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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

TO OPERATE AN ACUTE CARE HOSPITAL AND MULTI-SPECIALTY PHYSICIAN GROUP PRACTICE SERVING RURAL COMMUNITIES IN KENTUCKY OUR MISSION IS TO PROVIDE EXCELLENT CARE, EVERY TIME

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 159,415,295 including grants of \$ 1,057,428) (Revenue \$ 176,260,269)

See Schedule O

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 159,415,295

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 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance		
Check if Schedule O contains a response or note to any line in this Part V		
	Yes	No
1a Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	174
1b Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	2,146
2b 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
3b 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
4b 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
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
5c 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
6b 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).		
7a 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
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
7d If "Yes," indicate the number of Forms 8282 filed during the year	7d	
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
7h 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.		
9a Did the organization make any taxable distributions under section 4966?	9a	
9b Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter		
10a Initiation fees and capital contributions included on Part VIII, line 12	10a	
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
11 Section 501(c)(12) organizations. Enter		
11a Gross income from members or shareholders	11a	
11b 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	
12b 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.		
13a 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	
13b 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	
13c 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
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	12	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	9	
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	No

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	17	17
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)	18	18
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	19	19
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization BAPTIST HEALTH MADISONVILLE 900 HOSPITAL DRIVE MADISONVILLE, KY 42431 (270) 825-5201	20	20

Part VII

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

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099- MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JANET BERRY DIRECTOR	1 0 0 0	X								
(2) STEVE COX DIRECTOR	1 0 0 0	X								
(3) BARRY EVELAND DIRECTOR	1 0 0 0	X						0	0	0
(4) RON POOLE DIRECTOR	1 0 0 0	X						0	0	0
(5) LINDA THOMAS DIRECTOR	1 0 0 0	X						0	0	0
(6) TOMMY SMITH SYSTEM CEO (THRU 3/25/13)	1 0 40 0	X		X				0	1,047,581	35,339
(7) STEPHEN C HANSON SYSTEM CEO (EFF 3/26/13)	1 0 40 0	X		X				0	959,051	21,077
(8) MARK FITZMAURICE MD DIRECTOR/PHYSICIAN	40 0 0 0	X						300,399	0	51,578
(9) CHRIS HUTSON DIRECTOR	1 0 0 0	X						0	3,000	0
(10) KENT MILLS DIRECTOR	1 0 0 0	X						0	0	0
(11) FRANK PURDY III DIRECTOR	1 0 0 0	X								
(12) CHARLES ALLEN RUDD JR CHAIRMAN	1 0 0 0	X		X				0	3,000	0
(13) ANDY SEARS VICE CHAIRMAN	1 0 40 0	X		X				0	342,853	102,543
(14) TIMOTHY DUKES SENIOR VP AND COO	40 0 0 0			X				209,252	0	51,308
(15) CARL HERDE TREASURER	1 0 40 0			X				0	584,383	214,226
(16) JANET NORTON SECRETARY	1 0 40 0			X				0	427,559	124,585
(17) MICHAEL BAUMGARTNER PRESIDENT	40 0 0 0			X				124,002	0	2,618

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) KIMBERLY ASHBY VP, FINANCE	40 0 0 0			X				184,247	0	29,028
(19) ALI KENBAR MD PHYSICIAN	40 0 0 0					X		637,873	0	12,437
(20) THOMAS STANFIELD MD PHYSICIAN	40 0 0 0					X		569,048	0	48,493
(21) WAYNE LIPSON MD PHYSICIAN	40 0 0 0					X		577,848	0	13,303
(22) KEVIN WILLIAMS MD PHYSICIAN	40 0 0 0					X		494,095	0	25,983
(23) JOHN DACOSTA MD PHYSICIAN	40 0 0 0					X		729,554	0	28,109
(24) BERTON E WHITAKER FORMER PRESIDENT	0 0 0 0						X	657,014	0	45,373
(25) C THOMAS MOORE FORMER CFO	0 0 0 0						X	394,970	0	35,278
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								4,878,302	3,367,427	841,278

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▶105

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

Section B. Independent Contractors

1

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

(A) Name and business address	(B) Description of services	(C) Compensation
MCKESSON HBOC, PO Box 98347 CHICAGO IL 60693	Computer Services	7,965,712
ARAMARK CTS INC, 12483 Collections Center Drive CHICAGO IL 60693	Biomedical Services	2,091,210
ARTHUR J GALLAGHER RISK MGMT SVCS, 6399 S FIDDLER GREEN CIRCLE Suite GREENWOOD VILLAGE CO 80111	RISK MGMT SERVICES	1,106,824
ARUP LABORATORIES, PO Box 27694 SALT LAKE CITY UT 84127	Lab Services	1,047,876
MUTUAL CREDIT SERVICES, PO Box 1149 MADISONVILLE KY 42431	Collection Services	910,572

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 ▶30

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	0			
	d	Related organizations 1d				
	e	Government grants (contributions) 1e	1,572,712			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	286,147			
	g	Noncash contributions included in lines 1a-1f \$	0			
	h	Total. Add lines 1a-1f	1,858,859			
Program Service Revenue	2a	PATIENT SERVICE REVENUE				
		Business Code				
		621110	127,474,825	127,398,724	76,101	0
	b	HOME HEALTH AND HOSPICE	5,149,745	5,149,745	0	0
	c	FAMILY PRACTICE RESIDENCY	1,036,671	1,036,671	0	0
	d	ANESTHESIA PROGRAM	523,483	523,483	0	0
	e	OTHER	3,694,220	3,694,220	0	0
	f	All other program service revenue				
Other Revenue	g	Total. Add lines 2a-2f	137,878,944			
	3	Investment income (including dividends, interest, and other similar amounts)	1,324,459			1,324,459
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	(i) Real				
		(ii) Personal				
		653,565				
		321,246				
	b	Less rental expenses				
	c	Rental income or (loss)	332,319	0		
	d	Net rental income or (loss)	332,319			332,319
	7a	(i) Securities				
		(ii) Other				
		4,706,869	243,321			
		4,700,204	281,500			
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)	6,665	-38,179		
	d	Net gain or (loss)	-31,514			-31,514
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events	0			
	9a	Gross income from gaming activities See Part IV, line 19				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
		a	50,626,316			
	b	Less cost of goods sold b	12,244,991			
	c	Net income or (loss) from sales of inventory	38,381,325	38,381,325		
		Miscellaneous Revenue				
		Business Code				
	11a	CAFETERIA SALES	722514	1,200,517	0	0
	b	FITNESS FORMULA	900099	751,769	0	0
	c	GIFT SHOP	453220	99,793	0	0
	d	All other revenue	776,408	0	2,732	773,676
	e	Total. Add lines 11a-11d	2,828,487			
	12	Total revenue. See Instructions	182,572,879	176,184,168	78,833	4,451,019

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.	1,057,428	1,057,428		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0	0		
4	Benefits paid to or for members.	0	0		
5	Compensation of current officers, directors, trustees, and key employees.	1,259,254	0	1,259,254	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	319,179	319,179	0	0
7	Other salaries and wages.	84,897,035	73,115,788	11,781,247	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,789,020	2,275,997	513,023	0
9	Other employee benefits.	7,016,687	5,985,120	1,031,567	0
10	Payroll taxes.	5,130,286	4,360,743	769,543	0
11	Fees for services (non-employees):				
a	Management.	0	0	0	0
b	Legal.	118,626	0	118,626	0
c	Accounting.	0	0	0	0
d	Lobbying.	22,388	0	22,388	0
e	Professional fundraising services. See Part IV, line 17.	0			0
f	Investment management fees.	0	0	0	0
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	33,428,097	27,176,283	6,251,814	0
12	Advertising and promotion.	133,364	0	133,364	0
13	Office expenses.	22,037,833	21,993,757	44,076	0
14	Information technology.	1,731,579	1,212,105	519,474	0
15	Royalties.	0	0	0	0
16	Occupancy.	3,037,986	2,430,389	607,597	0
17	Travel.	756,411	226,923	529,488	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0	0	0	0
19	Conferences, conventions, and meetings.	283,927	283,927	0	0
20	Interest.	705,336	705,336	0	0
21	Payments to affiliates.	0	0	0	0
22	Depreciation, depletion, and amortization.	14,315,049	12,883,544	1,431,505	0
23	Insurance.	2,579,276	1,934,457	644,819	0
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	PROVIDER TAX EXPENSES	2,549,035	2,549,035	0	0
b	MISCELLANAEOUS	2,208,009	905,284	1,302,725	0
c					
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	186,375,805	159,415,295	26,960,510	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).	0			

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		12,247	1	12,847
	2	Savings and temporary cash investments		18,729,673	2	6,377,360
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		20,146,712	4	30,849,422
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		12,717,131	7	732,054
	8	Inventories for sale or use		2,794,334	8	2,780,399
	9	Prepaid expenses and deferred charges		3,762,121	9	3,788,847
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a285,387,641			
	b	Less accumulated depreciation	10b208,460,416	80,569,016	10c	76,927,225
	11	Investments—publicly traded securities		48,484,769	11	50,191,203
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		197,769	13	0
	14	Intangible assets		3,637,500	14	3,926,500
	15	Other assets See Part IV, line 11		6,061,642	15	402,897
	16	Total assets. Add lines 1 through 15 (must equal line 34)		197,112,914	16	175,988,754
Liabilities	17	Accounts payable and accrued expenses		14,124,507	17	15,100,081
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		23,040,500	20	21,147,500
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		2,338,273	23	2,327,362
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		15,681,769	25	7,262,148
	26	Total liabilities. Add lines 17 through 25		55,185,049	26	45,837,091
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		141,762,325	27	129,986,194
	28	Temporarily restricted net assets		165,540	28	165,469
	29	Permanently restricted net assets		0	29	0
	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		141,927,865	33	130,151,663
	34	Total liabilities and net assets/fund balances		197,112,914	34	175,988,754

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	182,572,879
2	Total expenses (must equal Part IX, column (A), line 25)	2	186,375,805
3	Revenue less expenses Subtract line 2 from line 1	3	-3,802,926
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	141,927,865
5	Net unrealized gains (losses) on investments	5	659,903
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	-8,633,179
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	130,151,663

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Baptist Health Madisonville Inc

Employer identification number
61-0654587

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?

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2013

Part II

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

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

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **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 Baptist Health Madisonville Inc	Employer identification number 61-0654587
---	--

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															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ 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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	0
d	Mailings to members, legislators, or the public?		No	0
e	Publications, or published or broadcast statements?		No	0
f	Grants to other organizations for lobbying purposes?		No	0
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		1,050
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	0
i	Other activities?	Yes		21,338
j	Total. Add lines 1c through 1i.			22,388
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
SCHEDULE C, PART II-B, LINE 1i	OTHER ACTIVITIES THE ORGANIZATION AND CERTAIN EMPLOYEES ARE MEMBERS OF VARIOUS ASSOCIATIONS that ATTRIBUTE A PORTION OF DUES TO LOBBYING EXPENSE. THE ORGANIZATION HAS DISCLOSED A LOBBYING ALLOCATION OF \$22,388 PER FORM 990. THESE ASSOCIATIONS INCLUDE THE AMERICAN MEDICAL ASSOCIATION, KENTUCKY HOSPITAL ASSOCIATION, KENTUCKY MEDICAL ASSOCIATION, AS WELL AS VARIOUS OTHERS.

Part IV

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

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

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization Baptist Health Madisonville Inc	Employer identification number 61-0654587
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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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	164,559	159,404	153,560	153,226	116,582
b Contributions	4,023	9,552	197,043	12,778	47,270
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs	4,094	4,397	191,199	12,444	10,626
f Administrative expenses					
g End of year balance	164,488	164,559	159,404	153,560	153,226

- 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 ▶ 100 000 %
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

(ii) related organizations

	Yes	No
3a(i)		No
3a(ii)		No
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- 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		9,902,460		9,902,460
b Buildings		87,387,289	46,790,319	40,596,970
c Leasehold improvements		25,967	25,967	
d Equipment		180,893,396	157,539,269	23,354,127
e Other		7,178,529	4,104,861	3,073,668
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				76,927,225

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

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

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

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

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

Part XIII

Supplemental Information

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

Return Reference	Explanation
Schedule D, Part V, Line 4	Intended use of endowment funds PATIENT CARE, HOSPICE BEREAVEMENT CAMP, MAHR CANCER CENTER, AND OTHER PATIENT CARE INITIATIVES

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Baptist Health Madisonville Inc

Employer identification number
61-0654587

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ %	3a Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other _____ %	3b Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	No
6a	Did the organization prepare a community benefit report during the tax year?	6a	No
b	If "Yes," did the organization make it available to the public?	6b	
	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)			6,267,923	1,117,538	5,150,385	2 780 %
b Medicaid (from Worksheet 3, column a)			20,614,286	15,519,633	5,094,653	2 750 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			26,882,209	16,637,171	10,245,038	5 530 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			644,352		644,352	0 350 %
f Health professions education (from Worksheet 5)			5,626,978	735,659	4,891,319	2 640 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			25,227		25,227	0 010 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			2,226,428		2,226,428	1 200 %
j Total Other Benefits			8,522,985	735,659	7,787,326	4 200 %
k Total. Add lines 7d and 7j			35,405,194	17,372,830	18,032,364	9 730 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development			1,203		1,203	0 %
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			35,210		35,210	0 %
9Other			36,412		36,412	0 %
10Total			72,825		72,825	0 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1Yes

Yes

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

28,542,456

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

3

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

Section B. Medicare

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

555,719,051

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

661,862,526

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

7-6,143,475

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9aYes

Yes

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

9bYes

Yes

Part IVManagement Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, 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)

baptist health madisonville

Name of hospital facility or facility reporting group

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

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ 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 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☒ Hospital facility's website (list url) <u>WWW.BAPTISTHEALTHMADISONVILLE.COM</u>		
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	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	☒ 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
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? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
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?	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)		
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?		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?		No
If "Yes," explain in Part VI			

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.

[illegible]

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? **5**

Name and address		Type of Facility (describe)
1	BAPTIST MEDICAL MANAGEMENT ASSOCIATES 200 CLINIC DRIVE MADISONVILLE, KY 42431	PHYSICIAN OFFICES
2	BAPTIST HEALTH HOME CARE 107 EAST MAIN STREET MADISONVILLE, KY 42431	HOME HEALTH AGENCY
3	BAPTIST HEALTH SPORTS MEDICINE AND REHAB 500 CLINIC DRIVE MADISONVILLE, KY 42431	REHAB SERVICES
4	BAPTIST HEALTH HOSPICE 418 NORTH SCOTT STREET MADISONVILLE, KY 42431	HOSPICE
5	BAPTIST HEALTH TRANSITIONAL CARE 900 HOSPITAL DRIVE MADISONVILLE, KY 42431	SKILLED NURSING FACILITY
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
Schedule H, Part I, Line 7	COSTING METHODOLOGY A COST-TO-CHARGE RATIO BASED ON THE MOST RECENT AS FILED MEDICAID COST REPORT WAS USED TO CALCULATE THE AMOUNTS REPORTED IN EACH LINE OF THE TABLE

Form and Line Reference	Explanation
SCHEDULE H, PART II, LINE 10	COMMUNITY BUILDING ACTIVITIES THE ORGANIZATION PROMOTES THE HEALTH OF THE COMMUNITY THROUGH OPEN MEDICAL STAFF, SERVICE ON COMMUNITY BOARDS, 24 HOUR EMERGENCY DEPARTMENT, OCCUPATIONAL MEDICINE PROGRAM, FREE ATHLETIC PHYSICALS, HEALTH FAIRS AND SCREENINGS, COURTESY MEMBERSHIP TO FITNESS FOR ATHLETES, POLICE OFFICERS AND FIRE DEPARTMENT, EDUCATIONAL PROGRAMS, ATHLETIC TRAINERS AT SCHOOL EVENTS, AND A CENTERING PREGNANCY PROGRAM

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 4	BAD DEBT EXPENSE FOOTNOTE PER THE FINANCIAL STATEMENTS OF BAPTIST HEALTHCARE SYSTEM (WHICH INCLUDE THE ACTIVITY OF BAPTIST HEALTH MADISONVILLE) THERE IS NO BAD DEBT FOOTNOTE FOR THE CURRENT YEAR THE AMOUNT ON LINE 2 WAS CALCULATED USING A COST-TO-CHARGE RATIO

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 8	TREATMENT OF MEDICARE SHORTFALL AS COMMUNITY BENEFIT DUE TO THE FACT THAT MEDICARE RATES ARE NON-NEGOTIABLE AND ARE ESTABLISHED BY THE GOVERNMENT, ALL OF THE SHORTFALL FOR MEDICARE SHOULD BE INCLUDED AS A COMMUNITY BENEFIT

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 8	MEDICARE COSTING METHODOLOGY MEDICARE REVENUES AND ALLOWABLE COSTS WERE TAKEN FROM THE AS FILED MEDICARE COST REPORT MUCH CARE IS TAKEN TO ENSURE THAT ALL ADJUSTMENTS TO REMOVE NON-ALLOWABLE COSTS ARE TAKEN

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 9B	COLLECTION PRACTICES ONCE A PATIENT HAS BEEN DETERMINED TO QUALIFY FOR CHARITY CARE, THE PATIENT IS CLASSIFIED AS SUCH FOR THREE MONTHS IF THE PATIENT RETURNS FOR SERVICES WITHIN THREE MONTHS, THEY ARE AUTOMATICALLY QUALIFIED FOR CHARITY CARE, WHICH IMPROVES THEIR ACCESS TO HEALTHCARE SERVICES

