregate principal amount of \$30,000,000. Proceeds from the bond offering will be used to pay off the remaining balance a term loan payable to bank – see (B) at Note 6. The remaining cash proceeds will be used for capital projects. The principle and interest are payable monthly with principle payments ranging from \$326,000 to \$394,000 through March 2021. Interest is set at 78% of one-month Libor plus 1.17 percent. In addition, TMC entered into two swap agreements with separate lenders. The swap agreements enable TMC to pay interest at a fixed rate of 2.49 percent and receive interest from the counterparties at a variable rate of 78% of one-month Libor plus 1.17 percent through March 2021.

In February 2014, TMC sold certain assets and the business operations of its behavioral health practice to a non-related third party for \$3,200,000. As a result of the sale, TMC recognized a gain on sale of \$3,000,000, which will be recorded in 2014. In addition, the buyer entered into a 30 year building lease agreement with TMC. Beginning in March 2014, the buyer will make monthly lease payments of \$101,500 with periodic lease increases as provided for in the lease agreement. Included in the accompanying consolidated statement of operations are revenues of \$8,000,000 and operating income of approximately \$1,000,000 related to the behavioral health practice in 2013 and 2012.

Reclassifications: Certain 2012 balances have been reclassified to conform to the 2013 presentation. In addition, the 2012 supplementary information presentation has been modified to present TMCH individually from TMC and to include other operations as subsidiaries of TMCH to conform to 2013 presentation. This change is consistent with the Company's organizational structure. These reclassifications result in no effect on the increase in unrestricted net assets or net assets.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Net Patient Service Revenue

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

- Medicare—Inpatient acute-care services, inpatient psychiatric services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain defined medical education costs are paid based on a cost-reimbursement methodology. The Company is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Company and audits thereof by the Medicare administrative contractor.

Medicare cost reports of the Company have been audited by the administrative contractor through December 31, 2010. Management believes that estimated accrued settlements related to unaudited cost reports for the Company are adequate. Estimates are monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. Adjustments made to the related third-party settlements for prior periods are recorded in net patient service revenue in the statements of operations. In 2013, net patient service revenue includes \$4,083,000 of net favorable prior year's reimbursement settlements from Medicare. There were no significant adjustments made in 2012.

- Arizona Health Care Cost Containment System (AHCCCS)—Inpatient and outpatient services rendered to AHCCCS program beneficiaries are reimbursed at prospectively determined rates for all services.

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

As a service to the patient, the Company bills third-party payors directly and bills the patient when the patient's liability is determined. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Company analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad 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 Company analyzes contractually due amounts and provides contractual allowances based on these amounts. Additionally, an allowance for doubtful accounts and a provision for uncollectible accounts is provided for expected uncollectible deductibles and copayments on accounts for which the patient is 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.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Net Patient Service Revenue (Continued)

The Company's allowance for doubtful accounts was 11.4 percent and 12.6 percent of accounts receivable at December 31, 2013 and 2012, respectively. In addition, the Company's write-offs were \$58,674,000 and \$50,463,000 for the year ended December 31, 2013 and 2012, respectively.

Net patient service revenue for the years ended December 31 consisted of the following (in thousands):

	2013	2012
Gross patient service charges	\$ 1,475,418	\$ 1,422,057
Contractual allowances and charity care discounts	(991,578)	(950,569)
Self pay discounts (Note 1)	(34,612)	(28,560)
Provision for uncollectible accounts, based on gross charges	(24,058)	(22,214)
Net patient service revenue	<u>\$ 425,170</u>	<u>\$ 420,714</u>

The Company recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Company recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of the Company's patients will be unable or unwilling to pay for the services provided. Thus, Management records a provision for uncollectible accounts related to patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows for the years ended December 31:

	2013		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 423,729</u>	<u>\$ 25,499</u>	<u>\$ 449,228</u>
	2012		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 419,276</u>	<u>\$ 23,652</u>	<u>\$ 442,928</u>

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Net Patient Service Revenue (Continued)

Accounts receivable concentrations: The Company grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2013 and 2012, is as follows:

	2013	2012
Medicare	24%	26%
AHCCCS	15%	17%
Other third-party payors	51%	49%
Patients	10%	8%
	100%	100%

During fiscal years 2013 and 2012, Arizona Health Care Cost Containment System (AHCCCS) committed or paid approximately \$12,810,000 and \$16,350,000, respectively to the Company related to the Company's eligible unreimbursed Graduate Medical Education (GME) costs as well as other uncompensated costs. These amounts are recorded in Net Patient Service Revenue and approximately \$6,600,000 of the 2013 recognized amount was recorded in prepaid and other current assets at December 31, 2013. The availability of these funds was made possible due to the Company's unreimbursed GME costs as well as the Company's uncompensated costs related to patient care and facilitated by matching funds made available by local government agencies. These funds are included in net patient revenue for 2013 and 2012.

Net patient service revenue under Medicare and Medicare Advantage was approximately 48 percent and 46.9 percent of total net patient service revenue for 2013 and 2012, respectively. Net patient service revenue under the AHCCCS program represented approximately 15.1 percent and 16.2 percent of total net patient service revenue for 2013 and 2012, respectively. Laws and regulations governing these programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Note 3. Fair Value Measurements, Investments, and Investment Return

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in the active markets.

