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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

FOUNDED ON A LEGACY OF CARING, SHANNON IS A LOCALLY OWNED HEALTHCARE SYSTEM DEDICATED TO PROVIDING EXCEPTIONAL HEALTHCARE FOR OUR FAMILY, FRIENDS AND NEIGHBORS

2

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

Yes

No

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

3

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

Yes

No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 192,662,498 including grants of \$ 270,000) (Revenue \$ 275,074,712)

PROVIDING TOTAL MEDICAL CARE TO THE CITIZENS OF WEST TEXAS

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 192,662,498

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	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or 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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	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		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	105	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	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.	2,048	
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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	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.	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)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
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?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		No
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
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.		
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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	14	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶SHANNON MEDICAL CENTER 120 E HARRIS AVENUE SAN ANGELO, TX 76903 (325) 653-6741

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) BRYAN HORNER CEO/PRESIDENT	32 0 12 0	X		X				771,316		44,517
(2) LEN MERTZ CHAIRMAN	2 0 18 0	X		X					7,584	4,970
(3) JAMES JOHNSON SECRETARY/TREASURER	2 0 6 0	X		X				26,557	30,000	3,114
(4) JOE HENDERSON INDIVIDUAL TRUSTEE	2 0 6 0	X						30,270	30,000	4,042
(5) ORAN BERRY III INDIVIDUAL TRUSTEE	2 0 6 0	X						23,660	29,000	9,211
(6) VIRGINIA NOELKE DIRECTOR	2 0 4 0	X						20,350		
(7) MIKE BOYD INDIVIDUAL TRUSTEE	2 0 6 0	X								
(8) MIKE OLIPHANT INDIVIDUAL TRUSTEE	2 0 6 0	X						23,100	30,000	5,397
(9) STEVE CECIL INDIVIDUAL TRUSTEE	2 0 6 0	X						23,750	29,000	9,211
(10) JOANNE RICE DIRECTOR	2 0 4 0	X						19,800		
(11) PAMELA TALLEY DIRECTOR	2 0 4 0	X						23,600		
(12) EMMETE FLYNN MD DIRECTOR	2 0 4 0	X						0	517,179	82,504
(13) MICHELLE SNUGGS MD DIRECTOR	2 0 4 0	X						0	875,276	92,104
(14) ANGELA WILLIAMS DIRECTOR	2 0 6 0	X						22,350		
(15) KELLY SHANE PLYMELL CFO	32 0 8 0			X				469,848		76,419
(16) DR IRVIN ZEITLER MEDICAL DIRECTOR	37 0 5 0			X				520,427		65,899
(17) WILMA STUART CNO	40 0 0 0			X				320,398		44,491

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	3,402,663	1,548,039	582,339

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 62

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

Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
JOURNEYMAN CONSTRUCTION, 2102 MANNIX DRIVE SAN ANTONIO TX 78217	CONSTRUCTION	171,426
MATAGORDA LITHOTRIPSY LLP, PO BOX 86024 LAS VEGAS NV 89193	LITHOTRIPSY	151,950
BRADLY BUDRANT MD, 300 LARGENT AVENUE BALLINGER TX 76821	ER/PHYSICIAN	469,924
LOCKTON COMPANIES LLC, PO BOX 802707 KANSAS CITY MO 64180	INSURANCE	595,719
TS JETER, 303 W HARRIS SAN ANGELO TX 76903	PHYSICIAN	147,600

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 ►9

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514		
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	9,943,973				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	0				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		9,943,973				
Program Service Revenue	2a	NET PATIENT REVENUE	Business Code 621990	269,163,092	268,942,600	220,492		
	b	RENTAL INCOME	532000	405,951	405,951			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		269,569,043				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		2,221,771		2,221,771	
4		Income from investment of tax-exempt bond proceeds		0				
5		Royalties		0				
6a		Gross rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)	0				0
		d	Net rental income or (loss)					0
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses					
		c	Gain or (loss)	866,932				32,567
		d	Net gain or (loss)					899,499
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
		b	Less direct expenses	b				
		c	Net income or (loss) from fundraising events					0
9a		Gross income from gaming activities See Part IV, line 19	a					
		b	Less direct expenses	b				
		c	Net income or (loss) from gaming activities					0
10a		Gross sales of inventory, less returns and allowances	a					
		b	Less cost of goods sold	b				
		c	Net income or (loss) from sales of inventory					0
Miscellaneous Revenue		Business Code						
11a	CAFETERIA	900099	1,608,758	1,608,758				
b	ALL OTHER MISC REVENUE	900099	4,202,680	4,084,836	117,844			
c								
d	All other revenue							
e	Total. Add lines 11a-11d		5,811,438					
12	Total revenue. See Instructions		288,445,724	275,074,712	338,336	3,088,703		

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.	270,000	270,000		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	3,638,365		3,638,365	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	136,082	136,082		
7	Other salaries and wages.	74,383,957	59,421,138	14,962,819	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,986,220	1,880,863	105,357	
9	Other employee benefits.	6,397,667	4,956,646	1,441,021	
10	Payroll taxes.	5,543,107	4,243,922	1,299,185	
11	Fees for services (non-employees):				
a	Management.	242,738		242,738	
b	Legal.	25,540		25,540	
c	Accounting.	96,029		96,029	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	28,379,221	19,953,116	8,426,105	
12	Advertising and promotion.	1,418,069	21,172	1,396,897	
13	Office expenses.	4,707,227	368,032	4,339,195	
14	Information technology.	2,980,653	593,886	2,386,767	
15	Royalties.	0			
16	Occupancy.	2,543,794	348,472	2,195,322	
17	Travel.	382,425	217,880	164,545	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	0			
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	10,860,335	5,768,133	5,092,202	
23	Insurance.	298,597	1,493	297,104	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL SUPPLIES	51,711,015	51,676,252	34,763	
b	BAD DEBT	38,920,353	38,920,353		
c	EQUIPMENT COSTS	3,637,926	2,789,377	848,549	
d	COLLECTION FEES	792,951		792,951	
e	All other expenses	1,536,552	1,095,681	440,871	
25	Total functional expenses. Add lines 1 through 24e.	240,888,823	192,662,498	48,226,325	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		6,369,988	1	5,892,546
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		22,632,481	4	32,303,766
	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		430,593	7	375,109
	8	Inventories for sale or use		3,950,868	8	4,110,747
	9	Prepaid expenses and deferred charges		2,061,931	9	2,221,544
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a213,120,153			
	b	Less accumulated depreciation	10b155,752,254	57,785,682	10c	57,367,899
	11	Investments—publicly traded securities		56,294,174	11	69,274,117
	12	Investments—other securities See Part IV, line 11		1,000	12	1,000
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		2,592,529	14	2,592,529
	15	Other assets See Part IV, line 11		156,899,541	15	169,214,238
	16	Total assets. Add lines 1 through 15 (must equal line 34)		309,018,787	16	343,353,495
Liabilities	17	Accounts payable and accrued expenses		20,744,662	17	19,305,197
	18	Grants payable		0	18	0
	19	Deferred revenue		3,965	19	3,735
	20	Tax-exempt bond liabilities		0	20	0
	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		0	23	0
	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		7,399,019	25	7,687,674
	26	Total liabilities. Add lines 17 through 25		28,147,646	26	26,996,606
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		130,840,999	27	152,849,539
	28	Temporarily restricted net assets		150,030,142	28	163,507,350
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		280,871,141	33	316,356,889
	34	Total liabilities and net assets/fund balances		309,018,787	34	343,353,495

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	288,445,724
2	Total expenses (must equal Part IX, column (A), line 25)	2	240,888,823
3	Revenue less expenses Subtract line 2 from line 1	3	47,556,901
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	280,871,141
5	Net unrealized gains (losses) on investments	5	509,168
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	-12,580,321
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	316,356,889

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization SHANNON MEDICAL CENTER	Employer identification number 75-2559845
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Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(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									

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 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 SHANNON MEDICAL CENTER	Employer identification number 75-2559845
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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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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 | | | | | |
| b Contributions | | | | | |
| c Net investment earnings, gains, and losses | | | | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | | | | | |
| f Administrative expenses | | | | | |
| g End of year balance | | | | | |
- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as
- a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Temporarily restricted endowment ▶

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

(ii) related organizations

	Yes	No
3a(i)		
3a(ii)		
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	0	5,122,978		5,122,978
b Buildings		73,553,015	54,934,914	18,618,101
c Leasehold improvements		1,381	1,381	
d Equipment		129,308,799	99,218,603	30,090,196
e Other		5,133,979	1,597,355	3,536,624
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				57,367,899

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	239,876,038
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	2e	
a	Net unrealized gains on investments	2a	509,168
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-39,190,353
e	Add lines 2a through 2d	2e	-38,681,185
3	Subtract line 2e from line 1	3	278,557,223
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	9,888,501
c	Add lines 4a and 4b	4c	9,888,501
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	288,445,724

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	201,698,470
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	2e	
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	201,698,470
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:	4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	39,190,353
c	Add lines 4a and 4b	4c	39,190,353
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	240,888,823

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 XI, LINE 2D & XII, LINE 4B	INCOME & EXPENSES INCLUDED IN FORM 990 NOT ON BOOKS BAD DEBT (INCLUDED W/ REVENUE ON AUDIT) \$ 38,920,353 GRANTS INCLUDED IN REVENUE ON AUDIT 270,000 ----- \$ 39,190,353
SCHEDULE D, PART XIV	UNCERTAIN TAX POSITIONS MANAGEMENT HAS EVALUATED THEIR INCOME TAX POSITIONS UNDER THE GUIDANCE INCLUDED IN ASC 740. BASED ON THEIR REVIEW, MANAGEMENT HAS NOT IDENTIFIED ANY MATERIAL UNCERTAIN TAX POSITIONS TO BE RECORDED OR DISCLOSED IN THE FINANCIAL STATEMENTS
SCHEDULE D, PART XI, LINE 4B	INCOME INCLUDED ON THE RETURN NOT ON BOOKS CONTRIBUTIONS RECORDED TO NET ASSETS \$9,888,501

