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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 black lung benefit trust or private foundation)
 The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2012
Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2012, 2012, and ending 12-31-2012

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Texas Health Resources Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 612 E Lamar Blvd Suite 1400 City or town, state or country, and ZIP + 4 Arlington, TX 76011	D Employer identification number 75-2702388 E Telephone number (682) 236-7900 G Gross receipts \$ 1,575,556,461
F Name and address of principal officer Doug Hawthorne 612 E Lamar Blvd Arlington, TX 76011		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: texashealth.org		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		L Year of formation 1997 M State of legal domicile TX

Part I Summary

1	Briefly describe the organization's mission or most significant activities Through its affiliates, THR operates an integrated healthcare system with services and facilities throughout North Central Texas		
2	Check this box <input type="checkbox"/> 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	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	2,616
6	Total number of volunteers (estimate if necessary)	6	400
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	2,191,729
7b	Net unrelated business taxable income from Form 990-T, line 34	7b	87,735
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	732,258	2,796,542
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	390,970,044	434,611,242
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	97,151,597	84,338,535
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	6,264,971	3,139,197
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	495,118,870	524,885,516
	14 Benefits paid to or for members (Part IX, column (A), line 4)	1,285,576	587,640
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)	193,430,592	216,755,747
	b Total fundraising expenses (Part IX, column (D), line 25) \rightarrow 0	437,717	0
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	242,537,247	224,176,711
	18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	437,691,132	441,520,098
19 Revenue less expenses Subtract line 18 from line 12	57,427,738	83,365,418	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	2,406,057,455	3,011,378,838
	22 Net assets or fund balances Subtract line 21 from line 20	2,481,174,019	2,880,540,341
		-75,116,564	130,838,497

Part II Signature Block

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

Sign Here	***** Signature of officer	2013-11-12 Date			
	RICK MCWHORTER Sr VP Finance Type or print name and title				
Paid Preparer Use Only	Prnt/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	Firm's EIN		Phone no	
	Firm's address				

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 to any question in this Part III Yes No

1 Briefly describe the organization's mission
Through its affiliates, THR operates an integrated healthcare system with services and facilities throughout North Central Texas

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 \$ 441,520,098 including grants of \$ 587,640) (Revenue \$ 425,700,173)
Founded in 1997, Texas Health Resources (THR) provides direction and oversight to its wholly-controlled affiliates. The range of centralized services provided by THR include information services, managed care contracting, human resources, revenue cycle, legal, tax, compliance, supply chain, qualify business development, insurance, treasury, marketing, general accounting, and strategic planning. THR also operates professional office buildings leased primarily to physicians who are members of the medical staff of THR affiliated hospitals. THR also operates, manages and coordinates through Texas Health Physicians Group (THPG), a wholly owned affiliate of THR. THPG is a network of primary and specialty care physician practices providing the north Texas area community access to quality health care delivered either through an office setting or through a hospital program.

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 441,520,098

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)? <i>If "Yes," complete Schedule A</i>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		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? <i>If "Yes," complete Schedule C, Part II</i>	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? <i>If "Yes," complete Schedule C, Part III</i>		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? <i>If "Yes," complete Schedule D, Part I</i>		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? <i>If "Yes," complete Schedule D, Part II</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		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? <i>If "Yes," complete Schedule D, Part IV</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>		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? <i>If "Yes," complete Schedule D, Part VI</i>	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? <i>If "Yes," complete Schedule D, Part VII</i>		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? <i>If "Yes," complete Schedule D, Part VIII</i>		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? <i>If "Yes," complete Schedule D, Part IX</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	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)? <i>If "Yes," complete Schedule D, Part X</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		No
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If "Yes," complete Schedule F, Parts III and IV</i>		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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		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? <i>If "Yes," complete Schedule G, Part II</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable 1a 424		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable 1b 0		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? 1c Yes	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return 2a 2,616		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) 2b Yes	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year? 3a Yes	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O 3b Yes	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? 4a		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? 5a		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? 5b		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T? 5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? 6a		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 6b		
7	Organizations that may receive deductible contributions under section 170(c).		
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
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided? 7b		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? 7c		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year 7d		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? 7e		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? 7f		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? 7g		No
7h	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.		
9a	Did the organization make any taxable distributions under section 4966? 9a		No
9b	Did the organization make a distribution to a donor, donor advisor, or related person? 9b		No
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12 10a		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities 10b		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders 11a		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) 11b		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? 12a		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year 12b		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O 13a		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans 13b		
13c	Enter the amount of reserves on hand 13c		
14a	Did the organization receive any payments for indoor tanning services during the tax year? 14a		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O 14b		