Note 3. Fair Value Measurements, Investments, and Investment Return (Continued)

Level 2 Inputs are observable, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 investments include certain mutual funds (commingled institutional funds) that are not non-exchange-traded funds that do not have any significant redemption restrictions, lockup periods, gates or other characteristics that would cause the net asset value (NAV) reported by the fund manager and liquidation date net asset value to be significantly different, if a full or partial redemption were requested at report date. However, due to the nature of these investments, changes in market conditions and the overall economic environment may impact the NAV of the funds, and therefore the value of the Company's interest. It is therefore reasonably possible that, if the Company were to sell a portion of its commingled institutional funds, the transaction value could be different than the fair value reported as of December 31.

Level 3 Inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Investments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include highly liquid government and corporate bonds, money market mutual funds and exchange-traded equities. Level 2 investments include government and corporate bonds, commingled institutional funds and a venture capital partnership fund. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics, or discounted cash flows. Commingled institutional funds represent the Company's ownership interest in the NAV of the respective fund obtained from the fund manager. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There were no Level 3 investments at December 31, 2013 or 2012.

Interest rate swap agreements: The fair value of the interest rate swap agreements is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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

Fair value measurements: The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements, Investments, and Investment Return (Continued)

Fair value measurements (continued): Investments at fair value consisted of the following at December 31, 2013 and 2012 (in thousands)

	December 31, 2013			
	Fair Value Measurements			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Debt mutual funds	\$ 22,034	\$ 22,034	\$ -	\$ -
Equity mutual funds	31,853	31,853	-	-
Money market mutual funds	11,455	11,455	-	-
Equity securities	23,514	23,514	-	-
Commodity-linked mutual funds	9,009	9,009	-	-
Real estate mutual funds	3,186	3,186	-	-
Commingled institutional funds	37,339	-	37,339	-
Government mortgage-backed securities	2,696	-	2,696	-
Corporate bonds	10,364	-	10,364	-
U S government debt securities	3,260	-	3,260	-
Other fixed income	2,933	-	2,933	-
Venture capital partnership fund	300		300	
Total assets at fair value	\$ 157,943	\$ 101,051	\$ 56,892	\$ -
Investments	(132,060)			
Assets limited to use - current portion	(4,000)			
Assets limited to use - long term portion	\$ 21,883			
Financial liabilities				
Interest rate swap agreements	\$ 3,452	\$ -	\$ 3,452	\$ -

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements, Investments, and Investment Return (Continued)

Fair value measurements (continued):

	December 31, 2012			
	Fair Value Measurements			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets				
Debt mutual funds	\$ 29,553	\$ 29,553	\$ -	\$ -
Equity mutual funds	28,547	28,547	-	-
Money market mutual funds	16,697	16,697	-	-
Equity securities	13,305	13,305	-	-
Commodity-linked mutual funds	7,525	7,525	-	-
Real estate mutual funds	2,967	2,967	-	-
Commingled institutional funds	34,500	-	34,500	-
Government mortgage-backed securities	11,979	-	11,979	-
Corporate bonds	11,592	-	11,592	-
U S government debt securities	3,187	-	3,187	-
Other fixed income	1,655	-	1,655	-
Total assets at fair value	\$ 161,507	\$ 98,594	\$ 62,913	\$ -
Investments	(140,614)			
Assets limited to use - current portion	(3,300)			
Assets limited to use - long term portion	\$ 17,593			
Financial liabilities				
Interest rate swap agreements	\$ 6,202	\$ -	\$ 6,202	\$ -

The 2013 purchase of the venture capital partnership fund (the Fund) is 15% of a purchase commitment the Company entered with the Fund as a part of the Fund's capital call. The Company is committed to purchase \$1,700,000 in 2014 to fulfill this commitment.

Included in current liabilities on the accompanying consolidated balance sheets at December 31, 2013 and 2012, were amounts due to broker for unsettled investment trades related to the above investments of approximately \$22,000 and \$3,944,000, respectively. There is also a receivable for unsettled trades related to the above investments of \$1,290,386 in 2013.

Total investment return, excluding return on restricted net assets, consists of the following for the years ended December 31, 2013 and 2012 (in thousands):

	2013	2012
Interest and dividend income	\$ 5,156	\$ 3,955
Unrealized gains on investments	5,696	7,832
Net realized gains on sales of securities	1,042	3,237
	\$ 11,894	\$ 15,024

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

A summary of property and equipment at December 31, 2013 and 2012 is as follows (in thousands)

	2013	2012
Land	\$ 12,473	\$ 12,473
Land improvements	29,169	17,378
Buildings and improvements	244,385	172,237
Equipment	276,798	261,577
Construction in progress	5,752	74,861
	<u>568,577</u>	<u>538,526</u>
Less accumulated depreciation	293,024	286,983
	<u>\$ 275,553</u>	<u>\$ 251,543</u>

During 2013 and 2012, the Company had several major construction projects including construction of a surgical tower that was completed in 2013 and a nearby parking structure that was completed in 2012. Interest costs incurred during construction totalled \$692,000 and \$1,541,000 for the years ended December 31, 2013 and 2012, respectively, and was capitalized as a component of the cost of such additions. Capitalization of interest ceased when the additions were placed into service.