[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
SHANNON MEDICAL CENTER

Employer identification number
75-2559845

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			15,758,990		15,758,990	7 800 %
b Medicaid (from Worksheet 3, column a)			17,477,881	25,648,463	-8,170,582	
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			388,027	130,931	257,096	0 130 %
d Total Financial Assistance and Means-Tested Government Programs . .			33,624,898	25,779,394	7,845,504	7 930 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			415,266	253,012	162,254	0 080 %
f Health professions education (from Worksheet 5)			518,047		518,047	0 260 %
g Subsidized health services (from Worksheet 6)			11,319,888		11,319,888	5 600 %
h Research (from Worksheet 7)			137,575		137,575	0 070 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			6,650		6,650	
j Total Other Benefits			12,397,426	253,012	12,144,414	6 010 %
k Total. Add lines 7d and 7j . .			46,022,324	26,032,406	19,989,918	13 940 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support		2,100	27,690	21,040	6,650	
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total		2,100	27,690	21,040	6,650	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

38,920,353

3

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

3

4

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

Section B. Medicare

5

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

5

77,022,564

6

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

6

69,203,684

7

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

7

7,818,880

8

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

Section C. Collection Practices

9a

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

9a

Yes

b

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

9b

Yes

Part 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)

SHANNON MEDICAL CENTER

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)

01

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</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 <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>SEE PART V, SECTION C</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 200 % If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	<input checked="" type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

Part V

Facility Information *(continued)*

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

☒

Notified individuals of the financial assistance policy on admission
- b**

☒

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

☒

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

☒

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

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section 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? **3**

Name and address	Type of Facility (describe)
1 SHANNON SURGERY CENTER 120 E HARRIS AVENUE SAN ANGELO, TX 76903	AMBULATORY SURGERY CENTER
2 SHANNON HOME HEALTH 2030 PULLIAM STE 6 SAN ANGELO, TX 76905	HOME HEALTH CENTER
3 SHANNON DIALYSIS CENTER 2018 PULLIAM SAN ANGELO, TX 76905	DIALYSIS
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
DESCRIPTION OF BAD DEBT	ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE SYSTEM ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYER SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYER SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL, THE SYSTEM RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE STANDARD RATES OR THE DISCOUNTED RATES IF NEGOTIATED OR PROVIDED BY POLICY AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

Form and Line Reference	Explanation
LINES 2 AND 3	COSTING METHODOLOGY LINE 2 AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS LINE 3 THE ORGANIZATION IS UNABLE TO ESTIMATE THE AMOUNT FOR LINE 3 AND HAS ELECTED TO LEAVE IT BLANK

Form and Line Reference	Explanation
SECTION B MEDICARE LINE 7	SURPLUS OR SHORT FALL SHORTFALL N/A COSTING METHODOLOGY THE RATIO OF COST TO CHARGES USED IN THE CALCULATION OF COSTS FOR MEDICARE WAS TAKEN FROM THE MEDICARE COST REPORT

Form and Line Reference	Explanation
SECTION C - COLLECTION PRACTICES	<p>WRITTEN DEBT COLLECTION POLICY CHARITY CARE AND DISCOUNTING FOR UNINSURED PATIENTS WHO ARE NOT ELIGIBLE FOR GOVERNMENT HEALTH CARE PROGRAMS AND WHOSE FINANCIAL CONDITION IS SUCH THAT THEY ARE NOT ABLE TO PAY FOR HOSPITAL SERVICES MAY BE ELIGIBLE FOR ASSISTANCE UNDER THE SHANNON MEDICAL CENTER CHARITY CARE PROGRAM PATIENTS WHO ARE UNINSURED, DO NOT QUALIFY FOR COVERAGE UNDER GOVERNMENT HEALTH CARE PROGRAMS, MAY BE ELIGIBLE FOR A 50% DISCOUNT OFF THE TOTAL BILL FOR HOSPITAL SERVICES, IF THE SERVICES ARE PAID FOR WHEN RECEIVED OR WITHIN 30 DAYS OF DISCHARGE COLLECTION OF ACCOUNTS RECEIVABLE PATIENTS / GUARANTOR WILL BE RESPONSIBLE FOR PAYMENT OF SERVICES RECEIVED AT SHANNON MEDICAL CENTER PATIENTS / GUARANTORS WILL BE RESPONSIBLE FOR FULL CHARGES, OR PATIENT PORTION NOT COVERED BY INSURANCE PAYMENT WILL BE REQUESTED PRIOR TO OR ON THE DATE OF SCHEDULED ELECTIVE SERVICES FULL CHARGES OR PATIENT PORTION NOT COVERED BY INSURANCE FOR URGENT / EMERGENT SERVICES WILL BE COLLECTED UPON DISCHARGE PATIENTS WHO ARE UNABLE TO PAY THE FULL AMOUNT OF THEIR RESPONSIBILITY AT THE TIME OF SERVICE CAN MAKE PAYMENT ARRANGEMENTS UNDER THE FOLLOWING GUIDELINES A BALANCE OF OUTPATIENT SERVICES MUST BE PAID WITHIN SIX (6) MONTHS FROM THE DATE OF SERVICE UNLESS INDIGENT STATUS IS PROVEN B BALANCE OF INPATIENT SERVICES MUST BE PAID WITHIN TWELVE (12) MONTHS FROM THE DATE OF DISCHARGE UNLESS INDIGENT STATUS IS PROVEN MONTHLY STATEMENTS WILL BE SENT THROUGHOUT THE COLLECTION CYCLE COLLECTION LETTERS WILL BE UTILIZED AT THE DISCRETION OF THE PATIENT ACCOUNT REPRESENTATIVE ACCOUNTS WILL BE REVIEWED FOR OUTSIDE COLLECTION AGENCY PLACEMENT ANYTIME FOLLOWING 90 DAYS FROM THE DATE OF SERVICE MEDICARE ACCOUNTS WILL NOT BE CONSIDERED FOR PLACEMENT UNTIL 120 DAYS FROM THE FIRST NOTICE OF PATIENT RESPONSIBILITY IN ACCORDANCE WITH MEDICARE REGULATIONS ANY OVERPAYMENT OF AN ACCOUNT WILL BE REVIEWED FOR REFUND WITHIN 30 DAYS FROM THE DATE THE CREDIT BALANCE IS CREATED BY THE OVERPAYMENT CREDIT BALANCES ON MEDICARE ACCOUNTS WILL BE PROCESSED THROUGH THE NORMAL CREDIT BALANCE PROCESS AND REPORTED ON A QUARTERLY BASIS IN COMPLIANCE WITH MEDICARE REGULATIONS</p>

Form and Line Reference	Explanation
PART V, SECTION B	<p>NEEDS ASSESSMENT The 2013 Community Health Needs Assessment gathered overall health information of the community. Analysis of the community needs assessment data provided a means to evaluate and prioritize areas of greatest need. To facilitate prioritization of identified health needs, a ranking and prioritization process was used. Health needs were ranked based on the following five factors:</p> <ul style="list-style-type: none">- How many people are affected by the issue or size of the issue?- What are the consequences of not addressing this problem?- The impact of the problem on vulnerable populations- How important the problem is to the community?- Prevalence of common themes <p>As a result from the analysis, priorities were determined by taking into account the overall ranking, the degree to which Shannon can influence long-term change and the identified health needs impact on overall health. The following priorities were identified:</p> <ul style="list-style-type: none">- Healthy Living- Prevention and Disease Management- Education <p>Because Access to Care ranks high and relates to each of the priorities, Shannon made it a goal to address Access to Care within each Priority Area.</p> <p>SHANNON MEDICAL CENTER</p> <p>CORRELATED COMMUNITY PRIORITIES HEALTH NEED -----</p> <p>----- HEALTHY LIVING -ACCESS TO CARE -OBESITY -PHYSICAL INACTIVITY -POOR NUTRITION</p> <p>PREVENTION AND DISEASE MANAGEMENT -ACCESS TO CARE -ADULT SMOKING -CANCER -COPD/RESPIRATORY DISEASE -DIABETES -EPISODIC CARE VS. PREVENTATIVE MEASURES -HEART DISEASE -HIGH BLOOD PRESSURE -LACK OF MENTAL HEALTH SERVICES -LACK OF PRIMARY CARE PHYSICIANS EDUCATION -ACCESS TO CARE -DOCTOR'S OFFICE HOURS -LACK OF HEALTH EDUCATION/KNOWLEDGE -LANGUAGE/CULTURAL BARRIERS</p> <p>THE HOSPITALS' COMMUNITY HEALTH NEEDS ASSESSMENT & IMPLEMENTATION PLAN CAN BE FOUND AT https://www.shannonhealth.com/education-resources/health-needs-assessment.aspx</p>

Form and Line Reference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	FINANCIAL ASSISTANCE BROCHURES ARE AVAILABLE IN EACH OF THE REGISTRATION AREAS THAT OUTLINE ACCESS TO INFORMATION ABOUT ASSISTANCE PROGRAMS WE ALSO HAVE CONTRACTED ELIGIBILITY WORKERS WHO SCREEN PATIENTS FOR ALL SOCIAL SERVICE PROGRAMS AND ASSIST WITH THE APPLICATION PROCESS IF NEEDED

Form and Line Reference	Explanation
COMMUNITY INFORMATION	<p>Shannon Medical Center is located in San Angelo, Texas. The city of San Angelo serves as the county seat and population center of Tom Green County, with an estimated population in 2013 of 97,492. Tom Green County's population in 2014 is reported at 116,608. The estimated population for Shannon's service area as of 2013, including Tom Green County, is 355,446 (U.S. Census Bureau, State & County Quickfacts). Based on patient origin of acute care discharges and outpatient discharges from October 1, 2011, to September 30, 2012, Shannon has identified the primary community to include all of Tom Green, Runnels, McCulloch and Concho County zip codes. The outer counties included in the Shannon community are Brown, Coke, Coleman, Crockett, Howard, Irion, Kimble, Mason, Menard, Mills, Mitchell, Nolan, Pecos, Reagan, San Saba, Schleicher, Sterling, Sutton, Terrell, Upton, and Val Verde. Currently Shannon serves more than 70% of the target population's health care needs. A breakdown of Tom Green County demographics is as follows: (Source: U.S. Census Bureau, State & County Quickfacts, The County Information Project, Texas Association of Counties)</p> <p>A. Tom Green County Age Distribution</p> <ol style="list-style-type: none"> Under 18 years old - 23.5% (27,403) 18-64 years old - 62.1% (72,414) 65 years and older - 14.4% (16,792) <p>B. Tom Green County Ethnic Distribution (More than one category may be self-reported)</p> <ol style="list-style-type: none"> Caucasian - 56.6% (64,570) Hispanic - 36.7% (41,121) Black - 4.6% (5,324) Other - 2.1% (2,266) <p>C. Tom Green County (Household)</p> <ol style="list-style-type: none"> Median Household Income - \$44,545 (Texas: \$51,900) Persons living below poverty level - 16.2% (Texas: 17.6%) <p>D. Tom Green County Health Index</p> <ol style="list-style-type: none"> Tom Green County uninsured - 22.9% (Texas: 24.8%, United States: 15.37%) (Source: U.S. Census Bureau, Small Area Health Insurance Estimates, 2013, U.S. Census Bureau, Income, Poverty, and Health Coverage in the United States - 2013)

