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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 07-01-2013 , 2013, and ending 06-30-2014

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

C Name of organization
Baylor Regional Medical Center at Plano

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2001 Bryan Street No 2200

City or town, state or province, country, and ZIP or foreign postal code
Dallas, TX 75201

D Employer identification number
82-0551704

E Telephone number
(214) 820-4135

G Gross receipts $ 221,322,596

F Name and address of principal officer
Jerri Garison
4700 Alliance Blvd
Plano, TX 75095

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 BaylorHealth com

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

L Year of formation 2002 **M** State of legal domicile TX

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Faith based acute care hospital providing exemplary patient care to Plano, Texas and the surrounding communities since 2004

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	6
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	5
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	910
6	Total number of volunteers (estimate if necessary)	6	295
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	14,400
b	Net unrelated business taxable income from Form 990-T, line 34	7b	12,060

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	312,740	207,768
	9	Program service revenue (Part VIII, line 2g)	196,084,387	206,761,788
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,634,523	2,888,136
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	702,056
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	199,031,650	210,559,748
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	352,091	3,100,584
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	56,292,819	58,411,757
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	102,369,640	100,625,870
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	159,014,550	162,138,211
	19	Revenue less expenses Subtract line 18 from line 12	40,017,100	48,421,537

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	213,547,648	231,733,119
	21	Total liabilities (Part X, line 26)	37,105,054	7,282,937
	22	Net assets or fund balances Subtract line 21 from line 20	176,442,594	224,450,182

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 | Date 2015-05-14

Deanne Kindred VP Finance/CFO
Type or print name and title

Paid Preparer Use Only

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

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Baylor Scott & White Health exists to serve all people by providing personalized health and wellness through exemplary care, education and research as a Christian ministry of healing

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 142,792,601 including grants of $ 3,100,584) (Revenue $ 206,816,510)

See Schedule OBaylor Regional Medical Center at Plano (Baylor Plano) is a faith-based, non-profit, 160-bed acute care hospital providing exemplary patient care to the residents of Plano, Texas, and the surrounding communities since 2004 Baylor Plano provides inpatient and outpatient medical services to treat individuals with diseases, illnesses and injuries of varying complexities Services include, but not limited to, cancer care, scoliosis care, neuroscience, orthopedics, women's services, digital imaging and rehabilitation See Schedule H for more information regarding these services and how Baylor Plano promotes the health of the communities Baylor Plano is affiliated with Baylor Scott & White Health (BSWH), a faith-based nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and other community services to the residents of North and Central Texas BSWH is the largest not-for-profit health care system in Texas, and one of the largest in the United States BSWH was formed from the 2013 combination of Baylor Health Care System and Scott & White Healthcare During the fiscal year, Baylor Plano admitted 5,962 patients resulting in 31,080 days of care, and received 19,346 emergency department visits Additionally, Baylor Plano provided community benefits (as reported to the Texas Department of State Health Services and in accordance with the State of Texas Statutory methodology) of $35,122,570 and provided community benefits (as reported on the IRS Form 990, Schedule H) of $13,915,466 The Texas Annual Statement of Community Benefit Standard includes approximately $26,504,607 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H Baylor Plano is also committed to assisting with the preparation of future nurses at entry and advanced levels of the profession to establish a workforce of qualified nurses Through BSWH's relationships with fifteen North Texas schools of nursing, Baylor Plano maintains strong affiliations with schools of nursing During the fiscal year, Baylor Plano invested in training 481 nurses Total unreimbursed cost of these programs was $219,675 Many times nursing graduates trained at Baylor Plano join the hospital's staff or remain in the North Texas area to provide top quality nursing services to the community

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 142,792,601

Part IV Checklist of Required Schedules

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

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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	165			
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	910			
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	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

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

Check if Schedule O contains a response or note to any line in this Part VI . . . ☑

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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

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

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

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

▶Deanne Kindred 4700 Alliance Blvd
Plano, TX 75093 (469) 814-2135

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(1) Paul Madeley MD Trustee	1 00 40 00	X						0	569,710	73,035
(2) George McClesky Trustee	1 00 8 00	X						0	0	0
(3) Ron Carter Trustee	1 00 11 00	X						0	1,086	0
(4) Roy Lamkin Chairman	1 00 9 00	X						0	1,534	0
(5) J Kent Newsome Trustee	1 00 8 00	X						0	0	0
(6) Walker Harman Trustee	1 00 9 00	X						0	3,305	0
(7) Deanne Kindred VP Finance/CFO	40 00			X				270,584	0	27,276
(8) Ellen Pitcher CNO/COO	40 00			X				219,844	16,337	25,212
(9) Jerri Garison President	40 00			X				882,472	0	166,937
(10) Amy Yeager Secretary	1 00 40 00			X				0	310,713	61,715
(11) William Boyd Secretary	1 00 40 00			X				0	1,131,925	237,251
(12) Alina Buono Director Pharmacy	40 00					X		179,495	0	23,694
(13) Elmer Staton Director Lab	40 00					X		155,401	0	24,779
(14) Richard Hostin Medical Director	12 00					X		188,100	0	9,436
(15) Alfred Franco Registered Nurse	54 00					X		150,659	0	23,732
(16) Kriss Gamez Director HR	40 00					X		155,968	0	21,717

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
1b Sub-Total ▶										
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶								2,202,523	2,034,610	694,784

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶73

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Aramark Services Inc P O Box 651009 Charlotte NC 282651009	Engineering/Food Serv	3,056,622
HealthTexas Provider Network 2001 Bryan St Ste 2200 Dallas TX 75201	Clinical/Administrative	2,420,312
BIR JV LLP PO Box 677466 Dallas TX 75267	Staffing/Mgmt Serv	1,475,387
MedFusion LLC P O Box 222137 Dallas TX 75222	Lab Services	1,422,126
Texas Heart Hospital of the Southwest L 2001 Bryan St Ste 2200 Dallas TX 75201	Clinical Services	789,012

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 ▶19

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	207,768				
e	Government grants (contributions) 1e					
f	All other contributions, gifts, grants, and similar amounts not included above 1f					
g	Noncash contributions included in lines 1a-1f $					
h	**Total.** Add lines 1a-1f . . . . ▶		207,768			
Program Service Revenue		Business Code				
2a	Patient Care	621990	204,366,595	204,366,595		
b	EHR Revenue	900099	1,348,142	1,348,142		
c	Rent	531120	825,792	811,392	14,400	
d	Shared Savings	900099	200,792	200,792		
e	Education	611600	18,427	18,427		
f	All other program service revenue		2,040	2,040		
g	**Total.** Add lines 2a–2f . . . . ▶		206,761,788			
Other Revenue						
3	Investment income (including dividends, interest, and other similar amounts) . . . . ▶		871,651	54,722		816,929
4	Income from investment of tax-exempt bond proceeds . . ▶					
5	Royalties . . . . ▶					
		(i) Real / (ii) Personal				
6a	Gross rents					
b	Less rental expenses					
c	Rental income or (loss)					
d	Net rental income or (loss) . . . . ▶					
		(i) Securities / (ii) Other				
7a	Gross amount from sales of assets other than inventory	12,779,333 /				
b	Less cost or other basis and sales expenses	10,648,305 / 114,543				
c	Gain or (loss)	2,131,028 / -114,543				
d	Net gain or (loss) . . . . ▶		2,016,485			2,016,485
8a	Gross income from fundraising events (not including $ ____ of contributions reported on line 1c) See Part IV, line 18 . . a					
b	Less direct expenses . . . b					
c	Net income or (loss) from fundraising events . . ▶					
9a	Gross income from gaming activities See Part IV, line 19 . . . a					
b	Less direct expenses . . . b					
c	Net income or (loss) from gaming activities . . ▶					
10a	Gross sales of inventory, less returns and allowances . a					
b	Less cost of goods sold . . b					
c	Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
11a	Cafeteria/Vending	722210	560,401			560,401
b	Gift Shop/Retail	453220	141,445			141,445
c	Parking	812930	210			210
d	All other revenue					
e	**Total.** Add lines 11a–11d . . . . ▶		702,056			
12	**Total revenue.** See Instructions . . . . . ▶		210,559,748	206,802,110	14,400	3,535,470

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	3,100,584	3,100,584		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,478,944		1,478,944	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	46,138,595	46,063,573	75,022	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,553,993	1,550,242	3,751	
9 Other employee benefits	5,928,440	5,919,174	9,266	
10 Payroll taxes	3,311,785	3,306,046	5,739	
11 Fees for services (non-employees)				
a Management	104,137	104,137		
b Legal	31,728		31,728	
c Accounting				
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	33,889,884	16,782,834	17,107,050	
12 Advertising and promotion	615,219	530,738	84,481	
13 Office expenses	2,010,434	1,715,967	294,467	
14 Information technology	9,484,674	9,484,674		
15 Royalties . .				
16 Occupancy	5,384,718	5,384,118	600	
17 Travel	119,738	97,973	21,765	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	64,856	40,142	24,714	
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	9,303,920	9,303,920		
23 Insurance	46,759		46,759	
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	37,164,050	37,164,050		
b Non-Medical Supplies	1,497,311	1,489,228	8,083	
c Recruiting	606,406	606,406		
d Federal Income Tax	4,221	4,221		
e All other expenses	297,815	144,574	153,241	
25 **Total functional expenses.** Add lines 1 through 24e	162,138,211	142,792,601	19,345,610	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		6,096	1	0
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		5,094,980	4	14,219,984
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		886,161	7	423,356
	8	Inventories for sale or use		5,307,201	8	5,688,812
	9	Prepaid expenses and deferred charges		193,544	9	45,375
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 191,301,406			
	b	Less accumulated depreciation	10b 80,314,897	118,871,057	10c	110,986,509
	11	Investments—publicly traded securities		51,650,270	11	54,923,760
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		28,427,269	13	42,869,900
	14	Intangible assets		2,840,643	14	2,317,430
	15	Other assets See Part IV, line 11		270,427	15	257,993
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		213,547,648	16	231,733,119
Liabilities	17	Accounts payable and accrued expenses		2,548,381	17	6,774,165
	18	Grants payable			18	
	19	Deferred revenue		637,971	19	418,770
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		47,756	24	36,321
	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		33,870,946	25	53,681
	26	**Total liabilities.** Add lines 17 through 25		37,105,054	26	7,282,937
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		176,222,167	27	224,245,870
	28	Temporarily restricted net assets		220,427	28	204,312
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		176,442,594	33	224,450,182
	34	Total liabilities and net assets/fund balances		213,547,648	34	231,733,119

Part XI **Reconcilliation 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	210,559,748
2	Total expenses (must equal Part IX, column (A), line 25)	2	162,138,211
3	Revenue less expenses Subtract line 2 from line 1	3	48,421,537
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	176,442,594
5	Net unrealized gains (losses) on investments	5	2,487,934
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-2,901,883
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	224,450,182

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

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SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ 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
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	**11g(i)**		
(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? Yes	No	**(v)** Did you notify the organization in col **(i)** of your support? Yes	No	**(vi)** Is the organization in col **(i)** organized in the U S ? Yes	No	**(vii)** Amount of monetary support
Total									

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) | **14** |

15 Public support percentage for 2012 Schedule A, Part II, line 14 | **15** |

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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	Employer identification number
Baylor Regional Medical Center at Plano	82-0551704

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

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

2 Political expenditures ▶ $

3 Volunteer hours

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	**(a)** Filing organization's totals	**(b)** Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		

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

	(a)	(b)
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? ☐ **Yes** ☐ **No**

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	**(a)** 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		3,587
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		42,475
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total Add lines 1c through 1i			46,062
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Return Reference	Explanation
Part II-B, Line 1	Statement Regarding Legislative Activity Health care policy is critical to all Americans, and Baylor Regional Medical Center at Plano ("BRMCP") believes that health care providers must participate in forming health care policy by interacting with national, state and local representatives and their staff members to help them better understand the complexities and ramifications of key health care policies including, without limitation, those related to uninsured and indigent patient needs as well as the legislative and regulatory needs to assure the delivery of cost-efficient, quality health care BRMCP has established relationships with persons and industry associations that often communicate BRMCP's positions on major health care issues These contacts may include direct contact, telephone conversations and/or letters Also, BRMCP may attempt to educate the local community on certain legislative initiatives that may impact BRMCP's ability to provide quality health care services to the community through direct mailings, media advertising or broadcast statements The amount of resources (time and money) involved in these activities is insubstantial BRMCP has not intervened in any political campaign

Part IV **Supplemental Information *(continued)***

Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493134052785

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
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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

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

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

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

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

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

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

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

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

4 Number of states where property subject to conservation easement is located ►__________

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

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

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

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

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

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

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

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

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

(ii) Assets included in Form 990, Part X ► $ __________

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

a Revenues included in Form 990, Part VIII, line 1 ► $ __________

b Assets included in Form 990, Part X ► $ __________

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	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

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

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

Part VI Land, Buildings, and Equipment. 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		7,185,393		7,185,393
b Buildings		119,318,223	29,423,198	89,895,025
c Leasehold improvements				
d Equipment		64,797,790	50,891,699	13,906,091
e Other				
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				110,986,509

Part VII Investments—Other Securities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

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

Part VIII Investments—Program Related. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Invest-Texas Heart Hosp Southwest LLP	41,619,900	F
(2) Investment in Baylor Quality Alliance	1,250,000	C
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶	42,869,900	

Part IX Other Assets. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	

Part X Other Liabilities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
Physician Guarantee Liability	53,681
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	53,681

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

Part XI **Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** 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, Line 2	The filing organization does not have separate individual audited financial statements, however, the organization is included in Baylor Health Care System's combined audited financial statements (System) The System follows the provisions of ASC 740 "Income Taxes " As of June 30, 2014 and 2013, the System had no material gross unrecognized tax benefits

Part XIII Supplemental Information ***(continued)***

Return Reference	Explanation

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
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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 ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 50000 0000000000 %			
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 eligibile for free or discounted care?	5c		
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)			6,574,446	9,410	6,565,036	2 490 %
b Medicaid (from Worksheet 3, column a)			3,942,311	1,497,210	2,445,101	0 930 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			8,927	0	8,927	0 %
d **Total** Financial Assistance and Means-Tested Government Programs			10,525,684	1,506,620	9,019,064	3 420 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,180,381	0	1,180,381	0 450 %
f Health professions education (from Worksheet 5)			364,787	3,884	360,903	0 140 %
g Subsidized health services (from Worksheet 6)			57,000	0	57,000	0 020 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			3,299,712	1,592	3,298,120	1 250 %
j **Total.** Other Benefits			4,901,880	5,476	4,896,404	1 860 %
k **Total.** Add lines 7d and 7j			15,427,564	1,512,096	13,915,468	5 280 %

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

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

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

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

2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	9,714,354
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	0

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

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	75,625,799
6	Enter Medicare allowable costs of care relating to payments on line 5	6	102,495,951
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-26,870,152

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

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 Texas Heart Hospital of the Southwest LLP	Patient Care	50 060 %	0 %	49 940 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities (list in order of size from largest to smallest—see instructions) How many hospital facilities did the organization operate during the tax year? **3** 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 Reporting Group A

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 begining 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	1	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	5	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) www baylorhealth com/about/community/			
b	☐ Other website (list url)			
c	☑ Available upon request from the hospital facility			
d	☐ 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	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $______			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply) **a** ☑ Income level **b** ☑ Asset level **c** ☑ Medical indigency **d** ☐ Insurance status **e** ☐ Uninsured discount **f** ☑ Medicaid/Medicare **g** ☑ State regulation **h** ☐ Residency **i** ☑ 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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply) **a** ☑ The policy was posted on the hospital facility's website **b** ☐ The policy was attached to billing invoices **c** ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms **d** ☐ The policy was posted in the hospital facility's admissions offices **e** ☐ The policy was provided, in writing, to patients on admission to the hospital facility **f** ☑ The policy was available upon request **g** ☑ 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** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ 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?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

		Yes	No
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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ 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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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 The Heart Hospital Baylor Denton

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) 3

			Yes	No
	Community Health Needs Assessment (Lines 1 through 8c are optional for tax years begining 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	1		No
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ___			
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		
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		
5	Did the hospital facility make its CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☐ Hospital facility's website (list url) ________			
b	☐ Other website (list url) ________			
c	☐ Available upon request from the hospital facility			
d	☐ 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	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ 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		
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		
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $ ________			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that			
Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Residency			
i ☑ 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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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?	**19**	Yes	

If "No," indicate why

- **a** ☐ The hospital facility did not provide care for any emergency medical conditions
- **b** ☐ The hospital facility's policy was not in writing
- **c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- **d** ☐ 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** ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- **b** ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- **c** ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- **d** ☑ Other (describe in Part VI)

		Yes	No
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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
See Additional Data Table	

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? 8

	Name and address	Type of Facility (describe)
1	Center for Advanced Cardiovascular Care 4716 Alliance Blvd Suite 300 Plano, TX 75093	Cardiovascular Center
2	Elizabeth Jekot MD Breast Imag Ctr 3301 E Renner Rd Suite 100 Richardson, TX 75082	Radiology Center
3	Center for Advanced Cardiovascular Care 5236 West University Drive Suite 4400 McKinney, TX 75071	Cardiovascular Center
4	Women's Imag Ctr at Baylor Plano 4716 Alliance Blvd Suite 100 Plano, TX 75093	Radiology Center
5	Baylor Behavioral Health Center 4708 Alliance Blvd Suite 801 Plano, TX 75093	Behavioral Health Center
6	Baylor Scoliosis Center 4708 Alliance Blvd Suite 800 Plano, TX 75093	Scoliosis Center
7	Baylor Weight Loss Surgery Ctr 4708 Alliance Blvd Suite 830 Plano, TX 75093	Bariatric Center
8	Baylor Complex Joint Center 4708 Alliance Blvd Suite 700 Plano, TX 75093	Musculoskeletal Disease Center
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 3c	and Line 3b In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines ("FPG"), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Form and Line Reference	Explanation
Part I, Line 6a	The organization prepares and files an Annual Report of Community Benefit Plan with the Texas Department of State Health Services This report is made available through the organization's website at www baylorhealth com

Form and Line Reference	Explanation
Part I, Line 7	A ratio of patient care cost to charges, as determined in Worksheet 2, was used to report the amounts in Part I, Lines 7a - 7d For amounts reported on lines 7e - 7k, actual expenses for each community benefit activity are tracked and reported using both community benefit software and/or the organization's cost accounting system Part I, Line 7i, Column (c) Includes charity care payments of $2,966,006 that are made directly to or on the behalf of a local public hospital and/or other nonprofit organizations for the treatment of indigent patients of those organizations

Form and Line Reference	Explanation
Part I, Ln 7 Col(f)	The amount of bad debt expense included on Form 990, Part IX, line 25, but removed for Schedule H, Part I, Line 7, Column (f) totaled $0

Form and Line Reference	Explanation
Part III, Line 4	As stated in the combined audited financial statements, the organization maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The organization assesses the reasonableness of the allowance account based on the historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowance associated with its receivable Bad debt does not include amounts for patients who are known to qualify under the organizations charity care policy The amount of bad debt attributable to patient's accounts is net of contractual allowance, payments received and recoveries of bad debt previously written off The Organization has entered zero on Schedule H, Part III, Line 3, however, based on prior experience and certain demographics and other information obtained during admission, the organization believes a portion of the bad debt expenses (estimated to range from 1-5%) would be attributable to patients that would otherwise qualify for charity care Despite all of the effort and ways the organization educates patients about qualifying for its charity care program as demonstrated in Part VI, question 3 below, many uninsured patients either refuse or fail to complete a charity care application or provide sufficient information at the time of admission, during their stay or after being discharged to qualify for assistance under the organization's charity care policy