At December 31, 2013, projects under construction had an estimated cost of completion of approximately \$2,919,000. This will be funded through additional debt (see subsequent event in Note 1) and cash from operations.

Note 5. Self-Insured Insurance Coverage

Professional and other claims: The Company has purchased coverage for professional and general liability claims, workers' compensation claims, directors' and officers' liability claims, employment practices liability claims, employee health benefit stop loss, miscellaneous professional liability claims, security/privacy liability claims, and regulatory/errors and omissions liability claims from unrelated insurance companies. The self-insured retention (SIR) is covered by the Company through its wholly owned affiliate, GLPIC. The following is a recap of the insurance programs for which the Company has recorded material liabilities for years ending 2013 and 2012.

For professional and general liability claims, GLPIC is responsible for claims incurred subsequent to January 1, 2003, for a per claim SIR of \$5,000,000 with no aggregate limit. For claims incurred from February 11, 2000, through January 1, 2003, GLPIC is responsible for a per claim SIR of \$1,000,000 limited to an aggregate exposure of \$4,000,000. For claims incurred prior to February 11, 2000, GLPIC is responsible for a maximum SIR of \$100,000 per claim. The deductible under the 1998 and 1999 policies is limited to \$500,000 in the annual aggregate. Effective January 31, 2002, to January 1, 2003, GLPIC is responsible for the excess layer of \$2,500,000 in excess of \$5,000,000. Effective January 1, 2003, GLPIC became responsible for claims in excess of the \$5,000,000 SIR under the professional and general liability policy up to an additional \$70,000,000. This excess coverage is reinsured through independent insurance companies.

For workers' compensation claims, GLPIC is responsible for a per claim SIR of \$350,000 for claims incurred after March 1, 2010. For claims incurred from March 1, 2004, to March 1, 2010, GLPIC is responsible for a per claim SIR of \$300,000.

Note 5. Self-Insured Insurance Coverage (Continued)

Professional and other claims (continued): The other various coverages purchased by the Company for director's and officers' liability claims, employment practices liability claims, miscellaneous professional liability claims, security/privacy liability claims and regulatory/errors and omissions claims are covered by GLPIC. There are various limits per claim and various limits in aggregate per these coverage types.

GLPIC records a liability for estimates of future payments. A portion of this estimated payable at December 31, 2013 and 2012 represents an estimate of claims incurred but not reported (IBNR) to GLPIC. The IBNR claims estimate is developed using actuarial assumptions based upon payment patterns, historical development and other relevant factors. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves of unpaid claims are adequate. The estimates are continually reviewed and adjusted, such adjustments are included in current operations. At December 31, 2013 and 2012, GLPIC recorded an accrual for reported losses and IBNR of approximately \$18,652,169 and \$14,565,000, respectively, which is included in current and other long-term liabilities in the accompanying consolidated balance sheets. Of these amounts \$4,000,000 and \$3,300,000 is included other current liabilities at December 31, 2013 and 2012, respectively. The related expense of \$7,169,000 and \$9,107,000 for the years ended December 31, 2013 and 2012, respectively, is recorded in general and administrative expenses on the consolidated statements of operations. It is reasonably possible that Company's estimate of losses will change by a material amount in the near term.

Health care costs: For employee health claims, the Company is responsible for a per claim SIR of \$500,000 for claims incurred subsequent to January 1, 2005. Company subsidiaries self-insure the first \$100,000 of each claim, and GLPIC insures the layer between \$100,000 and \$500,000 per claim. The Company purchases commercial insurance for losses in excess of \$500,000. The Company accrues the expense of the claims' costs and plan administrative expense for actual claims and expenses incurred and estimates of claims' costs that have been incurred but not reported based on recently settled claims, frequency of claims, and other economic and social factors. Health care expense under the self-insured plan was approximately \$8,246,000 and \$5,634,000 during the years ended December 31, 2013 and 2012, respectively which is included in the accompanying statement of operations. An accrual for unpaid claims of approximately \$1,787,000 and \$1,736,000 is included in the accompanying consolidated balance sheets in accrued salaries and related liabilities at December 31, 2013 and 2012, respectively. It is reasonably possible that the Company's estimate of losses will change by a material amount in the near term.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt

A summary of long-term debt at December 31 are as follows (in thousands)