Form and Line Reference	Explanation
SCHEDULE H, PART VI	NEEDS ASSESSMENT THE COMMUNITY SERVED BY THE HOSPITAL WAS DEFINED BY UTILIZING INPATIENT AND OUTPATIENT DATA REGARDING PATIENT ORIGIN POPULATION DEMOGRAPHICS AND SOCIOECONOMIC CHARACTERISTICS OF THE COMMUNITY WERE GATHERED AND REPORTED UTILIZING VARIOUS THIRD PARTIES THE HEALTH STATUS OF THE COMMUNITY WAS THEN REVIEWED INFORMATION ON THE LEADING CAUSES OF DEATH AND MORBIDITY INFORMATION WAS ANALYZED IN CONJUNCTION WITH HEALTH OUTCOMES AND FACTORS REPORTED FOR THE COMMUNITY BY COUNTYHEALTHRANKINGS.ORG HEALTH FACTORS WITH SIGNIFICANT OPPORTUNITY FOR IMPROVEMENT WERE NOTED AN INVENTORY OF HEALTH CARE FACILITIES AND RESOURCES WERE PREPARED AND THE ESTIMATED DEMAND FOR PHYSICIAN AND HOSPITAL SERVICES WERE EVALUATED COMMUNITY INPUT WAS PROVIDED THROUGH KEY INFORMATION INTERVIEWS AND SURVEYS INFORMATION GATHERED WAS ANALYZED AND REVIEWED TO IDENTIFY HEALTH ISSUES OF UNINSURED PERSONS, LOW-INCOME PERSONS, MINORITY GROUPS AND THE COMMUNITY AS A WHOLE HEALTH NEEDS WERE RANKED UTILIZING A WEIGHTING METHOD AND THEN PRIORITIZED TAKING INTO ACCOUNT THE PERCEIVED DEGREE OF INFLUENCE THE HOSPITAL HAS TO IMPACT THE NEED INFORMATION GAPS WERE IDENTIFIED DURING THE PRIORITIZATION PROCESS AND WERE REPORTED

Form and Line Reference	Explanation
SCHEDULE H, PART VI	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE THE ORGANIZATION IDENTIFIES UNINSURED PATIENTS BY REQUESTING INSURANCE INFORMATION AT THE TIME OF THE APPOINTMENT REQUEST IF THE PATIENT HAS NO INSURANCE BENEFITS, APPOINTMENT SCHEDULING STAFF WILL INFORM THE PATIENT OF THE SELF-PAY POLICY EXCEPT FOR EMERGENCY ROOM VISITS, NEW PATIENTS WHO ARE UNABLE TO PAY AT THE TIME OF SERVICE ARE PROVIDED SERVICES BY FINANCIAL COUNSELORS FOR EDUCATION AND ASSISTANCE EMERGENCY ROOM PATIENTS ARE NOT ASKED FOR PAYMENT OR INSURANCE UPON REGISTRATION OR ADMISSION DURING FINANCIAL COUNSELING, PATIENTS WILL BE INFORMED OF THE KENTUCKY PHYSICIANS CARE PROGRAM (KPC) IN COORDINATION WITH THE DISPROPORTIONATE SHARE HOSPITAL (DSH) PROGRAM THEY WILL ALSO BE COUNSELED ON POTENTIAL ELIGIBILITY FOR MEDICAID AND DISABILITY PROGRAMS PATIENTS WILL ALSO BE ADVISED OF THE FINANCIAL ASSISTANCE POLICY AND APPLICATIONS WILL BE PROVIDED

Form and Line Reference	Explanation
SCHEDULE H, PART VI	COMMUNITY INFORMATION THE ORGANIZATION IS BASED IN MADISONVILLE, KENTUCKY (HOPKINS COUNTY) NEAR INTERSTATE 69, APPROXIMATELY 50 MILES SOUTH OF EVANSVILLE, IN THE BULK OF THE COMMUNITY'S POPULATION IS CONCENTRATED IN AND AROUND THE CITY OF MADISONVILLE, WITH PORTIONS OF THE NEARBY COUNTIES OF WEBSTER AND MUHLENBERG ALSO HAVING SIGNIFICANT DISCHARGE NUMBERS APPROXIMATELY 37% OF THE COMMUNITY'S POPULATION FALLS IN THE 15-44 AGE RANGE AND 28% IN THE 45-64 AGE RANGE WITH THE REMAINDER OF THE SPLIT UNDER 15 YEARS AND OVER 65 YEARS BASED ON 2011 DATA APPROXIMATELY 51% ARE FEMALE AND 49% ARE MALE BASED ON 2011 DATA

Form and Line Reference	Explanation
SCHEDULE H, PART VI	PROMOTION OF COMMUNITY HEALTH THE ORGANIZATION PROMOTES THE HEALTH OF THE COMMUNITY THROUGH OPEN MEDICAL STAFF, SERVICE ON COMMUNITY BOARDS, 24 HOUR EMERGENCY DEPARTMENT, OCCUPATIONAL MEDICINE PROGRAM, FREE ATHLETIC PHYSICALS, HEALTH FAIRS AND SCREENINGS, COURTESY MEMBERSHIP TO FITNESS FOR ATHLETES, POLICE OFFICERS AND FIRE DEPARTMENT, EDUCATIONAL PROGRAMS, ATHLETIC TRAINERS AT SCHOOL EVENTS, AND A CENTERING PREGNANCY PROGRAM

Form and Line Reference	Explanation
SCHEDULE H, PART VI	AFFILIATED HEALTH CARE SYSTEM ON NOVEMBER 1, 2012, TROVER HEALTH SYSTEM SIGNED A MEMBERSHIP SUBSTITUTION AGREEMENT WITH BAPTIST HEALTH SYSTEM BASED IN LOUISVILLE, KY AND EFFECTIVELY BECAME BAPTIST HEALTH MADISONVILLE BAPTIST HEALTH SYSTEM, ALSO A NON-PROFIT ORGANIZATION, SHARES A SIMILAR MISSION AND SUPPORTS THE PROMOTION OF HEALTH IN THE LOCAL COMMUNITIES SERVICED BY THE ORGANIZATION AS A WHOLE

Form and Line Reference	Explanation
SCHEDULE H, PART VI	STATE FILING OF COMMUNITY BENEFIT REPORT KENTUCKY

Additional Data

Software ID:
Software Version:
EIN: 61-0654587
Name: Baptist Health Madisonville Inc

990 Schedule H, Supplemental Information

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
Schedule H, Part V, Line 3	
Schedule H, Part V, section b, Line 5c	Availibility of CHNA report COPIES OF THE CHNA WERE ALSO DISTRIBUTED INTERNALLY AND EXTERN ALLY TO THOSE WHO PARTICIPATED IN THE NEEDS ASSESSMENT (INDIVIDUALS AND ORGANIZATIONS)
Schedule H, Part V, section b, Line 7	Needs not addressed THE HOSPITAL HAS ENTERED INTO A SERVICES AGREEMENT WITH HORIZON HEALTH TO ASSIST IN OPENING A 20 BED INPATIENT ADULT BEHAVIORAL HEALTH UNIT AT THE HOSPITAL THE UNIT IS ANTICIPATED TO OPEN IN THE SUMMER OF 2015 PENDING EMPLOYMENT OF A PSYCHIATRIST

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Baptist Health Madisonville Inc

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
61-0654587

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) CITY OF MADISONVILLE PO BOX 705 MADISONVILLE, KY 42431	13-1788491	gov't	10,000				GENERAL SUPPORT
(2) MADISONVILLE COMMUNITY COLLEGE 2000 COLLEGE DRIVE MADISONVILLE, KY 42431	61-0561820	gov't	10,000				GENERAL SUPPORT
(3) HOPKINS COUNTY COMMUNITY CLINIC PO BOX 1794 MADISONVILLE, KY 42431	61-1710391	501(c)(3)	11,010				GENERAL SUPPORT

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

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

Part III

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

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

Part IV

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

Return Reference	Explanation
Schedule I, Part I, Line 2	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS THERE IS ONE STAFF MEMBER WHO IS RESPONSIBLE FOR APPROVING ALL DONATIONS THEY SELECT THE ORGANIZATION BASED ON NONPROFIT CRITERIA AN ANNUAL BUDGET IS ESTABLISHED TO DETERMINE THE TOTAL AMOUNT OF FUNDS TO BE DISTRIBUTED EACH YEAR

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
Baptist Health Madisonville Inc

Employer identification number
61-0654587

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☒ Health or social club dues or initiation fees ☐ 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	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?	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 ☒ Independent compensation consultant ☐ Form 990 of other organizations ☒ Written employment contract ☒ Compensation survey or study ☒ 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?	Yes	
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	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		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?		No
b Any related organization? If "Yes," to line 5a or 5b, describe in Part III		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?		No
b Any related organization? If "Yes," to line 6a or 6b, describe in Part III		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	Yes	
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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
Schedule J, Part I, Line 1a	SUPPLEMENTAL COMPENSATION INFORMATION THE ORGANIZATION PAYS COUNTRY CLUB MEMBERSHIP DUES FOR THE CHIEF OPERATING OFFICER AND ROTARY CLUB DUES FOR THE PRESIDENT USE OF THE COUNTRY CLUB MEMBERSHIP IS EXCLUSIVELY FOR BUSINESS PURPOSE
Schedule J, Part I, Line 4a	DURING THE YEAR, THE FORMER PRESIDENT (BERTON WHITAKER) AND FORMER CFO (C THOMAS MOORE) RECEIVED SEVERANCE PAYMENTS IN ACCORDANCE TO THEIR CONTRACT
Schedule J, Part I, Line 4b	supplemental compensation information During calendar year 2013, FOUR officers of BHS (one OF WHICH is an OFFICER OF Baptist Health Madisonville) received a payout from a Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan The Plan is offered to a select group of management as determined by the BHS Executive Benefits Committee The amounts paid during 2013 were previously reported as compensation on the 990 and were included in W-2 wages in 2013, reported in Schedule J, Part II, column (F) and is a portion of the amount reported in column B (iii) The following individuals received a payout from a Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan - TOMMY SMITH - 103,049 In addition, THREE officers (one OF WHICH is an OFFICER OF Baptist Health Madisonville) who participate in the Supplemental Executive Retirement Plan accrued amounts for 2014 which is a portion of the amount reported as deferred compensation in Schedule J, column C Other retirement and deferred compensation reported in Schedule J, column C include amounts for the Retirement Accumulation Plan and Thrift Plan The following individuals participated in and accrued amounts from the Supplemental Executive Retirement Plan - Carl Herde - 45,666
Schedule J, Part I, Line 7	SEVERAL PHYSICIANS ARE COMPENSATED BASED UPON AN INCENTIVE COMPENSATION PLAN THE INCENTIVE COMPENSATION PAYMENTS ARE NOT CONTINGENT UPON GROSS REVENUES OR NET EARNINGS OF THE ORGANIZATION, BUT ARE BASED UPON THE PHYSICIANS'S INDIVIDUAL PRODUCTIVITY AND QUALITY MEASURES

Additional Data

Software ID:
Software Version:
EIN: 61-0654587
Name: Baptist Health Madisonville Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
TIMOTHY DUKES SENIOR VP AND COO	(i)	166,483	20,250	22,519	33,747	17,561	260,560	0
	(ii)	0	0	0	0	0	0	0
BERTON E WHITAKER FORMER PRESIDENT	(i)	286,756	53,071	317,187	35,190	10,183	702,387	0
	(ii)	0	0	0	0	0	0	0
CARL HERDE TREASURER	(i)	0	0	0	0	0	0	0
	(ii)	572,751	0	11,632	177,730	36,496	798,609	0
JANET NORTON SECRETARY	(i)	0	0	0	0	0	0	0
	(ii)	407,994	0	19,565	90,790	33,795	552,144	0
ALI KENBAR MD PHYSICIAN	(i)	637,853	0	20	0	12,437	650,310	0
	(ii)	0	0	0	0	0	0	0
THOMAS STANFIELD MD PHYSICIAN	(i)	535,861	16,667	16,520	35,190	13,303	617,541	0
	(ii)	0	0	0	0	0	0	0
WAYNE LIPSON MD PHYSICIAN	(i)	524,558	0	53,290	0	13,303	591,151	0
	(ii)	0	0	0	0	0	0	0
KEVIN WILLIAMS MD PHYSICIAN	(i)	491,575	2,500	20	6,900	19,083	520,078	0
	(ii)	0	0	0	0	0	0	0
JOHN DACOSTA MD PHYSICIAN	(i)	729,534	0	20	6,900	21,209	757,663	0
	(ii)	0	0	0	0	0	0	0
TOMMY SMITH SYSTEM CEO (THRU 3/25/13)	(i)	0	0	0	0	0	0	0
	(ii)	859,287	0	188,294	5,560	29,779	1,082,920	103,049
STEPHEN C HANSON SYSTEM CEO (EFF 3/26/13)	(i)	0	0	0	0	0	0	0
	(ii)	702,441	230,000	26,610	748	20,329	980,128	0
MARK FITZMAURICE MD DIRECTOR/PHYSICIAN	(i)	282,879	0	17,520	35,190	16,388	351,977	0
	(ii)	0	0	0	0	0	0	0
ANDY SEARS VICE CHAIRMAN	(i)	0	0	0	0	0	0	0
	(ii)	321,607	0	21,246	70,658	31,885	445,396	0
KIMBERLY ASHBY VP, FINANCE	(i)	135,589	14,237	34,421	28,073	955	213,275	0
	(ii)	0	0	0	0	0	0	0
C THOMAS MOORE FORMER CFO	(i)	44,220	0	350,750	23,448	11,830	430,248	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Baptist Health Madisonville Inc

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Employer identification number
61-0654587

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A CITY OF MADISONVILLE KENTUCKY	61-6001864		12-21-2010	25,780,000	SEE PART VI		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	4,632,500							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	25,780,000							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrows	0							
7	Issuance costs from proceeds	234,600							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	0							
11	Other spent proceeds	25,545,000							
12	Other unspent proceeds	0							
13	Year of substantial completion	2011							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	2 190 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5	2 190 %							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X						
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X						

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider	0							
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?		X						

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Return Reference	Explanation
schedule k, part I, LINE A	DESCRIPTION OF PURPOSE THE PURPOSE OF THE BOND ISSUE WAS TO REFUND CERTAIN SERIES 2006 BONDS A PORTION OF THE PROCEEDS WERE ALSO USED TO finance the construction, rehabilitation and equipping of certain Facilities

Return Reference	Explanation
schedule k, part vi	procedures to undertake corrective action The organization is in the process of establishing FORMAL WRITTEN PROCEDURES, HOWEVER, IN THE EVENT REMEDIATION ISSUES ARISE, THE ORGANIZATION SEEKS THE ADVICE OF LEGAL COUNSEL

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
Baptist Health Madisonville Inc

Employer identification number
61-0654587

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

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

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

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

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

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

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) CHRISTY MILLS	FAMILY MEMBER OF DIRECTOR	172,384	COMPENSATION		No
(2) ELIZABETH EVELAND	FAMILY MEMBER OF DIRECTOR	60,038	COMPENSATION		No
(3) GAIL EVELAND	FAMILY MEMBER OF DIRECTOR	42,372	COMPENSATION		No
(4) TIMOTHY DUKES	BMMSI OFFICER	1,304,411	CONTRACT SERVICES		No

Part V Supplemental Information

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

Return Reference	Explanation
Schedule L, Part IV	BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS TIMOTHY DUKES IS AN OFFICER OF BAPTIST MEDICAL MANAGEMENT SERVICES, INC , A SUBSIDIARY OF BAPTIST HEALTH MADISONVILLE, INC , AND A KEY EMPLOYEE OF BAPTIST HEALTH MADISONVILLE, INC BAPTIST HEALTH MADISONVILLE PROVIDES CONTRACTED SERVICES FOR BAPTIST HEALTH MEDICAL MANAGEMENT SERVICES, INC THUS, THE AMOUNT DISCLOSED FOR BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS FOR TIMOTHY DUKES REPRESENTS THE AMOUNT OF CONTRACTED SERVICES BETWEEN THESE TWO ENTITIES

2013

Open to Public
Inspection

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.