Form and Line Reference	Explanation
PROMOTION OF COMMUNITY HEALTH	<p>In a county with no hospital taxing authority, a hospital whose mission reflects commitment to treating patients without regard to ability to pay is a highly desirable and pivotal point of community health care. For 75 years, Shannon has embraced such a mission and follows through on the wishes of our benefactor, Margaret Shannon, in providing care for the people of West Texas. Our 2013 - 2014 charity care figure of more than \$73,540,837 would be a burden to the taxpayers of Tom Green County, and many other counties whose citizens directly benefit from her generosity. Shannon provides a host of community education events related to topics such as cancer prevention and screenings, diabetes education, fitness and nutrition, and cardiovascular health. Through events like Go Red and Health Beat Live, health professionals relay current health information to the public. In addition to public outreach events, Shannon publishes the Health Beat magazine which is delivered to 30,000 households and produces Health Beat television spots that air during the 6 and 10 p.m. news hours on two local stations. They also host a free online health library as well as the Words of Wellness health blog. These contain a variety of health education information from local healthcare providers. Shannon contributed \$25,788 for these programs. Shannon supports health and fitness activities, as well. Each October Shannon organizes the Pink Ribbon Run for cancer awareness and education with more than 800 participants. Additionally, to address the growing concern over childhood obesity, the Kids' Marathon event provides an opportunity for students, ranging in ages from Kindergarten through sixth grade, to participate in a program that encourages healthy habit formation early in life. A full marathon is considered 26.2 miles. Students accumulate miles and run the last 0.2 lap during a celebratory event at the San Angelo Stadium. The event hosts local summer programs and camps that encourage children to remain active through the summer months. Shannon also participates in the American Heart Association Heart Walk in both San Angelo and Sweetwater. These events are provided at a cost of \$13,538 to Shannon. Since 2004, the Shannon Sneeze & Wheeze medically-supervised camp has provided children diagnosed with asthma education on topics including "what is asthma," recognizing signs and symptoms, knowing and avoiding triggers, medications (knowing the difference between relievers and controllers), and the importance of compliance and using action plans. The education is provided by healthcare professionals and costs Shannon \$3,217. Shannon provides health and wellness presentations to numerous non-profits, businesses and organizations, including the local school districts and Angelo State University. Representatives from different departments provide support and participate in local health fairs and health-related community events. These presentations and events are provided at a cost of \$18,693 to Shannon. Shannon is one of the collaborating organizations of the Tom Green County Partnership for Better Health. The partnership began in January 2012 as a result of an initiative by the Department of State Health Services to reduce potentially preventable hospitalizations. The coalition implements evidence-based strategies for reducing bacterial pneumonia, UTI and COPD. Some of the initiatives include bacterial pneumonia and influenza immunizations, tobacco cessation kits and public awareness campaigns at a cost of \$5,393. Shannon is the only provider that operates the Sexual Assault Nurse Examiner program (SANE). SANE trained nurses work with the Children's Advocacy Center, the Concho Valley Rape Crisis Center and other community-based organizations to provide training and services related to sexual assault crises. Shannon also provided mammography services after hours to accommodate working women's schedules and encourage preventive screenings. Shannon took over the HIV Clinic from the San Angelo Aids Foundation in May 2010. There are three grants that fund the clinic: Ryan White Part B grant, State Services grant, and Housing Opportunities for Persons with Aids (HOPWA) grant in the amount of \$253,012. The grants provide outpatient medical services, case management, food bank services, mental health and a host of other services for people living with HIV. Shannon provides grant administration at a cost of \$5,474. The Shannon Care Coordination program is designed to assist in the healthcare of chronically ill patients with multiple diseases/conditions. Patients with multiple chronic illnesses account for the majority of healthcare spending in our society with a mere 5% accounting for nearly 50% of the spending. Common issues that can lead to wasted spending, unnecessary ER visits and hospitalizations include patients with multiple chronic illnesses failing to take medications as prescribed. Shannon provided \$65,565 for the operation of this program.</p>

Form and Line Reference	Explanation
PROMOTION OF COMMUNITY HEALTH	<p>m Shannon provides staff dedicated to assisting with health exchange enrollment and public assistance for anyone in the community Shannon served 242 people in this capacity during the fall of 2013 and early winter of 2014, at a cost to Shannon of \$19,443 Additionally, Shannon provides support services such as \$3,909 in transportation vouchers Shannon's Trauma Service Department coordinates the annual Gus Eckhardt Trauma Symposium This is a full day of trauma related education for all health care practitioners in the region Approximately 200 physicians, nurses, EMTs, students, and Allied Health professionals attended the 2013 symposium Additionally, injury prevention material covering topics such as bicycle safety, child passenger safety, fall prevention, and home safety tips are continually provided to health care professionals to distribute at their practice and in their community The cost to host the symposium is \$8,651 178 ASU nursing students and 63 Howard College nursing students shadow Shannon staff for a cost benefit of \$445,466 to the students and the universities (#hrs x AHR x 50% effort) 389 Radiology students, Physical Therapy students, Speech Therapy Students and Psychology interns from Howard College and Angelo State were supervised at a Shannon clinical site This benefit provides increased access to care for patients seeking radiology services not only in Tom Green County, but the surrounding counties as well The total cost is \$63,930 Shannon provided emergency and trauma services to Coleman, Concho, Fisher, Eden, Eldorado, Menard, Pecos, Runnels, and Reagan Counties in the amount of \$3,335,542 Shannon also assisted Crockett, Ector, McCulloch, Schleicher and Tom Green Counties by providing outpatient clinic and indigent health services in the amount of \$7,183,605 By providing specialty care for unmet needs, Shannon reduces the burden to local and governmental entities Lastly, Shannon contributed \$800,471 to provide community based mental health services currently not available in the Concho Valley Community Shannon participates in research efforts through active cancer and trauma registries Both registries have designated staff to facilitate data collection, which aids in the evaluation of patients who meet specific criteria Shannon donated funds to social services and community-based efforts, such as the MS Walk, local Project Graduations, and the DESK program Shannon contributes planning and financial assistance to community building efforts This past year, \$6,650 was donated to other organizations including Healthy Families, the National Alliance on Mental Illness, San Angelo Independent School District, American Cancer Society-Relay for Life, the All Veterans' Council, and the Chamber of Commerce's Goodfellow Airforce Base Military Appreciation Day Shannon supports The Lighthouse for the Blind by donating used linen to the organization Based on thrift value, the cost of the linen donated is \$5,420 Shannon's Health & Wellness department assists with tracking and monitoring community benefit activities for the hospital This past year the department completed a Lean project to improve tracking and implemented a monthly reporting requirement for departments The staff provided more than 100 hours towards this effort As the issues of providing healthcare for the uninsured and the underinsured in Tom Green County as well as our surrounding counties have continued to become more apparent, Shannon leadership has been involved with working internally and externally on improving access for all patients while balancing quality and costs Shannon has played a major role in the region through the 1115 Medicaid Waiver program By focusing on maximizing resources and advancing collaboration to improve the health of the people it serves, Shannon strikes a balance among the needs, interests, and resources available through health care providers, payers, public health departments, and community based</p>

Form and Line Reference	Explanation
AFFILIATED HEALTH CARE SYSTEM	Shannon, a non-profit health system established in the 1930's, provides the communities of West Central Texas with a variety of medical services. Dedicated to the region's health and well-being, the center offers diverse clinical services, including a nationally-recognized cardiac care program, nationally-recognized ICU, the region's only Level III Trauma Facility and AirMed 1 air ambulance serving a 200-mile radius of San Angelo, a dedicated Women's & Children's Hospital which is home to the Children's Miracle Network, and the most extensive Senior Health services in the Concho Valley. Shannon continues to collaborate and build relationships with a broad range of agencies, organizations and institutions to build community and organizational capacity. By effectively utilizing resources and working together, Shannon plans to implement strategies to improve the community it serves.

Form and Line Reference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	TEXAS

Additional Data

Software ID:
Software Version:
EIN: 75-2559845
Name: SHANNON MEDICAL CENTER

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
PART V, SECTION B, LINE 3	
PART V, SECTION B, LINE 5A	CHNA AVAILABLE ON HOSPITAL FACILITY'S WEBSITE https //www.shannonhealth.com/education-resources/health-needs-assessment.aspx
PART V, SECTION B, LINE 7	EXPLANATION OF NEEDS NOT ADDRESSED THERE ARE NEEDS THAT SHANNON WILL NOT ADDRESS IN THE CURRENT IMPLEMENTATION STRATEGY THAT ARE CLEARLY IMPORTANT TO IMPROVING THE HEALTH OF THE COMMUNITY HOWEVER, THEY ARE CONSIDERED TO HAVE LESS IMMEDIATE IMPACT AND WILL BE ADDRESSED IN A FUTURE PLAN, OR IF THE OPPORTUNITY ARISES, COULD BE INCORPORATED WITHIN A CURRENT STRATEGY SHANNON WILL CONTINUE TO EXPLORE POTENTIAL PARTNERSHIPS AND INTERNAL STRATEGIES TO FIND A WAY TO PROVIDE THESE ESSENTIAL SERVICES TO OUR PATIENTS
PART V, SECTION B, LINE 15, 16, & 17	BILLING AND COLLECTIONS NEITHER SHANNON MEDICAL CENTER, NOR THIRD PARTIES AUTHORIZED BY SM C, TAKE ANY ACTIONS UPON NON-PAYMENT FROM A PATIENT BEFORE MAKING A REASONABLE EFFORT TO DETERMINE IF THE PATIENT IS ELIGIBLE FOR THE FACILITY'S FINANCIAL ASSISTANCE POLICY BECAUSE NO ACTIONS WERE CHECKED ON LINE 16, LINE 17 INDICATES EFFORTS MADE BEFORE INITIATING ANY OF THE ACTIONS LISTED IN LINE 16
PART V, SECTION B, LINE 20	DETERMINATION FOR BILLING FOR EMERGENCY CARE COLLECTION OF GROSS CHARGES FOR UNINSURED UNLESS PROMPT PAYMENT SECURED, COLLECTION OF DEDUCTIBLES/COINSURANCE AMOUNTS BASED ON CONTRACTED RATES FOR INSURED PATIENTS