	2013	2012
(A) Note payable to bank (TMC)—borrowings collateralized by marketable securities as stated by a Pledge Agreement, and the loan requires the maintenance of certain financial ratios and other covenants by TMC. Interest is due monthly, principal amount of \$10,000 is due on or before December 2017. The interest rate is one-month LIBOR plus 1.10% (1.27% and 1.31% at December 31, 2013 and 2012, respectively)	\$ 10,000	\$ 10,000
(B) Term loan payable to bank (TMC)—borrowings collateralized by a security agreement, which provides a security interest in the gross revenues and accounts of TMC, as defined in the agreement. Principal and interest payments of \$1,486 are due quarterly through December 31, 2013. After that date, payments are due monthly on a nine-year amortization with a balloon payment due on December 31, 2017, of all remaining principal and interest. The interest rate is one-month LIBOR plus an applicable spread amount based on day's cash on hand (spread amount was 1.32% and 1.375% as of December 31, 2013 and 2012, respectively). The interest rate at December 31, 2013 and 2012 was 2.17% and 2.21%, respectively. In 2013, TMC entered into debt financing agreement, (See (F)), in which the proceeds were used to reduce the amount outstanding under this term loan payment	29,057	50,000
(C) Note payable to bank (TMC Holdings, Inc.)—nonrecourse loan, collateralized by property, payments including principal and interest are due monthly in the amount of \$66 through 2026. The interest rate is based on the five-year U.S. Treasury note plus 1.75%, reset every five years (2.60% at December 31, 2013 and 2012)	8,706	9,260
(D) Note payable to bank (TMC Holdings, Inc.)—provides for up to \$10,000 in borrowings and is collateralized by property. Payments of principal and interest are due monthly through 2021, with a balloon payment of \$6,533 due March 2021. This amount of principal due varies month to month as defined in the agreement. Interest is swapped at fixed rate of 6.05% through a maturity date of December 10, 2017 at which time the rate will revert back to on-month LIBOR plus 1.15% (1.32% and 1.35% at December 31, 2013 and 2012, respectively)	9,240	9,533

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

	2013	2012
(E) The Industrial Development Authority of the County of Pima Variable Rate Revenue Bonds (TMC) Series 2010—collateralized by a pledge and assignment of gross revenues and certain funds established pursuant to the bond indenture, issued as "draw down" bonds with Guaranty and Credit Agreement with multiple lenders to fund the purchase of the bonds in installments (up to \$114,600), TMC drew an additional \$25,388 on these bonds in 2013. Of this total principal balance, \$74,600 bears interest at a variable rate equal to 68% of one-month LIBOR plus 1.30% (1.41% and 1.44% at December 31, 2013 and 2012, respectively) through December 16, 2038. The remaining principal of \$40,000 bears interest at a swapped fixed rate of 4.24% until December 16, 2017 (See Note 7) at which time the rate will revert back to the rate stated in the agreement. Principal is payable in monthly installments beginning January 16, 2014. The lenders have an optional put feature at December 16, 2017, which, if exercised, TMC has the opportunity to remarket the bonds.	114,600	89,212
(F) Debt financing agreement with bank administered through the Industrial Development Authority of the County of Pima to pay down the balance on term loan payable (See (B)). Principal and interest is payable in monthly installments of \$191 through December 18, 2020 at a tax exempt fixed interest rate of 1.90%. Debt is collateralized by specific medical equipment and is subject to nonfinancial covenants, as defined in the agreement.	15,000	-
(G) Note payable to bank (TMC) for purchase of medical equipment at \$2,399 financed over 5 years at a fixed rate of 2.75%. Principal and interest is payable in monthly installments of \$43 through November 15, 2017. Note is collateralized by the equipment.	1,906	2,361
	188,509	170,366
Less current portion	10,993	7,247
	<u>\$ 177,516</u>	<u>\$ 163,119</u>

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

Scheduled principal repayments of long-term debt as of December 31, 2013, assuming the variable rate revenue bonds, series 2010 are not called in 2017 as described above, are as follows (in thousands)

2014	\$	10,993
2015		11,190
2016		11,385
2017		31,041
2018		6,411
Thereafter		117,489
	\$	<u>188,509</u>

The bond indenture, credit agreements and bank notes described above require the maintenance of certain financial ratios and other non financial covenants by the Company and TMC

Note 7. Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into two interest rate swap agreements for a portion of its floating-rate debt. The Company recorded these agreements at fair value for the years ended December 31, 2013 and 2012 (Note 3)

The first agreement relates to note payable (D) in Note 6 and was effective on June 10, 2008 and terminates on December 10, 2017. It provides for TMC Holdings, Inc. to receive interest from the counterparty at the one-month LIBOR plus 1.15 percent (1.32 percent and 1.35 percent at December 31, 2013 and 2012, respectively) and to pay interest to the counterparty at a fixed rate of 6.05 percent on a notional amount of \$9,240,000. Under the agreement, TMC Holdings, Inc. pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

The second agreement relates to the variable rate revenue bonds (E) in Note 6 was effective on January 24, 2011 and terminates on December 17, 2017. It provides for the TMC to receive interest from the counterparty at 68 percent of the one-month LIBOR plus 1.30 percent (1.41 percent and 1.44 percent at December 31, 2013 and December 31, 2012, respectively) and to pay interest to the counterparty at a fixed rate of 4.24 percent on a notional amount of \$40,000,000 at December 31, 2013. Under the agreement, the Company pays or receives the net interest amount monthly with the monthly settlements included in interest expense.

