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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 11-01-2013 , 2013, and ending 10-31-2014

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

C Name of organization
East Texas Medical Center Reg Healthcare

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1000 South Beckham Avenue

City or town, state or province, country, and ZIP or foreign postal code
Tyler, TX 75701

D Employer identification number
75-1803327

E Telephone number
(903) 531-8920

G Gross receipts $ 74,657,857

F Name and address of principal officer

H(a) Is this a group return for subordinates? ☐ Yes ☑ No

H(b) Are all subordinates included? ☐ Yes ☑ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW ETMC ORG

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

L Year of formation 1981

M State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
East Texas Medical Center Regional Healthcare System provides overall management and support to the entities that comprise East Texas Medical Center Regional Healthcare System

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	7
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	4
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,638,900
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)		0
9	Program service revenue (Part VIII, line 2g)	74,526,428	73,766,872
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,125,115	829,351
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	8,065,304	0
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	83,716,847	74,596,223
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	29,094	15,550
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	29,249,737	27,086,464
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	54,966,410	47,663,530
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	84,245,241	74,765,544
19	Revenue less expenses Subtract line 18 from line 12	-528,394	-169,321

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	521,354,070	479,168,706
21	Total liabilities (Part X, line 26)	619,623,764	624,437,757
22	Net assets or fund balances Subtract line 21 from line 20	-98,269,694	-145,269,051

Part II Signature Block

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

Sign Here

****** | 2015-07-29
Signature of officer | Date

Byron Hale CFO
Type or print name and title

Paid Preparer Use Only

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

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

East Texas Medical Center Regional Healthcare System provides overall management and support to the entities that comprise East Texas Medical Center Regional Healthcare System The purpose of the organization is to organize, plan, develop, coordinate and direct a complex, full-service regional healthcare operation, as well as manage, maintain, and lease all land, buildings, and improvements of the healthcare system This ensures consistent quality throughout the system

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 $ 57,225,406 including grants of $ 15,550) (Revenue $)

East Texas Medical Center Regional Healthcare System (The "System") is the parent company which wholly-owns and operates 23-subsidiary organizations that operate primarily in Texas The "System" is headquartered in Tyler, Texas and its operations extends in all directions from Tyler, in an approximate 100-mile radius The "System" consists of 15 hospitals, over 150 employed physicians, other healthcare services such as cancer treatment and home health, as well as other operations that include emergency medical services

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** ▶ 57,225,406

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	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		No
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b		

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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	133		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b			No
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	0		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			No
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			No
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			No
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			No
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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

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

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

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

▶Bonnie Stone 1417 South Beckham Avenue
Tyler, TX 75701 (903) 596-3719

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) Elmer G Ellis Pres/CEO & Dir	40 00 0 00	X		X				1,124,289	0	20,993
(2) Stephen Rydzak MD Director	0 00 40 00	X						0	647,100	582
(3) Ron Donaldson MD Director	0 00 12 00	X						0	1,100	0
(4) BG Hartley Director	12 00 0 00	X						0	0	0
(5) Tom Woldert Director	12 00 0 00	X						0	0	0
(6) Larry Durrett Director	12 00 0 00	X						0	0	0
(7) Wade Ridley Director	12 00 0 00	X						0	0	0
(8) Byron Hale SR VP/CFO	40 00 0 00			X				534,240	0	26,835
(9) Freddie Sanchez VP Materials Management	0 00 40 00				X			0	481,672	25,313
(10) David Langston VP Human Resources	40 00 0 00				X			217,752	0	109,122
(11) Mike Thomas VP Planning & Marketing	40 00 0 00				X			340,657	0	27,219
(12) Paula Anthony VP Information Technology	40 00 0 00				X			403,324	0	25,296
(13) Jerry Massey Sr VP Affil Operat	40 00 0 00					X		399,442	0	25,376
(14) Kim Pearson-Wahl VP MSO	40 00 0 00					X		328,951	0	21,112
(15) Robert Layton Corp Dir Plant Ser	40 00 0 00					X		236,803	0	17,619
(16) Brody Clark Corp Dir Bus Devel	40 00 0 00					X		212,765	0	14,765
(17) Carroll Roge Corp Director Mktg	40 00 0 00					X		204,546	0	16,385

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Mike Gray	40 00						X	208,835	0	64,314
VP Human Resources	0 00									
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								4,211,604	1,129,872	394,931

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 39

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Vaughn Construction 10355 Westpark Dr Houston TX 77042	Construction	12,987,565
RPR Construction 301 SSE Loop 323 Tyler TX 75702	Construction	6,900,926
Hospital Housekeeping System PO Box 826 San Antonio TX 78293	Housekeeping	1,675,274
SKAR 111 S 108th Ave Omaha NE 68154	Advertising	1,442,086
Ireland Carroll & Kelley 6101 S Broadway Suite 500 Tyler TX 75711	Attorney	533,813

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 ▶ 15

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶	0			
Program Service Revenue		Business Code				
	2a	All Other program Sevices	510,006	504,071	5,935	
	b	Bio-Medical Services	2,723,567	2,691,978	31,589	
	c	Direct Expense Charged	381,667	381,667		
	d	Management Fee / Service	47,873,433	47,001,055	872,378	
	e	Rent	22,278,199	22,193,402	84,797	
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶	73,766,872			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶	695,031		644,201	50,830
	4	Income from investment of tax-exempt bond proceeds . . ▶	0			
	5	Royalties . . . . . ▶	0			
		(i) Real / (ii) Personal				
	6a	Gross rents				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . . ▶	0			
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	195,954			
	b	Less cost or other basis and sales expenses	61,634			
	c	Gain or (loss)	134,320			
	d	Net gain or (loss) . . . . . ▶	134,320			134,320
	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			
Other Revenue		Miscellaneous Revenue / Business Code				
	11a					
	b					
	c					
	d	All other revenue				
	e	**Total.** Add lines 11a–11d . . . . . ▶	0			
	12	**Total revenue.** See Instructions . . . . . ▶	74,596,223	72,772,173	1,638,900	185,150

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	15,550	15,550		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	4,204,245		4,204,245	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	18,097,704	14,817,612	3,280,092	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	427,820	336,364	91,456	
9 Other employee benefits	2,826,377	2,198,999	627,378	
10 Payroll taxes	1,530,318	1,201,933	328,385	
11 Fees for services (non-employees)				
a Management	761,744	768,659	-6,915	
b Legal	793,674	634,939	158,735	
c Accounting	886,803	709,442	177,361	
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)	0			
12 Advertising and promotion	1,866,723	1,494,903	371,820	
13 Office expenses	426,133	342,661	83,472	
14 Information technology	383,231	306,585	76,646	
15 Royalties	0			
16 Occupancy	1,296,479	1,082,868	213,611	
17 Travel	68,497	54,798	13,699	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	30,804	24,643	6,161	
20 Interest	5,077,777	4,062,222	1,015,555	
21 Payments to affiliates	392,608	392,608		
22 Depreciation, depletion, and amortization	20,092,622	16,181,624	3,910,998	
23 Insurance	328,825	260,312	68,513	
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 Contract/Outside Maintenance	3,679,421	2,945,013	734,408	
b Utilities	2,435,752	1,950,127	485,625	
c Outside Services	1,915,428	1,631,641	283,787	
d Housekeeping	1,661,392	1,329,114	332,278	
e All other expenses	5,565,617	4,482,789	1,082,828	
25 **Total functional expenses.** Add lines 1 through 24e	74,765,544	57,225,406	17,540,138	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		-196,654,091	1	-221,780,839
	2	Savings and temporary cash investments		200,640,908	2	232,514,352
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		806	4	611
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	0
	8	Inventories for sale or use			8	0
	9	Prepaid expenses and deferred charges		3,582,704	9	4,342,192
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 489,448,883			
	b	Less accumulated depreciation	10b 289,182,071	216,605,036	10c	200,266,812
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		297,178,707	15	263,825,578
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		521,354,070	16	479,168,706
Liabilities	17	Accounts payable and accrued expenses		19,277,446	17	19,325,656
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		260,900,000	20	255,590,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		29,014,362	23	27,312,934
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		310,431,956	25	322,209,167
	26	**Total liabilities.** Add lines 17 through 25		619,623,764	26	624,437,757
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		-98,269,694	27	-145,269,051
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		-98,269,694	33	-145,269,051
	34	Total liabilities and net assets/fund balances		521,354,070	34	479,168,706

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	74,596,223
2	Total expenses (must equal Part IX, column (A), line 25)	2	74,765,544
3	Revenue less expenses Subtract line 2 from line 1	3	-169,321
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-98,269,694
5	Net unrealized gains (losses) on investments	5	
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	-46,830,036
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	-145,269,051

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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

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

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
11 ☑ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
a ☐ Type I **b** ☑ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated
e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐
g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? **11g(i)**		No
(ii) A family member of a person described in (i) above? **11g(ii)**		No
(iii) A 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		No

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of monetary support
See Additional Data Table									
Total									57,225,406

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

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

Section C. Computation of Public Support Percentage

15	Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test		
Return Reference	Explanation	

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

Form 990, Sch A, Part I, Line 11h - Provide the following information about the supported organization(s).

(i) Name of Supported Organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section)	(iv) Is the organization in (i) listed in your governing document?		(v) Did you notify the organization in (i) of your support?		(vi) Is the organization in (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
(A) ETMC - Tyler	751803325	3		No		No		No	0
(A) ETMC Rehabilitation Hospital	752599215	3		No		No		No	0
(B) ETMC Home Services	752503960	9		No		No		No	0
(C) ETMC Specialty Hospital	752547158	3		No		No		No	0
(D) ETMC Healthcare Associates	752605821	9		No		No		No	0
(E) ETMC - Athens	751854562	3		No		No		No	0
(F) ETMC - Carthage	752735077	3		No		No		No	0
(G) ETMC - Clarksville	752638020	3		No		No		No	0
(H) ETNC - Crockett	752602621	3		No		No		No	0
(I) ETMC - Fairfield	752753454	3		No		No		No	0
(J) ETMC - Gilmer	200079162	3		No		No		No	0
(K) ETMC - Henderson	264123728	3		No		No		No	0
(L) ETMC - Jacksonville	752415084	3		No		No		No	0
(M) ETMC - Mount Vernon	752250730	3		No		No		No	0
(N) ETMC - Trinity	752715898	3		No		No		No	0

Form 990, Sch A, Part I, Line 11h - Provide the following information about the supported organization(s).