Form and Line Reference	Explanation
Part III, Line 8	The amount reported on Part III, Section B, line 7 was calculated in accordance with the Schedule H instructions utilizing the organization's allowable cost reported in the Medicare cost report based on a cost to charge ratio However, the allowable costs in the Medicare cost report do not reflect the actual cost of providing care to patients since the Medicare cost report excludes many direct patient care costs that are essential to providing quality care to these patients For example, certain coverage fees to physicians, cost of Medicare C and D, and other similar direct patient care expenses are specifically excluded as allowable cost in the cost reports Using the same methodology to calculate the unreimbursed cost of providing charity care and Medicaid (using applicable Schedule H Worksheets) would result in a shortfall of $37,973,022, which is $11,102,870 higher than the shortfall reported on Part III, Section B, Line 7 The organization believes that all of the shortfall should be considered as a community benefit for the following reasons First, the IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients IRS Revenue Ruling 69-545 provides, in part, that hospitals serving patients with governmental health benefits, including for example Medicare, is an indication that the hospital operates for the promotion of health in the community Second, the organization provides care to Medicare patients regardless of this shortfall, i e , loss, and thereby relieves the state and federal government of the burden of paying the full cost for the care of Medicare beneficiaries Medicare does not provide sufficient reimbursement to cover the entire cost of providing care to these patients causing the organization to use other surplus funds to cover the shortfall It is expected that reimbursement under the Medicare program will continue to decline and therefore may further limit access to care due to the anticipated reduction of participating Medicare providers in the community As a result, the care for these patients will likely increase at, and rest on the shoulders of, nonprofit hospitals or county hospital districts Third, many of the Medicare participants have low fixed incomes and therefore would qualify for charity care or other means-tested government programs absent being enrolled in the Medicare program Fourth, Texas nonprofit hospitals must provide a minimum level of community benefit in order to obtain exemption from state and local taxes According to the current Texas Health and Safety Code, the unreimbursed cost of Medicare is considered to be a community benefit in determining these state statutory requirements as it helps relieve a governmental burden of providing this care that would otherwise be provided through the county hospital system in Texas

Form and Line Reference	Explanation
Part III, Line 9b	The organization's debt collection policy and procedures prohibit any collection efforts for the portion of the patient account balance that qualifies for financial assistance under the organization's charity care policy For any remaining balance due, the same collection policy and procedures are applied equally to all patient types

Form and Line Reference	Explanation
Part VI, Line 2	During the fiscal year ending June 30, 2013, the Organization conducted a Community Health Needs Assessment (CHNA) to assess the health care needs of the community for each of its licensed hospital facilities and developed an implementation strategy to address the needs identified in the CHNAs The CHNAs were conducted in accordance with state and federal guidelines including Internal Revenue Code Section 501(r) and the Texas Health and Safety Code Section 311 These CHNAs and implementation strategies have been made widely available to the public and are located on the Organizations website at the following address www BaylorHealth com/Community

Form and Line Reference	Explanation
Part VI, Line 3	The organization is committed to promoting health in the community including providing or finding financial assistance programs to assist patients Patients who may qualify for financial assistance through the organization's charity care program or other federal, state and local government programs are informed and educated about their eligibility in several ways including, but not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Form and Line Reference	Explanation
Part VI, Line 4	The Organization has three licensed hospitals and each hospitals community is defined and summarized below Additional information regarding the community can also be found in each of the hospitals community health needs assessment and implementation strategy located on the organizations website at www BaylorHealth com/Community Baylor Regional Medical Center at Plano (Baylor Plano) is located in Collin County and its total service area includes zip codes primarily from the urban/suburban areas of Allen, Carrollton, Dallas and Richardson covering more than 1,910,000 residents The average household income is $90,938 with 6 6 percent living below the federal poverty level Additionally, 9 6 percent is uninsured and 13 4 percent of the population is enrolled in Medicaid There are multiple designated medically underserved areas in the Baylor Plano service area In addition to Baylor Plano, there are 34 other hospitals providing hospital care to the service area The Heart Hospital at Baylor Plano (THHBP) is located in Collin County and its total service area includes zip codes primarily from the urban/suburban areas of Allen, Carrollton, Dallas and Richardson covering more than 1,910,000 residents The average household income is $90,938 with 6 6 percent living below the federal poverty level Additionally, 9 6 percent is uninsured and 13 4 percent of the population is enrolled in Medicaid There are multiple designated medically underserved areas in the THHBP service area In addition to THHBP, there are 34 other hospitals providing hospital care to the service area The Heart Hospital at Baylor Denton (THHBD) is located in Denton County and its total service area includes zip codes primarily from the urban/suburban areas of Denton County and the North Texas region

Form and Line Reference	Explanation
Part VI, Line 5	With the oversight of an independent volunteer community board and Baylor Scott & White Holdings, the organization's parent, the organization, through three licensed hospitals, has promoted health and benefited the community by providing exemplary health care, medical education, research and other community services The organization's governing body is comprised of volunteer community representatives that provide leadership and governance for the organization The members of the governing body contribute their wisdom, insights, and expertise to ensure the organization is fulfilling its mission and charitable purpose while providing efficient administrative support services and direction for the System The members are well respected residents and/or own businesses in the organization's primary or secondary service area and understand the needs of the community The medical staff of the organization is open to all physicians in the community who meet membership and clinical privileges requirements Surplus funds are continuously utilized to maintain access to limited patient services or expand access points of care to patients throughout the community including, but not limited to, the following The organization operates an emergency department through its hospitals accepting all patients without the regard for the ability to pay The emergency room is operated 24 hours a day, seven days a week The Organization provides financial assistance in the form of charity care to patients who are indigent and satisfy certain requirements Additionally, the Organization is committed to treating patients who are eligible for means tested government programs such as Medicaid and other government sponsored programs including Medicare, which is provided regardless of the reimbursement shortfall, and thereby relieves the state and federal government of the burden of paying the full cost of care for these patients Often, patients are unaware of the federal, state and local programs open to them for financial assistance, or they are unable to access them due to the cumbersome enrollment process required to receive these benefits The Organization offers assistance in enrollment to these government programs or extends financial assistance in the form of charity care through the Organization's Financial Assistance Policy which can be located on the Organization's website at BaylorHealth com/FinancialAssistance The organization participates in major community health fairs targeted at the underserved and supports local not-for-profit organizations as part of its community benefit efforts The community assessment revealed that key areas of focus include diabetes, cardiac health/ stroke, chronic respiratory disease, Alzheimer's disease, and cancer These areas have been addressed by the hospital via educational seminars and material, support groups, monetary grants, and screenings that help identify those at risk The organization is also committed to assisting with the preparation of future nurses at entry and advanced levels of the profession to establish a workforce of qualified nurses Through Baylor Scott & White Health's relationships with fifteen North Texas schools of nursing, the organization maintains strong affiliations with schools of nursing In the fiscal year ending June 30, 2014, the organization invested in training 481 nurses Total unreimbursed cost of these programs was $219,675 Many times nursing graduates trained at the organization join the hospital's staff or remain in the North Texas area to provide top quality nursing services to the community

Form and Line Reference	Explanation
Part VI, Line 6	The organization is affiliated with Baylor Scott & White Health, a faith based nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and other community services to the communities of North and Central Texas Baylor Scott & White Health is the largest not-for-profit health care system in Texas, and one of the largest in the United States Baylor Scott & White Health was formed from the 2013 combination of Baylor Health Care System and Scott & White Healthcare Known for exceptional patient care for more than a century, the two organizations serve adjacent regions of Texas and operate on a foundation of complementary values and similar missions Baylor Scott & White Health includes 43 hospitals, more than 500 patient care sites, more than 6,000 affiliated physicians, 35,000 employees and the Scott & White Health Plan The System exists to serve all people through exemplary health care, education, research and community service Community benefits are provided through the provision of charity care, governmental sponsored programs (such as Medicaid and Medicare), medical research, medical education, community health improvement services, donations to other nonprofit health care providers, and many other community service activities During the year, the affiliated nonprofit hospitals reported community benefits (as reported to the Texas Department of State Health Services, and in accordance with the State of Texas Statutory methodology) in excess of $701,800,000 The System's nonprofit hospitals provided community benefits (as reported on the IRS Form 990, Schedule H) in excess of $357,480,000 during the tax year The Texas Annual Statement of Community Benefit Standard includes approximately $274,860,000 of unreimbursed cost of Medicare that is not included in the IRS Form 990, Schedule H The System is comprised of separate legal entities including philanthropic foundations, a research institute, a physician network, acute care hospitals, short-stay hospitals, specialty hospitals, ambulatory surgery centers, a health plan and other health care providers all which fall under the common control of Baylor Scott & White Holdings Under the guidance of an independent community board, the System follows one single mission, vision and values focusing on quality patient centered care while meeting the demands of health care reform, the changing needs of patients and extraordinary recent advances in clinical care As part of the System, certain affiliates make grants and/or contributions to other related nonprofit affiliates to help financially support and/or fund worthy community benefits activities The System has also established a patient transfer system among the affiliated hospitals allowing patients needing a particular level of care to be transferred as needed to a related hospital that can provide that service in an efficient and effective manner As part of the System, all hospitals and other affiliated health care providers are required to adhere to high standards for medical quality, patient safety and patient satisfaction These standards are set forth by Baylor Scott & White Holdings, the organization's parent, which helps ensures consistency across the System

Form and Line Reference	Explanation
Part VI, Line 7, Reports Filed With States	TX

Additional Data

Software ID:
Software Version:
EIN: 82-0551704
Name: Baylor Regional Medical Center at Plano

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
The Heart Hospital Baylor Denton	Part V, Section B, Line 1j The Heart Hospital Baylor Denton was acquired as a new hospital facility in May 2013 A community health needs assessment and implementation strategy will be completed within the prescribed time for new hospital facilities in accordance with Internal Revenue Code Section 501(r) and Regulations

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
The Heart Hospital Baylor Denton	Part V, Section B, Line 11 In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
The Heart Hospital Baylor Denton	Part V, Section B, Line 12i The hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
The Heart Hospital Baylor Denton	Part V, Section B, Line 14g Measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
The Heart Hospital Baylor Denton	Part V, Section B, Line 20d The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Question Part V, Line 20ac

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Part V, Section B	Facility Reporting Group A

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Facility Reporting Group A consists of	- Facility 1 Baylor Regional Medical Ctr at Plano, - Facility 2 Texas Heart Hospital of Southwest, LLP

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Facility 1 -- Baylor Regional Medical Ctr at Plano Part V, Section B, line 3	Creating healthy communities requires a high level of mutual understanding and collaboration with community individuals and partner groups The development of the community health needs assessment brought together information from community health leaders and providers along with local residents for the purposes of researching, prioritizing and documenting the community health needs for the geographies served by the hospital facility As an affiliate of Baylor Health Care System (BHCS), the hospital facility conducted its community health needs assessment with the assistance and direction of BHCS and the guidance of the BHCS Community Benefit Committee The mission and role of the BHCS Community Benefit Committee is to assist the BHCS Board of Trustees in setting direction, identifying priorities, and monitoring performance in mission and vision integration into community benefits across the BHCS hospital system The Committee is comprised of trustees (current System and community board members) and other community representatives appointed by the BHCS board of trustees The hospital facilitys community health needs assessment brings together information from a variety of sources This assessment consolidates information from recent community health needs assessments conducted for the Texas Regional Healthcare Partnerships, the Dallas County Community Health Needs Assessment and the Consumer Health Report conducted by the National Research Corporation (NRC) for the hospital facility Members from Baylor Health Care System participated in the development of these reports with other health care providers, community groups and others throughout the Dallas/Fort Worth Metroplex These reports used a variety of methods to gather and assess the community including, but not limited to, surveys, meetings, and interviews The hospital has also fostered continued community participation and outreach activities through membership in the Dallas Fort Worth Hospital Council They have used data from this collaboration of health care providers, including data that served as the basis for this CHNA This datadrawn from a variety of local, state and federal sourcesrepresents the most recent evaluation of Dallas/Fort Worth residents health status and the assets available to the community for improving health In addition, data was drawn from the Healthy North Texas website (www healthytexas org), which was created under the direction of the Dallas Fort Worth Hospital Council Foundations Community Health Collaborative The website features data regarding overall population health It boasts more than 100 local health indicators that can be compared across other Texas regions and the nation The information can be used to expose crucial health concerns in North Texas, including incidents of diabetes, breast cancer and suicide The site also has a database of information detailing ways to combat these health ailments Sponsors of the site include Blue Cross Blue Shield of Texas, Communities Foundation of Texas, HCA North Texas, JPS Health Network, Methodist Health System, Texas Health Resources, University of North Texas Health Science Center and Baylor Health Care System More detailed information can be found in the hospital community health needs assessment and community benefit plan located at the following website http //www baylorhealth com/About/Community/Assessments/Pages/Default aspx

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Form and Line Reference	Explanation
Facility 1 -- Baylor Regional Medical Ctr at Plano Part V, Section B, line 4	As an affiliate of Baylor Health Care System, the hospital facility conducted its community health needs assessment with other related hospital facilities and with the assistance and direction of Baylor Health Care System These related hospital facilities included the following Baylor University Medical Center, Baylor All Saints Medical Center, Baylor Medical Center at Garland, Baylor Regional Medical Center at Grapevine, Baylor Regional Medical Center at Plano, Baylor Medical Center at Waxahachie, Baylor Medical Center at McKinney, Baylor Medical Center at Irving, Baylor Medical Center at Carrollton, Baylor Specialty Hospital, Our Childrens House at Baylor, Baylor Heart and Vascular Hospital, The Heart Hospital Baylor Plano, Baylor Medical Center at Frisco, Baylor Medical Center at Uptown, Irving/Coppell Surgical Hospital, Baylor Orthopedic and Spine Hospital at Arlington, Baylor Surgical Hospital at Fort Worth, Baylor Medical Center at Trophy Club, North Central Surgical Center, Baylor Institute for Rehabilitation at Dallas, Baylor Institute for Rehabilitation at Frisco, Baylor Institute for Rehabilitation at Northwest Dallas, Baylor Institute for Rehabilitation at Fort Worth, and Baylor Emergency Medical Center at Aubrey Additionally, Baylor Health Care System also participated in numerous workgroups and studies used for other community health needs assessments conducted throughout the twelve county North Texas Region The data and results of these various community health needs assessments were used by Baylor Health Care System and its affiliated hospital facilities to conduct their own community health needs assessments Other hospital facilities in the community including county hospitals such as Parkland Memorial Hospital, John Peter Smith Hospital and other hospitals participated in these other community health needs assessments

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Facility 1 -- Baylor Regional Medical Ctr at Plano Part V, Section B, line 11	In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

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Form and Line Reference	Explanation
Facility 1 -- Baylor Regional Medical Ctr at Plano Part V, Section B, line 12i	The hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted

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Form and Line Reference	Explanation
Facility 1 -- Baylor Regional Medical Ctr at Plano Part V, Section B, line 14g	Measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

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Form and Line Reference	Explanation
Facility 1 -- Baylor Regional Medical Ctr at Plano Part V, Section B, line 20d	The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Question Part V, Line 20ac

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Form and Line Reference	Explanation
Facility 2 -- Texas Heart Hospital of Southwest, LLP Part V, Section B, line 3	Creating healthy communities requires a high level of mutual understanding and collaboration with community individuals and partner groups The development of the community health needs assessment brought together information from community health leaders and providers along with local residents for the purposes of researching, prioritizing and documenting the community health needs for the geographies served by the hospital facility As an affiliate of Baylor Health Care System (BHCS), the hospital facility conducted its community health needs assessment with the assistance and direction of BHCS and the guidance of the BHCS Community Benefit Committee The mission and role of the BHCS Community Benefit Committee is to assist the BHCS Board of Trustees in setting direction, identifying priorities, and monitoring performance in mission and vision integration into community benefits across the BHCS hospital system The Committee is comprised of trustees (current System and community board members) and other community representatives appointed by the BHCS board of trustees The hospital facilitys community health needs assessment brings together information from a variety of sources This assessment consolidates information from recent community health needs assessments conducted for the Texas Regional Healthcare Partnerships, the Dallas County Community Health Needs Assessment and the Consumer Health Report conducted by the National Research Corporation (NRC) for the hospital facility Members from Baylor Health Care System participated in the development of these reports with other health care providers, community groups and others throughout the Dallas/Fort Worth Metroplex These reports used a variety of methods to gather and assess the community including, but not limited to, surveys, meetings, and interviews The hospital has also fostered continued community participation and outreach activities through membership in the Dallas Fort Worth Hospital Council They have used data from this collaboration of health care providers, including data that served as the basis for this CHNA This datadrawn from a variety of local, state and federal sourcesrepresents the most recent evaluation of Dallas/Fort Worth residents health status and the assets available to the community for improving health In addition, data was drawn from the Healthy North Texas website (www healthytexas org), which was created under the direction of the Dallas Fort Worth Hospital Council Foundations Community Health Collaborative The website features data regarding overall population health It boasts more than 100 local health indicators that can be compared across other Texas regions and the nation The information can be used to expose crucial health concerns in North Texas, including incidents of diabetes, breast cancer and suicide The site also has a database of information detailing ways to combat these health ailments Sponsors of the site include Blue Cross Blue Shield of Texas, Communities Foundation of Texas, HCA North Texas, JPS Health Network, Methodist Health System, Texas Health Resources, University of North Texas Health Science Center and Baylor Health Care System More detailed information can be found in the hospital community health needs assessment and community benefit plan located at the following website http //www baylorhealth com/About/Community/Assessments/Pages/Default aspx

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Form and Line Reference	Explanation
Facility 2 -- Texas Heart Hospital of Southwest, LLP Part V, Section B, line 4	As an affiliate of Baylor Health Care System, the hospital facility conducted its community health needs assessment with other related hospital facilities and with the assistance and direction of Baylor Health Care System These related hospital facilities included the following Baylor University Medical Center, Baylor All Saints Medical Center, Baylor Medical Center at Garland, Baylor Regional Medical Center at Grapevine, Baylor Regional Medical Center at Plano, Baylor Medical Center at Waxahachie, Baylor Medical Center at McKinney, Baylor Medical Center at Irving, Baylor Medical Center at Carrollton, Baylor Specialty Hospital, Our Childrens House at Baylor, Baylor Heart and Vascular Hospital, The Heart Hospital Baylor Plano, Baylor Medical Center at Frisco, Baylor Medical Center at Uptown, Irving/Coppell Surgical Hospital, Baylor Orthopedic and Spine Hospital at Arlington, Baylor Surgical Hospital at Fort Worth, Baylor Medical Center at Trophy Club, North Central Surgical Center, Baylor Institute for Rehabilitation at Dallas, Baylor Institute for Rehabilitation at Frisco, Baylor Institute for Rehabilitation at Northwest Dallas, Baylor Institute for Rehabilitation at Fort Worth, and Baylor Emergency Medical Center at Aubrey Additionally, Baylor Health Care System also participated in numerous workgroups and studies used for other community health needs assessments conducted throughout the twelve county North Texas Region The data and results of these various community health needs assessments were used by Baylor Health Care System and its affiliated hospital facilities to conduct their own community health needs assessments Other hospital facilities in the community including county hospitals such as Parkland Memorial Hospital, John Peter Smith Hospital and other hospitals participated in these other community health needs assessments

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Facility 2 -- Texas Heart Hospital of Southwest, LLP Part V, Section B, line 11	In addition to providing free care to financially indigent patients at 200% of the federal poverty guidelines (FPG), the organization provides discounted care to the medically indigent which is based on both the FPG (up to 500%) and the percentage of the patient's total bills from all providers in relation to the patient's annual income Pursuant to the charity care policy, a patient's total balance due will not exceed 10% of total annual income if the patient qualifies as medically indigent The organization also provides discounted care to those individuals whose amount of total bills, after all payments from third parties, exceeds 50% of the patient's annual income (regardless of the level of income) if the patient is unable to pay the remaining bill