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

Check if Schedule O contains a response to any question 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		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
1b	Enter the number of voting members included in line 1a, above, who are independent		
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?	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?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?		No
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?		No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	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?	Yes	
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	Yes	

Section C. Disclosure

- 17** List the States with which a copy of this Form 990 is required to be filed
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization
 DAVID JACKSON 612 E LAMAR BLVD Arlington, TX (682) 236-7900

Part VIII Statement of Revenue

Check if Schedule O contains a response to any question 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, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns . . . 1a _____					
	b Membership dues 1b _____					
	c Fundraising events 1c _____					
	d Related organizations 1d 535,120					
	e Government grants (contributions) 1e _____					
	f All other contributions, gifts, grants, and similar amounts not included above 1f 2,261,422					
	g Noncash contributions included in lines 1a-1f \$ _____					
	h Total. Add lines 1a-1f ▶		2,796,542			
Program Service Revenue	2a MANAGEMENT FEE _____ Business Code 541610	353,428,786	352,917,405	511,381		
	b RENTAL FEE _____	56,719,536	56,719,536			
	c JV ACTIVITY _____ Business Code 541900	23,204,215	23,263,468	-59,253		
	d PATIENT REVENUE _____	5,240	5,240			
	e ELECTRONIC HEALTH RECORDS _____	1,253,465	1,253,465			
	f All other program service revenue _____					
	g Total. Add lines 2a-2f ▶		434,611,242			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts) ▶	57,215,719			57,215,719	
	4 Income from investment of tax-exempt bond proceeds ▶	0				
	5 Royalties ▶	1,021,808			1,021,808	
	6a Gross rents	(i) Real				
		(ii) Personal				
		b Less rental expenses				
		c Rental income or (loss)	0			0
	d Net rental income or (loss) ▶		0			
	7a Gross amount from sales of assets other than inventory	(i) Securities	1,077,786,681			
		(ii) Other		7,080		
		b Less cost or other basis and sales expenses	1,050,144,673		526,272	
		c Gain or (loss)	27,642,008		-519,192	
	d Net gain or (loss) ▶		27,122,816			
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a					
		b Less direct expenses b				
c Net income or (loss) from fundraising events ▶			0			
9a Gross income from gaming activities See Part IV, line 19 a						
	b Less direct expenses b					
	c Net income or (loss) from gaming activities ▶		0			
10a Gross sales of inventory, less returns and allowances a						
	b Less cost of goods sold b					
	c Net income or (loss) from sales of inventory ▶		0			
Miscellaneous Revenue	Business Code					
11a TELECOMMUNICATIONS _____ Business Code 519100	1,736,218		1,736,218			
b COMMISSIONS _____	13,965			13,965		
c GUARANTEE FEE _____	89,506	89,506				
d All other revenue	277,700	274,317	3,383			
e Total. Add lines 11a-11d ▶		2,117,389				
12 Total revenue. See Instructions ▶		524,885,516	434,522,937	2,191,729	58,251,492	

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 to any question 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	587,640	587,640		
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	21,753,452	21,753,452	0	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	156,491,116	156,491,116		
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	5,048,229	5,048,229		
9	Other employee benefits	22,846,840	22,846,840		
10	Payroll taxes	10,616,110	10,616,110		
11	Fees for services (non-employees)				
a	Management	6,491,646	6,491,646		
b	Legal	2,028,121	2,028,121		
c	Accounting	1,892,782	1,892,782		
d	Lobbying	1,350,808	1,350,808		
e	Professional fundraising services. See Part IV, line 17	0			
f	Investment management fees	7,165,602	7,165,602		
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	44,300,081	44,300,081		
12	Advertising and promotion	11,992,074	11,992,074		
13	Office expenses	14,933,653	14,933,653		
14	Information technology	41,593,734	41,593,734		
15	Royalties	0			
16	Occupancy	28,493,889	28,493,889		
17	Travel	2,158,432	2,158,432		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	3,077,109	3,077,109		
20	Interest	4,174,349	4,174,349		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	35,191,881	35,191,881		
23	Insurance	318,185	318,185		
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	TAXES	8,486,851	8,486,851		
b	REPAIRS & MAINTENANCE	5,872,521	5,872,521		
c	LICENSE/DUES	2,472,039	2,472,039		
d	SUPPLIES	1,056,983	1,056,983		
e	All other expenses	1,125,971	1,125,971		
25	Total functional expenses. Add lines 1 through 24e	441,520,098	441,520,098	0	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response to any question in this Part X