(i) Name of Supported Organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section)	(iv) Is the organization in (i) listed in your governing document?		(v) Did you notify the organization in (i) of your support?		(vi) Is the organization in (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
(P) ETMC - Pittsburg	751919624	3		No		No		No	0
(A) ETMC - Quitman	752766160	3		No		No		No	0
(B) ETMC RHS Self Insurance Trust	756345356	9		No		No		No	0
(C) ETMC Foundation	752695524	9		No		No		No	0
(D) FirstNet Exchange	451436671	3		No		No		No	0
(E) Total Support for all of the above	751803327	Total		No		No		No	57225406

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
East Texas Medical Center Reg Healthcare	75-1803327

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☑ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		360,000
j	Total Add lines 1c through 1i			360,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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

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

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

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

Part IV Supplemental Information

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

Return Reference	Explanation
Part II-B, Line 1i - Other Activities Description	Amount represents payments to registered lobbyists, for lobbing services related to healthcare matters which impact the System's operations

Part IV Supplemental Information *(continued)*

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
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

The percentages in lines 2a, 2b, and 2c should equal 100%

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		355,890,276	213,539,585	142,350,691
c Leasehold improvements		33,759,253	3,359,398	30,399,855
d Equipment		81,222,901	68,982,093	12,240,808
e Other		18,576,453	3,300,995	15,275,458
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				200,266,812

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

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

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

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

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

(a) Description	(b) Book value
See Additional Data Table	
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	263,825,578

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Capital Lease Obligations	6,546,029
Due to Affiliates	307,195,666
Malpractice Costs	8,467,471
Rounding	1
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	322,209,167

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

Part XI **Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XII **Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XIII **Supplemental Information**

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

Return Reference	Explanation

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	**(b)** Book value
(1) 2007 Debt Service	31,396,278
(2) CD Collaterlized From Paramedics Plus	1,750,868
(3) Deferred Bond Financing Costs	2,940,329
(4) Due From Leased Hospitals	172,903,029
(5) Due From Outside Entities	120,074
(6) Employee Health Account	5,262,006
(7) Lake Street RRG Asset	2,847,320
(8) Notes Receviable ETMCRH Services	17,209,454
(9) P A Direct & Admin Exp Receviable	20,907,689
(10) Partnership Investment	812,493
(11) Rounding	2
(12) Rounding	-2
(13) SIR Insurance Plan	7,676,038

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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) Tyler Economic Develop Counci 315 N Broadway 3rd Floor Tyler,TX 75702			15,000	0			Donation

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . ▶ 0

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

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

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

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

Return Reference	Explanation
Grantmaker's Description of How Grants are Used	Senior management will review the needs and give approval to support a variety of agencies, service organziations and projects related to meeting health and human service needs for Tyler and East Texas, as well as those contributing to overall quality of life for the community Contributions were made in terms of financial and in-kind donations, agencies and organizations supported are non-profit

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
Part I, Line 1a Relevant information in regards to selections on 1a	Schedule J, Part I, Line 1aCountry club dues are paid for business purpose Any personal use is reimbursed by the employee
Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	Schedule J, Part I, Line 6bFreddie Sanchez received incentive compensation based on net earnings of First Choice Management Services

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

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				
Brody Clark Corp Dir Bus Devel	(I) (II)	166,188		46,577		14,765	227,530	
Byron Hale SR VP/CFO	(I) (II)	523,872		10,368		26,835	561,075	
Carroll Roge Corp Director Mktg	(I) (II)	203,343		1,203		16,385	220,931	
David Langston VP Human Resources	(I) (II)	216,533		1,219		109,122	326,874	
Elmer G Ellis Pres/CEO & Dir	(I) (II)	1,080,062		44,227		20,993	1,145,282	
Freddie Sanchez VP Materials Management	(I) (II)	313,261	159,463	8,948		25,313	506,985	
Jerry Massey Sr VP Affil Operat	(I) (II)	382,857		16,585		25,376	424,818	
Kim Pearson-Wahl VP MSO	(I) (II)	318,941		10,010		21,112	350,063	
Mike Gray VP Human Resources	(I) (II)	168,597		40,238		64,314	273,149	
Mike Thomas VP Planning & Marketing	(I) (II)	337,682		2,975		27,219	367,876	
Paula Anthony VP Information Technology	(I) (II)	342,269		61,055		25,296	428,620	
Robert Layton Corp Dir Plant Ser	(I) (II)	232,107		4,696		17,619	254,422	
Stephen Rydzak MD Director	(I) (II)	459,418	183,684	3,998		582	647,682	

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Tyler Health Facilities Development Corporation	52-1315814	902261HJ8	11-05-2007	283,017,726	Bond issues and finance health facilities		X		X		X
B	Orchard Cultural Educatio	26-3692123		11-15-2013	4,244,774	Electrical infrastructure ener		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	28,275,000	340,131		
2	Amount of bonds legally defeased				
3	Total proceeds of issue	284,478,785	4,244,774		
4	Gross proceeds in reserve funds	19,075,269			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows	173,177,531			
7	Issuance costs from proceeds	3,053,621	144,620		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	105,221,059	2,829,347		
11	Other spent proceeds				
12	Other unspent proceeds		1,270,807		
13	Year of substantial completion	2011			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X				
15	Were the bonds issued as part of an advance refunding issue?	X			X				
16	Has the final allocation of proceeds been made?	X			X				
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Return Reference	Explanation
Part VI	Part II, Line 3Total Proceeds exceed the issue price due to investment earnings

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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.

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2013

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Name of the organization
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? 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) Elizabeth Smith	Family Member	154,774	Employment at ETMCRHS		No
(2) Robert Gray II	Family Member	39,178	Employment at ETMCRHS		No
(3) Adams Coker PC	Family Member	268,513	Legal Services to ETMCRHS		No
(4) Southside Bank	Dir as Bank Offic	363,196	Interest on Loans - ETMCRS		No
(5) Donna Hale	Family Member	141,959	Employment at ETMCRHS		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
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Line 2 Description of Business or Family Relationship of Officers, Directors, Et	
Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	ETMC Regional Healthcare System is the parent and sole member of the ETMC System affiliates and appoints certain members to the board
Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	ETMC Regional Healthcare System is the parent and sole member of the ETMC System affiliates and appoints certain members to the board
Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	ETMC Regional Healthcare System is the parent and sole member of the ETMC System affiliates and appoints certain members to the board
Form 990, Part VI, Line 11b Form 990 Review Process	The return is prepared by our staff accountant and is reviewed by senior management It is then presented to the board for their review and comments The final return is provided to the board prior to filing
Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	The organization has a written conflict of interest policy for all employees, officers and trustees Annually all officers, key employees and trustees are required to complete a conflict of interest form disclosing any actual or potential conflict of interest with the organization Should any transaction arise that may create a conflict, the transaction is reviewed and appropriate measures are taken
Form 990, Part VI, Line 15a Compensation Review & Approval Process - CEO, Top Management	Compensation for the CEO, executive directors and top management is reviewed and approved by independent directors, after considering the results of a compensation survey of comparable positions at comparable entities The evaluation and determination process, as well as a description of the comparable information utilized, is documented in meeting minutes promptly following the conclusion of the meeting of the directors
Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	Compensation for other officers and key employees are reviewed and approved by independent directors, after considering the results of a compensation survey of comparable positions at comparable entities The evaluation and determination process, as well as a description of the comparable information utilized, is documented in meeting minutes promptly following the conclusion of the meeting of the directors
Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	The organization's governing documents, conflict of interest policy and financial statements are provided upon request
Other Changes In Net Assets Or Fund Balances - Other Increases	Equity in Affiliates = $0
Other Changes In Net Assets Or Fund Balances - Other Decreases	Equity in Affiliates = -$46972294
Other Changes In Net Assets Or Fund Balances - Other Decreases	ETMC Specialty Service income on sys books = -$0
Other Changes In Net Assets Or Fund Balances - Other Increases	ETMC Specialty Service income on sys books = $142259
Other Changes In Net Assets Or Fund Balances - Other Increases	Rounding = $0
Other Changes In Net Assets Or Fund Balances - Other Decreases	Rounding = -$1
Audited Financial Statements	The organization was included in consolidated, independent audited financial statements for the tax year
Form 990 Part IV, Line 24b - Tax exempt bonds	Tax exempt bond proceeds designated for capital projects that remain beyond the temporary period exception due to construction delays were spent in FY 2011 These proceeds were invested in short-term liquid money market investments with yields less than the bond yields
Fundraising Expenses	Fundraising is conducted at the related organization, ETMC Foundation for all ETMC Regional Healthcare System organizations, including ETMC Regional Healthcare System The expenses are not charged back to the organization

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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
East Texas Medical Center Reg Healthcare

Employer identification number
75-1803327

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	(g) No
See Additional Data Table							

Part III **Identification of Related Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(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	

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) ETMC Regional Health Services Inc 1000 S Beckham Ave Tyler, TX 75701 75-1925036	Health Services	TX	ETMCRHS	C Corp	119,630,791	55,626,010			No

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

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

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

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

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

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

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

Part VII Supplemental Information

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

Return Reference	Explanation

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 75-1803327
Name: East Texas Medical Center Reg Healthcare

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) First Choice Cooperative 1000 S Beckham Avenue Tyler, TX 75701 75-2627236	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(1) ETMC - Tyler 1000 S Beckham Avenue Tyler, TX 75701 75-1803325	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS	Yes	
(2) ETMC - Rehabilitation Hospital 701 Olympic Plaza Circle Tyler, TX 75701 75-2599215	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(3) ETMC - Home Services 1000 S Beckham Avenue Tyler, TX 75701 75-2503960	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(4) ETMC Reg Healthcare Sys Self Ins Trust 1000 S Beckham Avenue Tyler, TX 75701 75-6345356	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(5) ETMC - Specialty Hospital 1000 S Beckham Avenue Tyler, TX 75701 75-2547158	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(6) ETMC - Foundation 1000 S Beckham Avenue Tyler, TX 75701 75-2695524	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(7) ETMC - Healthcare Associates 1000 S Beckham Avenue Tyler, TX 75701 75-2605821	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(8) ETMC - Athens 2000 S Palestine Athens, TX 75751 75-1854562	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(9) ETMC - Carthage 409 Cottage Road Carthage, TX 75633 75-2735077	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(10) ETMC - Clarksville PO Drawer 1270 Clarksville, TX 75426 75-2638020	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(11) ETMC - Crockett 1100 Loop 304 East Crockett, TX 75835 75-2602621	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(12) ETMC - Fairfield 125 Newman Street Fairfield, TX 75840 75-2753454	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(13) ETMC - Gilmer 712 North Wood Gilmer, TX 75644 20-0079162	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(14) ETMC - Henderson 300 Wilson Street Henderson, TX 75652 26-4123728	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(15) ETMC - Jacksonville 501 South Ragsdale Jacksonville, TX 75766 75-2715084	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(16) ETMC - Mount Vernon PO Box 477 Mount Vernon, TX 75457 75-2250730	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(17) ETMC - Trinity PO Box 471 Trinity, TX 75862 75-2715898	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(18) ETMC - Pittsburg 414 Quitman Street Pittsburg, TX 75686 75-1919624	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No
(19) ETMC - Quitman PO Box 1000 Quitman, TX 75783 75-2766160	Health Services	TX	501 (C)(3)	Exempt	ETMCRHS		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(21) FirstNet Exchange 1000 S Beckham Ave Tyler, TX 75701 45-1436671	Health Services	TX	501(C)(3)	Exempt	ETMCRHS		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
ETMC - Tyler	j	10,075,500	FMV
ETMC - Tyler	p	6,000	FMV
ETMC - Tyler	q	28,199,679	FMV
ETMC - Rehabilitation Hospital	j	2,918,671	FMV
ETMC - Rehabilitation Hospital	q	1,523,815	FMV
ETMC - Home Services	j	79,410	FMV
ETMC - Home Services	q	389,955	FMV
ETMC - Specialty Hospital	j	457,068	FMV
ETMC - Specialty Hospital	q	446,132	FMV
ETMC - Foundation	q	1,000	FMV
ETMC - Healthcare Associates	j	1,937,183	FMV
ETMC - Healthcare Associates	q	6,869,280	FMV
ETMC - Athens	j	462,712	FMV
ETMC - Athens	q	3,638,233	FMV
ETMC - Carthage	j	172,250	FMV
ETMC - Carthage	q	934,818	FMV
ETMC - Clarksville	j	97,171	FMV
ETMC - Clarksville	q	514,707	FMV
ETMC - Crockett	j	537,112	FMV
ETMC - Crockett	q	787,259	FMV
ETMC - Fairfield	j	106,430	FMV
ETMC - Fairfield	q	593,938	FMV
ETMC - Gilmer	j	122,564	FMV
ETMC - Gilmer	q	529,138	FMV
ETMC - Henderson	j	41,857	FMV