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Facility 2 -- Texas Heart Hospital of Southwest, LLP Part V, Section B, line 12i	The hospital has adopted a financial assistance policy written in accordance with Texas Health and Safety Code Chapter 311 In general, that statute defines charity care as providing, funding or otherwise financially supporting health care services to a person classified by the hospital as financially or medically indigent, or providing funding or otherwise financially supporting health care services provided to financially indigent persons through other nonprofit or public clinics, hospitals or hospital organizations To determine if a patient meets the definition of financially or medically indigent in the statute, the number in the household is required Additionally, although assets and other resources are not included in the calculation to determine whether a patient is financially or medically indigent, the organization's policy reserves the right to allow the patient's assets or other resources to be considered when determining if financial assistance will be granted

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Form and Line Reference	Explanation
Facility 2 -- Texas Heart Hospital of Southwest, LLP Part V, Section B, line 14g	Measures to publicize the policy within the community served by the hospital facility, include but are not limited to, the following 1) posting signs and notices regarding the charity care policy in the emergency departments, admitting areas and business offices located throughout the organization 2) annual posting regarding the organization's charity care program in the local newspapers 3) information regarding financial assistance, including the organization's charity care policy, is posted on the organization's website 4) notices about the organization's financial assistance policies are posted on each bill sent to patients including providing a phone number to access the customer service unit dedicated to answering patients billing questions, as well as provide information regarding financial assistance and 5) the organization provides free financial counselors to help patients determine how to meet their financial obligations for services provided Specifically financial counselors assist patients in applying for government assistance programs such as Medicaid or the organization's charity care program Any patient may request to speak to a financial counselor when being treated at the organization Uninsured patients who are admitted to the hospital will automatically receive help from a financial counselor These services are provided in writing and through interpretation services in the primary language of the patient requesting assistance Though the most often needed alternate language is Spanish, the organization can accommodate multiple languages including American Sign Language

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Facility 2 -- Texas Heart Hospital of Southwest, LLP Part V, Section B, line 20d	The organizations financial assistance policy is developed to provide discounted care to those qualifying for financial assistance to where the amount charged under the policy will always be equal to or lower than the average of the three largest (by volume) negotiated commercial insurance rates However, for those qualifying as medically indigent and whose income level is from 200% to 500% of the federal poverty level shall not be billed more than 10% of their annual income which is generally lower than the methodology listed above and the three methods listed in Question Part V, Line 20ac

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990
▶ Information about Schedule I (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
(1) Baylor Research Institute 2001 Bryan Street Suite 2200 Dallas,TX 75201	75-1921898	501(C)(3)	134,287		N/A	N/A	Research
(2) Baylor University Medical Center 2001 Bryan Street Suite 2200 Dallas,TX 75201	75-1837454	501(C)(3)	2,966,297		N/A	N/A	Indigent Care

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

3 Enter total number of other organizations listed in the line 1 table . . . . ▶ 0

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
Part I, Line 2	Monitoring Grants & Other Assistance As part of its mission, the organization provides grants and other assistance to related organizations and/or unrelated not-for-profit organizations which are religious, charitable, scientific, or educational in nature, within the meaning of Internal Revenue Code Section 501(c)(3), when the use will further one or more tenets of the organization's charitable mission and one of the following criteria for use of these funds is met (1) Fulfills a need identified by a community needs assessment conducted by the organization and/or outlined in an implementation strategy, (2) Serves an under-served community or group of people through medical mission work to improve their health status (3) promotes health in the community, (4) supports community buildings activities that protect or improves the community's health or safety and/or (5) provides positive visibility and good community relations with other organization serving the health needs of the community For related organizations, all grants and other assistance are subject to the policies and procedures set forth by BSWH which ensures all funds are used in accordance with the guidelines set forth above and in accordance with the related organization's exempt purpose Grants and other assistance provided to unrelated organizations are typically monitored by personal inspection Examples include providing assistance to entities where the filing organization's employee serves as a Board Member for the recipient organization or through attendance at community events where the filing organization employees work as volunteers or to help coordinate these events

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, 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
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Part I Questions Regarding Compensation

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

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	Tax indemnification and gross-up payments-The organization provides tax indemnification where an authorized member of management determines there is justification to reimburse an individual for the tax impact on certain taxable, non-cash benefits provided to them All tax indemnification payments provided are treated as taxable compensation Two of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year
Part I, Line 1a	Discretionary spending account-The organization provides eligible employees who travel frequently in their personal vehicle an auto expense allowance in lieu of reimbursement for business mileage under the organization's business travel and expense reimbursement policy All auto expense allowances are treated as taxable compensation One of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year
Part I, Line 1a	Travel for companions-The organization reimburses eligible employees and board members certain reasonable travel expenses associated with spousal travel where the spouse's presence is important to the event These events may include, for example, board meetings, business meetings, and award ceremonies approved by the organization's governing body and/or President All spousal travel reimbursements are treated as taxable compensation One person listed in the Form 990, Part VII, Section A, received this benefit during the tax year
Part I, Line 4b	In order to recruit and retain key talent, Baylor Health Care System ("BHCS") offers a supplemental non qualified retirement plan to eligible employees The plan provides an annual benefit (based on a percentage of compensation) to the employee which is paid to the employee on a future date upon vesting in the plan The following individual(s) participated in and/or received payments (noted in parenthesis) from BHCS' supplemental non qualified retirement plan during the tax year Jerri Garison ($182,493), Paul Madeley, M D ($147,205), Amy Yeager and William Boyd ($105,152) Also, select certain officers, as designated by BHCS's governing body, are eligible to participate in a Long Term Incentive Plan that is designed to recognize the key senior leaders value and contribution to BHCS as well as align their compensation to the long term strategy of BHCS Performance targets are based upon a percentage of the participants base salary and are developed by independent third party expert(s) using market competitive data within the guides of reasonableness The plan is based on BHCS's three-year performance against its peers, determined based on peer rankings or percentile rankings in quality, patient satisfaction and financial performance At the end of three years, awards are determined by BHCS's governing body for participants Payouts are partially made in cash and the remainder vests over an additional two year period The following individuals participated in and/or received payments (noted in parenthesis) from this plan during the tax year Jerri Garison ($137,560) and William Boyd ($245,151)
Part I, Line 7	The organization has adopted and implemented BHCS's, the organization's sole member, Performance Award Program to provide a market competitive total cash compensation incentive program that is designed to attract and retain key leaders and establish greater individual accountability and alignment to business performance Payout targets are based upon a percentage of base pay and are developed by independent third party expert(s) using comparable market competitive data within the bounds of reasonableness and that are reviewed and approved by BHCS's governing body Payout levels are based upon a combination of system, entity, and individual performance using various metrics related to quality, patient satisfaction, employee retention, and financal stewardship BHCS's governing body may approve modifications to annual incentive awards provided under the program consistent with market comparability data
Form 990, Schedule J, Part III	Supplemental Information Governing Body Compensation The members of the governing body serve on a voluntary basis and receive no cash compensation from the organization for these duties as a member of the governing body Some, but not all, members have received modest benefits incident to their service on the board and/or multiple board committees or received compensation as an employee of a related organization These benefits include reimbursement for certain reasonable expenses paid on behalf of the member's spouse while accompanying the member on business travel on behalf of the related organization and/or a wellness physical All such benefits are treated as taxable compensation to the extent required by law and are reported in the Form 990 where applicable

Additional Data

Software ID:
Software Version:
EIN: 82-0551704
Name: Baylor Regional Medical Center at Plano

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 (i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other 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
Paul Madeley MD Trustee	(i)	0	0	0	0	0	0	0
	(ii)	395,604	0	174,106	56,437	16,598	642,745	147,205
Deanne Kindred VP Finance/CFO	(i)	220,840	49,744	0	11,247	16,029	297,860	0
	(ii)	0	0	0	0	0	0	0
Ellen Pitcher CNO/COO	(i)	186,530	33,239	75	10,295	13,694	243,833	0
	(ii)	16,337	0	0	0	1,223	17,560	0
Jerri Garison President	(i)	440,233	185,779	256,460	146,801	20,136	1,049,409	238,452
	(ii)	0	0	0	0	0	0	0
Amy Yeager Secretary	(i)	0	0	0	0	0	0	0
	(ii)	257,801	51,803	1,109	39,156	22,559	372,428	0
William Boyd Secretary	(i)	0	0	0	0	0	0	0
	(ii)	582,787	298,107	251,031	215,925	21,326	1,369,176	225,260
Alina Buono Director Pharmacy	(i)	157,187	22,158	150	8,051	15,643	203,189	0
	(ii)	0	0	0	0	0	0	0
Elmer Staton Director Lab	(i)	138,562	16,839	0	7,217	17,562	180,180	0
	(ii)	0	0	0	0	0	0	0
Richard Hostin Medical Director	(i)	188,100	0	0	9,405	31	197,536	0
	(ii)	0	0	0	0	0	0	0
Alfred Franco Registered Nurse	(i)	148,850	352	1,457	4,366	19,366	174,391	0
	(ii)	0	0	0	0	0	0	0
Kriss Gamez Director HR	(i)	135,792	20,176	0	6,940	14,777	177,685	0
	(ii)	0	0	0	0	0	0	0

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ 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
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	Members or stockholders The organization is a Texas nonprofit membership organization in which Baylor Health Care System, a tax exempt, Texas nonprofit corporation, is the sole member

Return Reference	Explanation
Form 990, Part VI, Section A, line 7a	Election of members of governing body by members, stockholders, or other persons As disclosed in Part VI, Line 4, Baylor Scott & White Holdings, a Texas nonprofit corporation, is currently the sole member of Baylor Health Care System (BHCS) and BHCS is the sole member of the organization Prior to October 1, 2013, BHCS had control and substantial reserved powers over the organization, including those to elect and remove the governing body of the organization Effective October 1, 2013, BHCS transferred control and its reserved powers over the organization to Baylor Scott & White Health, LLC and subsequently to Baylor Scott & White Holdings on March 1, 2014 The Baylor Scott & White Holdings Board of Trustees is comprised of a majority of independent community representatives that provide leadership and governance to Baylor Scott & White Holdings and its affiliated tax exempt entities including, the filing organization, to ensure it is meeting its charitable purpose

Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	Governing body decisions subject to approval Prior to October 1, 2013, all rights and powers were reserved to the sole member, Baylor Health Care System (BHCS), except only those rights and powers expressly set forth in the bylaws, required by state or federal law, or to meet the requirements and standards promulgated by joint commission For example, the member's reserved rights and powers include, without limitation, approval of the organization's articles of incorporation and bylaws and amendments thereto, appointment and removal of members of the organization's governing body, approval of dissolutions and mergers, and other similar decisions over the organization Effective October 1, 2013, BHCS transferred control and its reserved powers over the organization to Baylor Scott & White Health, LLC and subsequently to Baylor Scott & White Holdings on March 1, 2014

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	Process used to review the Form 990 The Form 990 is prepared and reviewed by BSWH's tax department During the return preparation process the tax department works with other functional areas including finance, accounting, treasury, legal, human resources, and corporate compliance for advice, information and assistance to prepare a complete and accurate return Upon completion, the Form 990 is reviewed by the organization's President, financial officer and/or other key officers A complete final copy of the return is provided to the organization's governing body prior to filing with the IRS

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	Process used to monitor and enforce compliance with the organization's conflict of interest policy Persons with an actual or perceived ability to influence the organization have the duty to disclose annually and otherwise promptly as potential conflicts are identified, any familial, professional or financial relationships with entities or individuals that do, or seek to do business with the organization or that compete with the organization These individuals include the organization's officers, governing body, management, physicians with administrative services agreements and other key personnel who interact with outside organizations or businesses on behalf of the organization The BSW Holdings Board of Trustees Audit and Compliance Committee and the BSW Holdings Corporate Compliance Committee review all relevant disclosures submitted by these individuals to determine whether a conflict of interest exists and to determine an appropriate resolution, if necessary Any individual with a perceived or potential conflict is prohibited from voting or participating in the decision making process regarding such transaction with that individual

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	Process for determining compensation The organization, a controlled affiliate of BHCS, recognizes that those chosen to lead the organization are vital to its ongoing success and growth Thus, it must attract, retain and engage the highest quality officers and key employees to lead the organization and help BHCS maintain its national reputation for achieving high targets for medical quality, patient safety, and patient satisfaction A significant portion of the organization's officers' and key employees' total compensation is based on significant performance achievements This strategy, known as the Performance Award Program, places a greater emphasis on the importance of the organization achieving targeted improvements in the areas of people, quality, patient satisfaction and financial stewardship, annually Total executive compensation is part of an integrated talent management strategy developed by the BHCS Board of Trustees and its Compensation and Governance Committee (C&G Committee) to attract, motivate, and retain the best leadership resources for the organization Executive compensation is determined pursuant to guidelines outlined in the intermediate sanction rules under IRC Section 4958 including taking steps to meet the rebuttable presumption standard of reasonableness under Treasury Regulation 53 4958-6, as summarized below When making compensation decisions, the organization compares itself to similar-sized, and structured businesses including other integrated health care service systems and other similar-sized organizations, both locally and nationally The BHCS Board of Trustees and C&G Committee, on behalf of the organization, work directly with an independent compensation expert(s) to identify reasonable and competitive market rates as well as provide an annual review of the total compensation of the organization's top management officials and key employees The C&G Committee is made up of members of the BHCS Board of Trustees, who are independent, community volunteers Guided by the information provided by the independent compensation expert(s), the C&G Committee approves and recommends to the BHCS Board of Trustees salary increases, earned incentives, and benefit offerings for the organization's President, other officers and/or key employees to be comparable to similar organizations for similar services and/or positions Furthermore, the C&G Committee is charged with the responsibility of reviewing annually the major elements of the executive compensation program to assure designs remain consistent with the business needs, market practices, and compensation philosophy As part of the decision making process, the C&G Committee will often meet in executive session to discuss and review recommendations made by the independent compensation expert(s) During the executive session no officer or key employee whose compensation is being reviewed is present during these discussions All decisions are contemporaneously documented in the C&G Committee minutes which are timely reviewed and approved by the C&G Committee

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	Process for making governing documents, conflict of interest policy, & financial statements available to the public The organization's articles of incorporation and amendments thereto are made available to the public by the filing of those documents with the Texas Secretary of State Also, the organization is included within the combined financial statements of BHCS that are made available to the public by the posting of those documents through DAC Bond and are attached to this return The organization's other governing documents and conflicts of interest policy are not made available to the public

Return Reference	Explanation
Form 990, Part IX, line 11g	Contract Labor Program service expenses 4,789,008 Management and general expenses 612 Fundraising expenses 0 Total expenses 4,789,620 Other Purchased Services Program service expenses 5,220,936 Management and general expenses 1,419,309 Fundraising expenses 0 Total expenses 6,640,245 Repairs & Maintenance Program service expenses 2,816,111 Management and general expenses 2,982 Fundraising expenses 0 Total expenses 2,819,093 Professional Fees Program service expenses 1,305,929 Management and general expenses 101,323 Fundraising expenses 0 Total expenses 1,407,252 Lab Fees Program service expenses 1,410,137 Management and general expenses 0 Fundraising expenses 0 Total expenses 1,410,137 Patient Care Program service expenses 1,240,713 Management and general expenses 35 Fundraising expenses 0 Total expenses 1,240,748 Corporate Overhead Program service expenses 0 Management and general expenses 15,582,789 Fundraising expenses 0 Total expenses 15,582,789

Return Reference	Explanation
Form 990, Part XI, line 9	Transfers Between Entities Under Common Control -2,297,453 Changes in Net Assets of Related Foundation -16,116 Transfer to/from BHCS-Liability Reserve -588,314

Return Reference	Explanation
Part XII, Line 2c, Audit & Compliance Committee	As a result of the changes in the governance structure described in Part VI, Line 4, the oversight and selection process of the organization's audit and compilation of its financial statements including the selection of the independent accountant was transferred to the Audit and Compliance Committee of Baylor Scott & White Health LLC effective October 1, 2013 and subsequently transferred to Baylor Scott & White Holdings on March 1, 2014

Return Reference	Explanation
Part VI, Line 4, Changes to Organizational Documents	The organization did not make any changes to its governing documents during the tax year, however, effective October 1, 2013, Baylor Health Care System, a Texas nonprofit corporation (BHCS), and Scott & White Healthcare ("SWHC"), a Texas nonprofit corporation, consummated their affiliation pursuant to an Affiliation Agreement (the "Agreement") dated June 19, 2013 BHCS and SWHC formed Baylor Scott & White Holdings (BSW Holdings), a Texas nonprofit corporation While the receipt of the Internal Revenue Service (IRS) tax-exempt and public charity determination letter for BSW Holdings was pending, BHCS and SWHC formed a Texas limited liability company, Baylor Scott & White Health LLC (BSW Holdings LLC) On December 31, 2013, BSW Holdings received a favorable determination letter from the IRS regarding their tax-exempt and public charity status Effective March 1, 2014, BSW Holdings LLC was merged into BSW Holdings BSW Holdings is now the sole member of BHCS and SWHC and has control and substantial reserved powers over all BHCS and SWHC material affiliates including the organization, as more fully described in the exemption application filed with the Internal Revenue Service for BSW Holdings

Return Reference	Explanation
Supplemental Information Section 6038 Statement	Disclosure Statement Related to Forms 5471, Information Return of U S Persons with Respect to Certain Foreign Corporations, Filed on Behalf of the Taxpayer In accordance with IRC Section 6038 and the constructive ownership rules of IRC Sections 958(a) and (b), the taxpayer is required to file Forms 5471, Information Return of U S Persons with Respect to Certain Foreign Corporations, with respect to certain controlled foreign corporations (CFCs) including Scott & White Assurance Ltd and Health Care Insurance Company of Texas, Ltd These filing requirements are or will be satisfied through the filing of Forms 5471 for these CFCs by other U S taxpayers identified below who have the same filing requirement Taxpayer Name Scott & White Memorial Hospital Taxpayer Address 2401 S 31st Street Temple, TX 76508 Taxpayer Identification Number of U S tax return with which the Forms 5471 were or will be filed 74-1166904 IRS Service Center where U S tax return was or will be filed Ogden Taxpayer Name Baylor Health Care System Taxpayer Address 2001 Bryan Street Suite 2200 Dallas, TX 75201 Taxpayer Identification Number of U S tax return with which the Forms 5471 were or will be filed 75-1812652 IRS Service Center where U S tax return was or will be filed Ogden

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Baylor Regional Medical Center at Plano

Employer identification number
82-0551704

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

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

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

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

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) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
See Additional Data Table												

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	(i) No
See Additional Data Table									

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

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

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

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

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

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

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

Part VII **Supplemental Information**

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

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 82-0551704
Name: Baylor Regional Medical Center at Plano