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	-7,056,365	1	-1,847,284
	2 Savings and temporary cash investments	231,515,599	2	349,515,002
	3 Pledges and grants receivable, net	0	3	0
	4 Accounts receivable, net	14,674,731	4	18,031,017
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	7,945,773	5	5,785,383
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L	0	6	0
	7 Notes and loans receivable, net	9,144,944	7	13,006,350
	8 Inventories for sale or use	58,285	8	58,285
	9 Prepaid expenses and deferred charges	35,388,739	9	28,015,016
	10a Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D	10a 619,827,906		
	b Less accumulated depreciation	10b 291,000,900	291,625,849	10c 328,827,006
	11 Investments—publicly traded securities	1,655,681,911	11	1,996,776,826
	12 Investments—other securities. See Part IV, line 11	0	12	0
	13 Investments—program-related. See Part IV, line 11	83,583,632	13	142,354,058
	14 Intangible assets	19,317,803	14	19,066,146
	15 Other assets. See Part IV, line 11	64,176,554	15	111,791,033
16 Total assets. Add lines 1 through 15 (must equal line 34)	2,406,057,455	16	3,011,378,838	
Liabilities	17 Accounts payable and accrued expenses	137,961,639	17	175,000,966
	18 Grants payable	0	18	0
	19 Deferred revenue	0	19	0
	20 Tax-exempt bond liabilities	1,086,581,412	20	1,163,090,396
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0	21	0
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0	22	0
	23 Secured mortgages and notes payable to unrelated third parties	0	23	107,491,851
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	1,256,630,968	25	1,434,957,128
	26 Total liabilities. Add lines 17 through 25	2,481,174,019	26	2,880,540,341
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	-75,310,610	27	130,838,497
	28 Temporarily restricted net assets	194,046	28	0
	29 Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	-75,116,564	33	130,838,497	
34 Total liabilities and net assets/fund balances	2,406,057,455	34	3,011,378,838	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	524,885,516
2	Total expenses (must equal Part IX, column (A), line 25)	2	441,520,098
3	Revenue less expenses Subtract line 2 from line 1	3	83,365,418
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-75,116,564
5	Net unrealized gains (losses) on investments	5	113,874,723
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	1,499,886
9	Other changes in net assets or fund balances (explain in Schedule O)	9	7,215,034
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	130,838,497

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

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

Additional Data

Software ID:
Software Version:
EIN: 75-2702388
Name: Texas Health Resources

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
Allen MD Bohn Trustee	3 0	X						0		
Bass Anne Chairman	3 0	X								
Beavers DM in Jay Trustee	3 0	X								
Bloemendal MD Lee Trustee	3 0	X								
Cravens Tom Trustee	3 0	X								
Ferguson III John Trustee	3 0	X								
Greene Richard Trustee	3 0	X								
Hardesty DO Glenn Trustee	3 0	X					48,826	39,881		
Hunt Hunter Trustee	3 0	X								
Jarvis Feliz Trustee	3 0	X								
Kelley Terry Trustee	3 0	X								
McDermott Grace Trustee	3 0	X								
Roberts Leonard Trustee	3 0	X								
Stripling MD Dennis Trustee	3 0	X								
Tatum Stephen Trustee	3 0	X								
Turner Wesley Trustee	3 0	X								
Hawthorne Douglas D CHIEF EXECUTIVE OFFICER	40 0			X			2,489,610		195,733	
Berdan Barclay EVP SR & COO THR	40 0			X			1,089,819		114,670	
Hanson Stephen C EVP ZONE OPERATIONS LEADER	40 0			X			1,043,727		103,795	
Long Ronald R EVP RSRC DEVL & DEPLOY & CFO	40 0			X			935,511		102,447	
Amparan Oscar L EVP ZONE OPERATIONS LEADER	40 0			X			518,850	370,607	94,374	
Scholl Jonathan Wade EVP CHIEF STRATEGY OFFICER	40 0			X			739,307		165,526	
Canose Jeffrey L EVP ZONE OPERATIONS LEADER	40 0			X			428,797	306,284	85,371	
Boes Charles EVP GENERAL COUNSEL	40 0			X			672,654		74,128	
Bell Bonnie L EVP PEOPLE & CULTURE	40 0			X			665,725		79,014	