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
ETMC - Henderson	q	1,096,650	FMV
ETMC - Jacksonville	j	475,712	FMV
ETMC - Jacksonville	q	1,495,164	FMV
ETMC - Mount Vernon	j	200,981	FMV
ETMC - Mount Vernon	q	301,220	FMV
ETMC - Trinity	j	99,531	FMV
ETMC - Trinity	q	447,529	FMV
ETMC - Pittsburg	j	102,828	FMV
ETMC - Pittsburg	q	1,289,904	FMV
ETMC - Quitman	j	46,665	FMV
ETMC - Quitman	q	738,979	FMV
FirstNet Exchange	j	11,256	FMV
FirstNet Exchange	q	236,400	FMV
ETMC Regional Health Services Inc	a	1,796,500	FMV
ETMC Regional Health Services Inc	j	102,361	FMV
ETMC Regional Health Services Inc	p	401,879	FMV
ETMC Regional Health Services Inc	q	904,715	FMV

East Texas Medical Center Regional Healthcare System and Affiliates

Consolidated Financial Statements and Consolidating Supplementary Information
October 31, 2014 and 2013

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Independent Auditor's Report

To the Board of Directors of
East Texas Medical Center
Regional Healthcare System and Affiliates

We have audited the accompanying consolidated financial statements of East Texas Medical Center Regional Healthcare System and Affiliates (collectively, "the System"), which comprise the consolidated balance sheets as of October 31, 2014 and 2013, and the related consolidated statements of operations, of changes in net assets, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

PricewaterhouseCoopers LLP

February 17, 2015

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidated Balance Sheets
October 31, 2014 and 2013

(in thousands)	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 257,406	$ 224,504
Current portion of assets limited as to use	10,424	8,369
Accounts receivable		
Patient, net	83,774	101,363
Other	52,525	24,105
Estimated third party settlements	-	2,586
Supplies	14,175	15,227
Prepaid expenses and other	17,067	26,976
Total current assets	435,371	403,130
Assets limited as to use, net of current portion	47,545	49,950
Long-term investments	7,265	6,402
Property and equipment, net	425,432	496,106
Other assets	8,272	8,199
Total assets	$ 923,885	$ 963,787
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 83,624	$ 79,822
Current portion of long-term debt	24,456	26,454
Current portion of estimated malpractice costs	3,280	3,473
Deferred revenue	1,090	1,055
Estimated third party settlements	2,700	-
Total current liabilities	115,150	110,804
Estimated malpractice costs, net of current portion	5,187	5,193
Long-term debt, net of current portion	375,924	388,599
Accrued pension	28,688	22,640
Other liabilities	993	1,432
Total liabilities	525,942	528,668
Net assets		
Unrestricted	390,678	428,717
Temporarily restricted	4,241	3,378
Permanently restricted	3,024	3,024
Total net assets	397,943	435,119
Total liabilities and net assets	$ 923,885	$ 963,787

The accompanying notes are an integral part of these consolidated financial statements

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidated Statements of Operations
Years Ended October 31, 2014 and 2013

(in thousands)	2014	2013
Unrestricted revenue and other support		
Patient service revenue (net of contractual allowances and discounts)	$ 924,564	$ 891,134
Provisions for bad debt	(180,620)	(112,454)
Net patient service revenue less provisions for bad debt	743,944	778,680
Other revenue	110,990	167,337
Total revenue and other support	854,934	946,017
Expenses		
Salaries and wages	384,692	430,943
Employee benefits	84,237	97,244
Professional fees	35,914	40,639
Supplies and other expenses	197,839	209,712
Purchased services	66,486	65,833
Depreciation and amortization	60,986	60,953
Interest	20,844	20,429
Long-lived asset impairments	33,285	-
Total expenses	884,283	925,753
(Deficit) excess of revenue and other support over expenses	(29,349)	20,264
Defined benefit pension adjustment	(4,566)	38,496
Discontinued operations (including long-lived asset impairments of $2,730)	(4,124)	706
(Decrease) increase in unrestricted net assets	$ (38,039)	$ 59,466

The accompanying notes are an integral part of these consolidated financial statements

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended October 31, 2014 and 2013

(in thousands)	2014	2013
Unrestricted net assets		
(Deficit) excess of revenue and other support over expenses	$ (29,349)	$ 20,264
Defined benefit pension adjustment	(4,566)	38,496
Discontinued operations	(4,124)	706
(Decrease) increase in unrestricted net assets	(38,039)	59,466
Temporarily restricted net assets		
Contributions	452	1,071
Investment income	636	556
Net assets released from restriction	(225)	(619)
Increase in temporarily restricted net assets	863	1,008
Changes in net assets	(37,176)	60,474
Net assets		
Beginning of year	435,119	374,645
End of year	$ 397,943	$ 435,119

The accompanying notes are an integral part of these consolidated financial statements

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidated Statements of Cash Flows
Years Ended October 31, 2014 and 2013

(in thousands)	2014	2013
Cash flows from operating activities		
Change in net assets	$ (37,176)	$ 60,474
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	60,986	60,953
Net realized and unrealized gains on investments	(106)	(282)
Long-lived asset impairments	36,015	-
Defined benefit pension adjustment	4,566	(38,496)
Restricted contributions	(452)	(1,071)
Restricted investment income	(636)	(556)
Changes in operating assets and liabilities		
Patient accounts receivable	17,589	4,642
Other account receivable	(28,420)	(22,110)
Supplies	1,052	(291)
Prepaid expenses and other	9,909	(1,752)
Accounts payable and accrued expenses	1,367	5,041
Deferred revenue	35	(127)
Estimated malpractice costs	(199)	659
Estimated third party settlements	5,286	408
Other assets and liabilities	2,049	7,374
Net cash provided by operating activities	71,865	74,866
Cash flows from investing activities		
Capital expenditures	(17,211)	(48,915)
Purchases of investments and assets whose use is limited	(7,000)	(7,616)
Proceeds from sale of investments and assets whose use is limited	6,487	24,751
Net cash used in investing activities	(17,724)	(31,780)
Cash flows from financing activities		
Proceeds from issuance of notes and bonds payable	4,245	5,024
Principal payments on notes and bonds payable	(12,979)	(12,082)
Principal payments on capital lease obligations	(13,593)	(13,874)
Restricted contributions	452	1,071
Restricted investment income	636	556
Net cash used in financing activities	(21,239)	(19,305)
Net increase in cash and cash equivalents	32,902	23,781
Cash and cash equivalents		
Beginning of year	224,504	200,723
End of year	$ 257,406	$ 224,504
Supplemental disclosure of cash flow information		
Interest paid, net of amounts capitalized	$ 20,950	$ 20,203
Assets acquired through obligations under capital leases	7,654	17,047
Property and equipment purchases included in accounts payable	2,435	437

The accompanying notes are an integral part of these consolidated financial statements

1. Organization

East Texas Medical Center Regional Healthcare System ("System") is a corporation organized pursuant to the provisions of the Texas Nonprofit Corporation Act, and is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended The System operates as a central location for top management to support and guide the activities of the System's subsidiaries The System's subsidiaries are as follows

- East Texas Medical Center ("ETMC")
- East Texas Medical Center Athens ("Athens")
- East Texas Medical Center Carthage ("Carthage")
- East Texas Medical Center Clarksville ("Clarksville")
- East Texas Medical Center Crockett ("Crockett")
- East Texas Medical Center Fairfield ("Fairfield")
- East Texas Medical Center Foundation ("Foundation")
- East Texas Medical Center Gilmer ("Gilmer")
- East Texas Medical Center Healthcare Associates ("501A")
- East Texas Medical Center Henderson ("Henderson")
- East Texas Medical Center Home Services ("Home Services")
- East Texas Medical Center Jacksonville ("Jacksonville")
- East Texas Medical Center Mount Vernon ("Mount Vernon")
- East Texas Medical Center Pittsburg ("Pittsburg")
- East Texas Medical Center Quitman ("Quitman")
- East Texas Medical Center Regional Health Services, Inc ("Services") and Subsidiaries
  - Access Direct — A Preferred Provider Network, Inc ("Access Direct")
  - Centralized Credentialing Services, Inc ("Centralized Credentialing")
  - Healthfirst TPA, Inc ("TPA")
  - MM Solutions, Inc ("MM Solutions")
  - Paramedics Plus LLC ("Paramedics Plus")
- East Texas Medical Center Rehabilitation Hospital ("Rehab")
- East Texas Medical Center Specialty Hospital ("Specialty")
- East Texas Medical Center Trinity ("Trinity")
- FirstNet Exchange ("FirstNet")

Each of the above entities is exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1986, as amended with the exception of Services and its subsidiaries

The System has locations throughout 19 East Texas counties The System's purpose is to provide high quality healthcare services to the residents of the region

During 2014, the System began evaluating the economic feasibility of operations at various locations Based on the assessment, the System resolved to cease hospital operations in Clarksville, Gilmer, and Mount Vernon as disclosed in Note 16 The decision was made in December 2014 to cease operations at Fairfield upon expiration of the lease, which is March 31, 2018

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System and its wholly owned subsidiaries All significant intercompany transactions have been eliminated

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market accounts with original maturities of three months or less when purchased, excluding amounts whose use is limited by board designation or restricted under bond agreements

Investments

All investments (including investments classified as assets whose use is limited) are presented in the financial statements at their fair value Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of disposition, or market values as of the end of the financial statement period

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the determination of excess of revenue and other support over expenses unless the income or loss is restricted by donor Investment income restricted for specified purposes by donor is recorded as temporarily restricted in the consolidated statements of changes in net assets Unrealized gains and losses on investments are excluded from the determination of the excess of revenue and other support over expenses unless the investments are trading securities

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined Management believes the amounts recorded are adequate to provide for any final adjustments

The System participates in the Medicare and Medicaid programs Laws and regulations governing these programs are complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future The System's management believes that the System is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs

Other Revenue
Other revenue is recognized from services rendered for other than providing health care services to patients It primarily includes revenue recognized by the for-profit subsidiaries Also included in other revenue are proceeds from sales of cafeteria meals, sales at gift shops, or other service facilities operated by the System

Charity Care
The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue

Supplies
Supplies inventory is valued at the lower of cost or market on a first-in, first-out basis

Property and Equipment
Property and equipment acquisitions are recorded at cost Maintenance and repairs are charged to operations as incurred, major renewals and betterments are capitalized

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method Equipment under capital leases is amortized over the lease term or the estimated useful life of the equipment, whichever is shorter Charges for depreciation and amortization are included in the accompanying consolidated statements of operations The estimated useful lives of the property and equipment held by the System are as follows

	Useful Life
Land improvements	10-20 Years
Buildings	25-40 Years
Leasehold improvements	The shorter of the life of the lease or asset life, 5-15 Years
Major movable equipment	5-15 Years
Equipment under capital leases	5 Years
Automobiles and trucks	4 Years

During periods of construction, the System capitalizes interest costs, net of the related interest earnings, on certain assets constructed with the proceeds of the System's borrowings The capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's estimated useful life

Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the gain or loss is included in the statement of operations

Impairment of Long-lived Assets
Whenever events or changes in circumstances indicate that the carrying amount of property and equipment, intangibles related to specifically acquired assets or other long-lived assets may not be recoverable, an evaluation of the recoverability of the assets is performed Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets During 2014, an evaluation was performed and it was determined that leasehold improvements made in Crockett, Fairfield and Trinity are not recoverable As a result, an impairment in the amount of $36,015,000 (including $2,730,000 within discontinued operations) was recorded for the year ended October 31, 2014 Measurement of the amount of impairment may be based on appraised fair values of similar assets or estimates of future cash flows resulting from use and ultimate disposition of the asset These losses are included in the consolidated statement of operations No impairments were recorded in 2013