Name of the organization

Baptist Health Madisonville Inc

Employer identification number

61-0654587

Return Reference	Explanation																															
	Form 990, Part III	STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS a Baptist Health Madisonville is an acute care hospital serving numerous rural communities and offering a broad range of inpatient and outpatient services Baptist Health Madisonville provides a substantial amount of charity care as detailed below in the Community Service section Baptist Health Madisonville provided care for 9,042 inpatient adult, pediatric, and nursery admissions from during fiscal year 2014 Patient days totaled 41,748 There were 949 live births, of which over 58% were Medicaid births Surgery visits totaled 6,049 for fiscal year 2014 Baptist Health Madisonville's Mahr Cancer Center is approved by the American College of Surgeons' Commission on Cancer, receiving the No. 1 overall rating The Mahr Center provided services to over 44,942 patient visits during fiscal year 2014 and is affiliated with the James Graham Brown Cancer Center at the University of Louisville b Baptist Health Medical Associates is a multi-specialty physician group practice with over 50 providers offering a broad range of medical services including specialty and subspecialty services Baptist Health Medical Associates operated five clinics in rural communities bringing healthcare to medically underserved areas Baptist Health Medical Associates provided a total of 253,314 patient encounters during fiscal year 2014 c Trover Foundation Residency Program is an educational program in which Foundation physicians instruct and work with Residents The Residency Program is affiliated with the University Of Louisville School Of Medicine 24 residents were involved in the Residency Program during 2014 d The Dr Loman C Trover Medical Education and Research Center (Trover Education and Research Center) provides numerous educational programs that benefit the communities of Western Kentucky In addition to the Family Practice Residency Program, the Trover Education and Research Center collaborates with Murray State University to offer a graduate degree in nurse anesthesia The program is dedicated to graduating nurse anesthetists of the highest professional competence who are committed to returning to rural areas to practice Baptist Health Madisonville serves as the primary clinical site The Trover Education and Research Center also coordinates the West Area Health Education Center (AHEC) program, connecting the academic health centers at the University of Kentucky and University of Louisville with medically underserved communities throughout the state, in an effort to address Kentucky health care access problems The Foundation is a regional campus for the University Of Louisville School Of Medicine through the Foundation's Off-Campus Teaching Center The Center provides individualized clinical training in a small-town environment, with a goal towards increasing the number of physicians in rural areas The Trover Education and Research Center is a location for the University of Kentucky's Center for Rural Health, created to improve the health status of the rural population of the state The Trover Education and Research Center sponsors the Delta Project for 20 counties in the state of Kentucky The goal of the Delta Project is to improve the health status and health care system in each county served During the fiscal year 2014, 29,126 students were contacted in approximately 67 different schools e Green River Hospice is a program assisting terminally ill patients and their families through the death and bereavement process The Hospice provided service for 10,980 hospice days during the fiscal year 2014 COMMUNITY SERVICE <table><tr><td>Service Detail Hours</td><td>No. of Events</td><td>Community Contacts</td></tr><tr><td>-----</td><td>-----</td><td>-----</td></tr><tr><td>Educational and Health Improvement Events</td><td>16,552</td><td>1,310</td></tr><tr><td>499,768</td><td>Community Events</td><td>2,032</td></tr><tr><td>43</td><td>134,423</td><td></td></tr><tr><td>Donations/Support</td><td>5,347</td><td>4,681</td></tr><tr><td>1,203,818</td><td>Total</td><td>23,931</td></tr><tr><td>6,034</td><td>1,838,009</td><td>Total Events</td></tr><tr><td>6,034</td><td>Total Employee Hours</td><td>23,931</td></tr><tr><td>Total Community Contacts</td><td>1,838,009</td><td>CHARITY AND COMMUNITY BENEFIT CARE</td></tr></table> Baptist Health Madisonville provides care to patients who meet guidelines established in the organization's charity care policy at no charge or at charges less than established rates Other uncompensated care relates principally to contractual allowances for government payors, discounts taken by commercial payors and bad debts The Foundation provided uncompensated care, based on established rates, for fiscal year 2014 in the amount of \$365,365,000 This represents approximately 67% of total revenue determined from Foundation's established rates in 2014 The following summary quantifies additional community benefit expense in terms of uncompensated care, services to the indigent and benefits to the broader community during 2014 Uncompensated care Bad debt expense (at cost) \$ 2,495,000 Benefits for the poor Traditional charity care \$ 6,268,000 Unpaid costs of Medicaid \$ 20,614,000 Total quantifiable benefits for the poor \$ 26,882,000 Benefits for	Service Detail Hours	No. of Events	Community Contacts	-----	-----	-----	Educational and Health Improvement Events	16,552	1,310	499,768	Community Events	2,032	43	134,423		Donations/Support	5,347	4,681	1,203,818	Total	23,931	6,034	1,838,009	Total Events	6,034	Total Employee Hours	23,931	Total Community Contacts	1,838,009	CHARITY AND COMMUNITY BENEFIT CARE
Service Detail Hours	No. of Events	Community Contacts																														
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6,034	1,838,009	Total Events																														
6,034	Total Employee Hours	23,931																														
Total Community Contacts	1,838,009	CHARITY AND COMMUNITY BENEFIT CARE																														

Return Reference	Explanation	
Form 990, Part III		the broader community Educational and Health Improvement Events \$ 442,000 Community Events \$ 134,000 Donations/Support \$ 2,278,000 Research \$ 78,000 Total quantifiable benefits for the broader community \$ 2,932,000 Total quantifiable community benefits \$ 32,309,000 Community benefits expense represents approximately 17% of the total organization's expense for the period ended August 31, 2014 In addition to the above, Baptist Health Madisonville provides a wide range of community benefits including coordination of charitable activities by organization's staff EDUCATIONAL EVENTS Baptist Health Madisonville's mission is excellent care every time In order to support this mission, the organization strives to be involved in numerous educational programs The Family Practice Residency Program completed training for six Family Practice physicians Total number of residents in training during 2014 was 24 The Certified Registered Nurse Anesthesia Program has trained 232 nurses to become CRNAs since the program's inception The University of Louisville/ Trover Education and Research Center's Medical Campus provided training for 24 3rd and 4th year medical students It provided educational activities for high school students interested in a medical career, including shadowing and enhancement classes Centering Pregnancy Smiles is a partnership between UK, Trover Education and Research Center, the Hopkins County Health Department, the national Centering Pregnancy initiative and other federal, state, and local leaders The alliance, established to end the cycle of preterm births, low birth weight, and poor oral health in Kentucky, has already saved Kentucky more than \$20 million in medical procedures needed by those babies at birth The program assisted over 218 local mothers during 2014 In over 1,200 different events, the Foundation offered everything from tours to seminars to participation in community educational events Thousands of students in western Kentucky benefited in some way from the Foundation's efforts Over 13,000 hours were dedicated to educational events involving over 83,500 individuals throughout the service area Baptist Health Madisonville physicians also participated in a Women's Health Forum sponsored in part by the organization Physicians gave presentations on women's health issues There were also exhibits about women's health This event attracted approximately 75 participants Baptist Health Madisonville also participates in the World's Greatest Baby Showers throughout the service area, with over 500 participants These events are held to help educate expectant mothers about their pregnancy and about taking care of their babies An OB/GYN, a Family Practice physician, or a pediatrician typically participates Baptist Health Madisonville sponsors an annual Asthma Camp, a week-long day camp for children ages 6 to 12 who have documented asthma A variety of supervised activities are planned for children whose asthma might prevent them from attending summer camp Asthma education is an important component of the camp, with breathing exercises, relaxation techniques, proper use of medications, and monitoring routines among the topics covered The organization provides two to three respiratory therapists each day of the camp Baptist Health Madisonville maintains a website for consumer health education topics in both English and Spanish The website includes daily consumer health news and interactive consumer health tools such as quizzes and calculators The fees for maintaining this website were \$12,000 in 2014 Other educational events sponsored or supported by the organization include the first Step Nursing Program, Rural Health Scholar Program, shadowing opportunities for students, and Breast Cancer Awareness Bingo in Muhlenberg County Baptist Health Madisonville served over 3,400 individuals through health fairs and screenings in 2014 The Foundation provided blood sugar and blood pressure screenings regu

Return Reference	Explanation
FORM 990, PART VI, LINE 6	MEMBERS OR STOCKHOLDERS BAPTIST HEALTHCARE SYSTEM IS THE SOLE CORPORATE MEMBER OF BAPTIST HEALTH MADISONVILLE

Return Reference	Explanation
FORM 990, PART VI, LINE 7A	POWER TO ELECT OR APPOINT MEMBERS THE BOARD OF DIRECTORS IS TO BE APPOINTED BY BAPTIST HEALTHCARE SYSTEM POWER TO ELECT OR APPOINT MEMBERS To THE BOARD OF DIRECTORS IS TO BE APPOINTED BY BAPTIST HEALTHCARE SYSTEM

Return Reference	Explanation
FORM 990, PART VI, LINE 7B	DECISIONS RESERVED TO MEMBERS OR STOCKHOLDERS THE CONSENT & APPROVAL OF THE SOLE MEMBER SHALL BE REQUIRED FOR ALL MAJOR CORPORATE ACTIONS, AND ANY ACT THE RESULT OF WHICH WOULD BE TO A APPROVE THE MISSION, VISION, AND VALUE OF THE CORPORATION AND AMENDMENTS THERETO, B APPROVE AMENDMENTS TO THE ARTICLES OF INCORPORATION AND THE BYLAWS OF THE CORPORATION, C APPROVE THE STRATEGIC PLAN OF THE CORPORATION, D APPROVE THE TRANSFER OR DISPOSITION OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S ASSETS OR INVESTMENT OR INTEREST IN ANY BUSINESS ENTERPRISE, ANY MERGER, COMBINATION, OR REORGANIZATION OF THE CORPORATION, ANY LIQUIDATION, REORGANIZATION, OR RECAPITALIZATION OF THE CORPORATION, OR ANY AGREEMENT TO DO THE FOREGOING, E APPROVE THE CAPITAL EXPENDITURE AND OPERATING BUDGETS OF THE CORPORATION, AND ANY UNBUDGETED EXPENDITURES OVER \$500,000, F SELECTION OF THE CORPORATION'S AUDITOR, G APPROVE THE INCURRENCE OF DEBT OF THE CORPORATION ABOVE \$500,000 OR OTHER AMOUNT ESTABLISHED BY BHS AND THE MAKING OF ANY CAPITAL EXPENDITURE ABOVE \$500,000 OR OTHER AMOUNT ESTABLISHED BY BHS, H APPROVE THE APPOINTMENT, REMOVAL, AND EVALUATION OF THE PRESIDENT OR CHIEF EXECUTIVE OFFICER OF THE CORPORATION ACTING THROUGH THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF BHS, I APPOINT OR REMOVE, WITH OR WITHOUT CAUSE, THE MEMBERS OF THE BOARD OF DIRECTORS OF THE CORPORATION APPOINTMENT AND REMOVAL SHALL NOT REQUIRE A RECOMMENDATION OF THE CORPORATION'S BOARD, J APPOINT OR REMOVE, WITH OR WITHOUT CAUSE, THE CHAIR OF THE BOARD OF THE CORPORATION APPOINTMENT AND REMOVAL SHALL NOT REQUIRE A RECOMMENDATION OF THE CORPORATION'S BOARD, K AUTHORIZE EXECUTION OF ANY CONTRACT, AGREEMENT, OR SIMILAR INSTRUMENT BY WHICH THE CORPORATION MAY BE OBLIGATED TO PAY MORE THAN AN AMOUNT ESTABLISHED BY BHS, L ACQUIRE ANY STOCK OF ANY CORPORATION OR ANY EQUITY IN ANOTHER CORPORATE FORM, OR INVEST IN OR ACQUIRE ANY INTEREST IN ANY BUSINESS ENTERPRISE

Return Reference	Explanation
FORM 990, PART VI, LINE 11B	PROCESS USED TO REVIEW THE FORM 990 THE INTERNALLY PREPARED FORM 990 IS REVIEWED AND APPROVED BY TAX CONSULTANTS COPIES ARE GIVEN TO EACH VOTING MEMBER OF THE BOARD PRIOR TO FILING FOR THEIR REVIEW THE FORM 990 IS THEN PRESENTED AT A MONTHLY MEETING OF THE HOSPITAL'S BOARD OF DIRECTORS BEFORE IT IS FILED

Return Reference	Explanation
FORM 990, PART VI, LINE 12C	MONITORING AND ENFORCEMENT OF COMPLIANCE WITH CONFLICT OF INTEREST POLICY CONFLICT OF INTEREST STATEMENTS ARE COMPLETED FOR EACH BOARD MEMBER, PRINCIPAL OFFICER, AND COMMITTEE MEMBER WITH BOARD DELEGATED POWERS THE CHAIRMAN OF THE BOARD OF DIRECTORS IS RESPONSIBLE FOR BEING FAMILIAR WITH THE STATEMENTS AND IDENTIFYING EXISTING OR CONTEMPLATED TRANSACTIONS OR RELATIONSHIPS WHICH MAY GIVE RISE TO A CONFLICT OF INTEREST AFFECTED BOARD MEMBERS, OFFICERS, AND COMMITTEE MEMBERS ARE ALSO RESPONSIBLE FOR BRINGING CONFLICTS WHICH THEY MAY BE A PART OF TO THE ATTENTION OF THE BOARD SUCH AFFECTED PARTIES ARE REQUIRED TO WITHDRAW FROM THE MEETINGS FOR THE TIME IN WHICH THE MATTER CONTINUES UNDER DISCUSSION IF THE MATTER IS BROUGHT TO A VOTE, THE AFFECTED PARTY WILL NOT VOTE ON IT IF THE MATTER REQUIRES A SPECIAL CALLED MEETING, THE AFFECTED PARTY WILL NOT BE COUNTED IN ESTABLISHING A QUORUM THE BOARD WILL ALSO APPOINT A NON-INTERESTED PERSON TO INVESTIGATE ALTERNATIVES TO THE PROPOSED TRANSACTION

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15A & 15B	COMPENSATION DETERMINATION PROCESS EXECUTIVE COMPENSATION FOR BHM IS REVIEWED ANNUALLY IN SEPTEMBER THE LAST REVIEW WAS PERFORMED IN 2012 THIS REVIEW WAS ALSO INCLUDED IN THE REVIEW PERFORMED AT THE SYSTEM LEVEL. COMPENSATION PACKAGES FOR ORGANIZATION EXECUTIVES AND OTHER OFFICERS ARE COMPARED WITH INDEPENDENT SURVEYS AND RECOMMENDATIONS OF CONSULTANTS. COMPENSATION IS ULTIMATELY APPROVED BY THE COMPENSATION COMMITTEE AND DOCUMENTED IN A WRITTEN EMPLOYMENT CONTRACT.

Return Reference	Explanation
FORM 990, PART VI, LINE 19	PROCESS FOR MAKING DOCUMENTS AVAILABLE TO THE PUBLIC THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST IN THE ORGANIZATION'S ADMINISTRATIVE OFFICE

Return Reference	Explanation
FORM 990, PART IX, LINE 11g	OTHER FEES EXCEEDING 10% Purchased Services \$23,207,290 Purchased Maintenance \$ 412,393 Consultant Services \$ 452,131 Outside Professional \$ 2,596,351 Contract Personnel \$ 648,631 Maintenance Agreements \$ 1,448,018 Recruiting \$ 256,847 Locums & Physician Services \$ 3,888,099 Collection Expense \$ 518,337 total \$33,428,097

Return Reference	Explanation
FORM 990, PART XI, LINE 9	OTHER CHANGES IN NET ASSETS INTERCOMPANY PAYABLE AND RECEIVABLES RECLASSIFIED AS EQUITY \$(12,820,769) NET ASSET TRANSFERS TO Baptist Healthcare System \$ 4,187,590 ----- TOTAL \$ (8,633,179)

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
Baptist Health Madisonville Inc

Employer identification number
61-0654587

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) Dispropportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K- 1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MUHLENBERG MEDICAL CENTER 200 CLINIC DR MADISONVILLE, KY 42431 20-0108053	RENTAL	KY	bmmsi	UNRELATED				No			No	19 350 %
(2) BAPTIST EASTMILESTONE LLC 750 CYPRESS STATION DR LOUISVILLE, KY 40207 61-1355065	FITNESS CENTER	KY	bapt vntrs inc	EXCLUDED				No			No	
(3) BAPTIST PHYSICIANS' SRGRY CNTR LLC 1720 NICHOLASVILLE Rd 101 LEXINGTON, KY 405031490 04-3665929	AMBULATORY SRGRY	KY	bchs	RELATED				No			No	
(4) BAPTIST EASTPOINT SRGRY CNTR LLC 2400 EASTPOINT PARKWAY LOUISVILLE, KY 40223 26-0834852	AMBULATORY SRGRY	KY	bchs	RELATED				No			No	
(5) MEDICAL ASSOCS OF MIDDLETOWN LLC 4000 KRESEGE WAY LOUISVILLE, KY 40207 20-0399400	MDCL OFFICe BLDG	KY	bhsi	RELATED				No			No	
(6) PETCT MANAGEMENT LLC 7807 SHELBYVILLE RD STE 201 LOUISVILLE, KY 40222 20-0154982	MGMT AND EQPMNT	KY	bhsi	RELATED				No			No	
(7) ST MATTHEWS SURGERY CENTER LLC 4130 DUTCHMANS LN STE 300 LOUISVILLE, KY 40207 45-3714318	AMBULATORY SRGRY	KY	bchs	RELATED				No			No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) BAPTIST VENTURES INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 61-1217018	MANAGEMENT	KY	bhsi	C Corp			100 000 %	Yes	
(2) BLUEGRASS FAMILY HEALTH INC 651 PERIMETER PARK STE 300 LEXINGTON, KY 40223 61-1241101	INSURANCE	KY	bhsi	C Corp			100 000 %	Yes	
(3) baptist health network inc 4000 KRESGE WAY LOUISVILLE, KY 402074604 27-2939694	ACO	KY	bhsi	C Corp			100 000 %	Yes	
(4) MUTUAL CREDIT SERVICES INC PO BOX 149 MADISONVILLE, KY 42431 61-0660705	COLLECTION AGENCY	KY	BHSI	C CORP	4,414	801,497	100 000 %	Yes	
(5) baptist medical management svcs 900 hospital drive madisonville, KY 42431 37-1519513	hc mso	KY	bhsi	c corp	122,698	611,867	100 000 %	Yes	

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b No

1c No

1d No

1e No

1f No

1g No

1h No

1i No

1j No

1k No

1l No

1m No

1n No

1o No

1p Yes

1q Yes

1r Yes

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			

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

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

Additional Data

Software ID:

Software Version:

EIN: 61-0654587

Name: Baptist Health Madisonville Inc

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) MEDICAL CENTER AMBULANCE SERVICES INC 629 LAFOON STREET MADISONVILLE, KY 42431 61-0946210	ambulance svc	KY	501(c)(3)	line 9	na	Yes	
(1) BAPTIST HEALTHCARE AFFILIATES INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 61-1226399	HOSPITAL	KY	501(c)(3)	line 3	bhsr	Yes	
(2) BAPTIST COMMUNITY HEALTH SERVICES INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 61-1141242	MEDICAL svcs	KY	501(c)(3)	line 11a	bhsr	Yes	
(3) Baptist Medical Associates Inc 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 20-5497203	PHYSICIAN svc	KY	501(c)(3)	line 3	bhsr	Yes	
(4) BAPTIST PHYSICIANS LEXINGTON INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 20-5494939	PHYSICIAN Svc	KY	501(c)(3)	line 3	bhsr	Yes	
(5) BAPTIST PHYSICIANS SOUTHEAST INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 26-0766344	PHYSICIAN Svc	KY	501(c)(3)	line 3	bhsr	Yes	
(6) WESTERN BAPTIST MEDICAL VENTURES INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 61-1194899	PHYSICIAN Svc	KY	501(c)(3)	line 3	bhsr	Yes	
(7) BAPTIST HEALTHCARE FOUNDATION INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 31-1122867	FUNDRAISING	KY	501(c)(3)	line 11a	bhsr	Yes	
(8) BAPTIST HOSP Fnd OF GRt LOUisville inc 4000 KRESEGE WAY LOUISVILLE, KY 40207 20-0292291	FUNDRAISING	KY	501(c)(3)	line 11a	bhsr	Yes	
(9) BAPTIST HEALTH FOUNDATION LEXINGTON INC 1740 NICHOLASVILLE ROAD LEXINGTON, KY 40503 61-1480774	FUNDRAISING	KY	501(c)(3)	line 11a	bhsr	Yes	
(10) LEXINGTON CARDIAC RESEARCH Fnd Inc 1740 NICHOLASVILLE ROAD LEXINGTON, KY 40503 20-4242792	MEDICAL RSrch	KY	501(c)(3)	line 11a	bhsr	Yes	
(11) BAPTIST HEALTH FOUNDATION PADUCAH INC 2501 KENTUCKY AVENUE PADUCAH, KY 42003 26-4057759	FUNDRAISING	KY	501(c)(3)	line 11a	bhsr	Yes	
(12) MERCY REGIONAL EMERGENCY MEDICAL SYSTEMS 126 LONE OAK ROAD PADUCAH, KY 42001 61-1310466	AMBULANCE Svc	KY	501(c)(3)	line 11a	bhsr	Yes	
(13) BAPTIST HEALTHCARE SYSTEM INC 2701 EASTPOINT PARKWAY LOUISVILLE, KY 40223 61-0444707	HOSPITAL	KY	501(c)(3)	line 3	NA		No
(14) BAPTIST HEALTH RICHMOND INC PO Box 1600 RICHMOND, KY 40476 61-0461940	HOSPITAL	KY	501(c)(3)	line 3	bhsr	Yes	
(15) BAPTIST HEALTH FOUNDATION RICHMOND INC PO Box 1600 RICHMOND, KY 40476 31-1506378	FUNDRAISING	KY	501(c)(3)	line 11a	bhsr	Yes	
(16) PATTIE A CLAY HOSPITAL AUXILIARY PO BOX 1600 RICHMOND, KY 40476 51-0172717	SUPPORT HOSP	KY	501(c)(3)	line 11a	bhsr	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) Dispropportionate allocations?		(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
MUHLENBERG MEDICAL CENTER 200 CLINIC DR MADISONVILLE, KY 42431 20-0108053	RENTAL	KY	bmmsi	UNRELATED				No			No	19 350 %
BAPTIST EASTMILESTONE LLC 750 CYPRESS STATION DR LOUISVILLE, KY 40207 61-1355065	FITNESS CENTER	KY	bapt vntrs inc	EXCLUDED				No			No	
BAPTIST PHYSICIANS' SRGRY CNTR LLC 1720 NICHOLASVILLE Rd 101 LEXINGTON, KY 405031490 04-3665929	AMBULATORY SRGRY	KY	bchs	RELATED				No			No	
BAPTIST EASTPOINT SRGRY CNTR LLC 2400 EASTPOINT PARKWAY LOUISVILLE, KY 40223 26-0834852	AMBULATORY SRGRY	KY	bchs	RELATED				No			No	
MEDICAL ASSOCS OF MIDDLETOWN LLC 4000 KRESEGE WAY LOUISVILLE, KY 40207 20-0399400	MDCL OFFICE BLDG	KY	bhsi	RELATED				No			No	
PETCT MANAGEMENT LLC 7807 SHELBYVILLE RD STE 201 LOUISVILLE, KY 40222 20-0154982	MGMT AND EQPMNT	KY	bhsi	RELATED				No			No	
ST MATTHEWS SURGERY CENTER LLC 4130 DUTCHMANS LN STE 300 LOUISVILLE, KY 40207 45-3714318	AMBULATORY SRGRY	KY	bchs	RELATED				No			No	

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
MEDICAL CENTER AMBULANCE SERVICES INC	a	4,916	COST/FMV
BAPTIST MEDICAL MANAGEMENT SERVICES INC	p	1,304,411	COST/FMV
MEDICAL CENTER AMBULANCE SERVICES	q	7,748	COST/FMV
MUTUAL CREDIT SERVICES INC	q	503,851	COST/FMV
MUTUAL CREDIT SERVICES INC	p	503,851	COST/FMV
MS COMMUNITY HEALTH LLC	r	400,000	COST/FMV
MS COMMUNITY HEALTH LLC	q	36,501	COST/FMV
BAPTIST MEDICAL MANAGEMENT SERVICES INC	q	4,108	cost/fmv

Baptist Healthcare System, Inc. and Affiliates

Independent Auditor's Report and
Consolidated Financial Statements
and Supplementary Information
August 31, 2014 and 2013



Baptist Healthcare System, Inc. and Affiliates

August 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors, Audit Committee and Management
Baptist Healthcare System, Inc. and Affiliates
Louisville, Kentucky

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Baptist Healthcare System, Inc. and Affiliates (Baptist), which comprise the consolidated balance sheets as of August 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Baptist as of August 31, 2014 and 2013, and the results its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and supplementary consolidating information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of Baptist's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baptist's internal control over financial reporting and compliance.

BKD, LLP

Louisville, Kentucky
December 9, 2014

Baptist Healthcare System, Inc. and Affiliates
Consolidated Balance Sheets
August 31, 2014 and 2013

	2014	2013
	<i>(In Thousands)</i>	
Assets		
Current assets		
Cash and cash equivalents	\$ 143.852	\$ 110.012
Investments	153.755	148.095
Assets limited as to use – required for current obligations	16.778	13.699
Patient accounts receivable, net of allowance for uncollectible accounts. 2014 – \$59.795. 2013 – \$71.056	298.180	220.888
Inventories	34.063	33.934
Estimated third-party receivable	-	4.418
Other	39.301	30.354
Total current assets	<u>685.929</u>	<u>561.400</u>
Assets limited as to use		
Designated by board for capital improvements	910.688	814.635
Designated by board for endowment	2.500	2.210
Held by trustee		
Under bond indenture	6.207	46.177
Under medical malpractice self-insurance	68.489	61.287
Under workers' compensation self-insurance	15.410	14.173
In perpetual trust	20.709	17.608
Total assets limited as to use	<u>1,024.003</u>	<u>956.090</u>
Less amount required to meet current obligations	<u>16.778</u>	<u>13.699</u>
Assets limited as to use – noncurrent portion	<u>1,007.225</u>	<u>942.391</u>
Property and equipment, net	<u>914.477</u>	<u>898.890</u>
Other assets	<u>55.832</u>	<u>55.686</u>
Total assets	<u>\$ 2,663.463</u>	<u>\$ 2,458.367</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 95.484	\$ 78.614
Accrued expenses	111.387	101.824
Accrued interest payable	793	826
Estimated third-party payable	10.116	-
Current installments of long-term debt	12.551	11.988
Current portion for medical malpractice and workers' compensation	16.778	13.699
Other	18.282	14.980
Total current liabilities	<u>265.391</u>	<u>221.931</u>
Long-term debt	<u>598.580</u>	<u>611.199</u>
Other liabilities	<u>125.685</u>	<u>114.680</u>
Net assets		
Unrestricted net assets attributable to Baptist	1,642.406	1,479.768
Unrestricted net assets attributable to noncontrolling interest	<u>1.489</u>	<u>1.446</u>
Total unrestricted net assets	1,643.895	1,481.214
Temporarily restricted	9.203	11.735
Permanently restricted	<u>20.709</u>	<u>17.608</u>
Total net assets	<u>1,673.807</u>	<u>1,510.557</u>
Total liabilities and net assets	<u>\$ 2,663.463</u>	<u>\$ 2,458.367</u>

Baptist Healthcare System, Inc. and Affiliates
Consolidated Statements of Operations
Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual discounts and allowances)	\$ 1,878,505	\$ 1,714,098
Less provision for uncollectible accounts	<u>65,457</u>	<u>75,569</u>
Net patient service revenue	1,813,048	1,638,529
Premium revenue	144,938	147,660
Other	80,460	74,648
Net assets released from restrictions used for operations	<u>4,341</u>	<u>5,466</u>
Total revenues, gains and other support	<u>2,042,787</u>	<u>1,866,303</u>
Expenses		
Health care services	1,249,229	1,190,254
General and administrative	587,481	549,279
Depreciation and amortization	113,179	110,898
Provider tax	24,807	24,540
Interest	<u>14,590</u>	<u>13,488</u>
Total expenses	<u>1,989,286</u>	<u>1,888,459</u>
Operating income (loss)	<u>53,501</u>	<u>(22,156)</u>
Other gains (losses)		
Investment return	111,789	77,982
Other	1,918	(1,146)
Contribution received in donation of Pattie A. Clay	-	5,112
Contribution received in donation of Trover Health System	<u>-</u>	<u>142,485</u>
Total other gains	<u>113,707</u>	<u>224,433</u>
Excess of revenues, gains and other support over expenses before provision (benefit) for income tax	167,208	202,277
Provision (benefit) for income tax	<u>(2,489)</u>	<u>837</u>
Excess of revenues, gains and other support over expenses	<u>\$ 169,697</u>	<u>\$ 201,440</u>

Baptist Healthcare System, Inc. and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Unrestricted net assets		
Excess of revenues, gains and other support over expenses	\$ 169,697	\$ 201,440
Change in defined benefit pension plan gains	(2,093)	3,701
Post-retirement benefit plan		
Plan amendment	-	9,989
Net gain (loss) arising during period	(2,545)	280
Amortization of prior service cost, transition obligation and loss included in net periodic pension cost	(2,421)	1,328
Change in post-retirement benefit plan	(4,966)	11,597
Increase in unrestricted net assets attributable to Baptist	162,638	216,738
Unrestricted net assets attributable to noncontrolling interest		
Excess of revenues over expenses	1,108	982
Contributions from noncontrolling interest	55	-
Distributions to noncontrolling interest	(1,120)	(1,189)
Increase (decrease) in unrestricted net assets attributable to noncontrolling interest	43	(207)
Increase in unrestricted net assets	162,681	216,531
Temporarily restricted net assets		
Contributions, interest income and other	1,809	4,698
Contribution received in donation of Pattie A. Clay	-	2,239
Contribution received in donation of Trover Health System	-	159
Net assets released from restrictions used for operations	(4,341)	(5,466)
Increase (decrease) in temporarily restricted net assets	(2,532)	1,630
Permanently restricted net assets		
Contribution received in donation of Pattie A. Clay	-	15,342
Change in beneficial interest in perpetual trust	3,101	2,266
Increase in permanently restricted net assets	3,101	17,608
Change in net assets	163,250	235,769
Net assets – beginning of year	1,510,557	1,274,788
Net assets – end of year	<u>\$ 1,673,807</u>	<u>\$ 1,510,557</u>

Baptist Healthcare System, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended August 31, 2014 and 2013

	2014	2013
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets	\$ 163,250	\$ 235,769
Change in net assets attributable to noncontrolling interest	(43)	207
Change in net assets attributable to Baptist	163,207	235,976
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	113,179	110,898
Net realized and unrealized gains on investments and assets limited as to use	(85,166)	(61,867)
Equity in the net earnings of joint ventures	(4,246)	(4,482)
Loss on sale or disposition of property and equipment	882	1,619
Contribution of net assets received from Pattie A. Clay	-	(22,693)
Contribution of net assets received from Trover Health System	-	(142,645)
Changes in		
Noncontrolling interest	1,108	982
Patient accounts receivable, net	(77,293)	(15,641)
Inventories and other current assets	(9,076)	18,619
Other assets	(2,554)	16,100
Accounts payable, accrued expenses and accrued interest payable	26,401	(1,284)
Estimated third-party payer settlements	14,534	1,713
Other current liabilities	6,381	4,663
Other liabilities	11,005	(4,879)
Net cash provided by operating activities	158,362	137,079
Investing activities		
Purchases of investments	(4,213,792)	(3,151,779)
Proceeds from disposition of investments	4,225,386	3,162,808
Purchases of property and equipment	(130,063)	(167,555)
Proceeds from sale of property and equipment	657	218
Contributions of cash received from Pattie A. Clay	-	3,088
Contributions of cash received from Trover Health System	-	37,441
Contributions from noncontrolling interest	55	-
Investment in joint ventures	45	-
Distributions to noncontrolling interest	(1,120)	(1,189)
Distributions from joint ventures	6,298	5,135
Net cash used in investing activities	(112,534)	(111,833)
Financing activities		
Principal payments on long-term debt	(11,988)	(11,014)
Redemption of promissory note of Pattie A. Clay	-	(14,757)
Net cash used in financing activities	(11,988)	(25,771)
Increase (decrease) in cash and cash equivalents	33,840	(525)
Cash and cash equivalents, beginning of year	110,012	110,537
Cash and cash equivalents, end of year	\$ 143,852	\$ 110,012
Supplemental cash flow information		
Interest paid (net of capitalized amount of \$5,523 in 2014 and \$6,555 in 2013)	\$ 14,623	\$ 13,414
Income taxes paid	\$ 499	\$ 699
Property and equipment acquired through noncash contributions	\$ -	\$ 107,111
Purchases of property and equipment in accounts payable (not reflected above)	\$ 8,748	\$ 2,725

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

Note 1: Description of Organization and Summary of Significant Accounting Policies

Organization

Baptist Healthcare System, Inc. (Baptist) is a nonprofit, tax-exempt organization that owns and operates seven hospitals in the Commonwealth of Kentucky

Baptist Healthcare Affiliates, Inc. is a nonprofit, tax-exempt affiliate that owns and operates an acute care hospital and also manages and operates the Oldham County ambulance service for the Oldham County Ambulance Tax District (OCATD) under a management contract. Effective September 1, 2014, Baptist Healthcare Affiliates, Inc. merged with and into Baptist.

Baptist Health Richmond, Inc. is a nonprofit, tax-exempt organization that was formed on September 1, 2012, when Baptist acquired the net assets of Pattie A. Clay Infirmary Association and Pattie A. Clay Foundation (collectively, Pattie A. Clay renamed to Baptist Health Richmond). There was no consideration paid by Baptist as part of the acquisition. See Note 18 for additional information related to the acquisition.

Baptist Health Madisonville, Inc. is a nonprofit, tax-exempt organization that was formed on November 1, 2012, when Baptist acquired the net assets of The Trover Foundation (d/b/a Trover Health System and its affiliates). There was no consideration paid by Baptist as part of the acquisition. See Note 18 for additional information related to the acquisition.

Baptist Community Health Services, Inc. (BCHS) is a nonprofit, tax-exempt affiliate that owns and operates rehabilitation centers, urgent care centers and occupational and physical therapy clinics within the regions surrounding the hospitals. BCHS also owns 55% of Baptist Physicians' Surgery Center, a for-profit limited liability corporation, owns 81% of Baptist Eastpoint Surgery Center, LLC and owns 51% of St. Matthews Surgery Center, LLC. Effective December 1, 2013, BCHS transferred its membership interest in Corbin Long Term Acute Care, LLC d/b/a Oak Tree Hospital at Baptist Regional Medical Center (Oak Tree) to CHC Community Care, LLC (CCC), a Delaware limited liability company and a subsidiary of Community Hospital Corporation, Inc. (CHC). Through the Membership Exchange Agreement, BCHS exchanged its sole membership interest in Oak Tree for a stated membership interest in CCC that entitles BCHS to a portion of the income derived from the long-term acute care hospital (Oak Tree). Additionally, Oak Tree entered into a lease agreement with Baptist Health Corbin for a term of five years to utilize 32 beds under Baptist Health Corbin's hospital license for the term of the lease.

Bluegrass Family Health, Inc. (BFH) is a nonprofit, taxable affiliate health maintenance organization.

Baptist Medical Associates, Inc., Baptist Physicians Lexington, Inc., Baptist Physicians Southeast and Western Baptist Medical Ventures, Inc. are nonprofit, tax-exempt affiliates that own and operate physician practices.

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

Baptist Healthcare Foundation, Inc., Baptist Health Foundation of Greater Louisville, Inc., Baptist Health Foundation Corbin, Baptist Health Foundation Lexington, Inc., Baptist Health Foundation Paducah, Inc. and Baptist Health Cardiac Research Foundation, Inc. are nonprofit, tax-exempt affiliate corporations.

Baptist Ventures, Inc. is a Kentucky for-profit corporation that manages, operates, maintains, leases or enters into joint ventures with hospitals, medical facilities or other entities which provide health care services.

PET/CT Management, LLC is a Kentucky limited liability company that leases positron emission tomography equipment and provides supplies and management services to Louisville to operate a freestanding PET/CT service. Baptist owns 85% of PET/CT Management, LLC.