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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				
Kramer Kenneth J SVP ASSOC GEN COUNSEL	40 0			X					397,724		97,289
Mitchell John D SVP BUSINESS DEVELOPMENT	40 0			X					319,598		55,936
Berrett Britt R EVP	40 0			X					1,131,482		104,544
Lester Mark C EVP ZONE CLINICAL LEADER	40 0			X					358,672	256,194	60,888
Berenzweig Harold K EVP ZONE CLINICAL LEADER	40 0			X					306,162	218,688	84,562
Varga Daniel W EVP SR & CHIEF CLINICAL OFFICE	40 0			X					500,000		
Ransom Elizabeth EVP ZONE CLINICAL LEADER	40 0			X					293,450		22,665
Deegan Michael J EVP Chief Clin & Qual Officer	40 0			X					135,547		
Ryfa Stanley R SVP Development	40 0				X				651,795		22,543
Velasco Ferdinand T VP & CHIEF HLTH INFO OFFIC THR	40 0				X				629,885		114,554
Marx Edward SVP CHIEF INFO OFFICER	40 0				X				614,640		64,353
Dennis Stanley G SVP FINAN / CHIEF REV OFFICER	40 0				X				506,193		40,386
Gaida John B SVP SUPPLY CHAIN MGMT	40 0				X				500,744		62,732
Gorti Sudhakar VP CHIEF TECHNOLOGY OFFICER	40 0				X				484,949		29,645
Shinkus Clark Joan Frances SVP CHIEF NURSING EXECUTIVE	40 0				X				466,451		53,248
Roper Jack R SVP FINANCE	40 0				X				463,884		56,255
Mims Krystal President THPR	40 0				X				775,849		88,922
Kirby Michelle Riddle SVP CHIEF HR OFFICER	40 0				X				419,561		51,640
Gwaltney Elaine B SVP Communications & Image	40 0				X				417,736		50,418
Tesmer David J SVP COMMUN ENGAG & ADVOCACY TH	40 0				X				411,481		58,892
Saldana Luis Eduardo MEDICAL DIR	40 0				X				402,832		37,734
Holmes Kevin B SVP REAL ESTATE DEVL & DEPLOY	40 0				X				396,907		64,099
Anderson Susan Elaine SVP & CHIEF COMPLIANCE OFFICER	40 0				X				379,172		37,904
Jones Robert Douglas SVP TREASURER/CHIEF INVEST OFF	40 0				X				377,893		58,749
Stolz Michael President THPG	40 0 2 0				X				740,254		73,717

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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				
Ziesmann Thomas SVP COO THPG	40 0 2 0				X				593,043	163,237	
Peterson Lisa SVP Chief Financial Officer	40 0 2 0				X				472,172	39,701	
Tabuena Jose VP THPG Compliance	40 0 2 0				X				397,844	21,071	
PearsonGeorge SVP MED STF AFFRS PHYS RLNS	40 0					X			374,202	52,615	
McWhorterRicky E SVP FINANCE	40 0					X			371,159	45,190	
Soderstrom Carl Director THPG	40 0					X			928,374	33,034	
Heighten Clay Director THPG	40 0					X			924,915	41,487	
Myers Lynne Medical Director	40 0					X			355,099	22,389	

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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.

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

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

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

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h
 a Type I b Type II c Type III - Functionally integrated d Type III - Non-functionally integrated
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
 (ii) A family member of a person described in (i) above?
 (iii) A 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
See Additional Data Table									
Total									308,497,121

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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 6, column (f) divided by line 11, column (f))	14	
15 Public support percentage for 2011 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2012. 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—2011. 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—2012. 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—2011. 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	

- 19a 33 1/3% support tests—2012.** 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—2011.** 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.** Complete this part to 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