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell

Intangible Assets
Intangible assets consist of goodwill related to the purchase of the stock or net assets of various entities and are included in other assets in the consolidated balance sheets The System applies the provisions of Accounting Standards Codification (ASC) 350, *"Goodwill and Other Intangible Assets"*, in accounting for its goodwill This standard ceased the amortization of goodwill, but requires impairment tests on at least an annual basis There was no impairment of goodwill as a result of the annual impairment test performed as of the balance sheet date in 2014 and 2013

Donor Restricted Gifts
Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition has been substantially met Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of changes in net assets as net assets released from restriction Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations

Unrestricted Net Assets
Contributions and gifts which are received with no restrictions or specified uses identified by the grantors or donors are included as unrestricted revenue in the statement of operations of the System when received Certain unrestricted net assets have been earmarked by the board of directors for future capital expansion and other long-term purposes

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific period or purpose Temporarily restricted net assets are available for various healthcare activities and were approximately $4,241,000 and $3,378,000 at October 31, 2014 and 2013, respectively

Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity Permanently restricted net assets are held for the following purposes at October 31, 2014 and 2013

(in thousands)

Mobile mammography	$	1,596
Nursing education		1,230
Physical therapy		198
	$	3,024

Excess of Revenue and Other Support over Expenses
The statement of operations includes excess of revenue and other support over expenses Changes in unrestricted net assets which are excluded from excess of revenue and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments, changes in the defined benefit plan minimum liability, permanent transfers of assets to and from affiliates for other than goods and services, results from discontinued operations and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

Deferred Financing Costs
Financing costs associated with the issuance of the Hospital Revenue Bonds have been capitalized and are being amortized over the period during which the debt is outstanding using the effective interest rate method Deferred financing costs are included in other assets in the consolidated balance sheets

Recognition of Professional Liability Expense
As described in Note 9, the System has established a self-insurance trust for payment of professional liability losses and related costs Professional liability expense is recognized based on an estimated accrual for known incidents and claims and an estimated accrual for incurred but not reported incidents

Recent Accounting Pronouncements
In May 2014, FASB issued ASU 2014–09, *"Revenue from Contracts with Customers (Topic 606)"* Under the new provisions, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers The System is still assessing this guidance, which is effective for fiscal years beginning after December 15, 2016 for public entities and for fiscal years beginning after December 15, 2017 for nonpublic entities

In April 2014, FASB issued ASU 2014-08, *"Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"* A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results In addition to the required disclosures for discontinued operations, the guidance states that entities will be required to provide disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation and shall also disclose information about its significant continuing involvement with a discontinued operation after the disposal date The System is still assessing this guidance, which is effective for fiscal years beginning on or after December 15, 2014 for public entities and for nonpublic entities

Reclassifications
Certain prior period amounts have been reclassified to conform with the current period presentation

3. Endowments

The System's endowment consists of approximately five individual donor restricted endowment funds established for a variety of healthcare related purposes The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions

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

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds

(1) The duration and preservation of the fund

(2) The purpose of the organization and the donor restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization, and

(7) The investment policies of the organization

Endowment net asset composition by type of fund as of October 31, 2014 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,940	$ 3,024	$ 4,964

Changes in endowment net assets for the year ended October 31, 2014 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ -	$ 1,420	$ 3,024	$ 4,444
Investment return				
Investment income		176		176
Net appreciation (realized and unrealized)		347		347
Total investment return	-	523	-	523
Appropriation of endowment assets for expenditure		(3)		(3)
Endowment net assets at end of year	$ -	$ 1,940	$ 3,024	$ 4,964

Endowment net asset composition by type of fund as of October 31, 2013 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,420	$ 3,024	$ 4,444

Changes in endowment net assets for the year ended October 31, 2013 follows

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ (5)	$ 923	$ 3,024	$ 3,942
Investment return				
Investment income	-	67	-	67
Net appreciation (realized and unrealized)	5	438	-	443
Total investment return	5	505	-	510
Appropriation of endowment assets for expenditure	-	(8)	-	(8)
Endowment net assets at end of year	$ -	$ 1,420	$ 3,024	$ 4,444

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) follows

(in thousands)	October 31, 2014	October 31, 2013
Permanently restricted net assets		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 3,024	$ 3,024
Total endowment funds classified as permanently restricted net assets	$ 3,024	$ 3,024
Temporarily restricted net assets		
Term endowment funds	$ 1,940	$ 1,420
Total endowment funds classified as temporarily restricted net assets	$ 1,940	$ 1,420

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit) When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets There were no deficits of this nature reported in unrestricted net assets at October 31, 2014 or 2013

Return Objectives and Risk Parameters
The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets Under this policy, the return objectives for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends) The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the Foundation determines the method to be used to appropriate endowment funds for expenditure The Foundation has a policy of preserving the original gift as an income producing investment only, with a long term goal of providing income from the invested funds for the purpose of funding one or more programs, as directed In establishing this policy, the Board established investment allocation targets and ranges to achieve a rate of return that would maintain real purchasing power over long periods of time

4. Charity Care

Of the System's $884 million and $926 million of total expenses reported in 2014 and 2013, respectively, an estimated $41 million and $39 million, respectively, arose from providing services to charity patients The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients The ratio of cost to charges is calculated based on total expenses divided by gross patient service revenue

5. Net Patient Service Revenue

Net patient service revenue for the years ended October 31, 2014 and 2013 is comprised of the following

	2014		
(in thousands)	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 689,885	$ 234,679	$ 924,564

	2013		
(in thousands)	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 608,693	$ 282,441	$ 891,134

The System maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts The System assesses the reasonableness of the allowance account based on historical write-offs, cash collections, the aging of the accounts and other economic factors Accounts are written off when collection efforts have been exhausted Management continually monitors and adjusts its allowances associated with its receivables The allowance for doubtful accounts at October 31, 2014 and 2013 was approximately $171,970,000 and $180,576,000, respectively

The System has agreements with third-party payors that provide for payments at amounts different from its established rates The amounts by which the established rates exceed the amounts recoverable from these payors are accounted for as deductions from revenue A summary of the System's payment arrangements with major third-party payors follows

- Medicare - Inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge ("PPS") These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services are reimbursed under a prospective payment methodology based on a system of ambulatory payment classifications ("APC") The System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary Any differences between final audited settlements and amounts accrued at the end of the prior reporting period are included in current operations Net patient service revenue for the years ended October 31, 2014 and 2013

was increased by approximately $7,336,000 and $8,992,000, respectively, related to changes in amounts previously estimated as a result of final settlements and revisions to cost report estimates Medicare cost reports have been audited by the fiscal intermediary through 2011 for Henderson, Jacksonville and Pittsburg, through 2012 for Carthage, Fairfield, Gilmer, Mount Vernon, Quitman, Rehab, Trinity and Tyler, and through 2013 for Athens, Clarksville, Crockett and Specialty

For the years ended October 31, 2014 and 2013, 36% and 39%, respectively, of total net patient service revenue resulted from the Medicare program

- Medicaid - Inpatient acute care services are reimbursed under the Medicaid PPS system and outpatient services are reimbursed under a cost reimbursement methodology The System's outpatient services are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary Any differences between final audited settlements and amounts accrued at the end of the prior reporting period are included in current operations Net patient service revenue for the years ended October 31, 2014 and 2013 was decreased by approximately $516,000 and increased by approximately $1,103,000, respectively, related to changes in amounts previously estimated as a result of final settlements and revisions to cost report estimates Medicaid cost reports have been audited by the fiscal intermediary through 2011 for Tyler, Pittsburg, Mount Vernon and Jacksonville and through 2012 for Trinity, Athens, Fairfield, Clarksville, Gilmer, Carthage, Henderson and Quitman

  For the years ended October 31, 2014 and 2013, 14% and 13%, respectively, of total net patient service revenue resulted from the Medicaid program

- Other - The System has also entered into payment agreements with certain commercial insurance carriers 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 For the years ended October 31, 2014 and 2013, 25% and 16%, respectively, of total net patient service revenue resulted from commercial insurance carriers and preferred provider organizations

- Self Pay - The System has an uninsured patient policy covering all System hospitals under the terms of this policy, a discount from hospital's established rates is made available to uninsured patients who do not qualify for charity care For both years ended October 31, 2014 and 2013, the uninsured patient discount rate was 60% The discounts given to self pay patients are accounted for as deductions from revenue

The System participates in the Medicaid disproportionate share hospital (DSH) funding program, established by the state of Texas and administered by the Health and Human Services Commission (HHSC), which created additional federal matching funds to increase access to healthcare by Texas' indigent patients and defray the cost of treating indigent patients Funds are distributed to hospitals providing a high volume of services to Medicaid and uninsured patients For the years ended October 31, 2014 and 2013, the System recognized DSH revenue of $23,187,000 and $22,661,000, respectively, which is included in net patient service revenue Unpaid amounts are recorded as other receivables in the accompanying consolidated balance sheets and totaled $21,786,000 and $10,329,000 at October 31, 2014 and 2013, respectively

The System participates in the Texas Medicaid Section 1115 Waiver program (Waiver) The Waiver program provides for two pools of funds, an uncompensated care pool (UC pool) and a delivery system reform incentive payment pool (DSRIP pool) To receive payments from the UC pool, a hospital must submit an application estimating its uncompensated costs for services provided to Medicaid and uninsured patients The DSRIP pool provides payments to hospitals upon achieving certain goals and metrics that are intended increase access to health care, improve the quality of care, and enhance the health of patients and families they serve For the years ended October 31, 2014 and 2013, the System recognized Waiver revenue of $24,438,000 and $22,612,000, respectively, which is included in net patient service revenue Unpaid amounts are recorded as other receivables in the accompanying consolidated balance sheets and totaled $12,973,000 and $7,082,000 at October 31, 2014 and 2013, respectively

6. Investments

Assets Limited as to Use

Under Indenture Agreements

Assets limited as to use under indenture agreements are trust funds set up under the terms of bond indentures The System is required to maintain a debt service reserve fund at a minimum amount specified in the indenture agreement

Internally Designated for Capital Acquisition

Assets internally designated for capital acquisition represent funds set aside by the board of directors to fund future purchases of property and equipment

Self-Insurance

Assets internally designated for self-insurance programs represent funds set aside by the board of directors to fund the System's self-insurance programs, including professional liability and health benefits

The fair value and composition of assets limited as to use at October 31, 2014 and 2013 are set forth below

(in thousands)	2014	2013
Assets limited as to use		
Internally designated for capital acquisition		
Cash	$ 1,751	$ 1,756
Held by trustees under indenture agreements		
Cash and mutual funds	38,551	41,384
	38,551	41,384
Held by trustees for self-insurance		
Cash and mutual funds	12,111	7,631
Other governmental and municipal obligations	504	648
Corporate bonds and notes	5,052	6,900
	17,667	15,179
Total assets limited as to use	57,969	58,319
Less Assets limited as to use, required for current liabilities	10,424	8,369
Assets limited as to use, net of current portion	$ 47,545	$ 49,950

Long Term Investments
The fair values of investments at October 31, 2014 and 2013 are summarized as follows

(in thousands)	2014	2013
Investments		
Mutual funds	$ 2,920	$ 2,370
Marketable debt securities	701	660
Marketable equity securities	3,644	3,372
Total investments	$ 7,265	$ 6,402