Baptist Health Employer Solutions, Inc. is a Kentucky nonprofit corporation that organizes, promotes and develops care delivery systems such as accountable care organizations which utilize evidence-based clinical care guidelines, integrate clinical care to improve community health, collaborate among health providers to improve service and care delivery, develop chronic disease management programs, participate in pay for performance programs and to perform such activities in a manner consistent with the overall charitable purpose of Baptist.

Purchase Health Quality Collaborative, LLC is a Kentucky limited liability company that supports hospital/physician clinical integration in the Western region of Kentucky.

All entities are located in the Commonwealth of Kentucky.

Basis of Presentation

The accompanying consolidated financial statements represent the consolidated operations of Baptist, the affiliates in which it has sole ownership or membership and the entities in which it has greater than 50% equity interest with commensurate control (collectively, Baptist). All significant intercompany accounts and transactions are eliminated in consolidation.

Mission and Vision Statement

Baptist's mission is to continue the Christian heritage of service and to enhance the health of the people and communities it serves. Baptist is guided by the vision to be the health care leader in Kentucky. Baptist will live out its Christ-centered mission and achieve its vision guided by Integrity, Respect, Stewardship, Excellence and Collaboration.

Cash Equivalents

Baptist considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At August 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts with brokers, certificates of deposit and repurchase agreements.

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Noncontrolling Interest

Noncontrolling interest represents investments in Baptist Physicians' Surgery Center, Baptist Eastpoint Surgery Center, LLC, St. Matthews Surgery Center, LLC and PET/CT Management, LLC that Baptist does not own. Losses attributable to the noncontrolling interest are allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and in all debt securities are carried at fair value in the consolidated balance sheets. Investments in an equity investee are reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Investment income or loss (including realized gains and losses on investments, dividends, interest and unrealized gains and losses on investments carried at fair value) is included in the excess of revenues, gains and other support over expenses unless donor or law restricts the income or loss.

Patient Accounts Receivable

Baptist reports patient accounts receivable for services rendered at net realizable amounts from third-party payers and patients. In evaluating the ability to collect accounts receivable, Baptist analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate provisions and allowances. Management regularly reviews data regarding these major payer sources of revenue in evaluating the sufficiency of the allowances.

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis.

Assets Limited as to Use

Assets limited as to use are recorded at fair value and include: (1) assets set aside by the board for capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes; (2) assets held by trustee under bond indenture; (3) assets held by trustee for the medical malpractice and workers' compensation self-insurance funding arrangements; and (4) assets held by trustee in perpetual trust. Amounts required to meet current liabilities are reported as current assets in the consolidated balance sheets.

Baptist invests in various securities including money market funds, U.S. Government securities, corporate debt instruments, corporate stocks and mutual funds. The unrealized gains and losses of these securities are recognized as net investment return in the consolidated statements of operations. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations.

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Baptist uses derivative financial instruments in its investment portfolio to moderate changes in value due to fluctuations in the financial markets. Baptist has not designated its derivatives related to marketable securities as hedged financial instruments. Accordingly, the change in the fair value of derivatives is recognized as a component of investment income as described above.

Property and Equipment

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

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

Buildings and improvements	15-40 years
Leasehold improvements	5-10 years
Equipment	3-20 years

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

Baptist capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing for the project, net of interest earned on investments acquired with the proceeds of the borrowing or based on the weighted-average rates paid for long-term borrowing. Total interest capitalized and incurred was:

	2014	2013
	<i>(In Thousands)</i>	
Interest expense capitalized on borrowings for project	\$ 5,543	\$ 7,100
Interest income capitalized from investment of proceeds on borrowings for project	(20)	(545)
Net interest capitalized	<u>\$ 5,523</u>	<u>\$ 6,555</u>
Net interest capitalized	\$ 5,523	\$ 6,555
Interest charged to expense	<u>14,590</u>	<u>13,488</u>
Total interest incurred	<u>\$ 20,113</u>	<u>\$ 20,043</u>

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Long-Lived Asset Impairment

Baptist evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate of future cash flows is expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended August 31, 2014 and 2013.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt and are amortized over the term of the respective debt using the effective-interest method. Deferred financing costs are reported in the consolidated balance sheets in other assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by Baptist has been limited by donors to a specific time period or purpose. Investment income from restricted funds is included in temporarily restricted net assets when earned.

Permanently Restricted Net Assets

Permanently restricted net assets are those that have been restricted by donors to be maintained in perpetuity. Permanently restricted net assets represent Baptist's beneficial interest in perpetual trusts. Investment income from restricted funds is included in permanently restricted net assets when earned.

Charity Care

Baptist provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. Baptist also provides discounts from established rates to all uninsured patients. Because Baptist does not pursue collection of charity or uninsured discounts, such amounts are not reported as revenue. The cost of charity care is estimated by applying the ratio of cost to gross charges to the uncompensated charges. Total unreimbursed costs of charity and discounts to the uninsured were approximately \$56,734,000 and \$76,245,000 for the years ended August 31, 2014 and 2013, respectively. The decrease in the unreimbursed cost of charity and discounts to the uninsured were primarily due to the expansion of Kentucky's Medicaid coverage as provided for in the Patient Protection and Affordable Care Act (PPACA). See Note 19 for further discussion.

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Net Patient Service Revenue

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

Premium Revenue

Baptist, through BFH, enters into membership contracts with employer groups. The contracts contain varying terms subject to cancellation by the employer group or BFH upon 60 days' written notice. Premiums are due at the beginning of each month and are recognized as revenue during the period in which BFH is obligated to provide services to members.

Premiums billed and collected in advance recorded as unearned premiums are included in the consolidated balance sheets in other current liabilities.

Estimated medical claims incurred but not reported are included in the consolidated balance sheets in accounts payable.

Provider Tax

Since July 1993, Kentucky has imposed various taxes on health care providers to help fund the state of Kentucky's portion of the Medicaid program. The law imposes a tax of 2.5% on the gross receipts of hospitals and 2% on nursing facility services, intermediate care facility services, services for the mentally handicapped, home health care services and health maintenance organization. Hospital provider taxes were capped in 2008 by Kentucky statute at the level paid in state fiscal year 2005-2006. Baptist recognized an expense for such provider taxes of approximately \$24,807,000 and \$24,540,000 in 2014 and 2013, respectively. No assurance can be given that the Kentucky General Assembly will not remove the cap on hospital provider taxes.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined by using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Donor-restricted stipulations that limit the use of contributions are initially reported as temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of changes in net assets as net assets released from restriction.

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Estimated Malpractice Costs

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and is reported in the consolidated statements of operations as a general and administrative expense. The liability for self-insured malpractice claims includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported and are reported in the consolidated balance sheets in other liabilities.

Income Taxes

The Baptist nonprofit, tax exempt entities are recognized as exempt from income taxes under Section 501 of the Internal Revenue Code (Code). However, these entities are subject to federal income tax on income earned through unrelated business activities. In addition, the Baptist nonprofit, taxable and for-profit entities are subject to federal and state income taxes. The net tax liabilities are recorded in the consolidated balance sheets in other current liabilities and other liabilities.

Use of Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include net patient service revenue, malpractice, workers' compensation, litigation matters, post-retirement benefits and medical service claims incurred but not yet reported.

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

Self-Insurance

Baptist has elected to self-insure certain costs related to employee health, medical malpractice and workers' compensation programs. Costs resulting from noninsured losses are charged to income when incurred. Baptist has purchased insurance that limits its exposure for individual claims. See Notes 9 and 10 for additional information related to medical malpractice and workers' compensation programs.

Litigation

During the normal course of business, Baptist may be subject to allegations that result in litigation. Some of these allegations are in areas not covered by Baptist's self-insurance program or by commercial insurance. Based on the advice and assistance from professional and legal counsel, Baptist assesses the probable outcome of unresolved litigation and records an estimate of the ultimate expected loss. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Patient Service Revenue

Patient service revenues are derived from services provided to patients who are directly responsible for payment or are covered by various insurance programs including the Medicare and Medicaid programs. Baptist has agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Baptist under these agreements includes prospectively determined rates per discharge and/or per day, discounts from established charges, fee schedules and other methods.

Baptist recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. These payment arrangements include:

Medicare Substantially all inpatient and outpatient services are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic, acuity and other factors. Certain defined medical education costs are paid based on a cost reimbursement methodology. Baptist is also reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by Baptist and audits thereof by the Medicare administrative contractor.

Medicaid Prior to November 1, 2011, approximately 170,000 Medicaid members residing in Jefferson County (Louisville) and 15 nearby counties were covered by Passport Health. On November 1, 2011, Kentucky implemented Medicaid managed care for an additional 560,000 members residing in the geographic areas outside of the region served by Passport Health. With this expansion, approximately 90% of the Medicaid members are enrolled through a Managed Care Organization (MCO) while only about 10% of the members remained covered by "traditional" Medicaid.

Inpatient services are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for other services.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Baptist Healthcare System, Inc. and Affiliates

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

Patient liability Baptist recognizes patient deductible and co-payment revenue for patients who have third-party insurance. A provision for uncollectible accounts is recorded in the period of service on the basis of its past experience, which indicates that some patients are unwilling to pay the portion of their bill for which they are financially responsible. Baptist offers financial assistance programs to patients who are unable to pay the portion of their bill for which they are financially responsible and records a provision for charity in the period of service on the basis of its past experience.

Baptist recognizes patient service revenue associated with services provided to patients who do not have third-party payer coverage as follows:

Uninsured patients Baptist provides a significant discount from standard charges to all uninsured patients who receive medically necessary care. An uninsured discount provision is recorded in the period of service. The amount for which the patient is responsible is recognized as patient service revenue. Baptist offers financial assistance programs to patients who are unable to pay the portion of their bill for which they are financially responsible and records a provision for charity in the period of service on the basis of its past experience. A provision for uncollectible accounts is recorded in the period of service on the basis of past experience for patients who are unwilling to pay the portion of their bill for which they are financially responsible.

The following table indicates patient service revenue by payer, net of contractual allowances, uninsured discounts and charity (but before the provision from uncollectible accounts) for the years ended August 31:

	2014	2013
	<i>(In Thousands)</i>	
Patient service revenue		
Medicare	\$ 741,279	\$ 653,070
Medicaid	186,108	112,605
Other third-party payers	<u>890,133</u>	<u>813,550</u>
Total third-party payers	1,817,520	1,579,225
Patient liability (a)	<u>60,985</u>	<u>134,873</u>
Patient service revenue	<u>\$ 1,878,505</u>	<u>\$ 1,714,098</u>

- (a) Patient liability represents revenue due from both insured patients for co-payments, patient deductibles and other services for which the patient's insurance has deemed the responsibility of the patient and from uninsured patients after the uninsured discount and applicable financial assistance. Patient liability is reported in this table prior to the provision for uncollectible accounts.

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The provision for uninsured discounts, charity care and uncollectible accounts were as follows

Provision for	Years Ended August 31		Change
	2014	2013	
	(In Thousands)		
Uninsured discounts	\$ 78,752	\$ 60,805	\$ 17,947
Charity	78,425	124,602	(46,177)
Uncollectible accounts	65,457	75,569	(10,112)
Total	\$ 222,634	\$ 260,976	\$ (38,342)

Note 3: Electronic Health Records Incentive Program

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

Baptist recognizes EHRIP revenue under the grant method and the contingency method, depending on the specific circumstances at each entity regarding the likelihood of meeting the requirements necessary to demonstrate meaningful use. Under the grant method, Baptist recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. Under the contingency method, Baptist recognizes revenue when the hospital has received confirmation of meeting the meaningful use requirements.

Baptist met the requirements for both Medicare and Medicaid EHRIP payments and recorded revenue in 2014 and 2013 of approximately \$14.3 million. EHRIP revenue is included in other revenue within other operating revenues in the consolidated statements of operations.

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Note 4: Concentration of Credit Risk

Accounts Receivable

The portion of accounts receivable due from patients (patient liability portion) is reduced by various allowances

For receivables associated with uninsured patients who are receiving medically necessary care, Baptist provides a significant discount from standard charges and records a provision and allowance for uninsured discounts

For receivables associated with patients who qualify for a government or Baptist sponsored financial assistance charity program, which includes both the portion of accounts due from uninsured patients after the Baptist uninsured discount and the portion due from insured patients which the patients third-party insurance did not cover (deductible and co-payment balances), Baptist records a provision and allowance for charity care

For receivables associated with patients who do not qualify for a government or Baptist sponsored financial assistance charity program, Baptist records a provision and allowance for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unwilling to pay the portion of their bill for which they are financially responsible. The difference between the total amount due from the patient and the amount actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts

Baptist's total allowances for uninsured discounts, charity and uncollectible accounts was 69% and 75% of the total patient liability portion of accounts receivable at August 31, 2014 and 2013, respectively

The percentages of receivables from patients and third-party payers at August 31 were as follows

Net patient accounts receivable	2014	2013
Medicare	23.7%	32.7%
Medicaid	10.9	8.1
Other third-party payers	48.2	41.6
Total third-party payers	82.8	82.4
Patient liability (a)	17.2	17.6
Patient accounts receivable, net of allowance for uncollectible accounts	100.0%	100.0%

- (a) Patient liability represents the portion due from both insured patients for co-payments, patient deductibles and other services for which the patient's insurance has deemed the responsibility of the patient and from uninsured patients after the uninsured discount and applicable financial assistance

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Bank Balances

Baptist considers all liquid investments with original maturities of three months or less to be cash equivalents. At August 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts with brokers, certificates of deposit and repurchase agreements.

At August 31, 2014, Baptist's interest-bearing cash, cash equivalents and certificates of deposit accounts exceeded federally insured limits by approximately \$129,620,000. Baptist also has repurchase agreements of approximately \$51,727,000 that are not covered under Federal Deposit Insurance Corporation (FDIC) insurance included in cash and cash equivalents.

Note 5: Investments, Assets Limited as to Use and Investment Return

Investments

	2014	2013
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 8,525	\$ 16,838
Mutual funds	45,188	37,434
U S Treasury and agency obligations	4,537	18,059
U S and foreign common and preferred stocks	1,828	1,499
U S and foreign corporate bonds	93,677	74,265
Investments	<u>\$ 153,755</u>	<u>\$ 148,095</u>

Assets Limited as to Use

	2014	2013
	<i>(In Thousands)</i>	
Designated by board for capital improvements		
Cash and cash equivalents	\$ 3,930	\$ 9,138
Mutual funds	320,642	293,018
U S Treasury and agency obligations	109,222	144,800
U S common and preferred stocks	177,078	166,721
Foreign common and preferred stocks	11,187	10,913
U S corporate bonds	206,382	160,734
Foreign corporate bonds	82,247	29,311
Total designated by board for capital improvements	<u>910,688</u>	<u>814,635</u>
Designated by board for endowment – (a)	<u>2,500</u>	<u>2,210</u>

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	2014	2013
	<i>(In Thousands)</i>	
Held by trustee		
Under bond indenture agreements – certificate of deposit and other cash equivalents	\$ 6.207	\$ 46.177
Under medical malpractice self-insurance funding arrangement – mutual funds	68.489	61.287
Under workers' compensation self-insurance funding arrangement – (b)	15.410	14.173
In perpetual trust	<u>20.709</u>	<u>17.608</u>
Total held by trustee	<u>110.815</u>	<u>139.245</u>
Total assets limited as to use	<u>\$ 1,024.003</u>	<u>\$ 956.090</u>

- (a) Assets designated by board for endowment are invested in securities in the same proportion as assets designated by board for capital improvements
- (b) Assets under workers' compensation self-insurance funding arrangement are invested in securities in the same proportion as assets designated by board for capital improvements

Investment Return

Total investment return for assets whose use is limited and investments are reflected in the consolidated statements of operations and are comprised of the following for the years ended August 31

	2014	2013
	<i>(In Thousands)</i>	
Excess of revenues, gains and other support over expenses		
Interest and dividend income	\$ 26.623	\$ 16.115
Realized gains (losses) on sale of securities	34.981	23.402
Change in net unrealized gains	<u>50.185</u>	<u>38.465</u>
Total investment income	<u>\$ 111.789</u>	<u>\$ 77.982</u>

Certain investments in debt and marketable equity securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at August 31, 2014 and 2013, was \$238,125,128 and \$298,658,795, which is approximately 20% and 27%, respectively, of the investment portfolio.

Baptist's investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in these risks in the near term could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations.

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Note 6: Beneficial Interest in Perpetual Trusts

Baptist is an income beneficiary of several perpetual trusts controlled by unrelated third-party trustees. The beneficial interests in the assets of these trusts are included in Baptist's consolidated financial statements as permanently restricted net assets. Income is distributed in accordance with the individual trust documents and is included in investment return. The estimated value of the expected future cash flows is \$20,709,000 and \$17,608,000, which represents the fair value of the trust assets at August 31, 2014 and 2013, respectively. Trust income distributed to Baptist for the years ended August 31, 2014 and 2013, was \$628,000 and \$695,000, respectively.

Note 7: Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2014.