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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) All Saints Health Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1947007	Fundraising	TX	501(c)(3)	Line 7	Baylor All Saints Medical Center	Yes	
(1) Baylor All Saints Medical Center 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1008430	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(2) Baylor Health Care System 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1812652	Management Services	TX	501(c)(3)	Line 11b, II	Baylor Scott & White Holdings	Yes	
(3) Baylor Health Care System Employee Benefit Trust 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1848557	VEBA	TX	501(c)(9)	Line 9	Baylor Health Care System	Yes	
(4) Baylor Health Care System Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1606705	Fundraising	TX	501(c)(3)	Line 7	Baylor Health Care System	Yes	
(5) Baylor Health Services 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1917311	Inactive	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(6) Baylor Institute for Rehabilitation at Gaston Episcopal Hospital 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1037226	Rehabilitation Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(7) Baylor Medical Center at Carrollton 2001 Bryan Street Suite 2200 Dallas, TX 75201 45-4510252	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(8) Baylor Medical Center at Irving 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2586857	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(9) Baylor Medical Center at Waxahachie 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1844139	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(10) Baylor Medical Centers at Garland and McKinney 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1037591	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(11) Baylor Regional Medical Center at Grapevine 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1777119	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(12) Baylor Research Institute 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1921898	Research	TX	501(c)(3)	Line 4	Baylor Health Care System	Yes	
(13) Baylor Scott & White Health 2001 Bryan Street Suite 2200 Dallas, TX 75201 46-3131350	Management Services	TX	501(c)(3)	Line 11b, II	Baylor Scott & White Holdings	Yes	
(14) Baylor Scott & White Holdings 2001 Bryan Street Suite 2200 Dallas, TX 75201 46-3130985	Parent	TX	501(c)(3)	Line 11b, II	N/A		No
(15) Baylor Specialty Health Centers 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1765385	Long Term Acute Care Hospitals	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(16) Baylor University Medical Center 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1837454	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(17) Brenham Care Center 2401 S 31st Street Temple, TX 76508 74-2663229	Inactive	TX	501(c)(3)	Line 9	Scott & White Hospital-Brenham	Yes	
(18) HealthTexas Provider Network 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2536818	Physician Services	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(19) Hillcrest Baptist Medical Center 100 Hillcrest Medical Blvd Waco, TX 76712 74-1161944	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Memorial Hospital	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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
(21) Hillcrest Family Health Center 100 Hillcrest Medical Blvd Waco, TX 76712 74-2730350	Physician Services	TX	501(c)(3)	Line 11a, I	Hillcrest Baptist Medical Center	Yes	
(1) Hillcrest Physician Services 100 Hillcrest Medical Blvd Waco, TX 76712 74-2967081	Physician Services	TX	501(c)(3)	Line 11a, I	Hillcrest Baptist Medical Center	Yes	
(2) Irving Healthcare Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1570933	Fundraising	TX	501(c)(3)	Line 3	Baylor Medical Center at Irving	Yes	
(3) Scott & White Clinic 2401 S 31st Street Temple, TX 76508 74-2958277	Physician Services	TX	501(c)(3)	Line 9	Scott & White Healthcare	Yes	
(4) Scott & White Continuing Care Hospital 2401 S 31st Street Temple, TX 76508 20-2850920	Long Term Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(5) Scott & White EMS Inc 2401 S 31st Street Temple, TX 76508 75-3242749	Emergency Transport	TX	501(c)(3)	Line 9	Scott & White Memorial Hospital	Yes	
(6) Scott & White Foundation-Brenham 2401 S 31st Street Temple, TX 76508 74-2460815	Fundraising	TX	501(c)(3)	Line 7	Scott & White Hospital-Brenham	Yes	
(7) Scott & White Health Plan 2401 S 31st Street Temple, TX 76508 74-2052197	HMO/Insurance	TX	501(c)(4)		Scott & White Healthcare	Yes	
(8) Scott & White Healthcare 2401 S 31st Street Temple, TX 76508 26-4532547	Management Services	TX	501(c)(3)	Line 11a, I	Baylor Scott & White Holdings	Yes	
(9) Scott & White Healthcare Foundation 2401 S 31st Street Temple, TX 76508 27-3513154	Fundraising	TX	501(c)(3)	Line 7	Scott & White Healthcare	Yes	
(10) Scott & White Hospital-Brenham 2401 S 31st Street Temple, TX 76508 74-2519752	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(11) Scott & White Hospital-College Station 2401 S 31st Street Temple, TX 76508 27-4434451	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(12) Scott & White Hospital-Llano 2401 S 31st Street Temple, TX 76508 27-3026151	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(13) Scott & White Hospital-Marble Falls 2401 S 31st Street Temple, TX 76508 46-4007700	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(14) Scott & White Hospital-Round Rock 2401 S 31st Street Temple, TX 76508 20-3749695	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(15) Scott & White Hospital-Taylor 2401 S 31st Street Temple, TX 76508 74-1595711	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(16) Scott & White Medical Plan Trust 2401 S 31st Street Temple, TX 76508 74-2866102	VEBA	TX	501(c)(9)	Line 9	Scott & White Healthcare	Yes	
(17) Scott & White Memorial Hospital 2401 S 31st Street Temple, TX 76508 74-1166904	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(18) Scott & White Memorial Hospital Employee Welfare Benfit Trust 2401 S 31st Street Temple, TX 76508 74-2939712	VEBA	TX	501(c)(9)	Line 9	Scott & White Healthcare	Yes	
(19) Southern Sector Health Initiative 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-3087442	Diabetes Health & Wellness Center	TX	501(c)(3)	Line 11a, I	Baylor University Medical Center	Yes	

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Arlington Ortho & Spine Hospital LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 26-1578178	Short Stay Hospital	TX	N/A									
Arlington Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2748040	Ambulatory Surgery Center	TX	N/A									
Baylor Affiliated Services LLC 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-0614730	Benefit Plans	TX	N/A									
Baylor Heart and Vascular Center LLP 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2834135	Specialty Hospital	TX	N/A									
Baylor Scott & White Health LLC 4005 Crutcher Suite 310 Dallas, TX 75246 46-3748258	Parent	TX	N/A									
Baylor Surgicare at Ennis LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 27-4202856	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Granbury LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 26-3896477	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Mansfield LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 27-1835675	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Plano Parkway LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 27-4282604	Ambulatory Surgery Center	TX	N/A									
Baylor Surgicare at Plano LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 26-0308454	Ambulatory Surgery Center	TX	N/A									
Bellaire Outpatient Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 56-2297308	Ambulatory Surgery Center	TX	N/A									
BIR JV LLP 4714 Gettysburg Rd Mechanicsburg, PA 17055 27-4586141	Rehabilitation Hospitals	TX	N/A									
BTDI JV LLP 5214 Maryland Way Suite 200 Brentwood, TN 37207 46-2908086	Imaging Centers	TX	N/A									
Dallas Surgical Partners LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 72-2183815	Ambulatory Surgery Center	TX	N/A									
Denton Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2708579	Ambulatory Surgery Center	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Desoto Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2592508	Ambulatory Surgery Center	TX	N/A									
EBD JV LLP 10077 Grogans Mill Rd Suite 100 The Woodlands, TX 77380 45-5434614	Free Standing Emergency Hospitals	TX	N/A									
ESWCT LLC 10077 Grogans Mill Rd Ste 100 The Woodlands, TX 77380 90-0899017	Free Standing Emergency Hospitals	TX	N/A									
Frisco Medical Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2865177	Short Stay Hospital	TX	N/A									
Ft Worth Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2658178	Short Stay Hospital	TX	N/A									
Garland Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2764855	Ambulatory Surgery Center	TX	N/A									
GlobalRehab LP 4714 Gettysburg Rd Mechanicsburg, PA 17055 28-8077072	Rehabilitation Hospitals	TX	N/A									
GlobalRehab-Fort Worth LP 4714 Gettysburg Rd Mechanicsburg, PA 17055 20-5558682	Rehabilitation Hospitals	TX	N/A									
Grapevine Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2854711	Ambulatory Surgery Center	TX	N/A									
HealthTexas Provider Network-Gastro Serv LLP 2001 Bryan St Ste 2200 Dallas, TX 75201 73-1697736	Physician Services	TX	N/A									
Irving Coppell Surgical Hospital LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 54-2086863	Short Stay Hospital	TX	N/A									
Lewisville Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2862263	Ambulatory Surgery Center	TX	N/A									
Lone Star Endoscopy Center LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 27-3635726	Ambulatory Surgery Center	TX	N/A									
MEDCO Construction LLC 2001 Bryan Street Suite 2200 Dallas, TX 75201 20-5965871	Construction	TX	N/A									
Metrocrest Surgery Center LP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 03-0380493	Ambulatory Surgery Center	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Metroplex Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2567179	Ambulatory Surgery Center	TX	N/A									
MSH Partners LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2829613	Short Stay Hospital	TX	N/A									
North Central Surgical Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 20-1508140	Short Stay Hospital	TX	N/A									
North Garland Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 56-2399993	Ambulatory Surgery Center	TX	N/A									
Park Cities Surgery Center LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 56-2357079	Ambulatory Surgery Center	TX	N/A									
Physicians Surgical Center of Ft Worth LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 20-8303422	Ambulatory Surgery Center	TX	N/A									
Rockwall Ambulatory Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 20-5506447	Ambulatory Surgery Center	TX	N/A									
RockwallHeath Surgery Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 20-0334166	Ambulatory Surgery Center	TX	N/A									
SeniorCare Associates LP 4714 Gettysburg Rd Mechanicsburg, PA 17055 20-1937212	Rehabilitation Hospitals	TX	N/A									
Specialty Surgery Center of Fort Worth LP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 20-1942281	Ambulatory Surgery Center	TX	N/A									
Surgery Center of Richardson Phys Pship LP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 20-0606781	Ambulatory Surgery Center	TX	N/A									
Texas Endoscopy Center LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 47-0985876	Ambulatory Surgery Center	TX	N/A									
Texas Health Venture Group LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2696845	Holds interests in ASCs/ Short Stay Hospitals	TX	N/A									
Texas Heart Hospital of the Southwest LLP 2001 Bryan Street Suite 2200 Dallas, TX 75201 41-2101361	Specialty Hospital	TX	Baylor Reg Med Ctr at Plano	Related	24,805,347	96,515,777		No		Yes		50 110 %
THVG Bariatric LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 38-3894636	Holds interests in Ambulatory Surgery Centers	TX	N/A									

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Trophy Club Medical Center LLP 15305 Dallas Parkway Suite 1600 Addison, TX 75001 48-1260190	Short Stay Hospital	TX	N/A									
Tuscan Surgery Center at Las Colinas LLC 15305 Dallas Parkway Suite 1600 Addison, TX 75001 27-3578014	Ambulatory Surgery Center	TX	N/A									
University Surgical Partners of Dallas LLP 15305 Dallas Pkwy Suite 1600 Addison, TX 75001 55-0823809	Ambulatory Surgery Center	TX	N/A									
Valley View Surgicare Partners Ltd 15305 Dallas Parkway Suite 1600 Addison, TX 75001 75-2900902	Ambulatory Surgery Center	TX	N/A									

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
Baylor All Saints Med Cntr at Ft Worth Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-1661900	Condo Association	TX	N/A	C				Yes	
Baylor Health Enterprises LP 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1997378	Fitness Center/Pharmacy/ Hotel	TX	N/A	C				Yes	
Baylor Health Network Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2463251	Billing/Collection	TX	N/A	C				Yes	
Baylor Med Ctr at Grapevine Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2747555	Condo Association	TX	N/A	C				Yes	
Baylor Quality Health Care Alliance LLC 2001 Bryan Street Suite 2200 Dallas, TX 75201 45-4015863	ACO	TX	N/A	C	1,320,740	755,414	12 500 %	Yes	
BMP Incorporated 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1436779	Post Office	TX	N/A	C				Yes	
BUMCRoberts Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2897806	Condo Association	TX	N/A	C				Yes	
Charitable Remainder Trusts (63)	Investment	TX	N/A					Yes	
Charitable Lead Trusts (2)	Investment	TX	N/A					Yes	
Health Care Insurance Company of Texas Ltd PO Box GT 720 W Bay Rd Grand Cayman CJ 98-0403182	Investment	CJ	N/A	C				Yes	
Hillcrest Health Holdings Inc 3000 Herring St Waco, TX 76708 74-2793367	Management Services	TX	N/A	C				Yes	
Insurance Company of Scott & White 2401 S 31st Street Temple, TX 76508 74-3092083	Insurance	TX	N/A	C				Yes	
Scott & White Assurance Ltd 23 Lime Tree Bay Grand Cayman CJ 98-0589956	Investment	CJ	N/A	C				Yes	
Scott & White Properties Holdings Inc 2401 S 31st Street Temple, TX 76508 45-2920596	Investment	TX	N/A	C				Yes	
Scott & White Properties Inc 2401 S 31st Street Temple, TX 76508 74-2497061	Hotel Services	TX	N/A	C				Yes	

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Baylor Health Care System Foundation	C	207,768	GAAP
Texas Heart Hospital of the Southwest LLP	F	28,442,200	GAAP
HealthTexas Provider Network	A	38,759	GAAP
Texas Heart Hospital of the Southwest LLP	L	514,016	GAAP
Baylor Health Care System	M	27,971,592	GAAP
Baylor University Medical Center	M	182,564	GAAP
HealthTexas Provider Network	M	2,259,563	GAAP
MEDCO Construction LLC	M	448,543	GAAP
Texas Heart Hospital of the Southwest LLP	M	1,165,457	GAAP
Baylor Health Care System	P	218,316	GAAP
Baylor Health Care System	R	1,776,263	GAAP
BIR JV LLP	M	1,611,051	GAAP
Baylor All Saints Medical Center	K	102,227	GAAP
BIR JV LLP	A	270,859	GAAP
Baylor University Medical Center	B	455,267	GAAP
Baylor Medical Centers at Garland and McKinney	L	93,019	GAAP
Baylor Research Institute	B	134,287	GAAP
Baylor Quality Health Care Alliance LLC	L	202,005	GAAP
Baylor Medical Centers at Garland and McKinney	M	59,151	GAAP
Baylor University Medical Center	R	2,297,453	GAAP
Texas Heart Hospital of the Southwest LLP	B	4,914,000	GAAP

BaylorScott&White
HEALTH

Baylor Health Care System

Combined Financial Statements
and Supplementary Information

For the Years Ended June 30, 2014 and 2013

pwc

BAYLOR HEALTH CARE SYSTEM

Combined Financial Statements and Supplementary Information
Years Ended June 30, 2014 and 2013

BAYLOR HEALTH CARE SYSTEM

Combined Financial Statements and Supplementary Information

Years Ended June 30, 2014 and 2013

CONTENTS

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Independent Auditor's Report

To the Board of Trustees
Baylor Scott & White Holdings:

We have audited the accompanying combined financial statements of Baylor Health Care System and its subsidiaries ("the Company"), which comprise the combined balance sheets as of June 30, 2014 and 2013, and the related combined statements of operations and changes in net assets, and of cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Baylor Health Care System and its subsidiaries at June 30, 2014 and 2013, 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.

PricewaterhouseCoopers LLP

November 12, 2014

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, TX 75201-2997
T: (214) 999 1400, F: (214) 754 7991, www.pwc.com/us

BAYLOR HEALTH CARE SYSTEM

COMBINED BALANCE SHEETS - JUNE 30, 2014 AND 2013
(In thousands)

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 585,632	$ 285,045
Short-term investments	49,209	42,051
THVG funds due from United Surgical Partners, Inc	63,271	48,396
Accounts receivable		
Patient, net of allowance for uncollectibles of $145,395 in 2014 and $148,457 in 2013	460,448	419,810
Affiliates, net	6,706	-
Other	143,313	118,870
Invested collateral - securities lending program	180,833	177,159
Other current assets	122,780	120,698
Total current assets	1,612,192	1,212,029
LONG-TERM INVESTMENTS		
Unrestricted	1,767,917	1,620,845
Restricted	342,997	297,730
Total long-term investments	2,110,914	1,918,575
ASSETS WHOSE USE IS LIMITED		
Other designated assets	28,844	23,474
Self insurance retention trust	53,253	53,098
Funds held by bond trustee	52,534	136,906
Total assets whose use is limited	134,631	213,478
ASSETS HELD FOR SALE	3,635	3,635
PROPERTY AND EQUIPMENT, net	2,178,028	2,128,280
CONTRIBUTIONS RECEIVABLE, net	51,437	59,570
INVESTMENTS OF INSURANCE SUBSIDIARY	2,141	2,161
OTHER LONG-TERM ASSETS		
Equity investments in unconsolidated entities	43,316	13,999
Goodwill and intangible assets, net	357,905	279,262
Other	20,593	28,244
Total other long-term assets	421,814	321,505
Total assets	$ 6,514,792	$ 5,859,233

LIABILITIES AND NET ASSETS	2014	2013
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease obligations	$ 44,834	$ 37,907
Long-term debt subject to short-term remarketing arrangements	95,000	95,000
Trade accounts payable	159,388	151,523
Payable under securities lending program	180,833	177,159
Accrued liabilities		
Payroll related	217,413	193,565
Third-party programs	38,995	51,696
Other	140,900	141,963
Total current liabilities	877,363	848,813
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	1,255,440	1,283,538
OTHER LONG-TERM LIABILITIES		
Self insurance and other insurance liabilities	55,454	53,108
Interest rate swap liability, net	94,309	78,389
Other	133,659	129,272
Total other long-term liabilities	283,422	260,769
Total liabilities	2,416,225	2,393,120
COMMITMENTS AND CONTINGENCIES		
NONCONTROLLING INTERESTS – REDEEMABLE	281,160	180,986
NET ASSETS		
Unrestricted - attributable to BHCS	3,296,390	2,806,732
Unrestricted - noncontrolling interests - nonredeemable	125,024	120,666
Total unrestricted net assets	3,421,414	2,927,398
Temporarily restricted	205,949	177,625
Permanently restricted	190,044	180,104
Total net assets	3,817,407	3,285,127
Total liabilities and net assets	$ 6,514,792	$ 5,859,233

See accompanying notes

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
OPERATING REVENUE		
Net patient care revenue	$ 4,491,674	$ 4,055,561
Less patient related bad debt expense	242,543	140,410
Net patient care revenue, net of patient related bad debt expense	4,249,131	3,915,151
Other operating revenue	194,937	147,687
Net assets released from restrictions for operations	59,232	60,802
Total operating revenue	4,503,300	4,123,640
OPERATING EXPENSES		
Salaries, wages, and employee benefits	2,046,250	1,955,650
Supplies	770,203	742,405
Other operating expenses	940,680	837,583
Loss on fixed asset sales and disposals, net	365	722
Depreciation and amortization	239,510	231,531
Interest	58,026	50,803
Total operating expenses	4,055,034	3,818,694
INCOME FROM OPERATIONS BEFORE MERGER COSTS	448,266	304,946
MERGER COSTS	12,897	2,125
INCOME FROM OPERATIONS	435,369	302,821
NONOPERATING GAINS (LOSSES)		
Gains on investments, net	268,430	182,241
Interest rate swap activity	(15,994)	18,193
Contributions	431	548
Equity in losses of unconsolidated entities	(6,717)	(4,224)
Loss from extinguishment of debt	(39)	(1,027)
Other	(417)	412
Total nonoperating gains	245,694	196,143
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES	681,063	498,964
LESS INCOME TAX EXPENSE	10,931	10,232
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	670,132	488,732

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - continued

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Unrealized gains on investments, net	$ 689	$ 63
Net assets released from restrictions for capital expenditures	4,640	6,647
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(40,882)	(46,017)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(164,660)	(137,473)
Net assets acquired	24,588	-
Other	(491)	4,954
INCREASE IN UNRESTRICTED NET ASSETS	494,016	316,906
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	53,897	63,159
Realized gains and investment income, net	20,151	15,453
Unrealized gains on investments, net	20,378	12,810
Change in value of split-interest agreements	(1,138)	2,698
Net assets released from restrictions for operations	(59,232)	(60,802)
Net assets released from restrictions for capital expenditures	(4,640)	(6,647)
Other	(1,092)	(1,255)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	28,324	25,416
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	8,246	1,829
Realized gains and investment income, net	380	194
Unrealized gains on investments, net	386	378
Change in value of split-interest agreements	(233)	1,268
Other	1,161	1,151
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	9,940	4,820
INCREASE IN NET ASSETS	532,280	347,142
NET ASSETS, beginning of year	3,285,127	2,937,985
NET ASSETS, end of year	$ 3,817,407	$ 3,285,127