Explanation

Additional Data

Software ID:
Software Version:
EIN: 75-2702388
Name: Texas Health Resources

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	
TEXAS HEALTH ARLINGTON	750972805	03	Yes		Yes		Yes		24074143
TEXAS HEALTH HARRIS METHODIST FOUNDATION	752401033	09	Yes		Yes		Yes		2167576
TEXAS HEALTH ALLIANCE	451502252	03	Yes		Yes		Yes		1192618
TEXAS HEALTH AZLE	751748586	03	Yes		Yes		Yes		3381775
TEXAS HEALTH CLEBURNE	751977850	03	Yes		Yes		Yes		6654222
TEXAS HEALTH FORT WORTH	756001743	03	Yes		Yes		Yes		76369332
TEXAS HEALTH HEB	751438726	03	Yes		Yes		Yes		27498480
TEXAS HEALTH SOUTHWEST	752678857	03	Yes		Yes		Yes		19685022
TEXA HEALTH STEPHENVILLE	751752253	03	Yes		Yes		Yes		4685402
TEXAS HEALTH PHYSICIANS GROUPS	752613493	09	Yes		Yes		Yes		4848491
TEXAS HEALTH PRESBYTERIAN FOUNDATION	752022128	09	Yes		Yes		Yes		2167576
TEXAS HEALTH ALLEN	752890358	03	Yes		Yes		Yes		9234325
TEXAS HEALTH DALLAS	751047527	03	Yes		Yes		Yes		64270029
TEXAS HEALTH DENTON	432008974	03	Yes		Yes		Yes		17389906
TEXAS HEALTH KAUFMAN	752771437	03	Yes		Yes		Yes		3655028

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	
TEXAS HEALTH PLANO	752770738	03	Yes		Yes		Yes		40299319
TEXAS HEALTH RESEARCH & EDUCATION INSTITUTE	752562191	04	Yes		Yes		Yes		0
TEXAS HEALTH SPECIALTY HOSPITAL	751648589	03	Yes		Yes		Yes		923877

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

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

Table with 2 columns: Name of the organization (Texas Health Resources) and Employer identification number (75-2702388)

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

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization

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

- A** Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B** Check if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b Total lobbying expenditures to influence a legislative body (direct lobbying)														
c Total lobbying expenditures (add lines 1a and 1b)														
d Other exempt purpose expenditures														
e Total exempt purpose expenditures (add lines 1c and 1d)														
f Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
g Grassroots nontaxable amount (enter 25% of line 1f)														
h Subtract line 1g from line 1a If zero or less, enter -0-														
i Subtract line 1f from line 1c If zero or less, enter -0-														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?	Yes		
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c Media advertisements?		No	
d Mailings to members, legislators, or the public?	Yes		293
e Publications, or published or broadcast statements?		No	
f Grants to other organizations for lobbying purposes?	Yes		166,131
g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		1,184,384
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i Other activities?		No	
j Total Add lines 1c through 1i			1,350,808
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Complete this part to 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.

Identifier	Return Reference	Explanation
Additional Information	Part II-B	Texas Health Resources (THR) is the parent organization for a healthcare system consisting of hospitals and other related healthcare organizations. The amount of expenses paid, or incurred in connection with lobbying activities reported on this return represent the expenses incurred on behalf of THR and all its affiliates. Total expenses for the system were \$3,436,014,582 for the year ended December 31, 2012. Of this amount \$1,350,808 (0.393%) is used in connection with lobbying activities. Officers and/or Board members of THR may, to an insubstantial degree, make comments or statements concerning legislation that may affect either the healthcare industry or the health status of the communities that THR serves. In pursuing this activity, officers and/or Board members may engage in conversations and/or write letters to various federal, state, and local officials regarding such matters. The amount of time and money involved in these activities is negligible. In no case has either THR, or any person acting on behalf of THR, intervened in any political campaign.

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2012

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization Texas Health Resources

Employer identification number 75-2702388

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include total number at end of year, aggregate contributions, aggregate grants, aggregate value, and questions about donor informed consent.

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

Form for Part II Conservation Easements including checkboxes for preservation purposes, a table for held at the end of the year (2a-2d), and various questions about monitoring and reporting.

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.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets including questions about reporting and amounts for revenues and assets.

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
1c	
1d	
1e	
1f	

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

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

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

	(a) Current year	(b) Prior year	(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. 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		58,769,702		58,769,702
b Buildings		217,430,219	114,633,315	102,796,904
c Leasehold improvements		60,507,169	42,751,600	17,755,569
d Equipment		191,742,437	133,615,986	58,126,451
e Other		91,378,380		91,378,380
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				328,827,006

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

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

Complete this part to 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

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

Additional Data

Software ID:
Software Version:
EIN: 75-2702388
Name: Texas Health Resources

Form 990, Schedule D, Part X, - Other Liabilities

1	(a) Description of Liability	(b) Book Value
	SECURITY DEPOSIT	43,744
	TRUSTEE FUNDS-SUPP RETIREMENT	2,137,996
	TRUSTEE FUNDS-CAA	2,454,810
	POST RETIREMENT BENEFITS	7,982,977
	UNAMORTIZED RENT	3,065,740
	OTHER LIABILITIES	2,910,429
	ASSET RETIREMENT OBLIGATION	1,750,235
	MALPRACTICE TRUST RESERVE	32,382,510
	INTERCOMPANY PAYABLE	1,382,228,687