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August 31, 2014

Investments

	Investments Subject to ASC Topic 820			Investments Not Subject to ASC Topic 820	Total
	Level 1	Level 2	Level 3		
	(In Thousands)				
Cash	\$ -	\$ -	\$ -	8,507	\$ 8,507
Cash equivalents	18	-	-	-	18
Mutual funds	45,188	-	-	-	45,188
U S Treasury and agency obligations	-	4,537	-	-	4,537
U S and foreign common and preferred stock	1,828	-	-	-	1,828
U S and foreign corporate bonds	-	93,677	-	-	93,677
Investments	\$ 47,034	\$ 98,214	\$ -	8,507	\$ 153,755

Assets Limited as to Use

	Investments Subject to ASC Topic 820			Investments Not Subject to ASC	
	Level 1	Level 2	Level 3	Topic 820	Total
	(In Thousands)				
Cash equivalents	\$ 38,276	\$ (13,404)	\$ -	\$ -	\$ 24,872
Mutual funds	106,210	274,338	-	-	380,548
U S Treasury and agency obligations	-	111,434	-	-	111,434
U S common and preferred stocks	180,695	-	-	-	180,695
Foreign common and preferred stock	11,392	-	-	-	11,392
U S corporate bonds	-	210,669	-	-	210,669
Foreign corporate bonds	-	83,684	-	-	83,684
In perpetual trust	-	20,709	-	-	20,709
Assets limited as to use	\$ 336,573	\$ 687,430	\$ -	\$ -	\$ 1,024,003

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Included within assets limited as to use are the following gross derivatives instruments, recorded at fair value as of August 31, 2014

Investments Subject to ASC Topic 820				
	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Derivative assets				
Futures contracts	\$ 41,206	\$ -	\$ -	\$ 41,206
Forward contracts	-	11,757	-	11,757
Other	93	32	-	125
Total derivative assets	<u>\$ 41,299</u>	<u>\$ 11,789</u>	<u>\$ -</u>	<u>\$ 53,088</u>
Derivative liabilities				
Futures contracts	\$ 42,423	\$ -	\$ -	\$ 42,423
Forward contracts	-	11,793	-	11,793
Other	115	37	-	152
Total derivative liabilities	<u>\$ 42,538</u>	<u>\$ 11,830</u>	<u>\$ -</u>	<u>\$ 54,368</u>

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2013

Investments

Investments Subject to ASC Topic 820				Investments Not Subject to ASC Topic 820	Total
Level 1	Level 2	Level 3			
<i>(In Thousands)</i>					
Cash	\$ -	\$ -	\$ -	\$ 16,475	\$ 16,475
Cash equivalents	363	-	-	-	363
Mutual funds	37,434	-	-	-	37,434
U S Treasury and agency obligations	-	18,059	-	-	18,059
U S and foreign common and preferred stock	1,499	-	-	-	1,499
U S and foreign corporate bonds	-	74,265	-	-	74,265
Investments	<u>\$ 39,296</u>	<u>\$ 92,324</u>	<u>\$ -</u>	<u>\$ 16,475</u>	<u>\$ 148,095</u>

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Assets Limited as to Use

	Investments Subject to ASC Topic 820			Investments Not Subject to ASC Topic 820	
	Level 1	Level 2	Level 3	Topic 820	Total
	<i>(In Thousands)</i>				
Cash	\$ -	\$ -	\$ -	\$ 42,001	\$ 42,001
Cash equivalents	31,134	-	-	-	31,134
Mutual funds	70,299	228,372	-	-	298,671
U S Treasury and agency obligations	-	148,817	-	-	148,817
U S common and preferred stocks	186,294	-	-	-	186,294
Foreign common and preferred stock	11,124	-	-	-	11,124
U S corporate bonds	-	190,616	-	-	190,616
Foreign corporate bonds	-	29,825	-	-	29,825
In perpetual trust	-	17,608	-	-	17,608
Assets limited as to use	<u>\$ 298,851</u>	<u>\$ 615,238</u>	<u>\$ -</u>	<u>\$ 42,001</u>	<u>\$ 956,090</u>

Included within assets limited as to use are the following gross derivatives instruments, recorded at fair value as of August 31, 2013

	Investments Subject to ASC Topic 820			
	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Derivative assets				
Futures contracts	\$ 39,501	\$ -	\$ -	\$ 39,501
Forward contracts	-	2,225	-	2,225
Other	791	15	-	806
Total derivative assets	<u>\$ 40,292</u>	<u>\$ 2,240</u>	<u>\$ -</u>	<u>\$ 42,532</u>
	Investments Subject to ASC Topic 820			
	Level 1	Level 2	Level 3	Fair Value
	<i>(In Thousands)</i>			
Derivative liabilities				
Futures contracts	\$ 21,255	\$ -	\$ -	\$ 21,255
Forward contracts	-	2,259	-	2,259
Other	682	548	-	1,230
Total derivative liabilities	<u>\$ 21,937</u>	<u>\$ 2,807</u>	<u>\$ -</u>	<u>\$ 24,744</u>

Baptist Healthcare System, Inc. and Affiliates
Notes to Consolidated Financial Statements
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Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2014.

Cash, Cash Equivalents, Investments and Assets Limited as to Use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, common stocks, preferred stocks and mutual funds.

Where quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Treasury obligations, municipal bonds, corporate bonds, corporate short-term obligations and mutual funds.

For these Level 2 securities, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference to data market research publications. For the index mutual fund, included in Level 2, that has sufficient activity or liquidity within the fund, fair value is determined using the net asset value (or its equivalent) provided by the fund.

For beneficial interest in perpetual trust, fair value is estimated at the present values of future distributions expected to be recovered over the term of the agreement. Due to the nature of the valuation inputs the interest is classified within Level 2 of the hierarchy.

Level 2 cash equivalents include liabilities related to economic hedges of foreign currency.

Where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the valuation hierarchy. Baptist does not hold Level 3 securities.

Baptist Healthcare System, Inc. and Affiliates
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Fair Value of Financial Instruments

The following table presents estimated fair values of Baptist's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2014

Fair Value Measurements Using				
Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(In Thousands)</i>				
Financial assets				
Cash and cash equivalents	\$ 143,852	\$ 143,852	\$ -	\$ -
Investments				
Cash and cash equivalents	53,713	53,713	-	-
U S Treasury and agency obligations	4,537	-	4,537	-
U S and foreign common and preferred stocks	1,828	1,828	-	-
U S and foreign corporate bonds	93,677	-	93,677	-
Total investments	\$ 153,755	\$ 55,541	\$ 98,214	\$ -
Fair Value Measurements Using				
Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(In Thousands)</i>				
Assets limited as to use				
Cash and cash equivalents	\$ 405,419	\$ 405,419	\$ -	\$ -
U S Treasury and agency obligations	111,434	-	111,434	-
U S common and preferred stocks	180,696	180,696	-	-
Foreign common and preferred stocks	11,392	11,392	-	-
U S corporate bonds	210,669	-	210,669	-
Foreign corporate bonds	83,684	-	83,684	-
Perpetual trust	20,709	-	20,709	-
Total assets limited as to use	\$ 1,024,003	\$ 597,507	\$ 426,496	\$ -
Financial liabilities				
Revenue bonds, Series 2009A	\$ 169,965	\$ -	\$ 189,432	\$ -
Revenue bonds, Series 2009B	\$ 284,435	\$ -	\$ 284,435	\$ -
Revenue bonds, Series 2010	\$ 21,148	\$ -	\$ 21,148	\$ -
Revenue bonds, Series 2011	\$ 140,000	\$ -	\$ 151,829	\$ -

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

The following table presents estimated fair values of Baptist's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2013

	Fair Value Measurements Using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(In Thousands)</i>			
Financial assets				
Cash and cash equivalents	\$ 110,012	\$ 110,012	\$ -	\$ -
Investments				
Cash and cash equivalents	\$ 16,838	\$ 16,838	\$ -	\$ -
Mutual funds	37,434	37,434	-	-
U S Treasury and agency obligations	18,059	-	18,059	-
U S and foreign common and preferred stocks	1,499	1,499	-	-
U S and foreign corporate bonds	74,265	-	74,265	-
Total investments	\$ 148,095	\$ 55,771	\$ 92,324	\$ -

	Fair Value Measurements Using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(In Thousands)</i>			
Assets limited as to use				
Cash and cash equivalents	\$ 73,135	\$ 73,135	\$ -	\$ -
Mutual funds	298,671	70,299	228,372	-
U S Treasury and agency obligations	148,817	-	148,817	-
U S common and preferred stocks	186,294	186,294	-	-
Foreign common and preferred stocks	11,124	11,124	-	-
U S corporate bonds	190,616	-	190,616	-
Foreign corporate bonds	29,825	-	29,825	-
Perpetual Trust	17,608	-	17,608	-
Total assets limited as to use	\$ 956,090	\$ 340,852	\$ 615,238	\$ -
Financial liabilities				
Revenue bonds, Series 2009A	\$ 180,060	\$ -	\$ 195,471	\$ -
Revenue bonds, Series 2009B	\$ 284,435	\$ -	\$ 284,435	\$ -
Revenue bonds, Series 2010	\$ 23,041	\$ -	\$ 23,041	\$ -
Revenue bonds, Series 2011	\$ 140,000	\$ -	\$ 133,376	\$ -

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Cash and Cash Equivalents

The carrying amount approximates fair value

Long-Term Debt

Fair value is estimated based on the borrowing rates currently available to Baptist for bank loans with similar terms and maturities

Note 8: Property and Equipment, Net

	2014	2013
	<i>(In Thousands)</i>	
Land	\$ 99,157	\$ 98,279
Land and leasehold improvements	39,282	39,203
Buildings	735,274	722,922
Building services equipment	227,495	222,169
Fixed equipment	133,329	131,578
Major moveable equipment	1,022,941	976,272
Construction in progress	136,019	103,755
Total	2,393,497	2,294,178
Less accumulated depreciation	1,479,020	1,395,288
Property and equipment, net	\$ 914,477	\$ 898,890

Included in the consolidated balance sheets in accounts payable are purchases of property and equipment of \$8,748,000 and \$2,725,000 at August 31, 2014 and 2013, respectively

As of August 31, 2014, Baptist has entered into contractual agreements for the purchase of equipment and the construction of hospital facilities for approximately \$104,908,000

In June 2014, the Baptist board of directors approved to convert its Electronic Health Record (EHR) solution to Epic. Epic's integrated software spans clinical services, patient access and revenue functions and extends into the home. Epic fully endorses and has formally adopted the EHR Association's Developer Code of Conduct that encourages cooperative and transparent business practices among industry stakeholders. Epic has had a long history of embracing the EHR Association's Developer Code of Conduct's key values and practices including responsible development, patient safety, interoperability and data portability, clinical and billing accuracy, privacy and security and patient engagement.

Baptist Healthcare System, Inc. and Affiliates
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Note 9: Medical Malpractice Claims

Baptist is self-insured with respect to medical malpractice risks and has established an irrevocable trust fund for the payment of medical malpractice claim settlements. Professional insurance consultants have been retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund.

Baptist is self-insured for the first \$6,000,000 per occurrence and not to exceed \$24,000,000 in the aggregate for all Baptist hospitals. Baptist participates in the American Excess Insurance Exchange (AEIX), Risk Retention Group, a Vermont-chartered "captive" insurance company organized as a reciprocal for coverage above the self-insurance limits. Baptist currently has a 8.22% ownership in AEIX, the value of which is reported using the equity method of accounting.

As of June 1, 2014, Baptist Health Madisonville and Baptist Health Richmond were merged into the trust. Prior to June 1, 2014, Baptist Health Madisonville was self-insured for the first \$1,500,000 per occurrence through January 1, 2008, and \$2,000,000 per occurrence thereafter and not to exceed \$14,000,000 in aggregate. Baptist Health Madisonville purchased commercial insurance coverage on a claims-made basis over the self-insurance limits and had established an irrevocable trust fund for the payment of medical malpractice claim settlements. Losses from asserted and unasserted claims were accrued based on estimates that incorporate past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Professional insurance consultants were retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund.

Prior to June 1, 2014, Baptist Health Richmond was insured for medical malpractice claims through claims-made policies. This provided protection from liability in amounts not to exceed \$1,000,000 per claim and \$3,000,000 in the aggregate. In addition, Baptist Health Richmond had purchased a \$10,000,000 umbrella policy. Liabilities for incurred but not reported losses at August 31, 2013, if any, will not have a material effect on the Baptist Health Richmond's financial position and its malpractice and general liability insurance was adequate to cover losses, if any.

The total current liability for medical malpractice claims reported and claims incurred but not reported was approximately \$12,900,000 and \$10,690,000 at August 31, 2014 and 2013, respectively. The total long-term liability for medical malpractice claims reported and claims incurred but not reported was approximately \$75,579,000 and \$65,805,000 at August 31, 2014 and 2013, respectively. Net malpractice expense recognized was approximately \$20,398,000 and \$13,760,000 for the years ended August 31, 2014 and 2013, respectively. Earnings on investments of the malpractice self-insurance trust funds amounted to approximately \$2,113,000 and \$1,064,000 for the years ended August 31, 2014 and 2013, respectively.

Note 10: Workers' Compensation

Baptist is self-insured with respect to workers' compensation risks and has established an irrevocable trust fund for the payment of workers' compensation claim settlements. Professional insurance consultants have been retained to assist Baptist in determining liability amounts to be recognized, as well as amounts to be deposited into the trust fund.

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The total current liability for incurred and incurred but not reported workers' compensation claims and related costs of settlement was approximately \$3,878,000 and \$3,009,000 at August 31, 2014 and 2013, respectively. The total long-term liability for incurred and incurred but not reported workers' compensation claims and related costs of settlement was approximately \$15,683,000 and \$12,989,000 at August 31, 2014 and 2013, respectively, and is included in long-term liabilities in the consolidated financial statements. Net workers' compensation expense recognized was approximately \$7,532,000 and \$5,611,000 for the years ended August 31, 2014 and 2013, respectively.

Note 11: Long-Term Debt

The bonds are collateralized by a pledge of revenues. The agreements also contain several covenants, including limitations on additional indebtedness and required levels of unrestricted cash

	2014	2013
	<i>(In Thousands)</i>	
Revenue Bonds, Series 2009A (A)	\$ 169,965	\$ 180,060
Revenue Bonds, Series 2009B (B)	284,435	284,435
Revenue Bonds, Series 2010 (C)	21,148	23,041
Revenue Bonds, Series 2011 (D)	140,000	140,000
Total debt	615,548	627,536
Less current installments of long-term debt	12,551	11,988
Less unamortized discount	4,417	4,349
Total long-term debt	\$ 598,580	\$ 611,199

(A) The Series 2009A Revenue Bonds were issued on February 19, 2009, to redeem the Series 1999A Bonds and to deposit \$99,287,000 into the project fund used to reimburse Baptist for the costs of acquiring and constructing hospital facilities and equipment. Interest on the bonds is fixed and is payable semi-annually on each February 15 and August 15, commencing August 15, 2009. Interest rates range from 3.000% to 5.625%. Principal payments began August 2011 with a maturity date of August 2027.

(B) The Series 2009B Variable Rate Demand Hospital Revenue Bonds were issued on February 19, 2009. Principal payments begin August 2027 through August 2038. The 2009B Bonds are secured by direct letters of credit issued by Branch Banking and Trust Company for \$154,906,515 and JP Morgan Chase Bank, N.A. for \$133,619,675, which expire February 19, 2016, and December 31, 2015, respectively. If the 2009B Bonds fail to remarket and Baptist draws on the letters of credit, JP Morgan Chase Bank, N.A. requires Baptist to

Baptist Healthcare System, Inc. and Affiliates
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repay principal and interest over 12 equal quarterly installments commencing 367 days after the liquidity drawing and Branch Banking and Trust Company requires monthly interest payments and after 367 days, principal and interest in 24 equal monthly installments. Interest for the 2009B-1 and the 2009B-2 Bonds (\$131,725,000), which are re-priced daily, was 0.03% at August 31, 2014. Interest for the 2009B-3 and 2009B-4 Bonds (\$152,710,000) which are re-priced weekly was 0.03% and 0.04% at August 31, 2014.

- (C) The Series 2010 Variable Rate Demand Hospital Revenue Bonds were issued by Baptist Health Madisonville on December 15, 2010, in the amount of \$25,780,000 to extinguish the remaining Series 2006 Bonds, finance the construction, rehabilitation and equipping of certain facilities and pay costs related to the issuance of the Series 2010 Bonds. The Series 2010 Bonds are variable rate demand bonds which were issued as bank qualified tax-exempt obligations. Interest on the bonds is at a fixed rate of 2.49% and is payable quarterly through December 15, 2015, at which time the fixed rate is reset in accordance with the provisions of the trust indenture and is subject to a mandatory tender if elected. The Series 2010 Bonds are subject to retirement in varying annual principal payments of \$480,750 to \$633,250 from September 2014 through 2023. The Series 2010 Bonds are secured by gross receipts and certain property and equipment.
- (D) The Series 2011 Fixed Rate Hospital Revenue Bonds were issued on December 15, 2011, in the amount of \$140,000,000 to pay or reimburse Baptist for the costs of certain hospital projects, including a portion of the costs of constructing and equipping a new seven-story, approximately 400,000 square foot medical structure connected to the existing hospital building at Central Baptist Hospital. Principal payments for the 2042 term bond in the amount of \$63,060,000 will begin August 15, 2039, with a maturity date of August 15, 2042. The 2042 term bonds will bear an interest rate of 5.00%. Principal payments for 2046 term bond in the amount of \$76,940,000 will begin August 15, 2043, with a maturity date of August 15, 2046. The 2046 bonds will bear an interest rate of 5.25%. Interest on the bonds is fixed and is payable semi-annually on each February 15 and August 15.