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 532,280	$ 347,142
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from extinguishment of debt	39	1,027
Unrealized gains on investments, net	(158,558)	(77,746)
Realized gains on sales of investments, net	(102,710)	(91,187)
Unrealized losses (gains) on interest rate swap, net	15,920	(28,588)
Contributions restricted for long-term purposes	(8,246)	(1,829)
Patient related bad debt expense	242,543	140,410
Depreciation and amortization	239,510	231,531
Loss on fixed asset sales and disposals, net	365	722
Change in value of split-interest agreements	1,371	(3,966)
Deferred rent	3,553	2,007
Net assets acquired	(24,588)	-
Other changes attributable to noncontrolling interests	205,542	183,032
Changes in operating assets and liabilities (net of acquisitions)		
Increase in net patient accounts receivable	(289,466)	(159,256)
Increase in other accounts receivable	(22,928)	(88,098)
Increase in other assets	(23,733)	(14,419)
Increase in trade accounts payable and accrued liabilities	17,180	35,145
Increase (decrease) in other liabilities	3,026	(4,645)
Net cash provided by operating activities	631,100	471,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(269,118)	(263,725)
Cash proceeds from sales of assets	11,003	1,007
Cash paid for acquisitions, net of cash received	(10,260)	(26,005)
Increase in THVG funds due from United Surgical Partners, Inc	(14,675)	(3,394)
Net purchases of trading investments	64,893	(21,013)
(Payments) receipts on interest rate swap	(74)	15,500
Increase in other than trading investments	(2,356)	(503)
(Increase) decrease in investments of insurance subsidiaries	20	2
Increase in invested collateral-securities lending program	(3,674)	(11,878)
Decrease (increase) in assets whose use is limited	78,847	(102,484)
Net cash used in investing activities	(145,394)	(412,493)

BAYLOR HEALTH CARE SYSTEM

COMBINED STATEMENTS OF CASH FLOWS - continued

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	$ (47,754)	$ (241,813)
Proceeds from issuance of long-term debt	6,720	353,032
Increase in payable under securities lending program	3,674	11,878
Distributions to noncontrolling interests owners	(185,439)	(180,908)
Purchases of noncontrolling interests	(9,888)	(6,165)
Sales of noncontrolling interests	35,259	21,383
Cash receipts restricted for long-term purposes	12,942	8,115
Annuity payments to beneficiaries	(633)	(614)
Net cash used in financing activities	(185,119)	(35,092)
NET INCREASE IN CASH AND CASH EQUIVALENTS	300,587	23,697
CASH AND CASH EQUIVALENTS, beginning of year	285,045	261,348
CASH AND CASH EQUIVALENTS, end of year	$ 585,632	$ 285,045
SUPPLEMENTAL CASH FLOW DATA		
Cash paid for interest	$ 57,869	$ 60,321
Cash paid for income taxes	$ 9,005	$ 8,859
Property and equipment acquired under capital leases	$ 5,828	$ 5,800
Decrease in accounts payable due to property and equipment received but not paid	$ (555)	$ (15,153)

1. ORGANIZATION

Baylor Health Care System (BHCS) is a Texas nonprofit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code The combined financial statements include the accounts of BHCS, Baylor University Medical Center (the "Medical Center"), Baylor Health Care System Foundation (BHCS Foundation), All Saints Health Foundation, Irving Healthcare Foundation, thirteen community and specialty medical centers located throughout the Dallas and Fort Worth metroplex, two wholly owned insurance subsidiaries, Baylor Quality Health Alliance, LLC, an accountable care organization, HealthTexas Provider Network, a physician practice organization and other related entities (collectıvely referred to as "Baylor") Investments in certain related entities with 50 0% or less ownership are accounted for using the equity method The transactions and balances for investments in certain related entities with greater than 50 0% ownership or where BHCS or its affiliates exercises board control are included in the accompanying combined financial statements with related noncontrolling interests reported in the combined financial statements These entities include partnerships with Texas Health Ventures Group LLC, (THVG), providing short-stay hospital and outpatient surgery services, BIR JV, LLP, providing rehabilitation services, BTDI JV, LLP, providing imaging services, EBD JV, LLP and ESWCT, LC, providing emergency medical services, and THVG Bariatric, LLC, providing bariatric services All significant intercompany accounts and transactions among entities included in the combined financial statements have been eliminated

Effective October 1, 2013, BHCS and Scott &White Healthcare (SWH), a Texas nonprofit corporation, consummated their affiliation pursuant to an Affiliation Agreement (the "Agreement") dated June 19, 2013 BHCS and SWH formed BSW Health, a Texas nonprofit corporation now known as Baylor Scott & White Holdings (BSW Holdings), and BSW Health Service, a Texas nonprofit corporation now known as Baylor Scott & White Health (BSW Health)

While the receipt of Internal Revenue Service (IRS) tax-exempt and public charity determination letters for BSW Holdings and BSW Health was pending, BHCS and SWH formed two Texas limited liability companies, Baylor Scott & White Health LLC (BSW Holdings LLC) and Baylor Scott & White Health Service LLC (BSW Health LLC) On December 31, 2013, BSW Holdings and BSW Health each received a favorable determination letter from the IRS regarding their tax-exempt and public charity status Effective March 1, 2014, BSW Holdings LLC was merged into BSW Holdings and BSW Health LLC was merged into BSW Health BSW Holdings is now the sole member of BHCS and SWH and has control and substantial reserved powers over all BHCS and SWH material affiliates BSW Holdıngs and ıts affılıates are collectıvely referred to as the "System" or "BSWH"

BSW Holdings has accounted for the combination as a merger of not-for-profit entities under Accounting Standards Codification (ASC) 958-805, *"Not-for-Profit entities: Business Combinations."* Transition and integration are on-going with Baylor incurring approximately $12,897,000 and $2,125,000, in costs during fiscal year ended June 30, 2014 and 2013, respectively, as a result of the transaction which are included in merger costs in the combined statement of operations and changes in net assets These combined financial statements reflect the results of operations and financial position of Baylor only

The following summarizes significant changes in Baylor in 2014 and 2013

THVG

The Medical Center has a majority ownership of 50 1% in THVG with USP North Texas, Inc (USP), a Texas corporation and subsidiary of United Surgical Partners, Inc (USPI) holding the remaining 49 9% THVG had net patient care revenue included in the BHCS combined financial statements of approximately $686,146,000 and $691,586,000 in 2014 and 2013, respectively

THVG completed the acquisition of three outpatient centers in 2014 In connection with these acquisitions, THVG recorded goodwill and intangible net assets, net of approximately $15,477,000, fixed assets of approximately $630,000 and other net liabilities of approximately $16,107,000 in 2014

EBD JV, LLP

Effective May 9, 2012, EBD JV, LLP (EBD JV), a Texas limited liability partnership, was formed between the Medical Center and Emerus Investment Company II, LLC (Emerus) for the purpose of owning, operating and managing licensed hospitals focused on providing high quality and cost effective emergency medical care services to patients in North Texas Pursuant to a contribution agreement that closed on July 1, 2012, contributions of cash and 100% of the interests in a licensed hospital operated by Emerus were made to EBD JV, with the Medical Center receiving 51% of the ownership interests in EBD JV and Emerus receiving 49% of the ownership interests in EBD JV In connection with this transaction, EBD JV recorded approximately $9,214,000 in goodwill, $1,074,000 of fixed assets, and $10,288,000 of other net liabilities in 2013 As of June 30, 2014, EBD JV operates five hospitals with a total of 40 licensed beds

Baylor Medical Center at McKinney

In July 2012, the System opened Baylor Medical Center at McKinney, a licensed 95 bed full service medical center and surrounding medical office campus dedicated to serving the residents of McKinney and surrounding communities

THVG Bariatric, LLC

Effective January 1, 2013, THVG Bariatric, LLC (AIGB), a Texas limited liability company, was formed between the Medical Center and USP Bariatric, LLC for the purpose of owning, operating and managing licensed ambulatory surgical centers focused on providing bariatric related procedures and services to patients in North Texas In connection with this transaction, AIGB recorded approximately $13,418,000 in goodwill, $1,529,000 in fixed assets, and $14,947,000 in other net liabilities in 2013

The Heart Hospital Baylor Denton

Effective May 31, 2013, Texas Heart Hospital of the Southwest, LLP (THHSW), a 50 1% owned affiliate of the System, purchased substantially all the assets of a 16 licensed bed hospital located in Denton, Texas The hospital was renamed The Heart Hospital Baylor Denton and provides heart and vascular care to patients in Denton, Texas and operates 22 licensed beds In connection with this transaction, THHSW recorded approximately $5,559,000 of goodwill and intangible assets, $28,282,000 of fixed assets, and $33,841,000 of other net liabilities in 2013

BTDI JV, LLP

Effective January 7, 2013, BTDI JV, LLP, a Texas Limited Liability partnership was formed between the Medical Center and Touchstone Imaging of Mesquite, LP (Touchstone) for the purpose of owning, operating, and managing independent diagnostic testing facilities to provide imaging services to patients in North Texas as part of an integrated health care delivery system affiliated with the System The partnership became operational July 1, 2013 In connection with this transaction BTDI recorded approximately $55,596,000 of goodwill and other intangible assets, $22,337,000 of fixed assets and $77,933,000 of other net liabilities in 2014

Baylor Medical Center at Waxahachie

Effective September 3, 2013, Baylor Medical Center at Waxahachie (Waxahachie), a Texas nonprofit corporation, purchased the Waxahachie Ambulatory Surgery Center In connection with this transaction, Waxahachie recorded approximately $2,756,000 of goodwill, $3,424,000 of fixed assets and $6,180,000 of other net liabilities in 2014

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of BHCS have been prepared in conformity with accounting principles generally accepted in the United States The following is a summary of the significant accounting and reporting policies used in preparing the financial statements

Adoption of New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *"Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS,"* including an amendment to ASC 820, *"Fair Value Measurement."* The amendment changes the wording used to describe many of the requirements in U S GAAP for measuring fair value and for disclosing information about fair value measurements Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011 and interim and annual periods thereafter, with early adoption permitted Baylor applied the provisions of ASU 2011-04 in fiscal year 2013

In July 2011, FASB issued ASU 2011-07, *"Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities."* This ASU requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts For nonpublic entities, the amendments are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented The disclosures required by the amendments in this ASU should be provided for the period of adoption and subsequent reporting periods Baylor applied the provisions of ASU 2011-07 in fiscal year 2013

In December 2011, FASB issued ASU 2011-11, *"Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities."* This ASU amends the disclosure requirements on offsetting as stated in Section 210-20-50 in order to more closely align the presentation of the financial statements prepared under the United States Generally Accepted Accounting Principles (US GAAP) and those prepared under the International Financial Reporting Standards (IFRS) The amendments under this update require entities to disclose both gross and net information related to instruments and transactions subject to an agreement similar to a master netting arrangement The scope of this ASU applies to derivatives, sale and repurchase arrangements, reverse sale and repurchase arrangements, securities borrowing and securities lending arrangements Baylor applied the provisions of ASU 2011-11 in fiscal year 2014

In October 2012, FASB issued ASU 2012-05, *"Statement of Cash Flows (Topic 230) – Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets,"* including an amendment to 230, *"Statement of Cash Flows."* The amendment requires, with certain exception, a not-for-profit entity to classify in the statement of cash flows cash received from donated financial assets as an operating activity if those donated financial instruments were donated without any imposed limitations for sale and were converted nearly immediately into cash Baylor applied the provisions of ASU 2012-05 in fiscal year 2014

In January 2013, FASB issued ASU 2013-01, "*Balance Sheet (Topic 210) - Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.*" This ASU clarifies that the scope of ASU 2011-11 is limited to derivatives accounted for in accordance with Topic 815, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement Baylor applied the provisions of ASU 2013-01 in fiscal year 2014

In March 2014, FASB issued ASU 2014-06, *"Technical Corrections and Improvements Related to Glossary Terms."* The amendments in this ASU relate to glossary terms and cover a wide range of topics in the codification These amendments are presented in four sections, Deletion of Master Glossary Terms (Section A), Addition of Master Glossary Term Links (Section B), Duplicate Master Glossary Terms (Section C), and Other Technical Corrections Related to Glossary Terms (Section D) This ASU is limited to those amendments related to the Master Glossary, including technical corrections related to glossary links, glossary term deletions and glossary term name changes Baylor applied the provisions of ASU 2014-06 in 2014

Other Accounting Pronouncements

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

In February 2013, FASB issued ASU 2013-04, *"Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the*

Reporting Date." The ASU requires measurement of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors Additionally, the amendment requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations The amendments are to be applied retrospectively to all prior periods presented for those obligations within the scope of the ASU that exist at the beginning of an entity's fiscal year of adoption Baylor has not evaluated all of the updated provisions of ASU 2013-04, which are effective for fiscal years ending after December 15, 2014

In April 2014, FASB issued ASU 2014-08, "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*" This ASU amends the requirements for reporting discontinued operations by removing the following conditions in the current reporting requirements of discontinued operations elimination of the operations and cash flows of the component from ongoing operations and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction Additionally, only, if the disposal represents a strategic shift, having a major effect on an entity's operations and financial results will the disposal of components be reported as discontinued operations This amendment also adds that the disposal of an equity method investment that meets the definition of discontinued operations or a business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale is to be reported in discontinued operations Baylor has not evaluated all of the provisions of ASU 2014-08, which are effective for fiscal years beginning on or after December 15, 2015

In May 2014, FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606).*" The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services Baylor has not evaluated all of the provisions of ASU 2014-09, which are effective for fiscal years beginning after December 15, 2016

In August 2014, FASB issued ASU 2014-15, "*Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.*" This ASU amendment requires management to assess an entity's ability to continue as a going concern Management should evaluate whether conditions or events, considered in the aggregate, exist that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued Baylor has not evaluated all of the provisions of ASU 2014-15, which are effective for fiscal years ending after December 15, 2016

Cash and Cash Equivalents

Cash equivalents are defined as investments which have original maturities of three months or less Cash equivalents consist primarily of securities issued by the United States government or its agencies, certificates of deposit, commercial paper and dollar denominated foreign issuer investments

THVG Funds Due From United Surgical Partners, Inc.

THVG participates in a shared services accounts payable program with USPI, wherein USPI has custody of substantially all of THVG's cash, paying THVG and its facilities interest income on the net balance at prevailing market rates Amounts held by USPI on behalf of THVG totaled approximately $63,271,000 and $48,396,000 at June 30, 2014 and 2013, respectively The funds due from USPI are available on demand

Investments

Baylor has designated all of its investments as trading except for those investments held at the Baptist Foundation of Texas (BFT) for the benefit of the BHCS Foundation and the investments of All Saints Health Foundation For all trading investments, the interest and dividends, realized gains and unrealized gains (losses) are included in gains on investments, net, in the accompanying combined statements of operations and changes in net assets For other than trading investments, interest and dividends and realized gains (losses) are included in gains on investments, net, unless restricted by donor Unrealized gains (losses) on other than trading investments are included in other changes in unrestricted net assets, unless restricted by donor

Interest and dividends, realized gains and unrealized gains (losses) for the years ended June 30, 2014 and 2013 consisted of the following (in thousands)

	June 30, 2014			
	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	$ 39,129	$ 92,196	$ 137,105	$ 268,430
Other changes in unrestricted net assets	-	-	689	689
Changes in temporarily restricted net assets	10,016	10,135	20,378	40,529
Changes in permanently restricted net assets	1	379	386	766
	$ 49,146	$102,710	$ 158,558	$ 310,414

	June 30, 2013			
	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	$ 34,684	$ 83,062	$ 64,495	$ 182,241
Other changes in unrestricted net assets	-	-	63	63
Changes in temporarily restricted net assets	7,522	7,931	12,810	28,263
Changes in permanently restricted net assets	-	194	378	572
	$ 42,206	$ 91,187	$ 77,746	$ 211,139

Patient Accounts Receivable

Patient accounts receivable are stated at estimated net realizable value, and collateral is generally not required Significant concentrations of patient accounts receivable at June 30 include

	2014	2013
Government-related programs	35%	36%
Managed care providers, commercial insurers and other payors	49%	48%
Self-pay patients	16%	16%
	100%	100%

Receivables from government-related programs (i e , Medicare and Medicaid) represent the only concentrated group of payors for Baylor's receivables, and management does not believe that there is any unusual level of collectability risks associated with these government programs Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated collectability risks to Baylor

Baylor maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts Baylor assesses the reasonableness of the allowance account based on historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowances associated with its receivables

Securities Lending Program

Baylor participates in securities lending transactions with The Northern Trust Company, investment custodian, whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis of 30 to 60 days Collateral provided by brokers is maintained at levels approximating 102 0% of the fair value of the securities on loan and is adjusted for daily market fluctuations Cash collateral received in connection with these loans is invested in a short-term pooled fund maintained by the lending agent As of June 30, 2014 and 2013, the fair value of securities on loan was approximately $177,139,000 and $173,404,000, respectively, and is included in long-term investments in the accompanying combined balance sheets The cash collateral held for loaned securities was approximately $180,833,000 and $177,159,000 as of June 30, 2014 and 2013, respectively, and is included in invested collateral - securities lending program in the accompanying combined balance sheets Baylor's obligation to repay the collateral upon settlement of the lending transactions is reported as a payable under securities lending program in the accompanying combined balance sheets

Property and Equipment

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution or business acquisition Property and equipment and related accumulated depreciation and amortization are summarized below (in thousands)

	Useful Life	2014	2013
Land	-	$ 153,414	$ 140,680
Buildings and improvements	5-40 Years	2,211,719	2,041,969
Major movable equipment and other	3-20 Years	1,401,294	1,489,525
Construction-in-progress	-	338,420	188,184
		4,104,847	3,860,358
Accumulated depreciation and amortization		(1,926,819)	(1,732,078)
		$ 2,178,028	$ 2,128,280

Property and equipment financed under capital leases totaled approximately $442,696,000 and $445,933,000 at June 30, 2014 and 2013, respectively, and related accumulated amortization was approximately $124,663,000 and $113,003,000 at June 30, 2014 and 2013, respectively Amortization expense is included in depreciation and amortization expense in the accompanying combined statements of operations and changes in net assets

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less Routine maintenance and repairs are charged to expense as incurred Expenditures that increase capacities or extend useful lives are capitalized

Goodwill and Intangible Assets

Goodwill and intangible assets recorded in connection with acquisitions completed by Baylor are accounted for under ASC 350, *"Intangibles – Goodwill and Other."* Goodwill consists of costs in excess of tangible and intangible net assets acquired Intangible assets consist of management service contract rights and other intangibles Most of these intangible assets have indefinite lives

Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if changing circumstances warrant No impairments were identified for the years ended June 30, 2014 and 2013

Baylor amortizes finite-lived intangible assets over their respective lives to the estimated residual values and reviews for impairment in the same manner as long-lived assets discussed below No impairments were identified for the years ended June 30, 2014 and 2013

At June 30, 2014 and 2013, intangible assets and goodwill consisted of the following (in thousands)

	2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets			
Finite-lived intangible assets	$ 7,521	$ (314)	$ 7,207
Indefinite-lived intangible assets	11,734	-	11,734
Total intangible assets	19,255	(314)	18,941
Goodwill	343,007	(4,043)	338,964
Total intangible assets and goodwill	$ 362,262	$ (4,357)	$ 357,905

	2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets			
Finite-lived intangible assets	$ 7,042	$ (1,340)	$ 5,702
Indefinite-lived intangible assets	10,535	-	10,535
Total intangible assets	17,577	(1,340)	16,237
Goodwill	267,068	(4,043)	263,025
Total intangible assets and goodwill	$ 284,645	$ (5,383)	$ 279,262

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or related groups of assets, may not be recoverable from estimated future cash flows In the event of impairment, measurement of the amount of impairment may be based on appraisal, fair values of similar assets or estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset No impairment was identified in 2014 or 2013