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
SHANNON MEDICAL CENTER

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
75-2559845

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) TEXAS CARE ALLIANCE 7160 DALLAS PARKWAY DALLAS, TX 75024	46-2829563	PENDING	270,000				STARTUP

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

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, QUESTION 2	PROCEDURES FOR MONITORING USE OF GRANT FUNDS THE ORGANIZATION EVALUATES AND MONITORS DONEES BASED ON PUBLIC AND PRIVATE DATA

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
SHANNON MEDICAL CENTER

Employer identification number
75-2559845

Part I

Questions Regarding Compensation

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

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

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

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

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Return Reference	Explanation
PART 1, QUESTION 4	NAMES, AMOUNTS, AND DETAILS OF ARRANGEMENTS SERP DETAIL NAME AMOUNT BRYAN HORNER NONE 457(F) DETAIL NAME AMOUNT TIMOTHY HARTIN 9,200 KELLY S PLYMELL 26,081 DR IRVIN ZEITLER 28,481
SCHEDULE J, PART I, QUESTION 1A	PROVIDED HEALTH, SOCIAL DUES OR INITIATION FEES BRYAN HORNER AND KELLY SHANE PLYMELL RECEIVE MEMBERSHIP TO BENTWOOD COUNTRY CLUB EXCLUSIVELY FOR BUSINESS USE ANY PERSONAL USE IS REIMBURSED BY THE OFFICER AND THEREFORE NO AMOUNTS ARE REPORTABLE ON THEIR FORM W-2'S

Additional Data

Software ID:
Software Version:
EIN: 75-2559845
Name: SHANNON MEDICAL CENTER

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
BRYAN HORNER CEO/PRESIDENT	(i) (ii)	584,943	169,373	17,000	31,620	12,897	815,833	
EMMETE FLYNN MD DIRECTOR	(i) (ii)	0 408,441	0 76,659	0 32,079	0 56,820	0 25,684	0 599,683	0 0
MICHELLE SNUGGS MD DIRECTOR	(i) (ii)	0 709,948	0 122,948	0 42,380	0 66,420	0 25,684	0 967,380	0 0
KELLY SHANE PLYMELL CFO	(i) (ii)	372,098	97,750		57,701	18,718	546,267	
DR IRVIN ZEITLER MEDICAL DIRECTOR	(i) (ii)	402,733	117,694		60,101	5,798	586,326	
WILMA STUART CNO	(i) (ii)	244,014	76,384		31,620	12,871	364,889	
PATRICIA TIPTON NURSE ANESTHETIST	(i) (ii)	306,861			31,620	2,944	341,425	
PAULINE JAMES NURSE ANESTHETIST	(i) (ii)	179,989			20,148	7,157	207,294	
MARVIN HILL NURSE ANESTHETIST	(i) (ii)	303,990			31,620	7,157	342,767	
STEVE LUBKE DIRECTOR OF PHARMACY	(i) (ii)	160,172			15,626	3,876	179,674	
THOMAS PERKINS DIRECTOR OF IT	(i) (ii)	156,225			15,379	4,933	176,537	

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
SHANNON MEDICAL CENTER

Employer identification number
75-2559845

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) DIANE ZEITLER	IRVIN ZEITLER'S SPOUSE	136,082	EMPLOYED BY SMC		No

Part V Supplemental Information

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

Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization SHANNON MEDICAL CENTER	Employer identification number 75-2559845
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990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, QUESTION 12C	
FORM 990, PART VI, QUESTION 15A & 15B	REVIEW OF COMPENSATION INTEGRATED HEALTH STRATEGIES DID AN EXECUTIVE COMPENSATION STUDY IN JUNE 2012 AND IT COVERED ALL EXECUTIVE SALARIES EXECUTIVE COMPENSATION IS REVIEWED ANNUALLY BY THE BOARD OF TRUSTEES' OPERATIONS COMMITTEE, WHICH CONSULTS COMPARABILITY DATA AND KEEPS CONTEMPORANEOUS RECORDS OF ITS DECISIONS
FORM 990, PART VI, QUESTION 19	GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC THE ORGANIZATIONS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST
FORM 990 PART VI, QUESTION 6	CLASSES OF MEMBERS OR STOCKHOLDERS MARGARET SHANNON ESTATE, A TESTAMENTARY TRUST, IS THE SOLE MEMBER OF THE ORGANIZATION
FORM 990 PART VI, QUESTION 7A	MEMBERS OR STOCKHOLDERS WHO CAN ELECT MEMBERS OF THE GOVERNING BODY THE BOARD OF DIRECTORS SHALL CONSIST OF EACH OF THE SEVEN TRUSTEES OF THE MARGARET SHANNON ESTATE, A TESTAMENTARY TRUST THE OTHER DIRECTORS SHALL CONSIST OF REPRESENTATIVES OF THE COMMUNITY AND MEMBERS OF THE MEDICAL STAFF OF THE HOSPITAL, TO NUMBER IN AGGREGATE NOT MORE THAN SEVEN WHO ARE APPOINTED BY THE MEMBER AND THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION
FORM 990, PART VI, QUESTION 11B	PROCESS TO REVIEW THE FORM 990 THE ORGANIZATION ENGAGES AN OUTSIDE ACCOUNTING FIRM TO PREPARE FORM 990 ONCE PREPARED, THE FORM IS REVIEWED BY THE ORGANIZATION'S INTERNAL ACCOUNTANTS PRIOR TO FILING THE ORGANIZATIONS FINANCE COMMITTEE WILL REVIEW AFTER THE FORM IS FILED
FORM 990, PART VI, QUESTION 7B	DECISIONS OF THE GOVERNING BODY SUBJECT TO APPROVAL APPROVAL OF THE SOLE MEMBER, THE TRUSTEES OF SHANNON WEST TEXAS MEMORIAL HOSPITAL, IS REQUIRED FOR BUDGETS, LARGE FINANCIAL EXPENDITURES THAT DEViate FROM BUDGET, SALE OF PROPERTY, MERGER, ACQUISITION, OR CONSOLIDATION, BORROWING OF MONEY, SEEKING OR GIVING GRANTS, SETTLEMENT OF CLAIMS OR LITIGATION, AMENDMENT OF BYLAWS, AND CONTRACT IN WHICH THE CORPORATION ASSUMES FINANCIAL RISK
FORM 990, PART XI, LINE 9	OTHER CHANGES IN NET ASSETS OR FUND BALANCES CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 136,037 TRANSFERS TO/FROM AFFILIATES (26,193,565) CHANGE IN SHANNON TRUST NET ASSETS 23,603,956 NET ASSETS RELEASED FROM RESTRICTION (10,126,749) ----- \$(12,580,321)

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 SHANNON MEDICAL CENTER	Employer identification number 75-2559845
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Part I

Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

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

Part II

Identification of Related Tax-Exempt Organizations

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) TRUSTEES SHANNON WEST TEXAS HOSPITAL PO BOX 49 SAN ANGELO, TX 76902 75-0800679	TRUST	TX	501(C)(3)	11B	NA		No
(2) SHANNON RURAL HEALTH CLINICS INC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2940211	HEALTHCARE	TX	501(C)(3)	11C	SMC	Yes	
(3) SHANNON REAL ESTATE SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 27-0075630	SUPPORT SVCS	TX	501(C)(3)	11B	SMC	Yes	
(4) SHANNON HEALTH SYSTEM 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2602411	SUPPORT SVCS	TX	501(C)(3)	11A	NA		No
(5) SHANNON CLINIC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2600873	HEALTHCARE	TX	501(C)(3)	9	SHS	Yes	
(6) SHANNON BUSINESS SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 43-2038769	SUPPORT SVCS	TX	501(C)(3)	11B	SMC	Yes	
(7) SHANNON MEDICAL MANAGEMENT 120 E HARRIS AVE SAN ANGELO, TX 76903 20-8367966	SUPPORT SVCS	TX	501(C)(3)	9	SHS		No

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Dispropotionate 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) REGIONAL CANCER TREATMENT CENTER PO BOX 1387 SAN ANGELO, TX 76902 75-2225955	RADIOTHERAPY	TX	NA	RELATED	94,718	4,069,987		No	0	Yes		56 247 %
(2) REGIONAL CANCER TREATMENT CENTER LTD PO BOX 1387 SAN ANGELO, TX 76902 75-2225955	RADIOTHERAPY	TX	NA	RELATED	-33,479	1,219,592		No	0		No	16 715 %

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) LEGACY MANAGEMENT SERVICES 2018 PULLIAM ST SAN ANGELO, TX 76903 75-2544450	MANAGEMENT	TX	NA	C - CORPORATION	0	0			No
(2) LEGACY HEALTH SOLUTIONS 2018 PULLIAM ST SAN ANGELO, TX 76903 20-0720762	MED INSURANCE	TX	NA	C - CORPORATION	0	0			No

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

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

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

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			

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
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Additional Data

Software ID:

Software Version:

EIN: 75-2559845

Name: SHANNON MEDICAL CENTER

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) TRUSTEES SHANNON WEST TEXAS HOSPITAL PO BOX 49 SAN ANGELO, TX 76902 75-0800679	TRUST	TX	501(C)(3)	11B	NA		No
(1) SHANNON RURAL HEALTH CLINICS INC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2940211	HEALTHCARE	TX	501(C)(3)	11C	SMC	Yes	
(2) SHANNON REAL ESTATE SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 27-0075630	SUPPORT SVCS	TX	501(C)(3)	11B	SMC	Yes	
(3) SHANNON HEALTH SYSTEM 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2602411	SUPPORT SVCS	TX	501(C)(3)	11A	NA		No
(4) SHANNON CLINIC 120 E HARRIS AVE SAN ANGELO, TX 76903 75-2600873	HEALTHCARE	TX	501(C)(3)	9	SHS	Yes	
(5) SHANNON BUSINESS SERVICES INC 120 E HARRIS AVE SAN ANGELO, TX 76903 43-2038769	SUPPORT SVCS	TX	501(C)(3)	11B	SMC	Yes	
(6) SHANNON MEDICAL MANAGEMENT 120 E HARRIS AVE SAN ANGELO, TX 76903 20-8367966	SUPPORT SVCS	TX	501(C)(3)	9	SHS		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
SHANNON CLINIC	L	1,046,074	BOOK VALUE
SHANNON REAL ESTATE SERVICES	K	182,812	BOOK VALUE
SHANNON BUSINESS SERVICES	C	319,006	BOOK VALUE
SHANNON BUSINESS SERVICES	J	56,696	BOOK VALUE
SHANNON BUSINESS SERVICES	P	1,684,669	BOOK VALUE
SHANNON BUSINESS SERVICES	S	9,927,046	BOOK VALUE
SHANNON BUSINESS SERVICES	Q	11,124,412	BOOK VALUE
SHANNON CLINIC	P	14,963,316	BOOK VALUE
SHANNON CLINIC	Q	3,390,933	BOOK VALUE
SHANNON CLINIC	R	2,965,200	BOOK VALUE
SHANNON MEDICAL MANAGEMENT	Q	8,459,070	BOOK VALUE
SHANNON MEDICAL MANAGEMENT	R	24,596,707	BOOK VALUE
SHANNON REAL ESTATE SERVICES	P	319,185	BOOK VALUE
SHANNON REAL ESTATE SERVICES	Q	551,703	BOOK VALUE
SHANNON REAL ESTATE SERVICES	R	3,738,634	BOOK VALUE
SHANNON REAL ESTATE SERVICES	S	3,099,458	BOOK VALUE