The aggregate amount at August 31, 2014, of required funding for principal payments of long-term debt is as follows:

	Series 2009A	Series 2009B	Series 2010	Series 2011	Total
2015	\$ 10,600	\$ -	\$ 1,951	\$ -	12,551
2016	11,115	-	2,008	-	13,123
2017	11,680	-	2,073	-	13,753
2018	12,250	-	2,138	-	14,388
2019	12,815	-	2,203	-	15,018
Thereafter	<u>111,505</u>	<u>284,435</u>	<u>10,775</u>	<u>140,000</u>	<u>546,715</u>
Total	<u>\$ 169,965</u>	<u>\$ 284,435</u>	<u>\$ 21,148</u>	<u>\$ 140,000</u>	<u>\$ 615,548</u>

Baptist Healthcare System, Inc. and Affiliates
Notes to Consolidated Financial Statements
August 31, 2014 and 2013

Note 12: Operating Leases

Baptist has certain equipment that is leased under noncancelable operating leases with terms greater than one year. Rental expense under operating leases was \$15,803,000 and \$15,494,000 for the years ended August 31, 2014 and 2013, respectively.

As of August 31, 2014, future minimum rental payments are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u> <i>(In Thousands)</i>
2015	\$ 10,787
2016	8,217
2017	5,694
2018	3,382
2019	2,447
Thereafter	<u>1,426</u>
Total	<u>\$ 31,953</u>

Note 13: Employee Benefit Plans

Baptist employees who meet eligibility requirements are covered by a Retirement Accumulation Plan (RAP), which includes a defined contribution plan funded entirely by Baptist and a 401(k) plan to which the employees of BFH are the only participants permitted to make 401(k) deferrals. The finance committee of the board of directors of Baptist controls and manages the operation of the RAP. Participants are immediately fully vested in participant contributions and related earnings and are fully vested in Baptist contributions after five years of service, or after reaching age 65, whichever occurs first. Contributions by Baptist to the RAP were approximately \$13,269,000 and \$19,087,000 for the years ended August 31, 2014 and 2013, respectively.

Baptist offers a Thrift 403(b) Plan to which employees may defer up to 10% of their earnings on a pre-tax basis. Prior to June 1, 2014, Baptist matched \$ 50 on each dollar for the first 4% of the employees' contributions and \$ 25 on each dollar for contributions of 5 – 6% of the employees' contributions. Beginning on June 1, 2014, Baptist matches \$ 50 on each dollar for the first 6% of the employees' contributions. Employees are immediately vested in their contributions and related earnings. Employee vesting in employer contributions is graduated with full vesting after five years.

On June 1, 2014, the defined contribution plan assets from Baptist Health Madisonville and Baptist Health Richmond were merged into the Baptist Thrift 403(b) Plan.

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

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Prior to June 1, 2014, Baptist Health Madisonville provided a defined contribution pension plan covering substantially all employees. Under terms of the plan, Baptist Health Madisonville contributed 4.6 percent of eligible compensation up to \$150,000 for eligible employees with two years of service. Prior to June 1, 2014, Baptist Health Richmond employees hired January 1, 2005, or later were eligible to participate in a defined contribution pension plan. Baptist Health Richmond matched a portion of the employees' basic voluntary contributions, as determined by the provisions of the plan.

Baptist provides an Executive Severance and Deferred Compensation Plan, a nonqualified plan designed to provide severance benefits for select management or highly compensated employees of Baptist and to provide deferred compensation for those adversely affected by the required compensation limits of qualified retirement plans or Section 403(b) plans. The total accrued liability was \$802,000 and \$200,000 at August 31, 2014 and 2013, respectively.

Note 14: Defined Benefit Pension Plan

Baptist Health Richmond has a noncontributory defined benefit pension plan covering substantially all of its employees employed prior to 2005. Baptist Health Richmond's funding policy is to make the minimum annual contribution that is required by applicable regulations. Effective December 31, 2004, the defined benefit pension plan was frozen and does not allow any new participants. Effective December 31, 2007, Baptist Health Richmond resolved to freeze the accrued benefits of the defined benefit plan as part of its plan to restructure employee benefits of its employees. Baptist expects to contribute approximately \$688,000 to the plan in 2015.

Baptist Health Richmond uses an August 31 measurement date for the plans. Information about the plan's funded status follows:

Change in Accumulated Benefit Obligation

	2014	2013
	<i>(In Thousands)</i>	
Accumulated benefit obligation – beginning of year	\$ 17,553	\$ 20,704
Interest cost	873	758
Benefits paid	(684)	(621)
Actuarial (gain) loss	<u>2,312</u>	<u>(3,288)</u>
Accumulated benefit obligation – end of year	<u>\$ 20,054</u>	<u>\$ 17,553</u>

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

Changes in Plan Assets

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Fair value – beginning of year	\$ 12,738	\$ 12,055
Actual return on plan assets	1,179	1,149
Employer contributions	275	155
Benefits paid	<u>(684)</u>	<u>(621)</u>
Fair value – end of year	<u>\$ 13,508</u>	<u>\$ 12,738</u>

Pension Plan Obligations and Funded Status

	<u>2014</u>	<u>2013</u>
Benefit obligation	\$ (20,054)	\$ (17,553)
Fair value of plan assets	<u>13,508</u>	<u>12,738</u>
Funded status	<u>\$ (6,546)</u>	<u>\$ (4,815)</u>

Assets and Liabilities Recognized in the Consolidated Balance Sheets

	<u>2014</u>	<u>2013</u>
Noncurrent liabilities	<u>\$ 6,546</u>	<u>\$ 4,815</u>

Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost Consist of

	<u>2014</u>	<u>2013</u>
Net gain	\$ 1,608	\$ 3,701
Prior service cost (credit)	<u>-</u>	<u>-</u>
	<u>\$ 1,608</u>	<u>\$ 3,701</u>

The accumulated benefit obligation for the defined benefit pension plan was \$20,054,317 and \$17,553,459 at August 31, 2014 and 2013, respectively

There are no estimated net gain, prior service cost and transition obligation for the defined benefit pension plan to be amortized to net periodic benefit cost over the next fiscal year

Baptist Healthcare System, Inc. and Affiliates
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Significant assumptions include

	<u>2014</u>	<u>2013</u>
Weighted-average assumptions		
Discount rate	4.15%	5.09%
Rate of compensation increase	-	-
Assumptions to determine net cost		
Discount rate	5.09%	3.73%
Expected return on plan assets	5.75%	6.25%
Rate of compensation increase	-	-

Pension Plan Assets

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

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include an immediate participation guarantee contract. The plan does not hold Level 3 assets.

The fair values of Baptist Health Richmond's pension plan assets at August 31, 2014, by asset class are as follows:

Asset Class	Total Fair Value	August 31, 2014		
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Immediate participation guarantee contract	\$ 9,381	\$ -	\$ 9,381	-
Mutual funds (A)	4,127	4,127	-	-
Total	\$ 13,508	\$ 4,127	\$ 9,381	-

(A) 74% invested in common stock and 26% invested in fixed income.

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Notes to Consolidated Financial Statements

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The fair values of Baptist Health Richmond's pension plan assets at August 31, 2013, by asset class are as follows

Asset Class	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Immediate participation guarantee contract	\$ 8.352	\$ -	\$ 8.352	\$ -
Mutual funds (A)	4.386	4.386	-	-
Total	\$ 12.738	\$ 4.386	\$ 8.352	\$ -

(A) 92% invested in common stock and 8% invested fixed income

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of August 31

	Amount
2015	\$ 809,077
2016	\$ 861,449
2017	\$ 895,447
2018	\$ 939,837
2019	\$ 982,717
2020-2024	\$ 5,684,216

Note 15: Post-Retirement Benefit Plan

Baptist has a post-retirement benefit plan covering all employees who meet the eligibility requirements. The plan provides for a continuation of medical benefits at the division from which the employee retires until the retiree reaches the age of 65 and for death benefits that vary with retirement date and position.

The post-retirement medical benefits plan is contributory, with retiree contributions adjusted annually. Funding by Baptist is on a cash basis as benefits are paid. Baptist contributed approximately \$1,336,000 and \$1,186,000 for the years ended August 31, 2014 and 2013, respectively. Baptist expects to contribute approximately \$1,443,000 to the plan in 2015.

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Baptist amended the post-retirement benefit plan that became effective beginning on January 1, 2014. The amendment increased employee responsibility for plan funding and restricted retiree medical benefits to existing participants and to employees who will become eligible to participate before January 1, 2019. As a result of the amendment, Baptist recognized a reduction in the accumulated benefit obligation of \$9,989,000 as of August 31, 2013.

Baptist uses an August 31 measurement date for the plan. Information about the plan's funded status follows:

Change in Accumulated Benefit Obligation

	2014	2013
	<i>(In Thousands)</i>	
Accumulated benefit obligation – beginning of year	\$ 21,110	\$ 29,931
Changes recognized in operating income		
Service cost	474	1,367
Interest cost	1,027	1,267
Amortization of transitional obligation	-	113
Amortization of prior service (credit) cost	(3,082)	139
Amortization of loss	661	1,076
Net periodic benefit cost	(920)	3,962
Employer contributions	(1,336)	(1,186)
Net plan expense	(2,256)	2,776
Changes recognized in unrestricted net assets		
Amortization of transitional obligation	-	(113)
Amortization of prior service credit (cost)	3,082	(139)
Amortization of loss	(661)	(1,076)
Plan amendment	-	(9,989)
Net loss (gain) arising during the period	2,545	(280)
Change in unrestricted net assets	4,966	(11,597)
Accumulated benefit obligation – end of year	\$ 23,820	\$ 21,110

Fair Value of Plan Assets and Funded Status

	2014	2013
	<i>(In Thousands)</i>	
Fair value – beginning of year	\$ -	\$ -
Employer contributions	(1,336)	(1,186)
Benefits paid, net	1,336	1,186
Fair value – end of year	\$ -	\$ -
Funded status at year-end	\$ (23,820)	\$ (21,110)

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Liabilities Recognized in the Consolidated Balance Sheets

	2014	2013
	<i>(In Thousands)</i>	
Accrued expenses – current	\$ 1,443	\$ 1,192
Other liabilities – noncurrent	<u>22,377</u>	<u>19,918</u>
Total liabilities	<u>\$ 23,820</u>	<u>\$ 21,110</u>

Amounts Recognized in Unrestricted Net Assets

	2014	2013
	<i>(In Thousands)</i>	
Prior service credit (cost)	\$ 6,163	\$ 9,245
Accumulated loss	<u>(11,378)</u>	<u>(9,494)</u>
Total	<u>\$ (5,215)</u>	<u>\$ (249)</u>

There is no estimated transition obligation to be amortized over the next fiscal year. The estimated prior service credit and accumulated loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are approximately \$3,082,000 and (\$808,000), respectively.

Significant Assumptions Include

	2014	2013
Weighted-average discount rate to determine benefit obligation	4.16%	5.03%
Weighted-average assumptions used to determine benefit costs	5.03%	3.62%

For measurement purposes, a 7.1% and 7.2% annual rate of increase in the per capita cost of covered health care benefits was assumed for each of the years ended August 31, 2014 and 2013, respectively. The rate was assumed to decrease gradually to 4.5% by the year 2028 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement plan costs and benefit obligation. A one-percentage-point increase in assumed health care cost trend rates would have the following effects:

	2014	2013
	<i>(In Thousands)</i>	
Effect on total of service cost and interest cost	\$ 28	\$ 228
Effect on post-retirement benefit obligation	\$ 514	\$ 541

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August 31, 2014 and 2013

As of August 31, 2013, the following future benefit payments are expected to be paid

Years Ending August 31,	Amount
	<i>(In Thousands)</i>
2015	\$ 1,443
2016	1,472
2017	1,467
2018	1,523
2019	1,506
2020-2024	<u>6,964</u>
Total	<u>\$ 14,375</u>

Note 16: Temporarily and Permanently Restricted Net Assets

	2014	2013
	<i>(In Thousands)</i>	
Temporarily restricted		
Health care services		
Capital purchases	\$ 4,548	\$ 7,396
Indigent care	619	658
Health research and education	2,468	2,130
Other	<u>1,568</u>	<u>1,551</u>
Total	<u>\$ 9,203</u>	<u>\$ 11,735</u>

In 2006, Baptist Health Richmond received capital assets in the amount of \$6,398,049 from the Chemical Stockpile Emergency Preparedness Program (CSEPP). As a part of the acquisition of Baptist Health Richmond on September 1, 2012, the fair value of those assets was \$2,239,436. CSEPP is conducting a chemical stockpile disposal project at the nearby Blue Grass Army Depot. The chemical stockpile disposal project is expected to last approximately 15 years. In the event of any chemical leak or airborne contamination, Baptist Health Richmond will be used as a first response center. At the end of the disposal project, Baptist Health Richmond has the option to retain any or all of the capital assets contributed as part of the project or have CSEPP remove them from the facility. Currently, Baptist Health Richmond intends to retain all of the capital assets until after the completion of the disposal project, the assets are temporarily restricted due to the passage of time. These assets are being depreciated over their estimated useful lives and each year's depreciation expense on these assets will be recorded as released from restrictions in the consolidated statement of operations. Depreciation expense on restricted capital assets was approximately \$275,000 for the years ended August 31, 2014 and 2013.

Permanently restricted net assets represent Baptist's interest in perpetual trusts.

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

Note 17: Premier, Inc. Initial Public Offering

Premier, Inc. (Premier) is a health care performance improvement alliance, comprised of approximately 3,400 U.S. hospitals and 110,000 other health care providers. Historically, Premier was a privately held company and Baptist owned common shares of stock. In addition to the shares of Premier, Baptist participates in the Premier Healthcare Alliance, L.P. (PHALP) which includes a group purchasing organization (GPO) and contracts with suppliers at rates Baptist would not otherwise be able to obtain. Baptist's ownership of PHALP represented just over 1% based upon the volume of purchases made through GPO contracts.

In October 2013, Premier restructured from a privately held company to a public company in an initial public offering (IPO) and trades on the NASDAQ stock exchange under the symbol "PINC". As a result of Baptist's ownership of the common stock of Premier and Baptist's capital share of PHALP, Baptist received \$6.2 million in IPO proceeds (resulting in a gain of \$5.8 million as a reduction in supply expenses which is included in the health care services expense line in the consolidated statement of operations). In addition, Baptist holds 1,199,448 Class B units accounted for at cost in PHALP as well as associated Class B shares in PINC, of which become eligible to exchange into PINC Class A shares ratably over a seven-year period contingent upon Baptist's continued participation in the GPO. During the fiscal year ended August 31, 2014, Baptist recognized an additional \$4.8 million as a reduction in supply expenses which represents the estimated value of the Class B shares as they become eligible to exchange for Class A shares ratably over the seven-year period.

Note 18: Acquisitions

Acquisition of Pattie A. Clay

On September 1, 2012, Baptist acquired the net assets of Pattie A. Clay Infirmary Association and Pattie A. Clay Foundation (collectively, Pattie A. Clay and renamed to Baptist Health Richmond) a not-for-profit hospital that provides a continuum of health care services such as orthopedics, pediatrics, obstetrics, gynecology, cardiology and internal medicine, sports medicine and a full array of outpatient, diagnostic and emergency services. As a result of the acquisition, Baptist will expand its primary service area to include Estill, Madison and Jackson counties which are adjacent to counties that Baptist Health Lexington currently serves.

The acquisition was accomplished by Baptist becoming the sole member of Baptist Health Richmond, and no consideration was or will be transferred for the acquisition. However, in connection with the acquisition, Baptist agreed to fund at least \$50,000,000 of capital improvements benefiting Baptist Health Richmond within five years from the date of the acquisition and provide \$3,000,000 of funds to the foundation at Baptist Health Richmond. In addition, immediately prior to the acquisition, all outstanding debt in the amount of \$14,757,110 was redeemed by Baptist on behalf of Pattie A. Clay Infirmary Association, and a note payable between Baptist and Pattie A. Clay Infirmary Association was established.

Baptist Healthcare System, Inc. and Affiliates
Notes to Consolidated Financial Statements
August 31, 2014 and 2013

Baptist incurred approximately \$371,000 of third-party acquisition-related costs in connection with this acquisition. These costs are included in general and administrative costs in the consolidated statement of operations.

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

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed

Assets	
Current assets	\$ 17,473,732
Assets limited as to use	15,341,836
Property, plant and equipment	22,673,021
Identifiable intangible assets	1,000,000
Liabilities	
Current liabilities	(6,980,258)
Long term debt to Baptist	(14,757,110)
Other liabilities (primarily pension and capital lease obligations)	(12,058,102)
Total identifiable net assets (contribution received)	\$ <u>22,693,119</u>
Contribution received	
Unrestricted net assets	\$ 5,111,847
Temporarily restricted net assets	2,239,436
Permanently restricted net assets	15,341,836
Total identifiable net assets (contribution received)	\$ <u>22,693,119</u>

The acquisition resulted in an inherent contribution received of \$22,693,119, which represents the net recognized amount in the identifiable assets acquired over the liabilities assumed. Of this amount, \$5,111,847 is included in contribution received in donation of Pattie A. Clay in the consolidated statement of operations. \$2,239,436 is included in temporarily restricted net assets- contribution received in donation of Pattie A. Clay and \$15,341,836 is included in permanently restricted net assets- contribution received in donation of Pattie A. Clay.

Acquisition of Trover Health System

On November 1, 2012, Baptist acquired the net assets of Trover Clinic Foundation, Mutual Credit Services and Western Kentucky Medical Management Services (collectively Trover Health System and renamed to Baptist Health Madisonville), a not-for-profit system that is the major medical center within its seven county primary service area. As a result of the acquisition, Baptist expanded its primary service area to include the counties of Hopkins, McLean, Muhlenberg, Christian, Caldwell, Crittenden and Webster. Several of these counties are adjacent to the primary service area of Baptist Health Paducah located approximately 80 miles from Baptist Health Madisonville.

Baptist Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

The acquisition was accomplished by Baptist becoming the sole member of Baptist Health Madisonville, and no consideration was or will be transferred for the acquisition. Baptist incurred approximately \$675,000 of third-party acquisition-related costs in connection with this acquisition. These costs are included in general and administrative costs in the consolidated statement of operations.