Income Taxes

Due to the organizational structure, certain of Baylor's entities are taxable under the Internal Revenue Code and some entities are tax exempt but are required to pay income taxes for unrelated business activities The overall impact of federal income taxes to Baylor's combined financial statements is not significant In addition, certain of Baylor's entities file partnership income tax returns in the U S federal jurisdiction and franchise tax returns in the State of Texas

The Texas franchise tax applies to certain of the System's entities for any tax reports filed on or after January 1, 2010 The tax is calculated on a margin base and is therefore reflected in the System's combined statements of operations and changes in net assets for the years ended June 30, 2014 and 2013 as income tax expense

The System follows the provisions of ASC 740, *"Income Taxes."* As of June 30, 2014 and 2013, the System had no material gross unrecognized tax benefits

Insurance

BHCS provides for the basic self-insured retention limits for hospital professional liability and general liability coverage through the Self Insurance Retention Trust (SIRT) Excess policies that covered claims that exceeded $10,000,000 per incident and $50,000,000 in the aggregate for hospital professional liability and claims that exceeded $2,000,000 per incident and $7,000,000 in the aggregate for general liability were provided by Health Care Insurance Company of Texas (HCICT), a wholly owned insurance company of BHCS domiciled in the Cayman Islands

In 2013, the excess policies were reinsured by ACE American Insurance Co, Zurich, Beazley with Barbican, Catlin with Chaucer, Alterra fka Max Re, and Ironshore In 2014, the excess policies were reinsured by ACE American Insurance Company, Zurich, Ironshore, AWAC Bermuda, OneBeacon, and Swiss Re

BHCS provides for the basic self-insured retention limits for professional liability coverage for physicians in HealthTexas Provider Network, a wholly owned subsidiary of BHCS, through the SIRT An excess policy that covered claims for physician liability that exceeded $750,000 per incident and $15,000,000 in the aggregate in 2014 and 2013 was provided by HCICT and reinsured by ACE Limited in both years for limits of $250,000 per medical incident and $7,000,000 in the aggregate

To minimize its exposure to credit risk associated with reinsurance, Baylor continuously evaluates and monitors the financial condition of its reinsurers At June 30, 2014, Baylor's reinsurers had an A M Best rating of at least A- ("Excellent") Management does not anticipate any material losses as a result of these concentrations All of Baylor's insurance business comprises insurance of certain risks of Baylor who are all engaged in the provision of medical and health care services Accordingly, Baylor's underwriting risks are not diversified

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses represent the SIRT's estimates using case basis evaluations and actuarial analysis, which are based on the SIRT's loss history data and industry loss statistics The reserves for losses and loss adjustment expenses are based upon management's best estimate of the ultimate liability for outstanding losses and loss adjustment expenses determined in comparison with historical loss statistics Management believes that the reserves for losses and loss adjustment expenses are adequate However, because of the extended period of time over which losses are settled and the general uncertainty surrounding the estimates, the ultimate settlement cost of the losses and the related loss adjustment expenses could vary and these differences could be material The estimate is continuously reviewed and, as adjustments to the liability become necessary, they are reflected in current operations

Liabilities for outstanding claims, including estimates for claims incurred but not reported, as well as reported claims pending settlement, are actuarially determined and discounted using an interest rate of 2 0% in 2014 and 2013 Total undiscounted reserves for losses and loss adjustment expenses were approximately $52,149,000 and $49,591,000 at June 30, 2014 and 2013, respectively Discounted reserves for losses and loss adjustment expenses including a risk margin at an approximate seventy percent confidence level were approximately $53,253,000 and $51,258,000 at June 30, 2014 and 2013, respectively

Contributions and Gifts

When received or pledged, unrestricted gifts are reported as contributions to unrestricted net assets, and donor-restricted items are reported as contributions to temporarily or permanently restricted net assets These donor-restricted contributions are restricted as to use and are transferred from temporarily restricted net assets to unrestricted net assets when the restrictions are satisfied or in the case of endowment funds, when related earnings are appropriated for expenditure

Appropriations from the Baptist General Convention of Texas of approximately $161,000 and $159,000 in 2014 and 2013, respectively, are included in other operating revenue in the accompanying combined statements of operations and changes in net assets

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are donor restricted as to use and are transferred from temporarily restricted net assets to unrestricted net assets when the restrictions are satisfied Temporarily restricted net assets are primarily available for patient care, medical education, and research

Permanently restricted net assets include donor restrictions that the principal be invested in perpetuity and only the income from the investments be expended for designated purposes Income on endowment funds restricted for specified purposes is reported in the accompanying combined statements of operations and changes in net assets as temporarily restricted realized gains and investment income and unrealized gains (losses) on investments

Income on endowment funds which is required by donors to be invested in perpetuity is reported in the accompanying combined statements of operations and changes in net assets as permanently restricted realized gains and investment income and unrealized gains (losses) on investments

Revenue and Gains in Excess of Expenses and Losses

The combined statements of operations and changes in net assets include revenue and gains in excess of expenses and losses Other changes in unrestricted net assets which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains on investments other than trading securities, transactions related to noncontrolling interests, and net assets released from restrictions for capital expenditures

Derivative Financial Instruments

ASC 815, *"Derivatives and Hedging,"* requires that all derivative financial instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them Changes in the fair value of derivative financial instruments are recognized periodically in nonoperating gains (losses) Baylor's policy is to not hold or issue derivatives for trading purposes and to avoid derivatives with leverage features

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 reported amounts of revenue and expenses during the reporting period Actual results could differ from those estimates

Reclassifications

Certain reclassifications were made to the 2013 financial statements to conform to the 2014 presentation

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

As defined in ASC 820, fair value is based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy for disclosure of fair value measurements

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

- Level 3 - Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability are unobservable and developed based on the best information available in the circumstances

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement

The carrying values of cash and cash equivalents, THVG funds due from USPI, patient accounts receivable, other receivables, assets held as collateral – securities lending program, investments of insurance subsidiaries, accounts payable, payable under securities lending program, accrued liabilities, and estimated third-party payer settlements payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments

Fair values of short-term investments and long-term investments are generally based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets Inputs are obtained from various sources including market participants, dealers, and brokers This applies to investments such as domestic equities, U S treasuries, exchange-traded mutual funds, and agency securities

Alternative Investments

Investments held consist of marketable securities as well as securities that do not have readily determinable fair values Private equity investments, real estate investments and hedge funds are collectıvely referred to as "alternatıve ınvestments" These are included in unrestricted long-term investments in the accompanying combined balance sheets, other than those held at BFT The investments in alternative investments are valued by management at fair value utilizing the net asset value (NAV) provided by the underlying investment companies unless management determines some other valuation is more appropriate Such fair value estimates do not reflect early redemption penalties as Baylor does not intend to sell such investments before the expiration of the early redemption periods The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate As this valuation methodology is based primarily on unobservable inputs, these investments represent Level 3 assets Any hedge funds valued at NAV which are redeemable by Baylor at NAV per share (or its equivalent) at the measurement date are transferred from Level 3 assets to Level 2 assets Any hedge funds valued at NAV that were classified in prior year as Level 2 assets that are not redeemable by Baylor at NAV per share (or its equivalent) at the measurement date are transferred from Level 2 assets to Level 3 assets

Included in collective investment funds held at BFT for the BHCS Foundation are alternative investment interests in private equity funds and oil and gas interests These interests are included in restricted long-term investments in the accompanying combined balance sheets These alternative investments are in limited partnership interests and are carried at the NAV provided by the underlying investment companies unless management determines some other valuation is more appropriate As this valuation methodology is based primarily on unobservable inputs, these investments represent Level 3 assets Also included in Level 3 assets for the BHCS Foundation are other real estate and oil and gas interests which are carried at lower of cost or market

Beneficial Interest

The BHCS Foundation and Irving Healthcare Foundation record charitable remainder trusts, where they are not the trustee, at the discounted present value of the estimated future cash flows These trusts are reported in contributions receivable, net in the accompanying combined balance sheets When a third-party serves as trustee, the beneficial interest is required to be measured at fair value on a recurring basis As beneficial interests utilize multiple unobservable inputs, including no active markets, and are measured using management's assumption about risk inherent in the valuation technique, beneficial interests in split-interest agreements represent Level 3 assets

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values Furthermore, while Baylor believes 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

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The following tables set forth below, by level, the financial assets and liabilities measured at fair value on a recurring basis (in thousands)

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents				
Cash	$ 536,820	$ 536,820	$ -	$ -
Money market funds	48,812	48,812	-	-
Total cash and cash equivalents	585,632	585,632	-	-
Short-term investments				
Mutual funds	32,468	32,468	-	-
Certificates of deposit	199	199	-	-
Fixed income securities	5,343	4	5,339	-
U S government securities	10,274	-	10,274	-
Other	925	925	-	-
Total short-term investments	49,209	33,596	15,613	-
Invested collateral	180,833	180,833	-	-
Unrestricted long-term investments				
Cash	749	749	-	-
Mutual funds	405	368	-	37
Equity securities	707,888	427,257	280,631	-
Fixed income securities	249,766	-	249,766	-
U S government securities	99,452	-	99,452	-
Mortgage-backed securities	137,125	-	137,125	-
Hedge fund/diversifiers alternative investments	356,965	-	254,028	102,937
Private equity alternative investments	138,020	-	-	138,020
Real estate alternative investments	77,423	-	-	77,423
Other	124	-	-	124
Total unrestricted long-term investments	1,767,917	428,374	1,021,002	318,541

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments				
Cash	$ 7,137	$ 7,137	$ -	$ -
Mutual funds	48,627	48,627	-	-
Equity securities	99,287	63,457	35,830	-
Fixed income securities	27,609	108	27,501	-
U S government securities	11,160	-	11,160	-
Mortgage-backed securities	13,947	-	13,947	-
Hedge fund/diversifiers alternative investments	31,174	-	22,256	8,918
Private equity alternative investments	29,750	-	-	29,750
Real estate alternative investments	16,827	-	-	16,827
Split-interest agreements	640	-	640	-
Real estate	246	-	-	246
Cash surrender value of life insurance	1,221	-	-	1,221
Common funds, held at Baptist Foundation of Texas (BFT)				
Group investment fund	43,810	-	43,810	-
Group bond fund	2,741	-	2,741	-
Group equity fund	6,155	-	6,155	-
Other funds	2,666	1,316	-	1,350
Total restricted long-term investments	342,997	120,645	164,040	58,312
Assets whose use is limited				-
Cash	55,006	55,006	-	-
Mutual funds	23,510	23,510	-	-
Equity securities	21,494	13,339	8,155	-
Fixed income securities	18,104	-	18,104	-
U S governments securities	7,779	-	7,779	-
Mortgage-backed securities	8,738	-	8,738	-
Total assets whose use is limited	134,631	91,855	42,776	-

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Contributions receivable, net				
Beneficial interest in split-interest agreements	$ 17,984	$ -	$ -	$ 17,984
Total contributions receivable, net	17,984	-	-	17,984
Investments of insurance subsidiary				
Cash	76	76	-	-
Fixed income securities	2,065	-	2,065	-
Total investments of insurance subsidiary	2,141	76	2,065	-
Total assets at fair value	$3,081,344	$1,441,011	$1,245,496	$ 394,837
Liabilities:				
Interest rate swap agreements, net of collateral	$ 94,309	$ -	$ 94,309	$ -
Total liabilities at fair value	$ 94,309	$ -	$ 94,309	$ -

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	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents				
Cash	$ 221,558	$ 220,380	$ 1,178	$ -
Money market funds	63,487	63,487	-	-
Total cash and cash equivalents	285,045	283,867	1,178	-
Short-term investments				
Mutual funds	30,389	30,389	-	-
Certificates of deposit	3,318	3,318	-	-
Equity securities	5	5	-	-
Fixed income securities	7,238	23	7,215	-
U S government securities	206	-	206	-
Other	895	895	-	
Total short-term investments	42,051	34,630	7,421	-
Invested collateral	177,159	177,159	-	-
Unrestricted long-term investments				
Cash	511	483	28	-
Mutual funds	376	347	-	29
Equity securities	558,744	342,052	216,692	-
Fixed income securities	222,786	1	222,759	26
U S government securities	106,282	-	106,073	209
Mortgage-backed securities	136,874	-	136,874	-
Hedge fund/diversifiers alternative investments	334,676	-	240,083	94,593
Private equity alternative investments	136,047	-	-	136,047
Real estate alternative investments	71,977	-	-	71,977
Municipal bonds	46,000	-	46,000	-
Common funds, held at Baptist Foundation of Texas (BFT)				
Group investment fund	5,129	-	5,129	-
Group bond fund	315	-	315	-
Group equity fund	750	-	750	-
Other funds	331	117	-	214
Other	47	-	-	47
Total unrestricted long-term investments	1,620,845	343,000	974,703	303,142

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments				
Cash	$ 4,767	$ 4,639	$ 128	$ -
Mutual funds	41,633	41,633	-	-
Equity securities	85,678	54,340	31,338	-
Fixed income securities	26,682	104	26,575	3
U S government securities	11,260	-	11,238	22
Mortgage-backed securities	14,472	-	14,472	-
Hedge fund/diversifiers alternative investments	30,373	-	21,070	9,303
Private equity alternative investments	22,863	-	-	22,863
Real estate alternative investments	15,128	-	-	15,128
Split-interest agreements	626	-	626	-
Real estate	246	-	-	246
Cash surrender value of life insurance	1,218	-	-	1,218
Common funds, held at Baptist Foundation of Texas (BFT)				
Group investment fund	33,620	-	33,620	-
Group bond fund	2,067	-	2,067	-
Group equity fund	4,919	-	4,919	-
Other funds	2,178	773	-	1,405
Total restricted long-term investments	297,730	101,489	146,053	50,188
Assets whose use is limited				
Cash	138,688	138,602	86	-
Mutual funds	18,118	18,118	-	-
Equity securities	20,262	12,895	7,367	-
Fixed income securities	17,844	2	17,840	2
U S governments securities	8,831	-	8,816	15
Mortgage-backed securities	9,735	-	9,735	-
Total assets whose use is limited	213,478	169,617	43,844	17

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Contributions receivable, net				
Beneficial interest in split-interest agreements	$ 19,232	$ -	$ -	$ 19,232
Total contributions receivable, net	19,232	-	-	19,232
Investments of insurance subsidiary				
Cash	28	28	-	-
Fixed income securities	2,133	-	2,133	-
Total investments of insurance subsidiary	2,161	28	2,133	-
Total assets at fair value	$2,657,701	$1,109,790	$1,175,332	$ 372,579
Liabilities:				
Interest rate swap agreements, net of collateral	$ 78,389	$ -	$ 78,389	$ -
Total liabilities at fair value	$ 78,389	$ -	$ 78,389	$ -

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The following tables are a roll forward of the combined balance sheet amounts for financial instruments classified by Baylor within Level 3 of the valuation hierarchy defined above for fiscal years 2014 and 2013 (in thousands)

	June 30, 2014						
	Private Equity	Real Estate	Hedge Funds	Other Funds	Split-Interest Agreements	Common Investment Funds	Total
Balance at beginning of year	$ 158,910	$ 87,105	$ 103,896	$1,816	$ 19,232	$ 1,620	$ 372,579
Realized gains (losses)	23,666	1,546	2,993	4	(3,056)	-	25,153
Unrealized gains (losses), net	9,675	7,889	36,052	81	1,410	(180)	54,927
Purchases	21,833	2,184	19,482	5	398	-	43,902
Settlements	(46,314)	(4,474)	(35,436)	(74)	-	(90)	(86,388)
Transfers out of Level 3	-	-	(61,976)	(204)	-	-	(62,180)
Transfers into level 3	-	-	46,844	-	-	-	46,844
Balance at end of year	$ 167,770	$ 94,250	$ 111,855	$1,628	$ 17,984	$ 1,350	$ 394,837

	June 30, 2013						
	Private Equity	Real Estate	Hedge Funds	Other Funds	Split-Interest Agreements	Common Investment Funds	Total
Balance at beginning of year	$ 138,642	$ 79,254	$ 135,546	$1,718	$ 15,171	$ 1,743	$ 372,074
Realized gains	16,557	970	12,786	15	2,990	-	33,318
Unrealized gains (losses), net	6,409	5,237	11,538	(7)	1,056	(123)	24,110
Purchases	32,896	2,548	11,508	212	15	-	47,179
Settlements	(35,594)	(904)	(34,250)	(34)	-	-	(70,782)
Transfers out of Level 3	-	-	(46,235)	(170)	-	-	(46,405)
Transfers into level 3	-	-	13,003	82	-	-	13,085
Balance at end of year	$ 158,910	$ 87,105	$ 103,896	$1,816	$ 19,232	$ 1,620	$ 372,579

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At June 30, 2014 and 2013, alternative investments recorded at net asset value consisted of the following (in thousands)

	June 30, 2014			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Equity long short hedge funds [a]	$ 10,772	$ -	quarterly, annually	60-90 days
Event driven investments [b]	85,185	4,842	quarterly, annually	30-90 days
Relative value investments [c]	89,834	-	monthly, quarterly	30-90 days
Tactical trading investments [d]	47,781	-	daily, monthly	2-90 days
Risk parity [e]	154,567	-	monthly	5-30 days
Real estate funds - open ended [f]	54,897	-	quarterly	90 days
Real estate funds - close ended [g]	39,353	809		
Group mortgage loan and real estate fund [h]	628	-		
Oil and gas funds [i]	536	-		
Private equity funds [j]	167,770	61,091		
Total	$ 651,323	$ 66,742		