Shannon Health System

Auditor's Report and Combined Financial Statements

September 30, 2014 and 2013



Shannon Health System

September 30, 2014 and 2013

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Combined Financial Statements

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Combined Statements of Operations and Changes in Net Assets	4
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Supplementary Information

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the System as of September 30, 2014 and 2013, and the changes in its financial position 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 combined financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

BKD, LLP

Dallas, Texas
February 4, 2015

Shannon Health System

Combined Balance Sheets

September 30, 2014 and 2013

Assets

	2014	2013
Current Assets		
Cash	\$ 6,309,215	\$ 6,682,805
Short-term investments	38,336,398	29,539,138
Assets limited as to use, current	3,336,318	3,115,054
Patient accounts receivable, net of allowance, 2014 – \$47,854,000, 2013 – \$35,035,000	38,383,841	35,766,020
Estimated amounts due from third-party payers	4,546,208	1,175,902
Prepaid expenses and other	12,868,345	9,570,588
	<hr/>	<hr/>
Total current assets	103,780,325	85,849,507
	<hr/>	<hr/>
Assets Limited As To Use		
Restricted gift funds - cash	3,336,318	2,832,832
Held by trustee, deferred compensation	8,649,937	6,922,750
Held by trustee, malpractice funding arrangement	4,805,345	5,976,548
	<hr/>	<hr/>
	16,791,600	15,732,130
Less amount required to meet current obligations	3,336,318	3,115,054
	<hr/>	<hr/>
	13,455,282	12,617,076
	<hr/>	<hr/>
Investments	34,939,628	30,269,598
	<hr/>	<hr/>
Property and Equipment, At Cost		
Land and land improvements	10,042,528	9,836,014
Buildings and leasehold improvements	114,162,878	112,095,190
Equipment	158,484,561	151,678,730
Construction in progress	3,541,652	684,711
	<hr/>	<hr/>
	286,231,619	274,294,645
Less accumulated depreciation	192,509,317	179,961,537
	<hr/>	<hr/>
	93,722,302	94,333,108
	<hr/>	<hr/>
Other Assets		
Interest in net assets of Shannon West Texas Memorial Hospital (Shannon Trust)	163,507,350	150,030,142
Other noncurrent assets	3,308,245	3,325,907
	<hr/>	<hr/>
	166,815,595	153,356,049
	<hr/>	<hr/>
Total assets	<u>\$ 412,713,132</u>	<u>\$ 376,425,338</u>

See Notes to Combined Financial Statements

Liabilities and Net Assets

	2014	2013
Current Liabilities		
Current maturities of long-term debt	\$ 107,369	\$ 129,013
Marginable brokerage account	-	858,834
Accounts payable	10,529,454	8,780,796
Accrued expenses and other liabilities	19,266,187	23,157,436
Accrued pension liability	345,414	300,506
Current portion of estimated malpractice costs	332,320	1,707,222
	<hr/>	<hr/>
Total current liabilities	30,580,744	34,933,807
Estimated Malpractice Costs	2,953,680	3,541,778
Long-term Debt	-	107,369
Other Liabilities		
Accrued pension liability	1,478,829	1,328,868
Other noncurrent liabilities	11,388,345	7,407,952
	<hr/>	<hr/>
Total liabilities	46,401,598	47,319,774
	<hr/>	<hr/>
Net Assets		
Unrestricted		
Shannon Health System	196,857,537	173,801,699
Noncontrolling interest	2,610,329	2,440,891
Total unrestricted net assets	<hr/> 199,467,866	<hr/> 176,242,590
Temporarily restricted	166,843,668	152,862,974
	<hr/>	<hr/>
Total net assets	366,311,534	329,105,564
	<hr/>	<hr/>
Total liabilities and net assets	<u><u>\$ 412,713,132</u></u>	<u><u>\$ 376,425,338</u></u>

Shannon Health System

Combined Statements of Operations and Changes in Net Assets

Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 371,888,567	\$ 363,770,983
Provision for uncollectible accounts	(51,565,634)	(45,489,664)
Net patient service revenue less provision for uncollectible accounts	320,322,933	318,281,319
Other revenues	30,173,468	34,807,470
Total unrestricted revenues, gains and other support	350,496,401	353,088,789
Expenses and Losses		
Salaries, wages and employee benefits	216,580,929	237,722,935
Supplies and other	110,707,869	104,276,592
Depreciation and amortization of property and equipment	14,268,632	12,982,369
Interest	11,103	13,152
Total expenses and losses	341,568,533	354,995,048
Operating Income (Loss)	8,927,868	(1,906,259)
Other Income (Expense)		
Investment return	3,091,162	2,471,506
Unrealized gains and losses on trading securities	632,908	(982,609)
Other income	548,801	591,364
Total other income	4,272,871	2,080,261
Excess of Revenues Over Expenses	13,200,739	174,002

Shannon Health System

Combined Statements of Operations and Changes in Net Assets (Continued)

Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 13,200,739	\$ 174,002
Contributions for acquisition of property and equipment	288,500	45,417
Change in pension liability	136,037	22,098,268
Net assets released from restriction used for purchase of property and equipment	9,600,000	8,150,000
Change in ownership interest in RCTC	-	50,571
Distributions to noncontrolling interest	-	(138,375)
	<u>23,225,276</u>	<u>30,379,883</u>
Increase in unrestricted net assets		
Temporarily Restricted Net Assets		
Change in interest in net assets of Shannon Trust	23,603,956	32,673,341
Contributions	998,963	882,370
Net assets released from restriction	<u>(10,622,225)</u>	<u>(33,139,314)</u>
	<u>13,980,694</u>	<u>416,397</u>
Increase in temporarily restricted net assets		
Change in Net Assets	37,205,970	30,796,280
Net Assets, Beginning of Year	<u>329,105,564</u>	<u>298,309,284</u>
Net Assets, End of Year	<u><u>\$ 366,311,534</u></u>	<u><u>\$ 329,105,564</u></u>

Shannon Health System

Combined Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	2014	2013
Operating Activities		
Change in net assets	\$ 37,205,970	\$ 30,796,280
Items not requiring (providing) operating cash flow		
(Gain) on sale of property and equipment	(92,925)	-
Change in interest in Shannon Trust	(13,477,208)	(9,753,494)
Change in pension liability	194,869	278,709
Depreciation and amortization of property and equipment	14,268,632	12,982,369
Net (gain) loss on investments	(1,332,104)	722,101
Transfers from Shannon Trust	(9,600,000)	(8,150,000)
Contributions for property and equipment	(288,500)	(45,417)
Provision for uncollectible accounts	51,565,634	45,489,664
Distributions to noncontrolling interest	-	138,375
Changes in		
Patient accounts receivable, net	(54,183,455)	(46,033,597)
Estimated amounts due from and to third-party payers	(3,370,306)	(6,189,494)
Accounts payable and accrued expenses	1,837,802	(4,290,100)
Other current assets and liabilities	(5,260,757)	(16,965,777)
Net cash provided by (used in) operating activities	<u>17,467,652</u>	<u>(1,020,381)</u>
Investing Activities		
Purchase of property and equipment	(13,761,319)	(15,931,885)
Purchase of investments	(14,801,947)	(4,728,599)
Proceeds from disposition of investments	1,607,291	7,669,517
Purchase of additional interest in RCTC	-	(50,571)
Other investing activities	(644,754)	385,795
Net cash used in investing activities	<u>(27,600,729)</u>	<u>(12,655,743)</u>
Financing Activities		
Distributions to noncontrolling interest	-	(138,375)
Contributions received from Shannon Trust	9,600,000	8,150,000
Proceeds from contributions for acquisition of property and equipment	288,500	45,417
Principal payments on long-term debt	(129,013)	(125,326)
Net cash provided by financing activities	<u>9,759,487</u>	<u>7,931,716</u>
Decrease in Cash	(373,590)	(5,744,408)
Cash, Beginning of Year	<u>6,682,805</u>	<u>12,427,213</u>
Cash, End of Year	<u><u>\$ 6,309,215</u></u>	<u><u>\$ 6,682,805</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 11,103	\$ 13,152
Property and equipment included in accounts payable	\$ 454,115	\$ 396,351

See Notes to Combined Financial Statements

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The combined financial statements of Shannon Health System (the System) include the accounts of the following entities

<u>Entity</u>	<u>Description</u>	<u>Tax Status</u>
Shannon Medical Center (the Medical Center)	Acute care hospital	Tax-exempt
Shannon Clinic (the Clinic)	Multi-specialty physician services	Tax-exempt
Shannon Medical Management	Management services	Tax-exempt
Shannon Business Services	Ancillary services	Tax-exempt
Shannon Real Estate Services	Property management	Tax-exempt
Shannon Rural Health Clinics	Physician clinical services	Tax-exempt
Regional Cancer Treatment Center	Cancer treatment center	Taxable

The Trustees of Shannon West Texas Memorial Hospital (the Shannon Trust), a testamentary trust, is the sole corporate member of the System and the Medical Center. The ownership structure of the combined group is as follows:

- **Shannon Health System** – The System's sole member is the Shannon Trust. The System owns or controls Shannon Clinic and Shannon Medical Management.
- **Shannon Medical Center** – The Medical Center's sole member is the Shannon Trust. The Medical Center is the sole member or owns 100% of Shannon Business Services, Shannon Real Estate Services, and Shannon Rural Health Clinics.
- **Regional Cancer Treatment Center** – The Medical Center is the majority owner of Regional Cancer Treatment Center, LP (RCTC). At September 30, 2014 and 2013, the System owned 72.96% of RCTC, with the remaining interest in the partnership owned by unrelated entities.