Short-term investments consist primarily of cash awaiting reinvestment and money market funds Interest income and realized gains on the sale of investments, including assets limited as to use, are included in other revenue in the statement of operations and are comprised of the following for the years ended October 31, 2014 and 2013

(in thousands)	2014	2013
Income		
Interest income	$ 202	$ 151
Net realized gains on the sale of securities	-	5
Investment income	$ 202	$ 156

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 securities will occur in the near term and those changes could materially affect the amounts reported on the consolidated balance sheets and statements of operations

7. Property and Equipment

Property and equipment at October 31, 2014 and 2013 are summarized as follows

(in thousands)	2014	2013
Land and land improvements	$ 36,148	$ 36,415
Buildings	546,653	543,673
Leasehold improvements	5,151	39,507
Major moveable equipment	431,595	476,920
Equipment under capital leases	69,301	68,002
Automobiles and trucks	21,347	21,193
	1,110,195	1,185,710
Less Accumulated depreciation and amortization	(702,362)	(708,496)
	407,833	477,214
Equipment deposits and construction in progress	17,599	18,892
Property and equipment, net	$ 425,432	$ 496,106

Interest costs capitalized, net of the related interest earnings, was approximately $6,667,000 for both years ended October 31, 2014 and 2013

Depreciation and amortization expense for the years ended October 31, 2014 and 2013 was approximately $60,986,000, and $60,953,000, respectively Accumulated amortization for facilities and equipment under capital lease obligations was approximately $43,157,000 and $36,611,000 at October 31, 2014 and 2013, respectively

8. Other Assets

Other assets at October 31, 2014 and 2013 are summarized as follows

(in thousands)	2014	2013
Goodwill	$ 1,179	$ 1,393
Deferred financing costs, net of accumulated amortization of $1,120 and $930 in 2014 and 2013, respectively	4,481	4,672
Long-term benefit plan asset	636	597
Other assets	4,736	3,354
	$ 11,032	$ 10,016

9. Self-Insurance

The System is self-insured with respect to medical malpractice and general liability risk for claims up to $2 million per occurrence and $6 million in the aggregate per policy year 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 discounted at 2% The amount of the discount was approximately $528,000 and $540,000 at October 31, 2014 and 2013, respectively

The System has established a revocable trust fund for the payment of medical malpractice claim settlements Professional insurance consultants have been retained to assist the System with determining amounts to be deposited in the trust fund An actuarially determined accrual for possible losses attributable to incidents that may have occurred but have not been identified under the incident reporting system has been made The ultimate cost to settle all the asserted and unasserted claims against the System may vary, perhaps substantially, from the amounts recorded

The System is a nonsubscriber to the Texas Worker Compensation program, and as such, it is not subject to the requirements for providing worker compensation insurance to its employees The System does participate in a self-insurance program for the purpose of providing injury and lostwage benefits to employees The System administers the employee injury benefits plan and pays all claims out of operations The System accrues an estimated liability for possible losses for claims incurred but not reported

The System also participates in a self-insurance program for the purpose of providing group medical insurance to employees and their dependents A third party administrator administers the plan and the amounts funded have been placed in a self-insurance fund The System accrues an estimated liability for possible losses for claims incurred but not reported

10. Benefit Plans

The System maintains four noncontributory, tax-qualified defined benefit pension plans Benefits under the plans are frozen for all participants The plans' benefit formulas generally base payments to retired employees upon their length of service and a percentage of qualifying compensation during the final years of employment The System's funding policy is to make annual contributions to satisfy the Internal Revenue Service's funding standards Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future

The System uses an October 31 measurement date for its plans

The combined employee pension plans' obligations, plan assets and funded status as determined by the actuarial valuation at October 31, 2014 and 2013 are presented in the following table

(in thousands)	2014	2013
Change in benefit obligations		
Benefit obligations at beginning of year	$ 123,383	$ 148,908
Service cost	570	82
Interest cost	5,338	5,121
Actuarial (gain) loss	11,250	(19,060)
Benefits paid	(2,300)	(1,719)
Settlements	(7,112)	(9,949)
Benefit obligations at end of year	$ 131,129	$ 123,383
Change in plan assets		
Fair value of plan assets at beginning of year	$ 101,340	92,453
Actual return on plan assets	10,821	17,889
Employer contributions	328	2,666
Benefits paid	(2,300)	(1,719)
Settlements	(7,112)	(9,949)
Fair value of plan assets at end of year	$ 103,077	$ 101,340
Funded status		
Accumulated benefit obligation at end of year	$ 131,129	$ 123,383
Projected benefit obligation at end of year	$ 131,129	$ 123,383
Fair value of plan assets	103,077	101,340
Funded status	$ (28,052)	$ (22,043)

(in thousands)	2014	2013
Amounts not yet recognized as components of net periodic benefit cost		
Unrecognized net actuarial loss	$ 30,920	$ 26,354
Unrecognized prior service cost	-	-
	$ 30,920	$ 26,354

(in thousands)	2014	2013
Amounts recognized in balance sheets		
Noncurrent asset (recorded in other assets)	$ 636	$ 597
Non-current liability (recorded in long-term liabilities)	(28,688)	(22,640)
Noncurrent liability	$ (28,052)	$ (22,043)
Net periodic benefit cost		
Service cost	$ 570	$ 82
Interest cost	5,338	5,121
Expected return on plan assets	(7,923)	(7,365)
Net loss	2,119	6,096
Settlements	1,667	2,815
Net periodic benefit cost	$ 1,771	$ 6,749
Other changes in plan assets and benefit obligations recognized as changes to unrestricted net assets		
Net loss	$ 8,352	$ (29,585)
Amortization of net gain (loss)	(3,786)	(8,911)
Total change to unrestricted net assets	$ 4,566	$ (38,496)
Amounts recognized in unrestricted net assets expected to be reflected in expense in next fiscal year		
Amortization of prior service cost		$ -
Amortization of net loss/gain		2,565
		$ 2,565

Weighted-average assumptions used to determine the benefit obligation at October 31 are as follows

	2014	2013
Discount rates	3 91 %	4 44 %
Rates of increase in compensation levels	N/A	N/A

Weighted-average assumptions used to determine the net periodic benefit cost at October 31 are as follows

	2014	2013
Discount rate	4 44 %	3 49 %
Expected long-term return on plan assets	8 00	8 00
Rate of compensation increase	N/A	N/A

The System determines the discount rate assumption by using a yield curve calculation for each plan For this purpose, the Citigroup Pension Discount Curve is utilized

The System employs a building block approach in determining the expected long-term rate of return on plan assets Historical markets are studied and long-term historical relationships between equities and fixed-income are preserved consistent with the widely accepted capital market principle that assets with investments higher volatility generate a greater return over the long run Current market factors such as inflation and interest rates are evaluated before long-term market assumptions are determined The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing Peer data and historical returns are reviewed to check for reasonability and appropriateness

Plan Assets

The following tables show the quantitative disclosures under ASC 820 regarding the fair value of the defined benefit plan's investments as of October 31, 2014 and 2013

	2014			
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common collective trust				
Equity securities	$ -	$ 78,339	$ -	$ 78,339
Debt securities	-	21,646	-	21,646
Other	-	3,092	-	3,092
	$ -	$ 103,077	$ -	$ 103,077

	2013			
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common collective trust				
Equity securities	$ -	$ 76,005	$ -	$ 76,005
Debt securities	-	22,295	-	22,295
Other	-	3,040	-	3,040
	$ -	$ 101,340	$ -	$ 101,340

The System's pension plan weighted-average asset allocations held in the Texas Hospital Association Retirement Trust (THA Trust) at fair value at October 31, 2014 and 2013 by asset category are as follows

	2014	2013
Asset category		
Equity securities	76 %	75 %
Debt securities	21	22
Other	3	3
	100 %	100 %

The System employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return on plan assets for a prudent level of risk Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition The investment portfolio in THA Trust contains a diversified blend of equity and fixed-income investments Furthermore, equity investments are diversified across U S and non-U S stocks, as well as growth, value, and small and large capitalizations Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies

The System's pension plan interest in the THA Trust is considered a Level 2 asset from the perspective of the plans, that is, its fair value is measurable with significant observable inputs for the years ended October 31, 2014 and 2013 All assets in the THA Trust are Level 1 assets from the perspective of the THA Trust, that is, the fair value of all THA Trust assets are measurable with quoted prices in active markets for identical assets

Contributions
The System plans to contribute approximately $3,084,000 to its qualified plans during 2015

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid

(in thousands)

2015	$ 6,587
2016	6,581
2017	6,465
2018	7,241
2019	6,398
2020-2023	35,590

Employee Defined Contribution Plan
The System maintains a defined contribution retirement plan covering all employees with one or more years of service Employee contributions are allowed based on a percentage of the employee's salary as defined by the plan document Participants are fully vested in their voluntary contributions plus actual earnings thereon Employee contributions are invested in various funds held for qualified participants The System matches up to 3% of the employees' compensation Participants are fully vested in matching contributions after three years For the years ended October 31, 2014 and 2013, the System contributed approximately $5,925,000 and $6,035,000, respectively, to the defined contribution plan

11. Notes, Bonds Payable and Obligations under Capital Leases

Long-term obligations of the System consist of the following at October 31, 2014 and 2013

(in thousands)	2014	2013
Series 2007 A bonds payable with interest rates ranging from 5% to 5 37%, maturing through November 2037, collateralized by pledged revenues, deed of trust and security agreement	$ 255,590	$ 260,900
Series 2011 bonds payable with an interest rate of 6%, maturing through November 2041, collateralized by pledged revenues, deed of trust and security agreement	35,750	35,750
Revenue bonds with interest rates ranging from 5 5% to to 6 69%, maturing through November 2033, collateralized by pledged revenues, deed of trust and security agreement	33,735	34,555
Revenue bonds with interest rate of 2 25%, maturing through June 2021, collateralized by pledged revenues, deed of trust and security agreement	4,619	4,876
Series 2009 bonds payable with an interest rate of 6 25%, maturing through November 2019, collateralized by pledged revenues and security agreement	3,755	4,280
Notes payable with interest rates ranging from 0% to 5 50%, maturing through November 2023, collateralized by equipment, buildings and land	7,749	5,431
Note payable, due September 2019, payable monthly plus interest at 3 65%, collateralized by buildings and land	1,053	1,245
Note payable, due May 2021, payable monthly plus interest at 4 25%, collateralized by buildings and land	2,156	2,372
Note payable, due January 2027 payable monthly plus interest at 4 95%, collateralized by buildings and land	5,006	5,305
Note payable, due December 2013, payable monthly plus interest at 3 4%, collateralized by buildings and land	985	1,067
Note payable, due July 2016, payable monthly plus interest at 4 5%, collateralized by equipment	2,832	4,420
Note payable, due October 2015, payable monthly plus interest at 3 25%, collateralized by equipment	1,051	2,068
Note payable, due July 2019, payable monthly plus interest at 5 5%, collateralized by buildings and land	1,232	1,452
Note payable, due November 2034, payable monthly plus interest at 3 25%, collateralized by buildings and land	1,535	1,589
Note payable, due September 2024, payable monthly plus interest at 4 85%, collateralized by buildings and land	4,568	4,921
Note payable, due January 2014, payable monthly plus interest at 5%, collateralized by equipment	-	119
Obligations under capital leases	38,764	44,703
Total notes, bonds payable and obligations under capital leases	400,380	415,053
Less Current portion	24,456	26,454
Total notes, bonds payable and obligations under capital leases, net of current portion	$ 375,924	$ 388,599