	June 30, 2013			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Equity long short hedge funds [a]	$ 14,774	$ -	quarterly, annually	60-90 days
Event driven investments [b]	86,326	6,750	quarterly, annually	30-90 days
Relative value investments [c]	83,710	-	monthly, quarterly	30-90 days
Tactical trading investments [d]	47,878	-	daily, monthly	2-90 days
Risk parity [e]	132,361	-	monthly	5-30 days
Real estate funds - open ended [f]	48,838	-	quarterly	90 days
Real estate funds - close ended [g]	38,267	909		
Group mortgage loan and real estate fund [h]	811	-		
Oil and gas funds [i]	623	-		
Private equity funds [j]	158,910	56,556		
Total	$ 612,498	$ 64,215		

a) Equity long/short strategy involves managers buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value Typically, equity long/short investing is based on stock by stock fundamental analysis of the individual companies, in which investments are made There may also be an overall analysis of the risks and opportunities offered by industries, sectors, countries, and the macroeconomic situation Long/short covers a wide variety of strategies There are generalists, and managers who focus on certain industries and sectors or certain regions Managers may specialize in a category — for example, large cap or small cap, value or growth There are many trading styles, with frequent or dynamic traders and some longer-term investors Returns are generally more correlated with the direction of the equity markets, although reduction in market risk exposure through shorting is expected to enhance the absolute and risk-adjusted returns relative to the overall performance of the asset class The fair values of the investments in this class have been estimated using the net asset value per share of the funds

b) Event-driven investing is a strategy which seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as an earnings call, bankruptcy, merger, acquisition, or spinoff Returns are less correlated with the general direction of market movements primarily due to the idiosyncratic nature of individual events Several investment managers include quarterly % redemption limits The fair values of the investments in this class have been estimated using the net asset value per share of the funds

c) Relative value strategies are designed to focus on large, long-term mispricing in the global fixed-income, equity and credit markets, capturing relative-value anomalies via multi-product trades Returns are relatively uncorrelated with the general direction of market movements since they avoid taking a directional bias with regards to the price movement of a specific stock or market Several investment managers include quarterly % redemption limits and/or early redemption penalties The fair values of the investments in this class have been estimated using the net asset value per share of the funds

d) Tactical trading strategies generally invest on a large scale around the world using economic theory to justify the decision making process on either a discretionary or systematic basis Strategies are typically based on forecasts and analysis about interest rates trends, the general flow of funds, political changes, government policies, inter-government relations, and other broad systemic and technical factors Returns are relatively uncorrelated with the general direction of market movements Several investment managers include quarterly % redemption limits The fair values of the investments in this class have been estimated using the net asset value per share of the funds

e) The risk parity class strategy invests across global markets including equities, nominal government bonds, inflation linked bonds, commodities, and emerging markets on a risk balanced framework Typically these strategies incorporate leverage to increase the risk contribution from low volatility asset classes (e g , inflation linked bonds and nominal government bonds) The fair values of the investments in this class have been estimated using the net asset value per share of the funds

f) This class includes a real estate fund that invests in U S commercial real estate The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of the partners' capital Redemptions are available on a quarterly basis, subject to the discretion of the General Partners The General Partners may elect to establish a redemption queue should the level redemptions for a given quarter be detrimental to the fund's overall performance

g) This class includes several real estate funds that invest primarily in U S commercial real estate and industries related to real estate, with some having minimal exposure outside of the U S The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of partners' capital These partnerships are illiquid and therefore do not have a redemption feature Distributions from each fund will be received as the underlying investments of the funds are liquidated It is estimated that the underlying assets of these funds will be liquidated over the next six years

h) This class is primarily invested in real estate and loans secured by real estate located in the Dallas/Fort Worth area The fair value of the investments have been estimated based on internal appraisals using the fund management's knowledge of the properties, current real estate market for similar properties and recent sales of comparative properties This fund is illiquid and redemption is subject to fund management approval Distributions from the fund will be received as the underlying investments are liquidated It is estimated that the underlying assets of the fund will be liquidated over the next 2 to 10 years This fund is closed to new investors

i) This class is primarily invested in mineral properties located in Texas and Wyoming The fair value of the mineral properties have been estimated by multiplying the most recent twelve months of royalty income, excluding lease bonus income, times a factor of four The fund's management used a multiple of four for the valuation based on current industry methodology, recent market transactions, and the fund's extensive experience in mineral properties This fund is illiquid and redemption is subject to fund management approval Royalty income is distributed quarterly subject to fund management approval $ 80 per unit per quarter in 2013 and $0 825 per unit per quarter in 2014) Distributions from the fund will be received as the underlying investments are depleted This fund is closed to new investors

j) This class currently includes 31 unique private equity limited partnerships that each invest in a variety of mostly private companies These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 3-6 years of the partnership's life It is expected that most of the unfunded commitments should be called within the next 6 years These partnerships are illiquid and therefore do not have a redemption feature Instead, the nature of the investments in this class is that distributions are received as the investment in the underlying companies is sold It is estimated that the current underlying assets of these partnerships should be liquidated within the next 10 years The investments are valued based on each partnership's valuation policy which is then subject to annual third party financial audits Financial audits are available, on average, approximately 90 days following year end Therefore, the valuation at year end reflects the latest reported manager valuation with adjustments for new capital calls and distributions

Long-term Debt

Baylor's long-term debt obligations, excluding capital leases, are reported in the accompanying combined balance sheets at carrying value which totaled approximately $987,754,000 and $1,001,626,000 at June 30, 2014 and 2013, respectively The fair value of these obligations is estimated based primarily on quoted market prices for related bonds and is therefore classified as Level 2 The fair value of Baylor's long-term debt obligations, excluding capital leases totaled approximately $1,026,514,000 and $1,015,370,000 at June 30, 2014 and 2013, respectively

4. ENDOWMENTS

Baylor's endowments consist of donor-restricted and board-designated endowment funds for a variety of purposes The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions

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

UPMIFA, Baylor considers the following factors in making a determination to appropriate or accumulate endowment funds

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

Endowment net asset composition by type of fund as of June 30, is as follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor-restricted endowment funds	$ 1,162	$ 91,166	$ 178,170	$ 270,498
Board-designated endowment funds	3,565	-	-	3,565
Total endowment funds	$ 4,727	$ 91,166	$ 178,170	$ 274,063

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Donor-restricted endowment funds	$ (678)	$ 65,126	$ 168,197	$ 232,645
Board-designated endowment funds	3,326	-	-	3,326
Total endowment funds	$ 2,648	$ 65,126	$ 168,197	$ 235,971

Changes in endowment net assets for the years ended June 30, is as follows (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
Endowment net assets, beginning of year	$ 2,648	$ 65,126	$ 168,197	$ 235,971
Investment income and realized gains	1,307	18,206	192	19,705
Net appreciation and unrealized gains	771	18,613	-	19,384
Gifts	-	5	8,121	8,126
Appropriation of endowment assets for expenditure	(4)	(10,702)	-	(10,706)
Other	5	(82)	1,660	1,583
Endowment net assets, end of year	$ 4,727	$ 91,166	$ 178,170	$ 274,063

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Endowment net assets, beginning of year	$ 1,218	$ 53,137	$ 165,475	$ 219,830
Investment income and realized gains	896	14,145	146	15,187
Net appreciation and unrealized gains	674	11,733	-	12,407
Gifts	-	83	1,658	1,741
Appropriation of endowment assets for expenditure	(429)	(13,471)	-	(13,900)
Additions to endowments related to matured trusts	-	-	10	10
Other	289	(501)	908	696
Endowment net assets, end of year	$ 2,648	$ 65,126	$ 168,197	$ 235,971

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by State of Texas UPMIFA follows (in thousands)

	2014	2013
Education	$ 35,754	$ 34,828
Patient care	91,852	84,507
Research	48,365	46,665
General operations	2,199	2,197
Total endowment assets classified as permanently restricted net assets	$ 178,170	$ 168,197

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit) When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets Deficits of this nature reported in unrestricted net assets were approximately $10,000 and $94,000 as of June 30, 2014 and 2013, respectively These deficits resulted from unfavorable market fluctuations and authorized appropriation that was deemed prudent

Return Objectives and Risk Parameters

Baylor follows an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against various indices, based on the endowment's target allocation applied to the appropriate individual benchmarks. To achieve its long-term rate of return objectives, Baylor relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends) Baylor targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints

Relationship of Endowment Spending Practices to Investment Objectives

Baylor determines the appropriation of endowment funds for expenditure reimbursement through the budgeting process Distribution policies for Baylor's endowments govern the amount of endowment funds that may be appropriated during this process In establishing its policies, Baylor considered the long-term expected return on its endowments Accordingly, over the long-term, Baylor expects the current distribution policies to allow its endowments to grow at an average of the long-term rate of inflation and maintain its purchasing power In order to maintain the purchasing power of endowment assets, expenditures are based on investment performance and spending is curbed in response to deficit situations The corresponding approved allocations are distributed periodically in accordance with Baylor's policies Over the long term, Baylor expects its endowment to grow consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts

5. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations as of June 30, 2014 and 2013 consist of the following

	2014	2013
	(In thousands)	
Baylor Health Care System -		
Series 2000 Taxable Notes (Auction Rate Securities) -		
Serial Notes, variable interest (0 12% at June 30, 2014), payable monthly, principal payable 2019 through 2025	$ 19,700	$ 19,700
Series 2006A Revenue Bonds -		
Serial Bonds, variable interest payable weekly, principal payable through 2014	-	14,770
Series 2009 Revenue Bonds -		
Serial Bonds, fixed interest rate of 5 00%, payable semi-annually, principal payable through 2019	12,445	13,645

	2014	2013
	(In thousands)	
Series 2009 Revenue Bonds - Term Bonds, fixed interest rate of 5 75%, payable semi-annually, principal payable 2020 through 2024	$ 52,555	$ 52,555
Series 2009 Revenue Bonds - Term Bonds, fixed interest rate of 6 25%, payable semi-annually, principal payable 2025 through 2029	140,290	140,290
Series 2011A Revenue Bonds - Term Bonds, fixed interest rate ranging from 2 00% to 5 00%, payable semi-annually, principal payable through 2030	95,670	97,535
Series 2011B Revenue Bonds - Window Variable Rate Demand Bonds, variable interest (0 19% at June 30, 2014) payable monthly, principal payable 2032 through 2050	50,000	50,000
Series 2011C, D & E Revenue Bonds - Variable Rate Demand Bonds, variable interest (0 03% to 0 06% at June 30, 2014), payable monthly, principal payable 2032 through 2050	135,355	135,355
Series 2011F & G Revenue Bonds - Floating Rate Note, variable interest rates (0 82% to 0 85% at June 30, 2014) payable monthly, principal payable 2032 through 2040	75,000	75,000
Series 2013A Revenue Bonds - Term Bonds, fixed interest rate ranging from 3 38% to 5 00%, payable semi-annually, principal payable 2028 through 2043	168,565	168,565
Series 2013B Revenue Bonds - Window Variable Rate Demand Bonds, variable interest (0 15% at June 30, 2014) payable monthly, principal payable 2033 through 2050	45,000	45,000

	2014	2013
	(In thousands)	
Series 2013C Revenue Bonds (Taxable) - Term Bonds, fixed interest rate of 4 45%, payable semi-annually, principal payable 2033 through 2043	$ 63,045	$ 63,045
Term Loan - Variable interest priced every 30 days (1 13% at June 30, 2014) payable quarterly, principal payable 2018 through 2031	91,655	91,655
Building Lease - Crutcher Annex Interest of 2 85% payable monthly, principal and interest payments through May 2025	12,674	13,506
HRT Properties of Texas, Ltd , Building Leases - Interest of 4 88%, payable monthly, principal and interest payments through September 2017	9,341	11,052
Baylor Medical Center at Irving - Building Lease - Interest of 3 68% payable monthly, principal and interest payments through March 2045	162,457	165,183
Texas Heart Hospital of the Southwest, LLP - Denton Building Lease - Interest of 5 50%, payable monthly, principal and interest payments through 2030	25,000	25,000
Baylor Medical Center at Carrollton - Building Lease - Interest of 9 50%, payable monthly, principal and interest payments through December 2033	58,503	59,486
Irving-Coppell Surgical Hospital - Equipment Notes Payable - Interest ranging from 4 88% to 8 32%, payable monthly, principal and interest payments through January 2015	557	1,078
Texas Health Ventures Group (THVG) - Equipment Notes Payable - Interest ranging from 4 9% to 8 0%, payable monthly, principal and interest payments through December 2018	24,229	32,610

	2014	2013
	(In thousands)	
Building Lease, Frisco Medical Center, LLP - Interest at 11 52%, payable monthly, principal and interest payments 2014 through June 2027	$ 60,381	$ 56,545
Building Lease, Arlington Ortho - Interest at 8 61%, payable monthly, principal and interest payments through January 2030	22,776	23,140
Building Lease, Dallas Uptown - Interest Rate at 9 30%, payable monthly, principal and interest payments through January 2031	23,154	23,376
Building Lease, Lewisville Surgicare - Interest at 11 39%, payable monthly, principal and interest payments through December 2022	4,705	4,990
Building Lease, Grapevine Surgicare Partners - Interest at 12 66%, payable monthly, principal and interest payments through October 2021	3,623	3,863
Other - Interest ranging from 1 69% to 12 00%, payable monthly, principal and interest payments through May 2029	11,592	13,249
Other Baylor Capital Leases and Long-Term Debt	24,635	12,447
	1,392,907	1,412,640
Net unamortized original issue premium	2,367	3,805
Current maturities	(44,834)	(37,907)
Long-term debt subject to short-term remarketing arrangements	(95,000)	(95,000)
	$ 1,255,440	$ 1,283,538

In March 2008, BHCS entered into a three-year taxable revolving line of credit with Bank of America, N A and JP Morgan Chase Bank, N A In June 2011, this facility was expanded to $275,000,000 with the addition of two new banks Under this line of credit, BHCS may borrow at variable rates through January 15, 2015 In June 2014, the facility maturity date was extended from June 13, 2014 to January 15, 2015 There were no outstanding borrowings as of June 30, 2014

In June 2011, BHCS issued $359,220,000 of Hospital Revenue Bonds through the Tarrant County Cultural Education Facilities Finance Corporation Proceeds, net of underwriter's discount, totaling approximately $364,815,000 were used to repay $75,000,000 in borrowings under the taxable revolving line of credit and refund $150,000,000 of Series 2006B and 2006C Revenue Bonds The remaining bond proceeds are deposited into the fund's account for costs of issuance and future project expenditures

The 2011 Window variable rate demand bonds are subject to long-term amortization periods and may be put to Baylor at the option of the bondholders in connection with certain remarketing arrangements To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2014, the principal amount of such bonds has been classified as a current obligation in the accompanying combined balance sheets Management believes the likelihood of a material amount of bonds being put to Baylor to be remote However management has taken steps to provide various sources of liquidity in the event any bonds were to be put back to Baylor

On November 2, 2012, BHCS provided notice of redemption on the outstanding 2002A Series Bonds The bonds were redeemed on December 3, 2012 for a redemption price equal to 100% of the principal amount of $62,185,000 and accrued interest in the amount of approximately $165,000 for an aggregate redemption of $62,350,000 A loss on extinguishment of debt of approximately $1,027,000 was recorded upon the redemption of the 2002A Series Bonds

In April 2013, BHCS issued $276,610,000 of Hospital Revenue Bonds, Hospital Refunding Revenue Bonds, and Taxable Hospital Revenue Bonds through the Tarrant County Cultural Education Facilities Finance Corporation Proceeds, net of underwriter's discount, totaling approximately $278,753,000 were used to repay $112,400,000 in borrowings under the taxable revolving line of credit The remaining bond proceeds are deposited into the fund's account for costs of issuance and future project expenditures

The 2013 issuance included $45,000,000 of Window variable rate demand bonds These bonds are subject to long-term amortization and may be put to Baylor at the option of the bondholders in connection with certain remarketing arrangements To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2014, the principal amount of such bonds has been classified as a current obligation in the accompanying combined balance sheets Management believes the likelihood of a material amount of bonds being put to Baylor to be remote However, management has taken steps to provide various sources of liquidity in the event any bonds were to be put back to Baylor

On February 21, 2014, BHCS and S&W completed the substitution of each of their existing master trust indentures (the "Old MTIs") with a new Master Indenture of Trust and Security

Agreement, dated February 1, 2014 (the "New MTI"), among BHCS, S&W, and other affiliates from time to time obligated thereunder, and the Bank of New York Mellon Trust Company, National Association, which secures all outstanding notes previously issued by BHCS and S&W under the Old MTIs At the time of its execution and delivery the New MTI formed a single obligated credit group consisting of the following entities as Obligated Affiliates BHCS, S&W, the Medical Center, Baylor All Saints Medical Center, a Texas nonprofit corporation, Baylor Regional Medical Center at Grapevine, a Texas nonprofit corporation, Waxahachie, Baylor Regional Medical Center at Plano, a Texas nonprofit corporation, Scott & White Memorial Hospital, a Texas nonprofit corporation (SWMH), Scott & White Clinic, a Texas nonprofit corporation, Scott & White Hospital – Round Rock, a Texas nonprofit corporation, Scott & White Continuing Care Hospital, a Texas nonprofit corporation, and Hillcrest Baptist Medical Center, a Texas nonprofit corporation

Effective April 1, 2014, BSW Holdings was admitted as an Obligated Affiliate under the New MTI In addition, effective April 8, 2014, BSW Holdings was appointed as the Combined Group Representative under the New MTI, replacing BHCS in that role

Future maturities of long-term debt and capital lease obligations as of June 30, 2014, are shown below (in thousands)

	Long-Term Debt	Capital Lease Obligations	Total
2015	$ 128,100	$ 40,951	$ 169,051
2016	29,042	41,303	70,345
2017	46,673	41,366	88,039
2018	21,752	40,465	62,217
2019	7,382	39,326	46,708
Thereafter	754,805	554,880	1,309,685
	987,754	758,291	1,746,045
Less imputed interest	-	(353,138)	(353,138)
	$ 987,754	$ 405,153	$ 1,392,907

BHCS originally executed interest rate swaps with two counterparties, Goldman Sachs Mitsui Marine Derivative Products, L P (GSMMDP) and Merrill Lynch Capital Services, Inc (MLCS) and subsequently novated four of its five swaps with MLCS to an affiliate, Bank of America, National Association (BANA) In February 2013, BHCS entered into novation agreements with GSMMDP, MLCS and BANA to transfer notional amounts of certain of its outstanding interest rate swaps to Wells Fargo Bank, N A and Deutsche Bank AG At the same time, BHCS also suspended the fixed payments and variable receipts under 11 of its 12 interest rate swaps until January 15, 2016 In addition, as part of the swap restructuring, GSMMDP, Goldman Sachs Bank USA and BHCS entered into a novation agreement that moved certain swaps from GSMMDP to Goldman Sachs Bank USA On January 15, 2016, the swap agreements and respective fixed and variable rate payments will commence between BHCS and its swap counterparties BHCS is subject to collateral threshold and posting requirements under its swap agreements during the suspension period and after the suspension ends At June 30, 2014, BHCS was not required to post collateral to meet the requirements with its swap counterparties

None of BHCS's swaps are designated as hedging instruments Net cash payments during the years ended June 30, 2014 and 2013, totaled approximately $74,000 and $10,289,000, respectively

The following table summarizes the fair value of interest rate swaps as of June 30, 2014 and 2013 (dollar amounts in thousands)

	2014 Interest Rate Agreements	Notional* Amount	Fair Value 2014	Fair Value 2013	Change in Fair Value 2014	Change in Fair Value 2013
Fixed Payer Swaps	11	$ 415.555	$ (94.309)	$ (78.389)	$(15.920)	$ 28.588

*Notional Amount is the face value of a financial instrument used in the calculation of interest

The following table summarizes the fair value of interest rate swaps, by counterparty, as of June 30, 2014 and 2013 (in thousands)

	Notional* Amount	2014 Fair Value	2013 Fair Value
Goldman Sachs Bank USA	$ 155,760	$ (34,556)	$ (28,311)
Deutsche Bank AG	102,735	(24,496)	(20,412)
Wells Fargo Bank, N A	83,320	(18,963)	(15,942)
BANA	73,740	(16,294)	(13,652)
GSMMDP	-	-	(72)
Total interest rate swap liability, net	$415,555	$ (94,309)	$ (78,389)

* Notional Amount is the face value of a financial instrument used in the calculation of interest

6. NONCONTROLLING INTERESTS

Baylor controls and therefore consolidates certain investees of its subsidiaries Baylor regularly engages in the purchase and sale of noncontrolling interests in these investees that do not result in a change of control These transactions are accounted for as equity transactions as they are undertaken among Baylor, its consolidated subsidiaries, and noncontrolling interests, and their cash flow effect is classified within financing activities Baylor reflects noncontrolling interests in subsidiaries as either noncontrolling interests – redeemable in the mezzanine section of the accompanying combined balance sheets, or noncontrolling interests – nonredeemable in net assets in the combined balance sheets, according to ASC 810

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The activity for unrestricted net assets presented as attributable to BHCS and noncontrolling interest - nonredeemable for the years ended June 30, 2014 and 2013 are summarized below (in thousands)

	Attributable to BHCS	Noncontrolling Interests - Nonredeemable	Total Unrestricted Net Assets
Balances as of June 30, 2012	$ 2,490,551	$ 119,941	$ 2,610,492
Revenue and gains in excess of expenses and losses	442,448	46,284	488,732
Unrealized gains on investments, net	63	-	63
Net assets released from restrictions for capital expenditures	6,647	-	6,647
Distributions to noncontrolling interests	-	(45,307)	(45,307)
Purchases of noncontrolling interests	-	(485)	(485)
Sales of noncontrolling interests	-	233	233
Other changes in controlling interest	(458)	-	(458)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(137,473)	-	(137,473)
Other	4,954	-	4,954
Change in unrestricted net assets	316,181	725	316,906
Balances as of June 30, 2013	2,806,732	120,666	2,927,398
Revenue and gains in excess of expenses and losses	626,550	43,582	670,132
Unrealized gains on investments, net	689	-	689
Net assets released from restrictions for capital expenditures	4,640	-	4,640
Distributions to noncontrolling interests	-	(43,222)	(43,222)
Purchases of noncontrolling interests	-	(1,627)	(1,627)
Sales of noncontrolling interests	-	5,625	5,625
Other changes in controlling interest	(1,658)	-	(1,658)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(164,660)	-	(164,660)
Net assets acquired	24,588	-	24,588
Other	(491)	-	(491)
Change in unrestricted net assets	489,658	4,358	494,016
Balances as of June 30, 2014	$ 3,296,390	$ 125,024	$ 3,421,414