The System primarily earns revenues through the provision of inpatient, outpatient, emergency care and physician services to residents in San Angelo, Texas and surrounding areas of west Texas.

Principles of Combination

The combined financial statements of the System include the System, the Medical Center, and their respective controlled entities. All significant intercompany accounts and transactions have been eliminated in combination.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Noncontrolling Interest

Noncontrolling interest represents the 27.04% interest in RCTC that the System does not own at September 30, 2014 and 2013. Losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

For the years ended September 30, 2014 and 2013, changes in combined unrestricted net assets attributable to the controlling financial interest of the System and the noncontrolling interest are

	Total	Controlling Interest	Noncontrolling Interest
Balance October 1, 2012	\$ 145,862,707	\$ 143,427,884	\$ 2,434,823
Excess of revenues over expenses	174,002	29,559	144,443
Contributions for acquisition of property and equipment	45,417	45,417	-
Change in additional minimum pension liability	22,098,268	22,098,268	-
Net assets released from restriction used for purchase of property and equipment	8,150,000	8,150,000	-
Change in ownership interest in RCTC	50,571	50,571	-
Distributions to noncontrolling interest	(138,375)	-	(138,375)
Change in unrestricted net assets	30,379,883	30,373,815	6,068
Balance September 30, 2013	176,242,590	173,801,699	2,440,891
Excess of revenues over expenses	13,200,739	13,031,301	169,438
Contributions for acquisition of property and equipment	288,500	288,500	-
Change in additional minimum pension liability	136,037	136,037	-
Net assets released from restriction used for purchase of property and equipment	9,600,000	9,600,000	-
Change in unrestricted net assets	23,225,276	23,055,838	169,438
Balance September 30, 2014	\$ 199,467,866	\$ 196,857,537	\$ 2,610,329

The change in temporarily restricted net assets is attributable solely to the controlling interest.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Interest in Net Assets of the Shannon Trust

The Shannon Trust and the Medical Center are financially interrelated organizations. The Medical Center is the named beneficiary of the Shannon Trust and accounts for its interest in the net assets of the Shannon Trust (Interest) in a manner similar to the equity method. Changes in the Interest are included in change in net assets. Transfers of assets between the Shannon Trust and the Medical Center are recognized as increases or decreases in the Interest.

Use of Estimates

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

Cash

At September 30, 2014, the System's cash accounts exceeded federally insured limits by approximately \$7,008,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets.

Other investment return is reflected in the combined statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include (1) assets restricted by donors for specific purposes, (2) assets held by trustees under deferred compensation arrangements and (3) assets held by trustees under self-insurance trust arrangements. Amounts required to meet current liabilities of the System are included in current assets.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Patient Accounts Receivable

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

For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary.

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

The System's allowance for doubtful accounts for self-pay patients accounts receivable was approximately 98% and 95% at September 30, 2014 and 2013, respectively. Patient account write-offs were consistent between 2014 and 2013.

Self-insured Employee Health Claims

The System is self-insured for its exposure to risk of loss from employee health claims. An estimated liability is accrued for employee health claims at September 30, 2014 and 2013, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Supplies

The System states supply inventories at the lower of cost, determined using the average cost method, or market.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and 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 leasehold improvements	5 – 40 years
Equipment	3 – 10 years

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

Construction in Progress

Construction in progress at September 30, 2014, primarily represents costs incurred to fund approximately \$30,000,000 of capital improvements, including an urgent care facility, a medical office building and other outpatient facilities. These projects will occur throughout 2015, 2016 and 2017 and will be funded through internally designated investments and future transfers from the Shannon Trust.

Long-lived Asset Impairment

The System 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 estimated future cash flows 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 September 30, 2014 and 2013.

Goodwill

Goodwill relates to the purchase of additional interest in RCTC and the purchase of a surgery center. These transactions resulted in goodwill of approximately \$2,600,000, which is included in other noncurrent assets in the accompanying combined balance sheets. Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. No impairment was recognized during the years ended September 30, 2014 and 2013.

Shannon Health System

Notes to Combined Financial Statements

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Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose

Net Patient Service Revenue

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

Charity Care

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

Contributions

Gifts received with donor stipulations are reported at estimated fair value as either temporarily or permanently restricted support. When a donor restriction expires (i.e., when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Professional Liability Claims

The System recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 5*.

Workers' Compensation Costs

The Medical Center is a self-insured subscriber to the Texas Workers' Compensation Insurance Program. An annual estimated provision is accrued for the self-insured portion of employee injury claims, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported, based on the Medical Center's loss history.

Income Taxes

The System has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the System is subject to federal income tax on any unrelated business taxable income. Subsidiaries that are not exempt from income taxes had no material tax liability.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

The System files tax returns in the U S federal jurisdiction. With a few exceptions, the System is no longer subject to U S federal examinations by tax authorities for years before 2011.

Excess of Revenues Over Expenses

The combined statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include certain changes in pension liabilities, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and changes in ownership and distributions to noncontrolling interest.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized at the end of the reporting period following the transfer date.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). 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 on the System 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 administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The System recognizes revenue under the grant accounting model using the cliff recognition approach. Under this approach, revenue is recognized once meaningful use status has been met for the full reporting period.

The System recognized revenue from these programs of \$2,670,000 and \$4,855,000 in 2014 and 2013, respectively. The revenue is included in other revenues within operating revenues in the accompanying combined statements of operations and changes in net assets.

Subsequent Events

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

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Reclassifications

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

Note 2: Net Patient Service Revenue

The System 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. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the combined statement of operations as a component of net patient service revenue.

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

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates or fee schedule amounts. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare administrative contractor. Physician and related services provided to Medicare beneficiaries are reimbursed under a fee schedule methodology.
- **Medicaid** – Substantially all inpatient and outpatient services rendered to Medicaid program beneficiaries (including those that participate in Medicaid managed care programs) are primarily reimbursed under a prospective payment system. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid program. Physician services are reimbursed based on fee schedule amounts.

On December 12, 2011, the United States Department of Health and Human Services approved a Medicaid Section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program" (the Waiver). The Waiver expands existing Medicaid managed care programs and establishes two funding pools that will assist providers with uncompensated care costs and promote health system transformation (DSRIP Pool). The demonstration is effective from December 12, 2011 to September 30, 2016. The revenue from the two funding pools is recognized as earned throughout the related demonstration year. The Medical Center also receives supplemental Medicaid funding under the state of Texas Medicaid Disproportionate Share (DSH) program. Total revenue recognized from these programs is approximately \$20,313,000 and

Shannon Health System

Notes to Combined Financial Statements

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\$19,650,000 for the years ended September 30, 2014 and 2013, respectively, and is included as other operating revenue in the combined statements of revenues, expenses and changes in net assets

The programs described above are subject to review and scrutiny by both the Texas Legislature and the Center for Medicare and Medicaid Services (CMS) and the programs could be modified or terminated based on new legislation or regulation in future periods. During 2014, CMS suspended payments under the UC Pool while it investigated certain aspects of the Texas program. In December 2014, CMS lifted this suspension and payments resumed. Management is not currently able to estimate the impact of this review on future revenues under the Waiver.

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.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended September 30, 2014 and 2013, respectively, was approximately

	2014	2013
Medicare	\$ 125,184,517	\$ 123,842,059
Medicaid	36,219,245	35,486,548
Other third-party payers	179,124,359	173,957,326
Self-pay	31,360,446	30,485,050
Total	<u>\$ 371,888,567</u>	<u>\$ 363,770,983</u>

Shannon Health System
Notes to Combined Financial Statements
September 30, 2014 and 2013

Note 3: Concentration of Credit Risk

Accounts Receivable

The System grants credit without collateral to its patients, most of who are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30 is:

	2014	2013
Medicare	38%	33%
Medicaid	5%	5%
Other third-party payers	53%	58%
Patients	4%	4%
	<u>100%</u>	<u>100%</u>

Note 4: Investments and Investment Return

Investments at September 30 include:

	2014	2013
Money market funds	\$ 6,925,036	\$ 3,914,475
Equity securities	23,526	12,611
Fixed income mutual funds	22,041,457	16,711,506
Equity mutual funds	23,438,915	19,990,566
Corporate bonds	23,455,654	20,571,522
U.S. government obligations	13,815,235	13,980,230
Accrued interest	367,803	359,956
	<u>\$ 90,067,626</u>	<u>\$ 75,540,866</u>

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Investments are included on the combined balance sheets as follows

	2014	2013
Short-term investments	\$ 38,336,398	\$ 29,539,138
Assets limited as to use		
Restricted gift funds	3,336,318	2,832,832
Held by trustee, deferred compensation	8,649,937	6,922,750
Held by trustee, malpractice funding arrangement	4,805,345	5,976,548
Long-term investments	<u>34,939,628</u>	<u>30,269,598</u>
	<u><u>\$ 90,067,626</u></u>	<u><u>\$ 75,540,866</u></u>

Total investment return is comprised of the following

	2014	2013
Interest and dividend income	\$ 2,391,966	\$ 2,210,998
Net realized gains on investments	699,196	260,508
Change in net unrealized gains (losses) on investments	<u>632,908</u>	<u>(982,609)</u>
	<u><u>\$ 3,724,070</u></u>	<u><u>\$ 1,488,897</u></u>

Total investment return is reflected in the combined statements of operations and changes in net assets as follows

	2014	2013
Unrestricted net assets		
Other nonoperating income	<u>\$ 3,724,070</u>	<u>\$ 1,488,897</u>

Note 5: Risk Management

Professional Liability Claims

The System is self-insured for medical malpractice risks for both its hospital and physician health care operations. The System purchases excess loss insurance for claims that exceed varying amounts, subject to aggregate excess loss limits. Losses from asserted and unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued malpractice losses have been estimated by professional insurance consultants and have been discounted at a rate of 3.0% in 2014 and 2013. The System has accrued estimated losses totaling approximately \$3,286,000 and \$5,250,000 at September 30, 2014 and 2013, respectively. It is reasonably possible that the System's estimate of losses will change by a material amount in the near term.