Derivative transactions contain credit risk in the event the parties are unable to meet the terms of the contract, credit risk is generally limited to the fair value due to the counterparties on outstanding contracts. At December 31, 2013, the counterparties had a Standard & Poor's credit quality rating of BBB- or better.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Temporarily Restricted Net Assets

At December 31, 2013 and 2012, temporarily restricted net assets are available for the following purposes (in thousands)

	2013	2012
Heath care services	\$ 9,746	\$ 10,863
Purchase of equipment	2,146	4,012
Indigent care and education	610	723
	<u>\$ 12,502</u>	<u>\$ 15,598</u>

During 2013 and 2012, net assets were released from donor restrictions by incurring expenditures that satisfied the restricted purposes in the amounts of approximately \$5,606,000 and \$3,706,000, respectively

Note 9. Functional Expenses

The Company provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows for the years ended December 31 (in thousands)

	2013	2012
Direct health care services	\$ 347,037	\$ 345,638
Other expenses incurred in support of health care services	85,604	84,182
Fundraising expenses	1,756	1,575
	<u>\$ 434,397</u>	<u>\$ 431,395</u>

Note 10. Commitments, Contingencies and Concentrations

Operating leases: The Company leases buildings and equipment under noncancelable operating leases with monthly payments ranging from \$364 to \$191,000 per month and expiration dates ranging from January 2013 to December 2021. Included in these is a building lease that contains renewal options for up to two additional five-year periods and requires the Company to pay all executory costs (property taxes, maintenance and insurance). The building has escalating rents resulting in deferred rent amounting to approximately \$1,691,000 and \$1,620,000 at December 31, 2013 and 2012, respectively, and is included in current liabilities on the consolidated balance sheets.

TMC HealthCare and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Commitments, Contingencies and Concentrations (Continued)

Future minimum lease payments for all leases at December 31, 2013, were approximately as follows (in thousands)

2014	\$	3,814
2015		3,538
2016		3,166
2017		3,004
2018		2,539
Thereafter		7,059
	\$	<u>23,120</u>

Operating lease expense for the years ended December 31, 2013 and 2012 was approximately \$9,087,000 and \$9,931,000, respectively and is included in general and administrative expenses in the accompanying statement of operations

Investments: The Company invests in various investment securities, which 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 consolidated balance sheets

Pension expense: The Company has a defined contribution pension plan covering substantially all employees. The participant contributions to the pension plan are matched by the Company as defined in the pension plan agreement. The Board of Trustees periodically approves changes to the plan at the recommendation of management. Pension expense was approximately \$2,989,000 and \$2,273,000 for the years ended December 31, 2013 and 2012, respectively, and is included in salaries, wages and benefits on the accompanying consolidated statements of operation

Litigation: In the normal course of business, the Company is, from time to time, subject to allegations that may or do result in litigation. The Company evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel and an independent actuary, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. See Note 5 for further discussion on professional and other liability claims

While the Company is self-insured for a substantial portion of its general and workers' compensation liabilities, the Company maintains commercial insurance coverage against catastrophic loss. Additionally, the Company maintains a self-insurance program for its long-term disability coverage. The provision for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

Note 10. Commitments, Contingencies and Concentrations (Continued)

Regulatory matters: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed.

Laws and regulations concerning government programs, including Medicare, Medicaid and various research grant programs, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. The Company expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company.

Meaningful use incentives: The Health Information Technology for Economic and Clinic Health (HITECH) portion of the American Recovery and Reinvestment Act of 2009 includes \$27.0 billion in incentives through Medicare and AHCCCS reimbursement systems to foster electronic health record (EHR) adoption. In order to be eligible for EHR incentive funding, eligible hospitals and professionals must use a certified EHR, report quality measures and achieve "meaningful use," as defined by HITECH. The Company is entitled to receive Medicare and Medicaid incentive payments for the adoption of certified EHR technology as the Company has satisfied the statutory and regulatory requirements. The Company applies the grant model for recognizing incentive revenue. As a result, incentive revenues totaling \$3,306,000 and \$4,510,000 for the year ended December 31, 2013 and 2012 respectively, are included in other income in the accompanying statement of operations. Income from incentive payments are subject to retrospective adjustments as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Company's compliance with the meaningful use criteria is subject to audit by the federal government.

Recovery audit contractors: The Centers for Medicare & Medicaid Services (CMS) implemented a project using recovery audit contractors (RACs) as part of CMS's further efforts to assure accurate payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Company will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments against the Company are anticipated in the future, however, the outcome of such assessments is unknown and cannot be reasonably estimated.

Note 10. Commitments, Contingencies and Concentrations (Continued)

International statistical classification of diseases and related health problems: The conversion from the International Statistical Classification of Diseases and Related Health Problems 9th Revision (ICD-9) to its 10th revision (ICD-10) will require the modification and reprogramming of many information technology (IT) applications, impacting the Company's revenue cycle, net revenue realization, clinical and hospital processes, financial processes and IT software support. The Company is currently implementing the conversion to ICD-10.