Series 2007A Bonds
The $283,865,000 principal amount of Series 2007A Bonds were issued in November 2007 for the purposes of (1) to refund the System's Series 1993 A/B Bonds outstanding in the aggregate principal amount of $38,890,000, Series 1997 A, B, and C Bonds outstanding in the aggregate principal amount of $100,240,000, (2) to advance refund the System's Series 1997 D Bonds outstanding in the aggregate principal amount of $48,750,000, (3) to finance the acquisition, construction, and improvement or certain health facilities and equipment, and (4) to pay certain costs of issuance of the bonds

A portion of the Series 2007A Bonds is due each November 1, through 2037 The interest rate on the Series 2007A Bonds ranges from 5 0% to 5 375% As security to the bondholders, the System granted to the Bond Master Trustee, a deed of trust lien on and security interest in, certain real property and equipment, in Tyler, Athens and Jacksonville Additionally, the System granted to the Bond Master Trustee a security interest in all revenues and receipts of all of its subsidiary organizations

The Series 2007A Bonds are subject to optional redemption by the System, in whole or in part on November 1, 2017 or on any date thereafter at a redemption price equal to the principal amount to be redeemed plus accrued unpaid interest

Pittsburg Bonds
Series 2007, 2008, 2009 and 2009A Camp County ETMC Pittsburg Hospital Revenue Bonds in the aggregate principal amount of $37,000,000 were issued for the purpose of providing funds to construct and equip a new hospital facility in Pittsburg, Texas A portion of the bonds is due each November 1 through 2033 The interest rates range from 5 5% to 6 69% The bonds are collateralized in parity with the Series 2007A Bonds

Series 2009 Bonds
The $5,700,000 principal amount of Series 2009 Bonds were issued in June 2009 for the purpose of providing funds to construct and equip fifteen new electronic communication transmission towers in East Texas A portion of the bonds is due each November 1 through 2019 The initial interest rate is fixed at 6 25% for five years and then will be reset once at the prevailing rate not to exceed 7 85% The bonds may be redeemed in whole or in part at the option of the System on any date after November 1, 2014 at a redemption price equal to the principal amount to be redeemed plus accrued unpaid interest The Series 2009 Bonds were called on December 31, 2014 at a redemption price of $3,200,000 principal and $27,000 in interest

Henderson Bonds
On September 9, 2009, the System assumed Henderson Memorial Hospital's Series 2006 Bonds The Series 2009A Henderson Note in the principal amount of $5,831,618 was issued to evidence the obligation of the System in connection with the Series 2006 Bonds On August 1, 2011, the System refinanced the bond A portion of the bond becomes due monthly, maturing June 1, 2021 The interest rate is variable, set at 70% of LIBOR plus 2 25% The interest rate at October 31, 2014 was 2 21% The note is collateralized in parity with the Series 2007A Bonds

Quitman Bonds
The $35,750,000 principal amount of Series 2011 Wood County Central Hospital District Revenue Bonds was issued for the purpose of providing funds to construct and equip a new hospital facility in Quitman, Texas A portion of the bonds become due beginning November 1, 2038 through 2041 The interest rate is 6% The bonds are collateralized in parity with the Series 2007A Bonds

Debt Covenants
The Series 2007A Bonds contain certain covenants which the System is required to meet The most significant of these covenants include a rate covenant, a capitalization covenant and a liquidity covenant

Under the rate covenant, the System is required to maintain a ratio of available revenues to maximum annual debt service requirements that is greater than 110% The capitalization covenant requires the System to maintain a ratio of debt to total capitalization of less than 70% The liquidity covenant requires the System to maintain a minimum of 65 days of unrestricted cash on hand The System was in compliance with the covenants at October 31, 2014

Long-Term Obligations Scheduled Repayments
Maturities of long-term debt and capital lease obligations are as follows

(in thousands)	Long-Term Debt	Capital Lease Obligations
Years Ending October 31,		
2015	$ 13,554	$ 12,036
2016	11,766	9,117
2017	10,417	6,680
2018	11,181	4,405
2019	11,366	2,049
Thereafter	303,332	7,408
Total long-term debt and capital lease obligations	361,616	41,695
Less Amount representing interest		(2,931)
Total capital lease obligations, net of interest	361,616	38,764
Less Current maturities	13,554	10,902
Total long-term debt and capital lease obligations, net of interest and current maturities	$ 348,062	$ 27,862

12. Lease Commitments

The System leases various equipment under operating leases expiring in various years Minimum rental commitments under operating leases having initial or remaining noncancelable terms of more than one year at October 31, 2014 are as follows

(in thousands)	
2015	$ 11,688
2016	11,206
2017	10,632
2018	10,164
2019	9,554
Thereafter	6,155
Total future minimum lease payments	$ 59,399

Total rental expense for the years ended October 31, 2014 and 2013 was approximately $12,821,000 and $13,127,000, respectively, and is included in purchased services in the accompanying consolidated statements of operations

13. Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets at October 31, 2014 and 2013 for cash and cash equivalents, assets limited as to use, patient accounts receivable, supplies, prepaid expenses and other, long-term investments, accounts payable, accrued expenses and estimated third party settlements approximate their fair value

The fair value of the System's long-term debt at October 31, 2014 and 2013 is as follows

	2014		2013	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 400,380	$ 367,562	$ 415,053	$ 380,243

The fair value of the System's long-term debt is estimated using discounted cash flow analyses, based on the current incremental borrowing rates for similar types of borrowing arrangements

ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) The three levels of the fair value hierarchy under ASC 820 are described below

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the System has the ability to access

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in inactive markets,
- Inputs other than quoted prices that are observable for the asset or liability, and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement Valuation techniques used need to maximize the use of unobservable inputs

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

The table below presents the assets and liabilities measured at fair value on a recurring basis at October 31, 2014 and 2013, categorized by the level of inputs used in valuation of each asset

	2014 Fair Value Measurements			
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash	$ 257,406	$ -	$ -	$ 257,406
Assets limited as to use				
Money market funds	52,413	-	-	52,413
US government bonds	504	-	-	504
Corporate bonds	-	5,052	-	5,052
Long-term investments				
Money market funds	2,920	-	-	2,920
Fixed income	-	701	-	701
Equities	-	3,644	-	3,644
Total assets at fair value	$ 313,243	$ 9,397	$ -	$ 322,640
Liabilities				
Interest rate swap	$ -	$ 648	$ -	$ 648
Total liabilities at fair value	$ -	$ 648	$ -	$ 648

(in thousands)	2013 Fair Value Measurements: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash	$ 224,504	$ -	$ -	$ 224,504
Assets limited as to use				
Money market funds	50,771	-	-	50,771
US government bonds	648	-	-	648
Corporate bonds	-	6,900	-	6,900
Long-term investments				
Money market funds	2,370	-	-	2,370
Fixed income	-	660	-	660
Equities	-	3,372	-	3,372
Total assets at fair value	$ 278,293	$ 10,932	$ -	$ 289,225
Liabilities				
Interest rate swap	$ -	$ 754	$ -	$ 754
Total liabilities at fair value	$ -	$ 754	$ -	$ 754

As of October 31, 2014, the System maintains a swap with a notional amount of $4,619,000 that is set to expire on June 1, 2021 The liability was recorded within other liabilities and the related change in value of approximately $106,000 was recorded in other revenue within the accompanying consolidated statement of operations The System measures the interest rate swap at fair value on a recurring basis The fair value of the interest rate swap is based primarily on quotes from banks

14. Income Taxes

The System has income from certain affiliated organizations and operations which are taxable for federal and state income tax purposes The following entities are included in the consolidated group East Texas Medical Regional Health Services, Inc , Centralized Credentialing Services, Inc , Healthfirst TPA, Inc , Graphics Plus, First Choice Management Services, Access Direct, MM Solutions, Inc , Paramedics Plus LLC, Fleet Plus LLC and Health Benefit Network These subsidiaries follow ASC 740, *Accounting for Income Taxes,* which requires an asset and liability approach for financial accounting and reporting of income taxes At October 31, 2014 and 2013, there was a deferred tax asset of $622,000 and a deferred tax liability of $395,000, respectively The increase in the net deferred tax asset between October 31, 2014 and 2013 is primarily due to a net operating loss carryforward generated on the October 31, 2012 U S income tax returns As of October 31, 2014 and 2013, the System had prepaid taxes of $10,000 and an income tax payable of $44,000, respectively In addition, the System recorded an income tax benefit related to its taxable operations of approximately $(1,061,000) and $(780,000) for the years ended October 31, 2014 and 2013, respectively The 2014 and 2013 benefits relate primarily to federal income tax These amounts are reflected in supplies and other expenses in the accompanying consolidated statements of operations

As of October 31, 2014, ETMC had no uncertain tax positions ETMC files tax returns in the U S federal jurisdiction, Texas, Florida, Indiana, California and Oklahoma ETMC is generally no longer subject to U S federal, state and local income tax examinations by tax authorities for years prior to October 31, 2010 The System's policy is to include interest and penalties related to uncertain tax positions as a component of income tax expense

15. Hospital Operating Agreements

The System leases the land and buildings operated by certain of its affiliated entities Substantially all leased premises and improvements revert back to the lessors upon expiration of the leases The net book value of the leased premises and improvements totaled approximately $137,966,000 and $180,972,000 at October 31, 2014 and 2013, respectively

Capital Lease Agreements

East Texas Medical Center Athens

On January 1, 1983, Athens leased all land, buildings, improvements and equipment from the Henderson County Hospital Authority ("HCHA"), who had leased it from Henderson County, Texas The lease term is for thirty years with a provision for six additional ten-year extension options which may be exercised by Athens by giving six months notice prior to the initial lease term or any renewal term Athens exercised three of the ten-year extension options in November 2005, extending the lease to December 31, 2042

East Texas Medical Center Pittsburg

On December 1, 1983, Pittsburg leased all land, buildings, improvements, and equipment from the Camp County, City of Pittsburg, Texas, Hospital Board for an initial term of ten years with a provision for two additional ten-year automatic extensions On December 1, 2007, Pittsburg entered into a new lease with Camp County, Texas The new lease expires on October 31, 2037

East Texas Medical Center Mount Vernon

On November 1, 1988, Mount Vernon leased all land, buildings, improvements, and equipment from Franklin County, Texas, for an initial term of three years, which expired October 31, 1991 Subsequent leases were entered into which have expired On November 1, 2012, a new lease was entered into for an initial term of five years The lease includes a provision for a five year extension upon 90 days written notice On August 21, 2014, written notice was provided to Franklin County, Texas to terminate the lease effective December 31, 2014

Under the terms of the lease agreement, Franklin County has agreed to subsidize Mount Vernon in all its efforts and work under the lease agreement and for maintaining the emergency room in the Hospital The County's subsidy approximated $150,000 per year

East Texas Medical Center Crockett

On July 1, 1995, Crockett leased all land, buildings, improvements, and equipment from Houston County Hospital District for an initial term of 20 years expiring June 30, 2015 The lease includes a provision for four additional five-year extensions that are automatic unless 180 days written notice is given by Crockett

East Texas Medical Center Clarksville
On April 1, 1996, Clarksville leased substantially all land, buildings and equipment from the Red River General Hospital Authority for an initial term of ten years with a provision for five-year extensions that are automatic unless 90 days written notice is given by Clarksville The second automatic extension commenced on April 1, 2011 extending the lease to March 31, 2016 Such lease requires the performance of certain covenants including but not limited to the requirement of Clarksville to spend an average of $350,000 per year, effective April 1, 1998, to make upgrades and improvements to the hospital Management believes all requirements have been met as of October 31, 2014 On September 5, 2014, written notice was provided to Red River General Hospital Authority to terminate the lease effective December 31, 2014