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Employee Health Insurance

The System is self-insured for employee health claims, subject to certain reinsurance limits for claims exceeding self-insured limits. A reserve has been established for unpaid claims and claims incurred but not reported based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. The System recorded a reserve for employee health claims of approximately \$1,533,000 and \$1,472,000 at September 30, 2014 and 2013, respectively, which is included with accrued expenses and other liabilities on the accompanying combined balance sheets. It is reasonably possible that the System's estimate will change by a material amount in the near term.

Workers' Compensation

The Medical Center is a self-insured subscriber to the Texas Workers' Compensation Insurance Program. The Medical Center accrues its estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the Medical Center's loss history. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

General Liability

The System is self-insured for general liability risks. The System purchases excess loss insurance for claims exceeding self-insured limits. The System accrues its estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the System's loss history. As of September 30, 2014 and 2013, no amount had been accrued based on such experience. It is reasonably possible that the System's estimate will change by a material amount in the near term.

Note 6: Marginable Brokerage Account

The System and certain subsidiaries have marginable brokerage accounts with a financial institution. At September 30, 2014, the agreement allows the System to borrow up to \$44,089,000, secured by the securities held in these investment accounts. Interest varies with LIBOR and was 1.15% and 1.18% on September 30, 2014 and 2013, respectively, and is payable monthly. At September 30, 2014 and 2013, RCTC had borrowed \$0 and \$858,834, respectively, against the marginable brokerage account.

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Notes to Combined Financial Statements
September 30, 2014 and 2013

Note 7: Long-term Debt

The Clinic's long-term debt at September 30 was

	<u>2014</u>	<u>2013</u>
Capital lease obligations	\$ 107,369	\$ 236,382
Less current maturities	<u>107,369</u>	<u>129,013</u>
	<u><u>\$ -</u></u>	<u><u>\$ 107,369</u></u>

The Clinic has entered into various lease arrangements accounted for as capital leases. These capital lease obligations have imputed rates of interest that range from 2.67% to 3.02%, mature through 2015 and are secured by leased equipment with a cost of \$625,114 and accumulated depreciation of \$523,517 as of September 30, 2014. At September 30, 2014, aggregate annual maturities on capital lease obligations are \$109,213, of which \$1,844 represents interest, resulting in a present value of future minimum lease payments of \$107,369.

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods:

	<u>2014</u>	<u>2013</u>
Health care services and purchases of equipment	\$ 3,336,318	\$ 2,832,832
Future periods	<u>163,507,350</u>	<u>150,030,142</u>
	<u><u>\$ 166,843,668</u></u>	<u><u>\$ 152,862,974</u></u>

Note 9: Charity Care

The System maintains records which identify and monitor the level of charity care they provide. These records include charges and costs for services and supplies furnished under the financial assistance policies. The cost of charity care provided during the years ended September 30, 2014 and 2013, was approximately \$23,187,000 and \$22,938,000, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Note 10: Functional Expenses

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

	<u>2014</u>	<u>2013</u>
Health care services	\$ 278,667,077	\$ 286,009,586
General and administrative	62,901,456	68,985,462
	<u>\$ 341,568,533</u>	<u>\$ 354,995,048</u>

Note 11: Pension Plan

The Medical Center had a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements (the Employee Plan). The Employee Plan was frozen on July 1, 2005 and was terminated in 2013. Prior to termination, the Medical Center's funding policy was to make the minimum annual contribution that was required by applicable regulations, plus such amounts as the Medical Center determined to be appropriate from time to time. During 2013, the net assets of the Employee Plan were distributed to the Employee Plan participants and beneficiaries. During 2013, the Medical Center recorded expenses totaling approximately \$27,660,000, related to funding and termination of the Employee Plan. No expense was recognized in 2014 related to the termination of the Employee Plan.

The Medical Center also has a Supplemental Executive Retirement Plan (SERP) covering certain members of management. The Medical Center's funding policy is to contribute the amount of pension benefit payments at the time the benefit is paid. The Medical Center expects to contribute \$345,414 to the SERP in 2015.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

The Medical Center uses a September 30 measurement date for the SERP. Information about the SERP's funded status follows:

	SERP	
	2014	2013
Benefit obligation	\$ (1,824,243)	\$ (1,629,374)
Fair value of plan assets	-	-
Funded status	<u>\$ (1,824,243)</u>	<u>\$ (1,629,374)</u>

Assets and liabilities recognized in the combined balance sheets:

	SERP	
	2014	2013
Current liabilities	\$ 345,414	\$ 300,506
Noncurrent liabilities	1,478,829	1,328,868

Amounts not yet recognized as components of net periodic benefit cost consist of:

	SERP	
	2014	2013
Net loss	<u>\$ 173,031</u>	<u>\$ 309,068</u>

The accumulated benefit obligation compared to plan assets is as follows:

	SERP	
	2014	2013
Accumulated benefit obligation	<u>\$ (1,798,575)</u>	<u>\$ (1,581,595)</u>
Fair value of plan assets	<u>\$ -</u>	<u>\$ -</u>

Shannon Health System
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Other significant balances and costs are

	SERP	
	2014	2013
Employer contributions	\$ -	\$ -
Benefits paid	-	-
Benefit costs	330,906	297,809

The following amounts have been recognized in the Medical Center's statements of operations and changes in net assets for the years ended September 30, 2014 and 2013

	SERP	
	2014	2013
Amounts arising during the period		
Net loss (gain)	\$ (29,760)	\$ 62,206
Amounts reclassified as components of net periodic benefit cost of the period		
Net gain	(106,277)	(81,306)

The estimated net loss for the SERP that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year is \$0

Significant assumptions include

	SERP	
	2014	2013
Weighted-average assumptions used to determine benefit obligations		
Discount rate	7.00%	7.00%
Rate of compensation increase	3.00%	3.80%

Shannon Health System

Notes to Combined Financial Statements

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	SERP	
	2014	2013
Weighted-average assumptions used to determine benefit costs		
Discount rate	7.00%	7.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	3.00%	3.80%

The future benefit payments shown below reflect expected future service, as appropriate, as they are expected to be paid by the Medical Center as of September 30, 2014.

	SERP
2015	\$ 345,414
2016	1,758,934

A nonqualified plan trust has been created for the purpose of funding SERP obligations. However, certain rights are retained by general creditors of the Medical Center with respect to assets held in trust and, therefore, the trust assets would not be treated as sufficiently separated from the employer to constitute plan assets under accounting principles generally accepted in the United States of America. The assets held in this trust are reported on the combined balance sheets as a component of internally designated assets limited as to use.

Defined Contribution Plan

The System maintains a defined contribution retirement plan in which employees who have completed at least three months of service are eligible to participate. Participants may contribute up to 50% of pre-tax compensation. For each eligible participant, the System will make the following matching contributions: (1) 100% of the employee's contribution not in excess of 3% of the employee's compensation, plus (2) 50% of the employee's contribution between 3% and 5% of the employee's compensation. The System makes additional contributions ranging from 2.8% to 13.2% depending on the employee's total compensation. Employees are fully vested in the System's matching contributions when they are paid, while additional contributions are vested over a six-year period. The System recognized approximately \$4,991,000 and \$9,769,000 in expense related to this plan during the years ended September 30, 2014 and 2013, respectively.

Deferred Compensation Plan

The System also offers a nonqualified deferred compensation plan for certain physicians and executives. Benefits generally vest over a period of two to five years. Amounts accrued related to this plan were approximately \$8,116,000 and \$6,421,000 at September 30, 2014 and 2013, respectively.

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Notes to Combined Financial Statements
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Note 12: Related Party Transactions

Interest in Shannon Trust

The Medical Center is the named beneficiary of the Shannon Trust. The beneficial interest in the assets of this trust is included in the Medical Center's financial statements as temporarily restricted net assets. Income is distributed in accordance with the individual trust documents. The estimated value of the expected future cash flows is \$163,507,350 and \$150,030,142, which represents the fair value of the trust assets at September 30, 2014 and 2013, respectively.

The Medical Center receives contributions, which are listed as assets released from restrictions on the combined statements of changes in net assets, from the Shannon Trust. Total contributions from the Shannon Trust were approximately \$10,127,000 and \$22,820,000 for the years ended September 30, 2014 and 2013, respectively. In 2014 and 2013, approximately \$9,600,000 and \$8,150,000, respectively, of the contributions received from the Shannon Trust were provided to purchase capital assets and the balance was restricted to use in terminating the defined benefit pension plan and other operating expenses.

Non-Controlling Membership Interest

The Medical Center holds a non-controlling membership interest in the Service Organization of Concho Valley (the Organization). Organized in 2010, the Organization's primary purpose is to improve the health care of residents in west Texas through multiple means. A member of management of the Medical Center serves on the Board of Directors of the Organization. The Medical Center contributed approximately \$10,395,000, and \$7,814,000 to the Organization in 2014 and 2013, respectively, that was recorded as other operating expense in the combined statements of operations and changes in net assets.

Note 13: Disclosures About 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 and minimize the use of unobservable 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

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying combined 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 September 30, 2014 and 2013

		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)
	Fair Value			
September 30, 2014				
Money market funds	\$ 6,925,036	\$ 6,925,036	\$ -	\$ -
Fixed income mutual funds	22,041,457	22,041,457	-	-
Equity mutual funds	23,438,915	23,438,915	-	-
Equity securities	23,526	23,526	-	-
U.S. government obligations	13,815,235	-	13,815,235	-
Corporate bonds	23,455,654	-	23,455,654	-
September 30, 2013				
Money market funds	\$ 3,914,475	\$ 3,914,475	\$ -	\$ -
Fixed income mutual funds	16,711,506	16,711,506	-	-
Equity mutual funds	19,990,566	19,990,566	-	-
Equity securities	12,611	12,611	-	-
U.S. government obligations	13,980,230	-	13,980,230	-
Corporate bonds	20,571,522	-	20,571,522	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined 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 September 30, 2014.

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The System has no Level 3 securities at September 30, 2014 and 2013.

Fair Value of Financial Instruments

The following table presents estimated fair values of the System's financial instruments at September 30, 2014 and 2013.

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	\$ 6,309,215	\$ 6,309,215	\$ 6,682,805	\$ 6,682,805
Investments	90,067,626	90,067,626	75,540,866	75,540,866
Interest in net assets of Shannon Trust	163,507,350	163,507,350	150,030,142	150,030,142

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

Cash

The carrying amount approximates fair value.

Interest in Net Assets of Shannon Trust

The fair value is estimated using the fair value of the assets held by the Shannon Trust trustees, which is the same as the carrying amount.