Affordable Care Act: In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that the final regulations and interpretive guidelines have yet to be published, the Company is unable to fully predict the impact of PPACA on its operations and financial results. The Company's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of the Company is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

TMC HealthCare and Subsidiaries

Consolidating Balance Sheet

December 31, 2013

(In Thousands)

Assets	TMC		TMC		Saguaro Medical Holdings, Inc		TMC		Eliminations	Subtotal	GLPIC	Eliminations	Total
	HealthCare	TMC*	Holdings, Inc	Holdings, Inc	Medical Holdings, Inc	Foundation	Foundation	Foundation					
Current Assets													
Cash and cash equivalents	\$ 3,413	\$ 17,016	\$ 4,935	\$ 1,894	\$ 1,637	\$ 28,895	\$ 7,182	\$ -	\$ -	\$ 36,077			
Investments	-	48,339	5,046	-	40,993	-	94,378	37,682	-	132,060			
Patient accounts receivable, net of allowances	-	52,792	-	323	-	-	53,115	-	-	53,115			
Supply inventories	-	15,368	-	-	-	-	15,368	-	-	15,368			
Prepaid expenses and other	-	13,874	612	(56)	2,682	-	17,112	2,032	-	19,144			
Current portion of assets limited as to use	-	-	-	-	-	-	-	4,000	-	4,000			
Due from affiliates	308	5,107	-	-	-	(6,498)	(1,083)	1,083	-	-			
Total current assets	3,721	152,496	10,593	2,161	45,312	(6,498)	207,785	51,979	-	259,764			
Assets Limited as to Use, net of current portion	-	15,078	-	-	2,210	-	17,288	4,595	-	21,883			
Property and Equipment, net	3,000	240,125	32,274	140	14	-	275,553	-	-	275,553			
Other Assets	18,561	4,052	-	1,437	-	(18,391)	5,659	-	-	5,659			
Total assets	\$ 25,282	\$ 411,751	\$ 42,867	\$ 3,738	\$ 47,536	\$ (24,889)	\$ 506,285	\$ 56,574	\$ -	\$ 562,859			

* Consists of the Hospital and other insignificant entities as identified in Note 1

TMC HealthCare and Subsidiaries

Consolidating Balance Sheet (Continued)

December 31, 2013

(In Thousands)

Liabilities and Net Assets	TMC		TMC		Saguaro		TMC		Subtotal	Eliminations	GLPIC	Eliminations	Total
	HealthCare	TMC*	Holdings, Inc	Medical	Holdings, Inc	Foundation	Eliminations						
Current Liabilities													
Accounts payable and accrued expenses	\$ -	\$ 31,885	\$ 891	\$ 332	\$ 2,242	\$ (41)	\$ 35,309	\$ 4,728	\$ -	\$ -	\$ 40,037		
Accrued salaries and related liabilities	-	17,728	-	174	-	-	17,902	-	-	-	17,902		
Current maturities of long-term debt	-	10,110	883	-	-	-	10,993	-	-	-	10,993		
Due to broker for unsettled investment trades	-	11	-	-	11	-	22	-	-	-	22		
Estimated amounts due to third-party payors	-	3,164	-	-	-	-	3,164	-	-	-	3,164		
Due to affiliates	-	1,083	312	2,842	2,244	(6,481)	-	-	-	-	-		
Total current liabilities	-	63,981	2,086	3,348	4,497	(6,522)	67,390	4,728	-	-	72,118		
Interest Rate Swap Agreements	-	2,183	1,269	-	-	-	3,452	-	-	-	3,452		
Other Long-Term Liabilities	-	4,416	78	-	252	-	4,746	15,652	-	-	20,398		
Long-Term Debt, less current maturities	-	160,453	17,063	-	-	-	177,516	-	-	-	177,516		
Total liabilities	-	231,033	20,496	3,348	4,749	(6,522)	253,104	20,380	-	-	273,484		
Net Assets													
Unrestricted	\$ 25,282	180,718	22,371	390	26,520	(18,367)	236,914	36,194	-	-	273,108		
Temporarily restricted	-	-	-	-	12,502	-	12,502	-	-	-	12,502		
Permanently restricted	-	-	-	-	3,765	-	3,765	-	-	-	3,765		
Total net assets	25,282	180,718	22,371	390	42,787	(18,367)	253,181	36,194	-	-	289,375		
Total liabilities and net assets	\$ 25,282	\$ 411,751	\$ 42,867	\$ 3,738	\$ 47,536	\$ (24,889)	\$ 506,285	\$ 56,574	\$ -	\$ -	\$ 562,859		

* Consists of the Hospital and other insignificant entities as identified in Note 1

TMC HealthCare and Subsidiaries

Consolidating Balance Sheet

December 31, 2012

(In Thousands)