East Texas Medical Center Fairfield
On April 1, 1998, Fairfield leased substantially all land, buildings and equipment from Fairfield Hospital District for an initial term of ten years with a provision for four additional ten-year extensions that are automatic unless 365 days written notice is given by Fairfield The first ten-year extension commenced on April 1, 2008 extending the lease to March 31, 2018

East Texas Medical Center Quitman
On June 1, 1998, Quitman leased substantially all land, buildings and equipment from Wood County Central Hospital District for an initial term of ten years with a provision for four additional ten-year extensions that were automatic On November 1, 2011, Quitman entered into a new lease with Wood County Central Hospital District The lease expires on November 1, 2051 with a provision for one ten-year extension which may be exercised by Quitman by giving twenty-four months notice

Lease obligations related to these capital leases are included in obligations under capital leases disclosed in Note 11

Operating Lease Agreements
East Texas Medical Center Trinity
On August 1, 1997, Trinity leased substantially all land, buildings and equipment from the Trinity Memorial Hospital District for an initial term of ten years with a provision for four additional ten-year extensions that are automatic unless 180 days written notice is given by Trinity The first ten-year extension was exercised in May 2006, extending the lease to August 1, 2017

East Texas Medical Center Carthage
On December 1, 1997, Carthage leased substantially all land, buildings and equipment from Panola County, Texas, for an initial term of ten years with a provision for two additional ten-year extensions that are automatic unless 365 days written notice is given by Carthage The first of the ten-year extensions became effective on December 1, 2007 Such lease requires the performance of certain covenants including but not limited to new purchases and upgrades at the hospital in the amount of approximately $250,000 per year During fiscal years 2014 and 2013, new purchases and upgrades were approximately $1,416,000 and $1,107,000, respectively

East Texas Medical Center Henderson
On June 1, 2009, Henderson leased substantially all land, buildings, and equipment from Henderson Memorial Hospital for an initial term of fifteen years, expiring May 31, 2024 The lease includes provision for four additional five-year extensions that are automatic unless 180 days written notice is given by Henderson Such lease requires the performance of certain covenants including but not limited to new purchases and upgrades at the hospital in the amount of approximately $15 million within the first four years This requirement was met by June 1, 2013

Lease obligations related to these operating leases are included in minimum rental commitments disclosed in Note 12

16. Discontinued Operations

During 2014, the System made a decision to cease hospital operations in Clarksville, Gilmer and Mount Vernon The Clarksville and Mount Vernon operations are leased and subject to 90 days written notice On August 21, 2014, written notice was provided to Franklin County, Texas to terminate the Mount Vernon lease effective December 31, 2014 On September 5, 2014, written notice was provided to Red River General Hospital Authority to terminate the Clarksville lease effective December 31, 2014 Inpatient services in Gilmer were terminated October 31, 2014

The leasehold improvements were written down to their recoverable amount and reported in discontinued operations The following table presents summarized operating results for these discontinued operations for the fiscal years ended 2014 and 2013

(in thousands)	**2014**	**2013**
Revenue	$ 22,457	$ 28,228
Expenses	23,851	27,522
Loss on discontinued operations	(1,394)	706
Loss on disposal	(2,730)	-
Total loss on discontinued operations	$ (4,124)	$ 706

Components of assets and liabilities from discontinued operations consist of the following as of October 31, 2014

(in thousands)		2014
Current assets		
Cash	$	1,301
Patient accounts receivable, net		1,264
Estimated third party settlements		3,274
Supplies		447
Prepaid expenses and other		1,470
Total current assets from discontinued operations		7,756
Noncurrent assets		
Property and equipment, net		2,825
Other assets		(27)
Total noncurrent assets from discontinued operations		2,798
Total assets from discontinued operations	$	10,554
Current liabilities		
Accounts payable and accrued expenses	$	1,184
Current portion of long-term debt		133
Total current liabilities from discontinued operations		1,317
Noncurrent liabilities		
Long-term debt, net of current portion		4,217
Accrued pension		273
Total noncurrent liabilities from discontinued operations		4,490
Total liabilities from discontinued operations	$	5,807

17. Commitments and Contingencies

Litigation

Malpractice claims have been asserted against the System by various claimants The claims are in various stages and some may ultimately be brought to trial The System, with the assistance of its professional insurance consultants, has considered these claims in arriving at the accrual for self-insured malpractice and general liability claims asserted and incurred but not reported This estimated liability is subject to change in future years as additional information becomes available prior to ultimate settlement

The System is a defendant in various legal proceedings arising in the ordinary course of business Although the results of litigation cannot be predicted with certainty, management believes that the outcome of the pending other litigation will not have a material adverse effect on the System's consolidated financial statements

Credit Risks
Financial instruments that potentially subject the System to concentration of credit risk consist of cash and cash equivalents and patient accounts receivable Cash and cash equivalents used in operations consist primarily of cash in financial institution checking accounts and cash held by trustees under self insurance funding arrangements and indenture agreements U S Treasury obligations and investments in money market mutual funds are also held by trustees under self insurance funding arrangements and indenture agreements

At October 31, 2014 and 2013, the System had deposits in a major financial institution that exceeded Federal Deposit Insurance Corporation insurance limits Management believes that credit risk related to these deposits is minimal

The System is located in Tyler, Texas, and operates in the surrounding east Texas area The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The composition of net patient accounts receivable at October 31, 2014 and 2013 is as follows

	2014	2013
Medicare	44 %	38 %
Medicaid	5	6
Blue Cross	13	11
Other third-party payors	38	45
	100 %	100 %

18. Related Party Transactions

The System maintains cash deposits and has debt outstanding with a financial institution An officer of the financial institution is a director of the System

19. Functional Expenses

The System provides general health care services to residents within its geographic location Expenses related to providing these services for continuing operations for the years ended October 31, 2014 and 2013 are as follows

(in thousands)	2014	2013
Healthcare services	$ 794,118	$ 833,269
General and administrative	90,165	92,484
	$ 884,283	$ 925,753

20. Subsequent Events

The System has performed an evaluation of subsequent events through February 17, 2015, which is the date the financial statements were issued There were no other material subsequent events requiring financial statement disclosure other than those discussed in the Notes to the Consolidated Financial Statements

Consolidating Supplemental Information

pwc

Report of Independent Auditors
on Accompanying Consolidating Information

To the Board of Directors of
East Texas Medical Center
Regional Healthcare System and Affiliates

We have audited the consolidated financial statements of East Texas Medical Center Regional Healthcare System and Affiliates (collectively, the "System") as of October 31, 2014 and for the year then ended and our report thereon appears on page one of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

February 17, 2015

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Balance Sheet
October 31, 2014

(in thousands)	System	ETMC	Athens	Carthage	Clarksville	Crockett	Fairfield	Gilmer	Henderson	Jacksonville	Mt Vernon	Pittsburg
Balance Sheet												
Current assets												
Cash and cash equivalents	$ 10 734	$ 158 658	$ 17 936	$ 5 127	$ 382	$ (53)	$ 3 537	$ 221	$ 450	$ 177	$ 698	$ 7 739
Current portion of assets limited as to use	8 542	-	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable net of allowance for doubtful accounts	-	44 203	5 480	1 390	346	1 028	993	579	2 089	2 319	340	2 221
Receivable for supplemental Medicaid reimbursement		9 800	20 507	3 332	1 472	2 507	2 346	1 406	2 015	2 549	1 318	2 228
Supplies	-	7 865	1 110	399	172	470	264	74	463	260	201	607
Prepaid expenses and other	4 463	3 635	477	450	79	502	135	-	389	565	74	151
Total current assets	23 739	224 161	45 510	10 698	2 451	4 454	7 275	2 280	5 406	5 870	2 631	12 946
Assets limited as to use net of current portion	40 391	672	-	-	-	-	-	-	-	-	-	1 908
Long-term investments	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment net	200 266	49 340	33 230	5 423	2 621	988	2 897	204	27 006	22 036	-	32 428
Other assets	178 103	262 714	49 850	1	(14)	238	-	(15)	2	63	1	1 017
Total assets	$ 442 499	$ 536 887	$ 128 590	$ 16 122	$ 5 058	$ 5 680	$ 10 172	$ 2 469	$ 32 414	$ 27 969	$ 2 632	$ 48 299
Liabilities and Net Assets												
Current liabilities												
Accounts payable and accrued expenses	$ 19 327	$ 31 884	$ 9 536	$ 1 439	$ 414	$ 1 694	$ 846	$ 516	$ 1 324	$ 1 889	$ 254	$ 2 508
Current portion of long-term debt	13 528	5 738	437	-	37	82	302	-	889	100	96	1 198
Current portion of estimated malpractice costs	3 280	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	891	-	-	-	-	-	-	-	-	-	-
Estimated third party settlements	-	2 745	622	350	(360)	(254)	26	(19)	170	245	(16)	(10)
Total current liabilities	36 135	38 513	9 973	1 439	451	1 776	1 148	516	2 213	1 989	350	3 706
Estimated malpractice costs net of current portion	5 187	-	-	-	-	-	-	-	-	-	-	-
Long-term debt net of current portion	275 921	18 145	107	-	4 063	-	1 433	-	5 018	37	154	33 161
Accrued pension	-	25 011	3 404	-	-	-	-	-	-	-	273	-
Other liabilities	270 525	-	52 341	(2 089)	(6 694)	2 857	4 033	21 553	40 497	72 661	9 406	12 576
Total liabilities	587 768	81 669	65 825	(650)	(2 180)	4 633	6 614	22 069	47 728	74 687	10 183	49 443
Net assets												
Unrestricted	(145 269)	452 473	62 143	16 422	7 598	1 301	3 532	(19 581)	(15 484)	(46 963)	(7 535)	(1 134)
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-
Total net assets	(145 269)	452 473	62 143	16 422	7 598	1 301	3 532	(19 581)	(15 484)	(46 963)	(7 535)	(1 134)
Total liabilities and net assets	$ 442 499	$ 534 142	$ 127 968	$ 15 772	$ 5 418	$ 5 934	$ 10 146	$ 2 488	$ 32 244	$ 27 724	$ 2 648	$ 48 309

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Balance Sheet
October 31, 2014