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

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed

Assets

Current assets	\$	63,434,657
Assets limited as to use		46,297,867
Property, plant and equipment		84,438,011
Other assets		3,249,899
Identifiable intangible assets		3,637,500

Liabilities

Current liabilities	(21,985,899)
Long term debt	(24,424,000)
Other liabilities (primarily for malpractice and workers' compensation)	(12,003,168)
Total identifiable net assets (contribution received)	\$ <u>142,644,867</u>

Contribution received

Unrestricted net assets	\$	142,485,463
Temporarily restricted net assets		159,404
Total identifiable net assets (contribution received)	\$	<u>142,644,867</u>

The acquisition resulted in an inherent contribution received of \$142,644,867, which represents the net recognized amount in the identifiable assets acquired over the liabilities assumed. Of this amount, \$142,485,463 is included in contribution received in donation of Trover Health System in the consolidated statement of operations and \$159,404 is included in temporarily restricted net assets-contribution received in donation of Trover Health System.

Note 19: Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance.

Baptist Healthcare System, Inc. and Affiliates
Notes to Consolidated Financial Statements
August 31, 2014 and 2013

The PPACA continues to influence health reform in the United States. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, among many other provisions, the legislation required the establishment of health insurance exchanges which provide individuals who are without employer-provided health care coverage the opportunity to purchase insurance along with having cost-sharing credits available to individuals with income between 133% and 400% of the federal poverty level. Additionally, it allowed states to expand the eligibility of enrollees to be qualified for coverage by Medicaid from 100% to 133% of federal poverty level. Kentucky elected to expand coverage effective January 1, 2014, and the number of enrollees grew from 787,000 to over 1,074,000 as of August 31, 2014.

Note 20: Subsequent Events

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

Baptist Healthcare System, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2014

Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Delta State Rural Development Network Grant	U S Department of Health and Human Services	93 912	D60RH08553	\$ 490,604
Area Health Education Center (AHEC) Model State Supported Grant	U S Department of Health and Human Services / University of Louisville	93 107	U77HP03023	64,550
UK Strong Start	Federal Centers for Medicaid & Medicare Services (CMS) / University of Kentucky Research Foundation	93 611	3048111242-14-115	23,398
Cancer Control	U S Department of Health and Human Services / National Cancer Institute / National Surgical Adjuvant Breast and Bowel Project Foundation, Inc	93 399	TFED266	23,642
Cancer Treatment Research	U S Department of Health and Human Services / National Institutes of Health / National Cancer Institute / Oregon Health & Science University for Southwest Oncology Group / The Ohio State University Research Foundation for Gynecologic Oncology Group / National Surgical Adjuvant Breast and Bowel Project Foundation, Inc / American College of Radiology / Brigham's and Women's Hospital, Inc for ALLIANCE	93 395	CA37429 / Foundation Project #60026141 / TFED41S2EXT-765 / U10-CA021661 / U24- CA114736	69,450
Extramural Research Programs in Neurosciences and Neurological Disorders	U S Department of Health and Human Services / National Institutes of Health / Rutgers, The State University of New Jersey	93 853	RO1 NS38384	80,000

Baptist Healthcare System, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2014

Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
National Diabetes Prevention Program Evidence-Based Lifestyle Intervention to Prevent Type 2 Diabetes in Underserved Communities	U S Department of Health and Human Services / Center of Disease Control /American Association of Diabetes Educators	93 739	1U58DP004519-1	\$ <u>12,848</u>
				\$ <u><u>764,492</u></u>

Notes to Schedule

- 1 This schedule includes the federal awards activity of Baptist and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.
- 2 Baptist provided no federal awards to subrecipients during the period September 1, 2013, through August 31, 2014.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of the Consolidated Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Directors, Audit Committee and Management
Baptist Healthcare System, Inc. and Affiliates
Louisville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic consolidated financial statements of Baptist Healthcare System, Inc. and Affiliates (Baptist), which comprise the consolidated balance sheet as of August 31, 2014, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

Management of Baptist is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered Baptist's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baptist's internal control. Accordingly, we do not express an opinion on the effectiveness of Baptist's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Baptist's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baptist's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Baptist's management in a separate letter dated December 9, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Baptist's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baptist's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Louisville, Kentucky
December 9, 2014

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors, Audit Committee and Management
Baptist Healthcare System, Inc. and Affiliates
Louisville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the compliance of Baptist Healthcare System, Inc. and Affiliates (Baptist) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. Baptist's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Baptist's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Baptist's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Baptist's compliance.

Opinion on Each Major Federal Program

In our opinion, Baptist complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014

Report on Internal Control Over Compliance

Management of Baptist is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Baptist's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Baptist's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Louisville, Kentucky
December 9, 2014

Baptist Healthcare System, Inc. and Affiliates
Schedule of Findings and Questioned Costs
Year Ended August 31, 2014

Summary of Auditor's Results

- 1 The opinion expressed in the independent auditor's report was
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
- 2 The independent auditor's report on internal control over financial reporting disclosed
- Significant deficiency(ies)? ☐ Yes ☒ None reported
- Material weakness(es)? ☐ Yes ☒ No
- 3 Noncompliance considered material to the consolidated financial statements was disclosed by the audit? ☐ Yes ☒ No
- 4 The independent auditor's report on internal control over compliance for major federal awards programs disclosed
- Significant deficiency(ies)? ☐ Yes ☒ None reported
- Material weakness(es)? ☐ Yes ☒ No
- 5 The opinion expressed in the independent auditor's report on compliance for major federal awards was
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
- 6 The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

- 7 Baptist's major program was

Program	CFDA Number
Delta State Rural Development Network Grant Program	93 912

- 8 The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000
- 9 Baptist qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

Baptist Healthcare System, Inc. and Affiliates
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
No matters are reportable		

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
No matters are reportable		

Baptist Healthcare System, Inc. and Affiliates
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2014

Reference Number	Summary of Finding	Status
No matters are reportable		

Baptist Healthcare System, Inc. and Affiliates

Consolidating Schedule of Assets, Liabilities and Net Assets Information

August 31, 2014

	Baptist Health Louisville	Baptist Health LaGrange	Baptist Health Corbin	Baptist Health Lexington	Baptist Health Paducah	Support Services	Eliminations and Reclassifications	Total Obligated Group	Baptist Health Madisonville	Baptist Health Richmond	Other Affiliates	Eliminations	Total
Assets													
Current assets													
Cash and cash equivalents	\$ 2,508	\$ 784	\$ 2,515	\$ 1,842	\$ 4,695	\$ 86,477	\$ -	\$ 119,198	\$ 6,781	\$ 10,596	\$ 7,477	\$ -	\$ 145,852
Investments	-	-	-	-	-	50,855	-	50,855	-	4,705	98,127	-	153,755
Assets limited as to use – required for current obligations	-	-	-	-	-	16,778	-	16,778	-	-	-	-	16,778
Patient accounts receivable – net	77,565	18,112	22,152	72,449	55,248	-	-	245,506	26,622	4,981	25,271	-	298,180
Inventories	8,990	1,455	2,501	9,005	5,902	-	-	27,655	2,780	2,655	1,015	-	54,065
Other	1,825	525	2,854	2,068	2,199	12,511	-	21,982	2,722	2,598	12,199	-	59,501
Total current assets	111,269	20,856	29,600	85,564	66,042	166,500	-	479,750	58,905	25,205	142,089	-	685,929
Assets limited as to use													
Designated by board for capital improvements	12,515	-	-	-	6	842,201	-	854,722	50,501	-	5,465	-	910,688
Designated by board for endowment	-	-	-	-	-	-	-	-	-	2,500	-	-	2,500
Held by trustee	-	-	-	-	-	6,207	-	6,207	-	-	-	-	6,207
Under bond indenture	-	-	-	-	-	68,480	-	68,480	-	-	-	-	68,480
Under medical malpractice self-insurance	-	-	-	-	-	15,410	-	15,410	-	-	-	-	15,410
Under workers' compensation self-insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
In perpetual trust	-	-	-	-	-	-	-	-	20,709	-	-	-	20,709
Total assets limited as to use	12,515	-	-	-	6	932,507	-	944,828	50,501	25,209	5,465	-	1,024,005
Less amount required to meet current obligations	-	-	-	-	-	16,778	-	16,778	-	-	-	-	16,778
Assets limited as to use – noncurrent portion	12,515	-	-	-	6	915,729	-	928,050	50,501	25,209	5,465	-	1,007,225
Intercompany accounts	7,557	(251)	461	6,210	(1,922)	188,004	(161,881)	57,998	84	90	4,115	(42,287)	-
Property, plant and equipment, net	190,504	19,711	40,182	505,795	150,085	107,858	7,486	799,410	45,607	22,810	46,641	-	914,477
Other assets	14,974	-	-	951	1,158	52,507	(7,486)	42,174	4,159	1,000	10,902	(2,585)	55,852
Total assets	\$ 556,419	\$ 40,556	\$ 70,245	\$ 596,518	\$ 195,549	\$ 1,410,587	\$ (161,881)	\$ 2,287,571	\$ 159,256	\$ 72,514	\$ 209,212	\$ (44,670)	\$ 2,665,465
Liabilities and Net Assets													
Current liabilities													
Accounts payable	\$ 14,765	\$ 2,592	\$ 5,954	\$ 18,456	\$ 10,862	\$ 10,658	\$ -	\$ 65,267	\$ 6,575	\$ 2,666	\$ 25,178	\$ -	\$ 95,484
Accrued expenses	17,482	1,980	5,594	12,050	8,192	58,141	-	85,448	6,867	2,570	18,702	-	111,587
Accrued interest payable	-	-	-	-	-	685	-	685	110	-	-	-	795
Estimated third-party payable	4,018	(1,078)	1,710	(2,559)	2,276	-	-	4,587	5,055	1,152	(678)	-	10,116
Current installments of long-term debt	-	-	-	-	-	10,600	-	10,600	1,051	-	-	-	12,551
Current portion for medical malpractice and workers' compensation	-	-	-	-	-	16,778	-	16,778	-	-	-	-	16,778
Other	550	70	198	240	250	2,786	-	5,905	1,728	185	12,468	-	18,282
Total current liabilities	56,624	5,564	15,456	28,596	21,580	79,646	-	185,266	22,084	6,571	55,670	-	265,591
Long term debt	-	-	-	-	-	579,585	-	579,585	19,107	-	-	-	598,580
Intercompany accounts	1,075	17,541	82,947	58,705	21,551	1,846	(161,881)	1,175	(58,952)	50,957	49,129	(42,287)	-
Other liabilities	-	-	-	-	-	112,585	-	112,585	2,696	7,894	2,712	-	125,685
Net assets													
Unrestricted net assets attributable to Baptist	298,587	19,417	(26,574)	528,122	151,495	657,500	-	1,408,547	154,045	4,714	97,485	(2,585)	1,642,406
Unrestricted net assets attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	1,480	-	1,480
Temporarily restricted	15	201	214	1,097	945	29	-	2,619	166	1,689	4,729	-	9,205
Permanently restricted	-	-	-	-	-	-	-	-	-	20,709	-	-	20,709
Total net assets	298,722	19,618	(26,160)	529,219	152,438	657,529	-	1,411,166	154,211	27,112	105,701	(2,585)	1,673,807
Total liabilities and net assets	\$ 556,419	\$ 40,556	\$ 70,245	\$ 596,518	\$ 195,549	\$ 1,410,587	\$ (161,881)	\$ 2,287,571	\$ 159,256	\$ 72,514	\$ 209,212	\$ (44,670)	\$ 2,665,465

Baptist Healthcare System, Inc. and Affiliates
Consolidating Schedule of Statement of Operations and Changes in Net Assets Information
August 31, 2014

	Baptist Health Louisville	Baptist Health LaGrange	Baptist Health Corbin	Baptist Health Lexington	Baptist Health Paducah	Support Services	Eliminations and Reclassifications	Total Obligated Group	Baptist Health Paducah	Baptist Health Richmond	Other Affiliates	Eliminations	Total
Unrestricted revenues, gains and other support													
Patient service revenue (net of contractual discounts and allowances)	\$ 486,090	\$ 91,069	\$ 155,670	\$ 455,241	\$ 247,208	\$ -	\$ -	\$ 1,415,287	\$ 162,436	\$ 71,297	\$ 245,895	\$ (12,410)	\$ 1,878,565
Less: provision for uncollectible accounts	12,545	5,406	5,754	15,569	6,549	-	-	59,425	6,629	5,500	14,105	-	65,457
Net patient service revenue	473,545	85,663	149,916	439,672	240,659	-	-	1,355,862	155,807	65,797	229,790	(12,410)	1,813,048
Premium revenue	-	-	-	-	-	-	-	-	-	-	144,958	-	144,958
Other	16,457	1,848	10,956	12,555	7,125	100,188	(162,990)	84,875	7,955	2,775	47,817	(62,940)	80,460
Net assets released from restrictions used for operations	125	22	57	564	80	6	-	654	-	275	5,452	-	4,511
Total revenues, gains and other support	490,116	89,553	142,889	452,569	248,062	100,194	(162,990)	1,459,573	165,740	69,047	425,977	(75,550)	2,042,787
Expenses													
Health care services	259,175	41,524	62,654	215,556	121,290	(1,951)	-	696,006	94,807	57,121	454,550	(55,255)	1,249,229
General and administrative	158,965	21,150	57,980	159,417	78,870	194,455	(155,816)	475,017	50,518	26,150	76,927	(41,151)	587,481
Depreciation and amortization	28,795	5,505	7,888	29,578	19,821	1,888	-	90,975	12,181	5,795	6,250	-	115,179
Provider tax	7507	841	2,086	6,617	4,192	-	-	21,045	2,549	1,165	52	-	24,807
Interest	250	545	570	1,425	1,075	15,550	(7,174)	15,550	705	1,006	515	(964)	14,500
Total expenses	454,488	67,174	134,576	390,575	225,248	207,902	(162,990)	1,296,571	160,760	69,255	558,072	(75,550)	1,989,286
Operating income (loss)	55,628	22,379	8,313	62,096	22,814	(8,708)	-	162,802	2,980	(1,861)	(112,095)	-	55,501
Other gains (losses)													
Investment return	1,557	18	70	144	225	101,605	-	105,415	1,968	1,708	4,698	-	111,789
Other	(590)	(68)	(111)	(155)	(417)	5,787	-	4,657	(742)	(25)	(1,954)	-	1,918
Total other gains (losses)	967	(50)	(41)	(111)	(194)	107,390	-	108,052	1,226	1,683	2,743	-	113,707
Excess of revenues, gains and other support over expenses before provision (benefit) of income tax	56,586	22,309	8,472	62,185	22,620	98,682	-	270,854	4,206	1,490	(109,551)	-	167,208
Provision (benefit) for income tax	-	-	-	-	-	(67)	-	(67)	44	-	(2,466)	-	(2,489)
Excess of revenues, gains and other support over expenses	56,586	22,309	8,472	62,185	22,620	98,749	-	270,921	4,162	1,490	(106,885)	-	169,697
Change in defined benefit pension plans	-	-	-	-	-	-	-	-	-	(2,095)	-	-	(2,095)
Post retirement Benefit Pension Plan													
Net gain arising during period	-	-	-	-	-	(2,545)	-	(2,545)	-	-	-	-	(2,545)
Amortization of prior service cost, transition obligation and loss included in net periodic pension cost	-	-	-	-	-	(2,421)	-	(2,421)	-	-	-	-	(2,421)
Change in post retirement plan	-	-	-	-	-	(4,966)	-	(4,966)	-	-	-	-	(4,966)
Net asset transfers	(45,756)	(1,425)	(6,929)	(22,519)	(16,160)	(14,582)	-	(104,951)	(25,755)	(5,655)	154,519	-	-
Increase (decrease) in unrestricted net assets	12,850	20,884	1,543	59,866	6,460	79,401	-	161,004	(21,575)	(4,227)	27,454	-	162,658
Unrestricted net assets attributable to noncontrolling interest													
Excess of revenues over expenses	-	-	-	-	-	-	-	-	-	-	1,108	-	1,108
Contributions from noncontrolling interest	-	-	-	-	-	-	-	-	-	-	55	-	55
Distributions to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	(1,120)	-	(1,120)
Increase (decrease) in unrestricted net assets attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	45	-	45
Temporarily restricted net assets													
Contributions, interest income and other	120	50	25	516	182	6	-	688	-	-	1,121	-	1,809
Net assets released from restrictions used for operations	(125)	(22)	(57)	(564)	(80)	(6)	-	(654)	-	(275)	(5,452)	-	(4,511)
Increase (decrease) in temporarily restricted net assets	4	8	(12)	(48)	102	-	-	54	-	(275)	(2,511)	-	(2,552)
Permanently restricted net assets													
Change in beneficial interest in perpetual trust	-	-	-	-	-	-	-	-	-	5,101	-	-	5,101
Increase in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	5,101	-	-	5,101
Change in net assets	12,854	20,892	1,551	59,818	6,562	79,401	-	161,058	(21,575)	(1,401)	25,166	-	165,250
Net assets - beginning of year	285,868	(1,274)	(27,691)	289,401	145,876	557,928	-	1,250,108	155,784	28,515	78,555	(2,585)	1,510,557
Net assets - end of year	\$ 298,722	\$ 19,618	\$ (26,160)	\$ 329,219	\$ 152,438	\$ 657,329	\$ -	\$ 1,411,166	\$ 134,211	\$ 27,112	\$ 103,701	\$ (2,585)	\$ 1,675,807