Assets	TMC		TMC		Saguaro Medical Holdings, Inc		TMC Foundation		Eliminations		Subtotal		GLPIC		Eliminations		Total	
	HealthCare	TMC*	Holdings, Inc	TMC	Holdings, Inc	Medical	Foundation	Foundation	Eliminations	Eliminations	Subtotal	Subtotal	GLPIC	GLPIC	Eliminations	Eliminations	Total	Total
Current Assets																		
Cash and cash equivalents	\$ 50	\$ 26,637	\$ 4,281	\$ 4,281	\$ 166	\$ 166	\$ 1,798	\$ 1,798	\$ -	\$ -	\$ 32,932	\$ 32,932	\$ 9,367	\$ 9,367	\$ -	\$ -	\$ 42,299	\$ 42,299
Investments	-	48,466	5,117	5,117	-	-	38,198	38,198	-	-	91,781	91,781	48,833	48,833	-	-	140,614	140,614
Patient accounts receivable, net of allowances	-	50,959	-	-	-	710	-	-	-	-	51,669	51,669	-	-	-	-	51,669	51,669
Supply inventories	-	13,805	-	-	-	-	-	-	-	-	13,805	13,805	-	-	-	-	13,805	13,805
Prepaid expenses and other	-	5,453	776	776	47	47	2,797	2,797	-	-	9,073	9,073	1,907	1,907	-	-	10,980	10,980
Current portion of assets limited as to use	-	-	-	-	-	-	-	-	-	-	-	-	3,300	3,300	-	-	3,300	3,300
Due from affiliates	-	6,240	260	260	-	-	-	-	(6,500)	(6,500)	-	-	-	-	-	-	-	-
Total current assets	50	151,560	10,434	10,434	923	923	42,793	42,793	(6,500)	(6,500)	199,260	199,260	63,407	63,407	-	-	262,667	262,667
Assets Limited as to Use, net of current portion	-	15,695	-	-	-	-	1,898	1,898	-	-	17,593	17,593	-	-	-	-	17,593	17,593
Property and Equipment, net	3,000	215,652	32,058	32,058	160	160	673	673	-	-	251,543	251,543	-	-	-	-	251,543	251,543
Other Assets	14,267	3,239	-	-	1,837	1,837	-	-	(13,867)	(13,867)	5,476	5,476	-	-	-	-	5,476	5,476
Total assets	\$ 17,317	\$ 386,146	\$ 42,492	\$ 42,492	\$ 2,920	\$ 2,920	\$ 45,364	\$ 45,364	\$ (20,367)	\$ (20,367)	\$ 473,872	\$ 473,872	\$ 63,407	\$ 63,407	\$ -	\$ -	\$ 537,279	\$ 537,279

* Consists of the Hospital and other insignificant entities as identified in Note 1

TMC HealthCare and Subsidiaries

Consolidating Balance Sheet (Continued)

December 31, 2012

(In Thousands)

Liabilities and Net Assets	TMC		TMC		Saguaro		TMC		Subtotal	GLPIC	Eliminations	Total
	HealthCare	TMC*	Holdings, Inc	Medical	Holdings, Inc	Foundation	Eliminations	Subtotal				
Current Liabilities												
Accounts payable and accrued expenses	\$ -	\$ 42,879	\$ 544	\$ 401	\$ 2,615	\$ (360)	\$ 4,660	\$ 46,079	\$ -	\$ -	\$ -	\$ 50,739
Accrued salaries and related liabilities	-	19,763	-	254	-	-	-	20,017	-	-	-	20,017
Current maturities of long-term debt	-	6,398	849	-	-	-	-	7,247	-	-	-	7,247
Due to broker for unsettled investment trades	-	22	-	-	21	-	3,901	43	-	-	-	3,944
Estimated amounts due to third-party payors	-	2,834	-	-	-	-	-	2,834	-	-	-	2,834
Due to affiliates	424	-	-	4,138	1,578	(6,140)	-	-	-	-	-	-
Total current liabilities	424	71,896	1,393	4,793	4,214	(6,500)	8,561	76,220	-	-	-	84,781
Interest Rate Swap Agreements	-	4,392	1,810	-	-	-	-	6,202	-	-	-	6,202
Other Long-Term Liabilities	-	4,541	75	-	322	-	11,565	4,938	-	-	-	16,503
Long-Term Debt, less current maturities	-	145,227	17,892	-	-	-	-	163,119	-	-	-	163,119
Total liabilities	424	226,056	21,170	4,793	4,536	(6,500)	20,126	250,479	-	-	-	270,605
Net Assets												
Unrestricted	16,893	160,090	21,322	(1,873)	21,475	(13,867)	43,281	204,040	-	-	-	247,321
Temporarily restricted	-	-	-	-	15,598	-	-	15,598	-	-	-	15,598
Permanently restricted	-	-	-	-	3,755	-	-	3,755	-	-	-	3,755
Total net assets	16,893	160,090	21,322	(1,873)	40,828	(13,867)	43,281	223,393	-	-	-	266,674
Total liabilities and net assets	\$ 17,317	\$ 386,146	\$ 42,492	\$ 2,920	\$ 45,364	\$ (20,367)	\$ 63,407	\$ 473,872	\$ -	\$ -	\$ -	\$ 537,279

* Consists of the Hospital and other insignificant entities as identified in Note 1