(in thousands)	Quitman	Rehab Center	Specialty	Trinity	501A	Foundation	FirstNet Exchange	Home Services	ETMCRH Services	Eliminations	Total Combined System
Balance Sheet											
Current assets											
Cash and cash equivalents	$ 4 483	$ 6 567	$ 9 019	$ 1 845	$ 1 302	$ 2 793	$ -	$ 3 504	$ 22 287	$ -	$ 257 406
Current portion of assets limited as to use	-	-	-	-	-	-	-	-	1 882		10 424
Patient accounts receivable net of allowance for doubtful accounts	1 275	2 788	2 430	643	4 502	-	-	1 743	9 582	(177)	83 774
Receivable for supplemental Medicaid reimbursement	1 075			1 971							52 525
Supplies	449	149	181	196	-	-	-	27	1 288		14 175
Prepaid expenses and other	162	25	6	70	5 096	2	-	84	5 600	(4 898)	17 067
Total current assets	7 444	9 529	11 636	4 725	10 900	2 795	-	5 358	40 639	(5 075)	435 371
Assets limited as to use net of current portion	4 574	-	-	-	-	-	-	-	-		47 545
Long-term investments	-	-	-	-	-	7 265	-	-	-		7 265
Property and equipment net	31 754	596	110	1 620	-		69	36	14 808		425 432
Other assets	1 342	220	-	17	-	-	-	-	179	(485 446)	8 272
Total assets	$ 45 114	$ 10 345	$ 11 746	$ 6 362	$ 10 900	$ 10 060	$ 69	$ 5 394	$ 55 626	$ (490 521)	$ 923 885
Liabilities and Net Assets											
Current liabilities											
Accounts payable and accrued expenses	$ 1 974	$ 1 407	$ 558	$ 479	$ 2 944	$ -	$ -	$ 574	$ 9 132	$ (5 075)	$ 83 624
Current portion of long-term debt	77	-	-	245	-	-	-	-	1 727		24 456
Current portion of estimated malpractice costs	-	-	-	-	-	-	-	-	-		3 280
Deferred revenue	-	-	-	-	-	-	-	-	199		1 090
Estimated third party settlements	(664)	25	-	(159)	-	-	-	-	-		2 700
Total current liabilities	2 051	1 407	558	724	2 944	-	-	574	11 058	(5 075)	115 150
Estimated malpractice costs net of current portion	-	-	-	-	-	-	-	-	-		5 187
Long-term debt net of current portion	35 941	-	-	159	-	-	-	-	33 815	(32 030)	375 924
Accrued pension	-	-	-	-	-	-	-	-	-		28 688
Other liabilities	5 935	(31 098)	(21 374)	10 034	51 864	1	240	(790)	260	(491 745)	993
Total liabilities	43 927	(29 691)	(20 816)	10 917	54 808	1	240	(216)	45 133	(528 850)	525 942
Net assets											
Unrestricted	1 851	40 011	32 562	(4 396)	(43 908)	2 794	(171)	5 610	10 493	38 329	390 678
Temporarily restricted	-	-	-	-	-	4 241	-	-	-		4 241
Permanently restricted	-	-	-	-	-	3 024	-	-	-		3 024
Total net assets	1 851	40 011	32 562	(4 396)	(43 908)	10 059	(171)	5 610	10 493	38 329	397 943
Total liabilities and net assets	$ 45 778	$ 10 320	$ 11 746	$ 6 521	$ 10 900	$ 10 060	$ 69	$ 5 394	$ 55 626	$ (490 521)	$ 923 885

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Balance Sheet
October 31, 2014

(in thousands)	Services	Access Direct	Centralized Credentialing	TPA	MM Solutions	Paramedics	Elimination Entry	Services Combined
Balance Sheet								
Current assets								
Cash and cash equivalents	$ 6,869	$ 294	$ 240	$ 5,000	$ 262	$ 9,622	$ -	$ 22,287
Current portion of assets limited as to use	-	-	-	-	-	1,882	-	1,882
Patient accounts receivable, net of allowance for doubtful accounts	184	5	92	3474	85	5742	-	9,582
Receivable for supplemental Medicaid reimbursement	0	0	0	0	0	0	-	-
Estimated third party settlements	-	-	-	-	-	-	-	-
Supplies	1,052	-	-	-	-	236	-	1,288
Prepaid expenses and other	31	2	8	228	23	5,308	-	5,600
Total current assets	8,136	301	340	8,702	370	22,790	-	40,639
Assets limited as to use, net of current portion	-	-	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-	-	-
Property and equipment, net	38	18	19	704	11	14,018	-	14,808
Other assets	38,928	-	-	(898)	-	-	(37,851)	179
Total assets	$ 47,102	$ 319	$ 359	$ 8,508	$ 381	$ 36,808	$ (37,851)	$ 55,626
Liabilities and Net Assets								
Current liabilities								
Accounts payable and accrued expenses	$ 56	$ 32	$ 44	$ 3,023	$ 106	$ 5,871	$ -	$ 9,132
Current portion of long-term debt	-	-	-	-	-	1,727	-	1,727
Current portion of estimated malpractice costs	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	199	-	-	-	199
Total current liabilities	56	32	44	3,222	106	7,598	-	11,058
Estimated malpractice costs, net of current portion	-	-	-	-	-	-	-	-
Long-term debt, net of current portion	32,030	-	-	-	-	1,785	-	33,815
Accrued pension	-	-	-	-	-	-	-	-
Other liabilities	(15,972)	(938)	(417)	5,997	53	14,180	(2,643)	260
Total liabilities	16,114	(906)	(373)	9,219	159	23,563	(2,643)	45,133
Net assets								
Unrestricted	30,988	1,225	732	(711)	222	13,245	(35,208)	10,493
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	30,988	1,225	732	(711)	222	13,245	(35,208)	10,493
Total liabilities and net assets	$ 47,102	$ 319	$ 359	$ 8,508	$ 381	$ 36,808	$ (37,851)	$ 55,626

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Statement of Operations
Year Ended October 31, 2014

(in thousands)	System	ETMC	Athens	Carthage	Clarksville	Crockett	Fairfield	Gilmer	Henderson	Jacksonville	Mt Vernon	Pittsburg
Income statement												
Unrestricted revenue and other support												
Patients service revenue (net of contractual allowances and discounts)	$ -	$ 468 477	$ 83 854	$ 18 116	$ -	$ 13 679	$ 12 292	$ -	$ 28 515	$ 32 500	$ -	$ 30 651
Provisions for bad debt	-	(90 372)	(10 163)	753	-	(1 272)	(3 113)	-	(5 610)	(5 109)	-	(278)
Net patient service revenue less provisions for bad debt	-	378 105	73 691	18 869	-	12 407	9 179	-	22 905	27 391	-	30 373
Other revenue	74 738	16 750	2 419	3 066	-	1 896	1 516	-	2 787	3 982	365	2 572
Total revenue and other support	74 738	394 855	76 110	21 935	-	14 303	10 695	-	25 692	31 373	365	32 945
Expenses												
Salaries and wages	22 597	133 633	22 763	7 891	-	5 787	3 920	-	8 094	10 507	-	8 862
Employee benefits	4 784	33 508	5 612	2 115	-	1 392	943	-	2 088	2 355	-	2 270
Professional fees	4 121	32 705	6 526	3 610	-	2 113	2 331	-	4 001	5 617	-	3 872
Supplies and other expenses	10 472	136 129	25 630	5 193	478	3 774	2 327	472	8 037	9 380	281	8 092
Purchased services	7 620	29 230	3 724	2 167	-	1 623	1 303	-	2 856	2 902	-	2 551
Depreciation and amortization	20 093	13 729	4 737	878	-	1 120	1 680	-	2 578	1 984	-	4 042
Interest	5 078	6 702	2 503	-	-	30	83	-	337	1 384	-	2 145
Loss on impairment	-	-	-	-	-	5 445	15 909	-	-	-	-	-
Total expenses	74 765	385 636	71 495	21 854	478	21 284	28 496	472	27 991	34 129	281	31 834
Excess of revenue and other support over expenses	(27)	9 219	4 615	81	(478)	(6 981)	(17 801)	(472)	(2 299)	(2 756)	84	1 111
Defined benefit pension adjustment	-	(3 924)	(727)	-	-	-	-	-	-	-	26	59
Discontinued operations	-	-	-	-	(1 019)	-	-	(1 898)	-	-	(1 207)	-
Increase in unrestricted net assets	$ (27)	$ 5 295	$ 3 888	$ 81	$ (1 497)	$ (6 981)	$ (17 801)	$ (2 370)	$ (2 299)	$ (2 756)	$ (1 097)	$ 1 170

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Statement of Operations
Year Ended October 31, 2014

(in thousands)	Quitman	Rehab Center	Specialty	Trinity	501A	Foundation	FirstNet Exchange	Home Services	ETMCRH Services	Eliminations	Combined System
Income statement											
Unrestricted revenue and other support											
Patients service revenue (net of contractual allowances and discounts)	$ 17 943	$ 20 001	$ 18 859	$ 8 422	$ 66 264	$ -	$ -	$ 10 992	$ 93 999	$ -	$ 924 564
Provisions for bad debt	$ (2 548)	$ -	$ -	$ (1 705)	$ (16 308)	$ -	$ -	$ (76)	$ (44 819)		(180 620)
Net patient service revenue less provisions for bad debt	15 395	20 001	18 859	6 717	49 956	-	-	10 916	49 180	-	743 944
Other revenue	540	5 204	3	2 211	40 544	326	62	16	74 106	(122 113)	110 990
Total revenue and other support	15 935	25 205	18 862	8 928	90 500	326	62	10 932	123 286	(122 113)	854 934
Expenses											
Salaries and wages	5 976	12 498	5 283	3 249	64 584	-	-	6 436	62 612		384 692
Employee benefits	1 476	2 350	1 020	764	6 187	-	-	1 149	16 224		84 237
Professional fees	1 402	607	159	1 420	2 455	1	-	56	3 945	(39 027)	35 914
Supplies and other expenses	4 175	6 619	3 684	1 731	14 768	269	23	1 324	23 033	(68 052)	197 839
Purchased services	1 748	2 802	5 227	1 145	2 503	8	491	632	11 191	(13 237)	66 486
Depreciation and amortization	2 333	286	85	1 116	3	-	22	49	6 251		60 986
Interest	2 207	-	-	21	-	-	-	-	2 151	(1 797)	20 844
Loss on impairment	-	-	-	11 931	-	-	-	-	-		33 285
Total expenses	19 317	25 162	15 458	21 377	90 500	278	536	9 646	125 407	(122 113)	884 283
Excess of revenue and other support over expenses	(3 382)	43	3 404	(12 449)	-	48	(474)	1 286	(2 121)	-	(29 349)
Defined benefit pension adjustment	-	-	-	-	-	-	-	-	-		(4 566)
Discontinued operations	-	-	-	-	-	-	-	-	-		(4 124)
Increase in unrestricted net assets	$ (3 382)	$ 43	$ 3 404	$ (12 449)	$ -	$ 48	$ (474)	$ 1 286	$ (2 121)	$ -	$ (38 039)

East Texas Medical Center Regional Healthcare System and Affiliates
Consolidating Statement of Operations
Year Ended October 31, 2014

(in thousands)	Services	Access Direct	Centralized Credentialing	TPA	MM Solutions	Paramedics Plus	Elimination Entry	Combined
Income statement								
Unrestricted revenue and other support								
Patients service revenue (net of contractual allowances and discounts)	$ -	$ -	$ -	$ -	$ -	$ 93,999	$ -	$ 93,999
Provisions for bad debt	-	-	-	-	-	(44,819)	-	(44,819)
Net patient service revenue less provisions for bad debt	-	-	-	-	-	49,180	-	49,180
Other revenue	4,659	841	762	12,754	1,777	51,445	1,868	74,106
Total revenue and other support	4,659	841	762	12,754	1,777	100,625	1,868	123,286
Expenses								
Salaries and wages	1,452	94	249	3,929	786	56,102	-	62,612
Employee benefits	465	59	102	970	185	14,443	-	16,224
Professional fees	166	73	109	(123)	182	3,538	-	3,945
Supplies and other expenses	1,762	106	91	5,339	203	15,532	-	23,033
Purchased services	246	110	68	1,088	427	9,252	-	11,191
Depreciation and amortization	23	3	1	327	1	5,896	-	6,251
Interest	1,136	-	-	189	5	821	-	2,151
Loss on impairment	-	-	-	-	-	-	-	-
Total expenses	5,250	445	620	11,719	1,789	105,584	-	125,407
Excess of revenue and other support over expenses	(591)	396	142	1,035	(12)	(4,959)	1,868	(2,121)
Defined benefit pension adjustment	-	-	-	-	-	-	-	-
Increase in unrestricted net assets	$ (591)	$ 396	$ 142	$ 1,035	$ (12)	$ (4,959)	$ 1,868	$ (2,121)