Note 14: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The System's conditional ARO is primarily related to asbestos contained in buildings that

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

the System owns. Environmental regulations exist that require the System to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

The amount of ARO recorded at September 30, 2014 and 2013, is \$844,951 and \$804,715, respectively, and is included in other noncurrent liabilities in the accompanying combined balance sheets. A summary of changes in AROs for the years ended September 30, 2014 and 2013 is included in the table below.

	<u>2014</u>	<u>2013</u>
Liability, beginning of year	\$ 804,715	\$ 766,395
Accretion expense	<u>40,236</u>	<u>38,320</u>
Liability, end of year	<u><u>\$ 844,951</u></u>	<u><u>\$ 804,715</u></u>

Note 15: Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities included in current liabilities at September 30, 2014 and 2013 consisted of:

	<u>2014</u>	<u>2013</u>
Payable to suppliers and contractors	\$ 14,646,044	\$ 14,437,149
Payable to employees (including payroll taxes and benefits)	<u>15,149,597</u>	<u>17,501,083</u>
	<u><u>\$ 29,795,641</u></u>	<u><u>\$ 31,938,232</u></u>

Note 16: Significant Estimates and Concentrations

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 the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1 and 2*.

Investments

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment

Shannon Health System

Notes to Combined Financial Statements

September 30, 2014 and 2013

securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying combined balance sheets

General Liability and Medical Malpractice Claims

Estimates related to the accrual for general liability and medical malpractice claims are described in *Notes 1 and 5*

Asset Retirement Obligation

As discussed in *Note 14*, the System recorded a liability for its conditional asset retirement obligations (ARO) related to asbestos contained in buildings that the System owns

Note 17: *Patient Protection and Affordable Care Act*

The *Patient Protection and Affordable Care Act* (PPACA) is substantially reforming 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 established health insurance exchanges, which provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Texas has indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the System's reduced revenue from other Medicare/Medicaid programs.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible it will have a negative impact on the System's net patient service revenue. In addition, it is possible the System will experience payment delays and other operational challenges during PPACA's implementation.

Supplementary Information

Shannon Health System

Combining Schedule – Balance Sheet Information

September 30, 2014

	Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	\$ -	\$ 5,892,546	\$ -	\$ -	\$ 416,669	\$ -	\$ 6,309,215
Short-term investments	-	34,465,009	-	-	3,871,389	-	38,336,398
Assets limited as to use, current	-	3,336,318	-	-	-	-	3,336,318
Patient accounts receivable, net	-	22,061,274	16,035,239	-	287,328	-	38,383,841
Estimated amounts due from third-party payers	-	4,546,208	-	-	-	-	4,546,208
Prepaid expenses and other	59,143	11,051,897	1,085,719	497,163	195,604	(21,181)	12,868,345
Total current assets	59,143	81,353,252	17,120,958	497,163	4,770,990	(21,181)	103,780,325
Assets Limited As to Use							
Restricted gift funds - cash	-	3,336,318	-	-	-	-	3,336,318
Held by trustee, deferred compensation	-	771,023	7,798,455	80,459	-	-	8,649,937
Held by trustee, malpractice funding arrangement	-	4,805,345	-	-	-	-	4,805,345
	-	8,912,686	7,798,455	80,459	-	-	16,791,600
Less amount required to meet current obligations	-	3,336,318	-	-	-	-	3,336,318
	-	5,576,368	7,798,455	80,459	-	-	13,455,282
Investments	-	34,939,628	-	-	-	-	34,939,628
Property and Equipment, At Cost							
Land and land improvements	-	10,042,528	-	-	-	-	10,042,528
Buildings and leasehold improvements	-	114,296,103	-	-	-	(133,225)	114,162,878
Equipment	-	130,272,035	13,285,312	6,396,912	8,530,302	-	158,484,561
Construction in progress	-	3,416,038	125,614	-	-	-	3,541,652
	-	258,026,704	13,410,926	6,396,912	8,530,302	(133,225)	286,231,619
Less accumulated depreciation	-	171,141,561	11,160,741	4,689,116	5,517,899	-	192,509,317
	-	86,885,143	2,250,185	1,707,796	3,012,403	(133,225)	93,722,302
Other Assets							
Interest in net assets of Shannon Trust	-	163,507,350	-	-	-	-	163,507,350
Other noncurrent assets	-	2,593,529	692,260	-	22,456	-	3,308,245
	-	166,100,879	692,260	-	22,456	-	166,815,595
Total assets	\$ 59,143	\$ 374,855,270	\$ 27,861,858	\$ 2,285,418	\$ 7,805,849	\$ (154,406)	\$ 412,713,132

Shannon Health System

Combining Schedule – Balance Sheet Information

September 30, 2014

	Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Current maturities of long-term debt	\$ -	\$ -	\$ 107,369	\$ -	\$ -	\$ -	\$ 107,369
Accounts payable	150	8,543,503	1,896,556	89,245	-	-	10,529,454
Accrued expenses and other liabilities	-	9,555,035	7,403,173	2,246,204	82,956	(21,181)	19,266,187
Accrued pension liability	-	345,414	-	-	-	-	345,414
Current portion of estimated malpractice costs	-	332,320	-	-	-	-	332,320
Total current liabilities	150	18,776,272	9,407,098	2,335,449	82,956	(21,181)	30,580,744
Estimated Malpractice Costs	-	1,244,960	1,708,720	-	-	-	2,953,680
Other Liabilities							
Accrued pension liability	-	1,478,829	-	-	-	-	1,478,829
Other noncurrent liabilities	-	1,467,623	9,802,203	118,519	-	-	11,388,345
Total liabilities	150	22,967,684	20,918,021	2,453,968	82,956	(21,181)	46,401,598
Net Assets (Deficit)							
Unrestricted							
Shannon Health System	58,993	185,043,918	6,943,837	(168,550)	5,112,564	(133,225)	196,857,537
Noncontrolling interest	-	-	-	-	2,610,329	-	2,610,329
Total unrestricted net assets (deficit)	58,993	185,043,918	6,943,837	(168,550)	7,722,893	(133,225)	199,467,866
Temporarily restricted	-	166,843,668	-	-	-	-	166,843,668
Total net assets (deficit)	58,993	351,887,586	6,943,837	(168,550)	7,722,893	(133,225)	366,311,534
Total liabilities and net assets (deficit)	<u>\$ 59,143</u>	<u>\$ 374,855,270</u>	<u>\$ 27,861,858</u>	<u>\$ 2,285,418</u>	<u>\$ 7,805,849</u>	<u>\$ (154,406)</u>	<u>\$ 412,713,132</u>

Shannon Health System

Combining Schedule – Statement of Operations and Changes in Net Assets (Deficit) Information

Year Ended September 30, 2014

	Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
Unrestricted Revenues, Gains and Other Support							
Patient service revenue (net of contractual discounts and allowances)	\$ -	\$ 255,986,418	\$ 115,595,332	\$ 58,671	\$ 5,687,736	\$ (5,439,590)	\$ 371,888,567
Provision for uncollectible accounts	-	(38,971,436)	(10,646,314)	(2,241)	(1,958,423)	12,780	(51,565,634)
Net patient service revenue less provision for uncollectible accounts	-	217,014,982	104,949,018	56,430	3,729,313	(5,426,810)	320,322,933
Other revenues	18,121	33,444,101	(29,922,718)	44,254,287	19,392	(17,639,715)	30,173,468
Total unrestricted revenues, gains and other support	18,121	250,459,083	75,026,300	44,310,717	3,748,705	(23,066,525)	350,496,401
Expenses and Losses							
Salaries, wages and employee benefits	-	94,929,183	88,906,891	30,674,894	1,249,400	820,561	216,580,929
Supplies and other	44,609	106,586,755	15,167,025	11,490,425	1,306,141	(23,887,086)	110,707,869
Depreciation and amortization of property and equipment	-	12,107,630	957,025	374,235	829,742	-	14,268,632
Interest	-	-	5,195	-	5,908	-	11,103
Total expenses and losses	44,609	213,623,568	105,036,136	42,539,554	3,391,191	(23,066,525)	341,568,533
Operating Income (Loss)	(26,488)	36,835,515	(30,009,836)	1,771,163	357,514	-	8,927,868
Other Income							
Investment return	-	3,088,703	-	-	2,459	-	3,091,162
Unrealized gains and losses on trading securities	-	509,168	-	-	123,740	-	632,908
Other income	-	405,896	-	-	142,905	-	548,801
Total other income	-	4,003,767	-	-	269,104	-	4,272,871
Excess (Deficiency) of Revenues Over Expenses	(26,488)	40,839,282	(30,009,836)	1,771,163	626,618	-	13,200,739

Shannon Health System

Combining Schedule – Statement of Operations and Changes in Net Assets (Deficit) Information (Continued)

Year Ended September 30, 2014

	Shannon Health System	Shannon Medical Center	Shannon Clinic	Shannon Medical Management	RCTC	Eliminations	Total
Unrestricted Net Assets (Deficit)							
Excess (deficiency) of revenues over expenses	\$ (26,488)	\$ 40,839,282	\$ (30,009,836)	\$ 1,771,163	\$ 626,618	\$ -	\$ 13,200,739
Contributions for acquisition of property and equipment	-	288,500	-	-	-	-	288,500
Change in pension liability	-	136,037	-	-	-	-	136,037
Transfers to (from) affiliates	32,465	(28,362,143)	29,429,843	(1,100,165)	-	-	-
Net assets released from restriction used for purchase of property and equipment	-	9,600,000	-	-	-	-	9,600,000
Increase in unrestricted net assets	5,977	22,501,676	(579,993)	670,998	626,618	-	23,225,276
Temporarily Restricted Net Assets							
Change in interest in net assets of Shannon Trust	-	23,603,956	-	-	-	-	23,603,956
Contributions	-	998,963	-	-	-	-	998,963
Net assets released from restriction	-	(10,622,225)	-	-	-	-	(10,622,225)
Increase in temporarily restricted net assets	-	13,980,694	-	-	-	-	13,980,694
Change in Net Assets	5,977	36,482,370	(579,993)	670,998	626,618	-	37,205,970
Net Assets (Deficit), Beginning of Year	53,016	315,405,216	7,523,830	(839,548)	7,096,275	(133,225)	329,105,564
Net Assets (Deficit), End of Year	\$ 58,993	\$ 351,887,586	\$ 6,943,837	\$ (168,550)	\$ 7,722,893	\$ (133,225)	\$ 366,311,534