TMC HealthCare and Subsidiaries

**Consolidating Statement of Operations
Year Ended December 31, 2013
(In Thousands)**

	TMC HealthCare	TMC* TMC	TMC Holdings, Inc	Saguaro Medical Holdings, Inc	TMC Foundation	Eliminations	Subtotal	GLPIC	Eliminations	Total
Unrestricted revenues, gains and other support										
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 420,423	\$ -	\$ 4,747	\$ -	\$ -	425,170	\$ -	\$ -	\$ 425,170
Other income	41	13,518	7,073	396	-	(2,365)	18,663	8,273	(8,103)	18,833
Net assets released from restrictions	-	-	-	-	3,895	-	3,895	-	-	3,895
Total unrestricted revenues, gains and other support	41	433,941	7,073	5,143	3,895	(2,365)	447,728	8,273	(8,103)	447,898
Expenses and losses										
Salaries, wages and benefits	62	198,884	-	3,535	578	-	203,059	-	(2,205)	200,854
Supplies and other	2,128	112,892	299	467	743	(250)	116,279	144	-	116,423
Medical and other professional fees	-	40,175	222	1,750	376	-	42,523	150	-	42,673
General and administrative	-	37,711	3,314	955	57	(2,131)	39,906	7,656	(5,898)	41,664
Depreciation and amortization	-	25,987	2,192	41	13	-	28,233	-	-	28,233
Interest	-	3,725	817	(8)	-	16	4,550	-	-	4,550
Total expenses and losses	2,190	419,374	6,844	6,740	1,767	(2,365)	434,550	7,950	(8,103)	434,397
Operating income	(2,149)	14,567	229	(1,597)	2,128	-	13,178	323	-	13,501
Other income (expense)	15	5,457	279	-	3,553	-	9,304	2,590	-	11,894
Investment return, net	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements	-	2,209	541	-	-	-	2,750	-	-	2,750
Contributions	-	-	-	-	284	-	284	-	-	284
Joint venture activity	523	(4,394)	-	(640)	-	-	(4,511)	-	-	(4,511)
Other	-	2	-	-	1,856	-	1,858	-	-	1,858
Total other income (expense)	538	3,274	820	(640)	5,693	-	9,685	2,590	-	12,275
Excess of revenues over expenses	(1,611)	17,841	1,049	(2,237)	7,821	-	22,863	2,913	-	25,776
Transfers from (to) affiliates	10,000	2,787	-	-	(2,787)	-	10,000	(10,000)	-	-
Additional paid in capital	-	-	-	4,500	-	(4,500)	-	-	-	-
Increase (decrease) in unrestricted net assets	\$ 8,389	\$ 20,628	\$ 1,049	\$ 2,263	\$ 5,034	\$ (4,500)	\$ 32,863	\$ (7,087)	\$ -	\$ 25,776

* Consists of the Hospital and other insignificant entities as identified in Note 1

TMC HealthCare and Subsidiaries

**Consolidating Statement of Operations
Year Ended December 31, 2012
(In Thousands)**

	TMC HealthCare	TMC* TMC	TMC Holdings, Inc	Saguaro Medical Holdings, Inc	TMC Foundation	Eliminations	Subtotal	GLPIC	Eliminations	Total
Unrestricted revenues, gains and other support										
Net patient service revenue	\$ -	\$ 413,300	\$ -	\$ 7,414	\$ -	\$ -	\$ 420,714	\$ -	\$ -	\$ 420,714
Other income	64	12,284	7,786	515	-	(2,340)	18,309	7,841	(7,253)	18,897
Net assets released from restrictions	-	-	-	-	3,006	-	3,006	-	-	3,006
Total unrestricted revenues, gains and other support	64	425,584	7,786	7,929	3,006	(2,340)	442,029	7,841	(7,253)	442,617
Expenses and losses										
Salaries, wages and benefits	74	194,458	-	5,415	546	-	200,493	-	(1,957)	198,536
Supplies and other	5,997	108,295	1,138	745	591	(147)	116,619	60	-	116,679
Medical and other professional fees	-	42,177	284	1,897	397	-	44,755	160	-	44,915
General and administrative	-	34,962	3,504	1,249	30	(2,112)	37,633	7,039	(5,296)	39,376
Depreciation and amortization	-	22,860	2,235	38	12	-	25,145	-	-	25,145
Interest	-	5,901	843	81	-	(81)	6,744	-	-	6,744
Total expenses and losses	6,071	408,653	8,004	9,425	1,576	(2,340)	431,389	7,259	(7,253)	431,395
Operating income	(6,007)	16,931	(218)	(1,496)	1,430	-	10,640	582	-	11,222
Other income (expense)										
Investment return	-	6,551	77	-	3,847	-	10,475	4,549	-	15,024
Change in fair value of interest rate swap agreements	-	2,399	83	-	-	-	2,482	-	-	2,482
Contributions	-	-	-	-	695	-	695	-	-	695
Joint venture activity	467	(5,687)	-	(56)	-	-	(5,276)	-	-	(5,276)
Other	-	-	-	-	700	-	700	-	-	700
Total other income (expense)	467	3,263	160	(56)	5,242	-	9,076	4,549	-	13,625
Excess of revenues over expenses	(5,540)	20,194	(58)	(1,552)	6,672	-	19,716	5,131	-	24,847
Reclassifications	-	(25)	-	-	(1,343)	-	(1,368)	-	-	(1,368)
Transfers from (to) affiliates	-	2,350	-	-	(2,350)	-	-	-	-	-
Increase (decrease) in unrestricted net assets	\$ (5,540)	\$ 22,519	\$ (58)	\$ (1,552)	\$ 2,979	\$ -	\$ 18,348	\$ 5,131	\$ -	\$ 23,479

* Consists of the Hospital and other insignificant entities as identified in Note 1