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Hospitals

Complete if the organization answered "Yes" to Form 990, Part IV, question 20. Attach to Form 990. See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Texas Health Resources

Employer identification number 75-2702388

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 3a Did the organization use Federal Poverty Guidelines (FPG) as a factor... 3b Did the organization use FPG as a factor... 4 Did the organization's financial assistance policy... 5a Did the organization budget amounts... 5b If "Yes," did the organization's financial assistance expenses... 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community benefit expense, (d) Direct offsetting revenue, (e) Net community benefit expense, (f) Percent of total expense. Rows include Financial Assistance and Means-Tested Government Programs (a-d) and Other Benefits (e-k).

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			35,097		35,097	0.020 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development			10,172		10,172	
9 Other						
10 Total			45,269		45,269	0.020 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	No
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2	28,958,823
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	40,198,440
6 Enter Medicare allowable costs of care relating to payments on line 5	6	48,861,917
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-8,663,477
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 Flower Mound Hosp	Hospital	54.600 %		45.400 %
2 Greenville Surg Ctr	Ambulatory Surgery Center	86.000 %		14.000 %
3 Physician Med Ctr	Hospital	6.000 %		46.930 %
4 Rockwall Regional	Hospital	53.230 %		46.770 %
5 Southlake Specialty	Hospital	6.100 %		46.080 %
6 Surg Caregivers FW	Ambulatory Surgery Center	51.000 %		49.000 %
7 TH Flower Mound	Orthopedic Surgery Center	51.000 %		49.000 %
8 THR-STT Rockwall ASC	Ambulatory Surgery Center	51.000 %		49.000 %
9 THR-STT Southlake	Ambulatory Surgery Center	51.000 %		49.000 %
10 USMD Arlington	Hospital	51.000 %		49.000 %
11 USMD Fort Worth	Hospital	50.970 %		49.030 %
12 Denton Surgery Ctr	Ambulatory Surgery Center	70.300 %		29.700 %
13				

Part V Facility Information

Section A. Hospital Facilities

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

7

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Rockwall Regional Hospital 3150 Horizon Rd Rockwall, TX 75032 www.texashealthrockwall.com	X	X					X			
2	Physicians Medical Center LLC 6020 Parker Rd Plano, TX 75093 www.thcde.com	X	X					X			
3	Southlake Specialty Hospital LLC 1545 E Southlake Blvd Southlake, TX 76092 www.texashealthsouthlake.com	X	X					X			
4	Flower Mound Hospital Partners 4400 Long Prairie Rd Flower Mound, TX 75028 www.texashealthflowermound.com	X	X					X			
5	USMD Hospital at Arlington 801 W Interstate 20 Arlington, TX 76017 www.usmdarlington.com	X	X					X			
6	Sherman Grayson Health System 500 N Highland Sherman, TX 75092 www.wnj.org	X	X					X			
7	USMD Hospital at Fort Worth 5900 Dirks Rd Fort Worth, TX 76132 www.usmdfortworth.com	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Rockwall Regional Hospital

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) _____ 1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in its community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care ___ % If "No," explain in Part VI the criteria the hospital facility used	11	No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI)		

Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Physicians Medical Center LLC

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted.	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs.	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care ___% If "No," explain in Part VI the criteria the hospital facility used	11	No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI)		

Billing and Collections		Yes	No
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)
 Southlake Specialty Hospital LLC

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 3

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care ___% If "No," explain in Part VI the criteria the hospital facility used	11	No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI)		

Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Flower Mound Hospital Partners

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) _____ 4

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care ___% If "No," explain in Part VI the criteria the hospital facility used		No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input checked="" type="checkbox"/> Other (describe in Part VI)		

Billing and Collections		Yes	No
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

USMD Hospital at Arlington

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) _____ 5 _____

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care ___% If "No," explain in Part VI the criteria the hospital facility used		No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		

Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		No
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Sherman Grayson Health System

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) _____ 6 _____

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used	11 Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

USMD Hospital at Fort Worth

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 7

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care ___% If "No," explain in Part VI the criteria the hospital facility used	11	No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		

Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	No
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V Facility Information *(continued)*

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

- a** Notified individuals of the financial assistance policy on admission
- b** Notified individuals of the financial assistance policy prior to discharge
- c** Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d** Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e** Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information (continued)**Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