The activity for noncontrolling interests - redeemable for the years ended June 30, 2014 and 2013 is summarized below (in thousands)

Balance as of June 30, 2012	$ 148,008
Net income attributable to noncontrolling interests - redeemable	137,473
Distributions to noncontrolling interests	(135,601)
Purchases of noncontrolling interests	(5,680)
Sales of noncontrolling interests	21,150
Noncontrolling interest of acquired entities	15,636
Balance as of June 30, 2013	180,986
Net income attributable to noncontrolling interests - redeemable	164,660
Distributions to noncontrolling interests	(142,217)
Purchases of noncontrolling interests	(8,261)
Sales of noncontrolling interests	31,692
Noncontrolling interest of acquired entities	54,300
Balance as of June 30, 2014	$ 281,160

7. NET PATIENT CARE REVENUE

BHCS has agreements with third-party payors that provide for payments to BHCS at amounts different from its established rates Payment arrangements include prospectively determined rates per case, reimbursed costs, discounted charges, and per diem payments Net patient care revenue (exclusive of charity care – see Note 8) is recognized at the time service is rendered and is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third-party payors

Contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined These contractual adjustments are related to the Medicare and Medicaid programs and managed care contracts Baylor offers a 35% discount to uninsured patients

Net patient care revenue from the Medicare and Medicaid programs accounted for approximately 31% and 30% of total net patient care revenue in 2014 and 2013, respectively Net patient care revenue from managed care contracts accounted for approximately 65% and 68% of total net patient care revenue in 2014 and 2013, respectively Net patient care revenue from other payors accounted for approximately 4% and 2% of total net patient care revenue in 2014 and 2013, respectively

Federal Regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified and cost reports are settled

These initial estimates are revised as needed until the final cost report is settled Net patient care revenue from the Medicare and Medicaid programs increased approximately $11,441,000 and $38,401,000 in 2014 and 2013, respectively, due to changes in allowances previously estimated for amounts due to Medicare and Medicaid, as a result of changes in regulations and final settlement of numerous cost reports

During fiscal years 2014 and 2013, certain Baylor hospitals participated in the Medicaid Section 1115 waiver program entitled “Texas Healthcare Transformation and Quality Improvement Program” (Waiver Program) The Waiver Program provides for two pools of Medicaid supplemental funding (an uncompensated care pool and a delivery system reform incentive pool)

BHCS (on behalf of Baylor University Medical Center, Baylor Medical Center at Irving, Baylor Medical Centers at Garland and McKinney (d/b/a Baylor Medical Center at Garland), Baylor Specialty Health Centers (d/b/a Our Children’s House at Baylor), Baylor Specialty Health Centers (d/b/a Baylor Specialty Hospital), and Baylor Medical Center at Carrollton) and Baylor Heart and Vascular Center LLP are parties to the Dallas and Neighboring Counties Indigent Care Affiliation Agreement and under this agreement participate in the Waiver Program

Baylor All Saints Medical Center, Baylor Regional Medical Center at Grapevine, and Baylor Medical Center at Waxahachie are parties to the Tarrant County Indigent Care Affiliation Agreement and under this agreement participate in the Waiver Program

Baylor All Saints Medical Center is a party to the Somervell County Indigent Care Affiliation Agreement and under this agreement participates in the Waiver Program

Baylor Medical Center at Waxahachie is a party to the Ellis County Indigent Care Affiliation Agreement and under this agreement participates in the Waiver Program

As recipients of Waiver Program payments, these Baylor hospitals are subject to extensive federal and state laws, regulations, conditions of participation, and certification requirements

For fiscal years 2014 and 2013, Baylor hospitals received Waiver Program payments totaling approximately $152,233,000 and $94,692,000, respectively, which amount is recognized as net patient care revenue Any anticipated additional amounts are recorded as other receivables in the accompanying balance sheet

Baylor hospitals also voluntarily participate in indigent care corporations (established by the Baylor hospitals and other private hospitals) to support the delivery of charity care provided by physicians and other professional services providers to indigent and other needy patients under certain services agreements, with the compensation set in advance, consistent with fair market value, and commercially reasonable for the services performed For fiscal years 2014 and 2013, Baylor hospitals provided approximately $62,766,000 and $72,890,000, respectively, to indigent care corporations for professional and other services performed under the various services agreements, which amount is recorded as other operating expenses in the combined statement of operations and changes in net assets

After June 30, 2014, management made the decision to withdraw Baylor Specialty Health Centers (d/b/a Baylor Specialty Hospital) from the Dallas and Neighboring Counties Indigent Care Affiliation Agreement effective September 30, 2014 Baylor All Saints Medical Center has withdrawn from the Somervell County Indigent Care Affiliation Agreement effective September 30, 2014 Baylor Medical Center at Waxahachie will withdraw from the Ellis County Indigent Care Affiliation Agreement effective December 31, 2014

In a letter dated September 30, 2014 to the Texas Health and Human Services Commission ("THHSC"), the Centers for Medicare & Medicaid Services ("CMS") announced that it is deferring the federal share (Federal Financial Participation ("FFP")) of Waiver Program uncompensated care payments to hospitals that are parties to indigent care affiliation agreements in certain counties, including Dallas County and Tarrant County The initial total amount of the deferral is $74,891,536 in FFP for Waiver Program uncompensated care payments made during the third quarter of federal fiscal year 2014 to private hospitals in Dallas, Tarrant, and Nueces Counties ($47,403,926 for private hospitals in Dallas and Tarrant Counties only) CMS describes that private hospitals in Travis County may be added to the deferral (CMS review of Travis County arrangements was not completed in time for the September 30th deferral letter) THHSC reports that since issuance of the deferral letter, CMS has removed eight private hospitals (including Baylor Medical Center at Waxahachie) and one public hospital from the deferral list, which, according to THHSC, results in an approximate $11,700,000 reduction in the total deferred amount (Dallas, Tarrant, and Nueces Counties) to about $63,200,000 Baylor hospitals subject to the deferral are BHCS (on behalf of Baylor University Medical Center, Baylor Medical Center at Irving, Baylor Medical Centers at Garland and McKinney (d/b/a Baylor Medical Center at Garland), Baylor Specialty Health Centers (d/b/a Our Children's House at Baylor), and Baylor Medical Center at Carrollton), Baylor Heart and Vascular Hospital, Baylor All Saints Medical Center and

Baylor Regional Medical Center at Grapevine CMS indicates that the deferral amount may increase and even include delivery system reform incentive pool payments if the agency identifies other funding arrangements that it believes do not comply with applicable federal requirements If CMS and THHSC do not resolve the deferral, CMS will issue a disallowance notice THHSC may request reconsideration of any CMS disallowance determination by appealing to the Department of Health & Human Services' Departmental Appeals Board

8. CHARITY CARE

Baylor provides care to patients who lack financial resources and are deemed medically or financially indigent Because Baylor does not pursue collection of amounts determined to qualify as charity care, these amounts have been removed from net patient care revenue as described in Note 7 The gross patient charges related to this care along with estimates for possible future charity care write-offs related to current accounts receivable totaled approximately $553,745,000 and $641,544,000 in 2014 and 2013, respectively The estimated direct and indirect cost of providing these services, calculated using the ratio of patient care cost to charges, was approximately $177,464,000 and $210,187,000 and in 2014 and 2013, respectively In addition, Baylor provides services through government-sponsored indigent health care programs (such as Medicaid) to other indigent patients

Baylor also commits time and resources to endeavors and critical services which meet otherwise unfulfilled community needs Many of these activities are entered into with the understanding that they will not be self-supporting or financially viable The expenditures for medical research activities and direct medical education are reported in Note 10

9. RETIREMENT BENEFITS

Baylor maintains two 401(k) defined contribution plans for eligible employees Employees are eligible to contribute to the plan immediately with no minimum service or age requirement

Baylor matches amounts contributed by employees, up to 5 0% of the employee's base compensation Employees gradually vest in Baylor's matching contribution over five years Retirement benefits equal the amounts accumulated to the employee's individual credit at the date of retirement

Baylor's contributions to the 401(k) plan totaled approximately $44,225,000 and $42,037,000 for 2014 and 2013, respectively, and are included in salaries, wages, and employee benefits expenses in the accompanying combined statements of operations and changes in net assets

ASC 715, *"Compensation – Retirement Benefits,"* requires Baylor to recognize the funded status (i e , the difference between the fair value of plan assets and the benefit obligation) of its defined benefit pension and other postretirement benefit plans in the accompanying combined balance sheets with a corresponding adjustment to unrestricted net assets The net unrecognized actuarial losses and unrecognized prior service benefits are recognized as a component of future net periodic cost pursuant to Baylor's policy for amortizing such amounts Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods are recognized as other changes in unrestricted net assets Those amounts are recognized as a component of net periodic cost

BHCS and six of its affiliated hospitals provided a defined benefit plan, the Baylor Health Care System Retirement Security Plan (the "BEST Plan"), for employees, which was discontinued on January 1, 1984 All BEST Plan assets were invested in cash and cash equivalents at June 30, 2014 and 2013

The following table sets forth the benefit obligations, plan assets and funded status of the BEST Plan as of June 30 (in thousands)

	2014	2013
Fair value of plan assets	$ 81	$ 375
Benefit obligation	(21,075)	(20,462)
Unfunded benefit obligation	$ (20,994)	$ (20,087)

All Saints Health System provided a defined benefit plan, the All Saints Health System Pension Plan (the "All Saints Plan"), for employees of All Saints, which was frozen to future benefit accruals as of January 1, 2002, with the All Saints Health System purchase by BHCS

The All Saints Plan assets were invested in cash and cash equivalents and equity securities at June 30, 2014, and cash and cash equivalents, equity securities, and fixed income securities at June 30, 2013

The following table sets forth the benefit obligations, plan assets and funded status of the All Saints Plan as of June 30 (in thousands)

	2014	2013
Fair value of plan assets	$ 20,783	$ 18,828
Benefit obligation	(25,885)	(25,011)
Unfunded benefit obligation	$ (5,102)	$ (6,183)

10. FUNCTIONAL EXPENSES

Baylor provides general health care services to residents within its geographic area Expenses related to providing these services are as follows for the years ended June 30 (in thousands)

	2014	2013
Patient care	$ 2,967,363	$ 2,821,252
Education	36,259	38,265
Research	47,931	51,886
General and administrative	904,155	842,133
Other	112,223	67,283
	$ 4,067,931	$ 3,820,819

Other includes expenses related to Baylor's construction activities, professional office building management, and fundraising

11. TRANSACTIONS WITH RELATED PARTIES

Baylor is affiliated with entities controlled by BSW Holdings Baylor enters into various transactions with BSW Holdings and its affiliates which include the purchase and sale of goods and services Baylor recorded a due from affiliates, net in 2014, totaling approximately $6,706,000 for construction costs and clinical services

12. COMMITMENTS AND CONTINGENCIES

Baylor leases various equipment and property under operating leases These payments are due monthly through December 2035 Future minimum lease commitments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014 are as follows (in thousands)

2015	$ 75,487
2016	69,400
2017	64,060
2018	59,473
2019	55,337
Thereafter	266,608
	$ 590,365

Baylor has incurred rental expense for both cancelable and noncancelable equipment and space leases totaling approximately $93,123,000 and $85,101,000 in 2014 and 2013, respectively

The Irving Hospital Authority ("Authority") entered into a Master Agreement ("Master Agreement") with Baylor Medical Center at Irving (Irving) and BHCS and a Lease Agreement ("Lease Agreement") with Irving

Under the terms of the Lease Agreement, Irving agreed to manage and lease substantially all properties of the Authority over an initial lease term of 20 years, beginning August 1, 1995, with an option to renew the lease for two additional 10 year terms An Amended and Restated Lease Agreement ("Amended Lease Agreement") was entered into by the Authority and Irving effective April 1, 2010, to extend the lease thirty five years through March 31, 2045, and to supersede nearly all the obligations of the original Master Agreement and Lease Agreement

The Amended Lease Agreement is accounted for as a capital lease with (a) fixed rent payments of approximately $8,825,000 per year, as adjusted by a September 24, 2010 amendment to the Amended Lease Agreement, plus (b) a contingent rent payment equal to 20 0% of the excess operating cash flow derived from the prior fiscal year's operations, as defined in the Amended Lease Agreement No contingent rent payments were due under the Amended Lease Agreement in 2013 Irving accrued $2,596,000 at June 30, 2014 for the contingent rent payment due to the Authority within five business days following the issuance of Irving's audited statements of operations and changes in net assets

BHCS signed a Limited Joinder to evidence its agreement with the BHCS obligations included in the Amended Lease Agreement and to covenant that BHCS will pay the rent and the early termination fee/liquidated damages if Irving fails to pay those obligations During the initial six year term of the Revised Lease Agreement, Irving pays BHCS a management fee, based on a percentage of the excess operating cash flow, as defined in the Revised Lease Agreement BHCS continues to be required to contribute $100,000 per year to Irving, to be matched by the Irving Healthcare Foundation, for community health projects, which are mutually agreed upon by BHCS and Irving BHCS contributed $100,000 directly to Irving in 2014 and 2013, respectively At the end of the lease term the leased facilities will be surrendered to the Authority At June 30, 2014, no liability under the Revised Lease Agreement was recorded as no amount can be reasonably estimated

On November 1, 2006, BHCS entered into a five-year affiliation agreement (that automatically renews for additional five year-terms) with Hopkins County Hospital District d/b/a Hopkins County Memorial Hospital, located in Sulphur Springs, Texas (approximately 79 miles northwest of Dallas) The hospital services are also supported locally by an independent Hopkins Memorial Health Care Foundation Under the affiliation agreement, BHCS provides certain services for a fee which include MedAssets sponsorship, advisory services, physician recruitment and access to continuing education programs Hopkins County Hospital District is not owned or controlled by any member of Baylor

On February 1, 2007, BHCS entered into a five-year affiliation agreement (that automatically renews for additional five-year terms) with 99-bed Decatur Hospital Authority d/b/a Wise Regional Health System, located in Decatur, Texas (approximately 40 miles northwest of Fort Worth) Under the affiliation agreement, BHCS provides certain services for a fee which include advisory services, physician recruitment and access to continuing education programs Decatur Hospital Authority is not owned or controlled by any member of Baylor

On October 1, 2008, BHCS entered into a five-year affiliation agreement (that automatically renews for additional five-year terms) with Glen Rose Medical Foundation d/b/a Glen Rose Medical Center, a 16-bed hospital located in Glen Rose, Texas (approximately 54 miles southwest of Fort Worth) As of March 24, 2010, the agreement was assigned to Somervell County Hospital Authority, which assumed operation of the hospital Under the affiliation agreement, BHCS provides certain services for a fee which include MedAssets sponsorship, advisory services, physician recruitment and access to continuing education programs Somervell County Hospital Authority is not owned or controlled by any member of Baylor

On January 1, 2009, BHCS entered into a five-year affiliation agreement (that automatically renews for additional five-year terms) with Hunt Memorial Hospital District, which operates Hunt Regional Medical Center at Greenville and Hunt Regional Community Hospital at Commerce Hunt Regional Medical Center at Greenville is located approximately 45 miles northeast of Dallas and is a 201-bed acute care hospital Hunt Regional Community Hospital at Commerce is located approximately 65 miles northeast of Dallas and is a 24-bed critical access facility Under the affiliation agreement, both organizations remain independent, but BHCS provides certain services for a fee including MedAssets sponsorship, advisory services, physician recruitment and access to continuing education programs Hunt Memorial Hospital District is not owned or controlled by any member of Baylor

On July 25, 2012, Baylor Heart and Vascular Hospital (BHVH) entered into a three-year affiliation agreement (that automatically renews for additional one-year terms) with Hunt Memorial Hospital District Under the affiliation agreement, both organizations remain independent, but BHVH provides Catherization Lab management for a fee Hunt Memorial Hospital District is not owned or controlled by any member of Baylor

On December 17, 2013, BHCS entered into a five-year affiliation agreement (that automatically renews for additional five-year terms) with Essent PRMC LP d/b/a Paris Regional Medical Center Paris Regional Medical Center is a 360-bed hospital, located in Paris, Texas (approximately 105 miles northeast of Dallas) Under the affiliation agreement, both organizations remain independent, but BHCS provides certain services for a fee including advisory services, physician recruitment and access to continuing education programs Paris Regional Medical Center is not owned or controlled by any member of Baylor

The healthcare 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 healthcare program participation requirements, reimbursement for patient services, physician ownership and self-referral, and Medicare and Medicaid fraud and abuse Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed

Management believes that Baylor is in compliance with applicable fraud and abuse laws and regulations as well as other applicable federal and state laws and regulations

13. SUBSEQUENT EVENTS

Baylor Scott & White Assurance SPC

On July 1, 2014, (i) Health Care Insurance Company of Texas, Ltd (HCICT), a Cayman Islands company whose sole shareholder was BHCS, merged into Scott & White Assurance Ltd (SWAL), a Cayman Islands company whose sole shareholder was acting by and through its Board of Trustees and in connection with such merger, the shares of HCICT held by BHCS were cancelled, (ii) following which SWAL was re-registered as a Cayman Islands segregated portfolio company and changed its name to Baylor Scott & White Assurance SPC (BSWA), (iii) following which SWMH distributed the shares of BSWA held by it to its sole member S&W, following which S&W distributed such shares to its sole member BSW Holdings, following which BSW Holdings contributed such shares to BHCS, following which BHCS contributed such shares to the Medical Center which, as a result of such transactions, became the sole shareholder of BSWA

Interest Rate Swaps

Effective July 30, 2014, BSWH consolidated its separate International Swaps and Derivatives Association (ISDA) agreements with Goldman Sachs Bank USA (Goldman) and related swap portfolios at BHCS and SWH under a single BSWH ISDA This required the negotiation and development of a new BSWH ISDA and the subsequent novations of each of the Goldman swaps under the legacy BHCS and SWH ISDA's to the new BSWH ISDA with an aggregate notional amount of $250,155,000

Baylor has performed an evaluation of subsequent events through November 12, 2014, which is the date the financial statements were available to be issued

pwc

Report of Independent Auditors
on Accompanying Information

To The Board of Trustees
Baylor Scott & White Holdings:

The report on our audits of the basic combined financial statements of Baylor Health Care System and subsidiaries as of June 30, 2014 and 2013 and for the years then ended appears on page one of this document. Those audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying other community benefits information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been compiled, reviewed, or audited by us and, accordingly we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

November 12, 2014

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, TX 75201-2997
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OTHER COMMUNITY BENEFITS - UNAUDITED

Nonprofit hospitals are required to report community benefits under the requirements of Texas Health and Safety Code Chapter 311 For Texas state law purposes, unaudited community benefits include the unreimbursed cost of charity care, the unreimbursed cost of government-sponsored indigent health care (i e , Medicaid), the unreimbursed cost of government-sponsored health care (i e , Medicare), medical education, and other community benefits and services The amount of community benefits reportable for Texas state law purposes by all Baylor nonprofit hospitals totaled approximately $494,840,000 and $638,155,000 in 2014 and 2013, respectively