7

Name and address	Type of Facility (describe)
1 Health Imaging Partners LLC 8610 Explorer Dr 300 Colorado Springs, CO 80920	Outpatient Diagnostic Imaging
2 Surgical Caregivers of Fort Worth LP 3000 Riverchase Galleria 500 Birmingham, AL 35244	Ambulatory Surgery Center
3 THR-STT Southlake ASC LLC 1545 E Southlake Blvd Southlake, TX 76092	Ambulatory Surgery Center
4 TX Health Flower Mound Orthopedic Surg 5000 Long Prairie Rd Flower Mound, TX 75028	Ambulatory Surgery Center
5 THR-STT Rockwall ASC LLC 1545 E Southlake Blvd Southlake, TX 76092	Ambulatory Surgery Center
6 Greenville Surgery Center LLC 3000 Riverchase Galleria 500 Birmingham, AL 35244	Ambulatory Surgery Center
7 Denton Surgery Center LLC 3000 Riverchase Galleria Birmingham, AL 35244	Ambulatory Surgery Center
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8 Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Patient Eligibility	Pt I, Ln 3c	The Schedule H for Texas Health Resources ("THR") is filed solely because it has an ownership interest in 7 taxable joint ventures operating as hospitals. THR is a functionally integrated supporting organization and does not operate its own hospital. THR supports a system of faith-based, non-profit hospitals, an employed physician organization and an organization for medical research and education. THR has adopted a charity care policy which covers all 14 non-profit hospitals it supports. Patients with family income at or below 200% of applicable FPG may be eligible for free care if the patient lacks sufficient funds and assets to pay the out-of-pocket portion of their hospital bill. All self-pay patients who don't qualify for the organization's charity program, regardless of income, are eligible for a discount of 45% off the hospital's charge for general hospital services. In addition, a 60% discount is available on charges associated with certain implantable devices. Patients with family income above 200% of applicable FPG who have unpaid medical bills exceeding a specified percentage of the patient's annual gross income may be deemed medically indigent and eligible for charity care. The patient may be eligible for a charity adjustment up to 100% of the unpaid balance of their hospital bill in excess of a specified "patient responsible amount" if the patient has insufficient funds/assets to pay his hospital bill without incurring an undue financial hardship. The patient responsible amount is based on a percentage of the patient's annual income. A determination as to whether or not a patient has insufficient funds and/or assets to pay for purposes of determining both financial and medical indigence is made at the time a patient's charity care application is reviewed. Assets considered when determining eligibility include cash, stocks, bonds and other financial assets that can be readily converted to cash. An additional process to screen for charity patients using publicly available financial information is also in place for patients not submitting a charity care application.
Cost to Charge Ratio	Pt I, Ln 7	A cost to charge ratio is used in computing the amounts reported in Lines 7a-7c. The amounts reported on Lines 7e-7i were obtained using direct costs, as determined by a cash outlay or, in the case of reporting employee volunteer hours, by using an average national volunteer wage rate.

Identifier	ReturnReference	Explanation
Bad Debt Expense	Pt III, Ln 4	The bad debt expense shown on Part III, line 2 is THR's share of the bad debt expense of its taxable hospital joint ventures. The amount of the bad debt expense attributable to patients eligible under the charity care policy is unknown. Bad debt expense is not included as a community benefit for purposes of reporting community benefits to the state of Texas.
Medicare Shortfall	Pt III, Ln 8	The state of Texas treats any Medicare shortfall as a community benefit for meeting the state statutory requirements for charity care & community benefit. For state purposes, the shortfall is computed by comparing actual Medicare reimbursements with the estimated cost the hospital incurs in providing these services to Medicare patients. Cost is determined by applying a cost-to-charge ratio (with costs determined in accordance with generally accepted accounting principles) to billed charges.

Identifier	ReturnReference	Explanation
Debt Collection	Pt III, Ln 9b	During the year, standard collection procedures were in place and uniformly applicable to all patient accounts. Except to the extent a patient receives a recovery from any third party or other source, no attempts are made to collect unpaid charges from patient accounts approved for adjustment under the Charity Care Program.
Discounted Care	Pt V, Sec B, Ln 11	For Rockwall Regional, Physicians Medical Center, Southlake Specialty, and Flower Mound, see response to Part I Line 3c. For USMD at Arlington & USMD at Fort Worth: Patients with family income at or below 200% of applicable FPG may be eligible for free care if the patient lacks sufficient funds and assets to pay the out-of-pocket portion of their hospital bill. All self-pay patients who don't qualify for the organization's charity program, regardless of income, are eligible for a discount of 35% off the hospital's charge for general hospital services. Patients with family income above 200% of applicable FPG who have unpaid medical bills exceeding a specified percentage of the patient's annual gross income may be deemed medically indigent and eligible for charity care. The patient may be eligible for a charity adjustment up to 100% of the unpaid balance of their hospital bill in excess of a specified patient responsible amount if the patient has insufficient funds/assets to pay his hospital bill without incurring an undue financial hardship. The patient responsible amount is based on a percentage of the patient's annual income. A determination as to whether or not a patient has insufficient funds and/or assets to pay for purposes of determining both financial and medical indigence is made at the time a patient's charity care application is reviewed. Assets considered when determining eligibility include cash, stocks, bonds and other financial assets that can be readily converted to cash. For Sherman Grayson Health System: Patients with family income at or below 200% of applicable FPG may be eligible for free care if the patient lacks sufficient funds and assets to pay the out-of-pocket portion of their hospital bill. All self-pay patients who don't qualify for the organization's charity program, regardless of income, are eligible for a discount of 15% off the hospital's charge for general hospital services. Patients with family income between 200-300% of applicable FPG who have unpaid medical bills exceeding a specified percentage of the patient's annual gross income may be deemed medically indigent and eligible for charity care. The patient may be eligible for a charity adjustment up to 100% of the unpaid balance of their hospital bill in excess of a specified patient responsible amount if the patient has insufficient funds/assets to pay his hospital bill without incurring an undue financial hardship. The patient responsible amount is based on a percentage of the patient's annual income. A determination as to whether or not a patient has insufficient funds and/or assets to pay for purposes of determining both financial and medical indigence is made at the time a patient's charity care application is reviewed. Assets considered when determining eligibility include cash, stocks, bonds, land, savings and housing.

Identifier	ReturnReference	Explanation
Calculating Charges	Pt V, Sec B, Ln 12h	See response to Part I, Line 3c and Part V Sec B, Line 11
Publicize FAP	Pt V, Sec B, Ln 14g	

Identifier	ReturnReference	Explanation
FAP Outreach	Pt V, Sec B, Ln 18e	For Rockwall Regional, Physicians Medical Center, Southlake Specialty, and Flower Mound, all uninsured patients who have not completed a charity care application are screened using analytics technology. Patients meeting the charity care qualifications using this methodology are granted a presumptive charity reduction and collection efforts will cease.
Determination of Charges	Pt V, Sec B, Ln 20d	USMD at Arlington and USMD at Fort Worth provide at least a 35% discount to self pay patients. The 35% discount is approximately the average discount provided to a non-government third party payer. Additionally, patients who qualify under the FAP may be eligible for a charity adjustment up to 100% of their hospital bill. Sherman Grayson provides at least a 15% discount to self pay patients. Additionally, patients who qualify under the FAP may be eligible for a charity adjustment up to 100% of their hospital bill.

Identifier	ReturnReference	Explanation
Needs Assessment	Pt VI, Ln 2	THR is the parent company of a healthcare system and is facilitating the implementation, during 2013, of the community health needs assessment for each of its wholly owned hospitals and its related joint venture hospitals
Community Information	Pt VI, Ln 4	Texas Health does not operate a hospital Therefore, there is no information to provide regarding a hospital service area

Identifier	ReturnReference	Explanation
Promotion of Community Health	Pt VI, Ln 5	Texas Health does not operate a hospital. The Schedule H reflects Texas Health's ownership interest in its taxable joint ventures which operate hospitals.
Affiliated Health Care System	Pt VI, Ln 6	The organization is part of the THR healthcare system. THR is one of the largest faith-based, nonprofit healthcare delivery systems in the U.S. and the largest in North TX in terms of patients served. The system of 14 wholly controlled hospitals includes an organization for medical research and education. The system also includes two foundations that foster philanthropic relationships which support the programs and services of the hospitals they support. The mission of the hospitals in the THR system is to improve the health of the people in the communities we serve. THR takes its responsibility to its communities seriously and invests charitable resources to promote good health and prevent disease. Not only does THR provide health care to those who do not have the means to pay, its hospitals also conduct a variety of programs designed to improve health and prevent illness in the community. The community health strategies of THR and its affiliated healthcare organizations are driven by community health needs, are community-based and include confronting health problems at the source and emphasize health promotion, disease prevention, and early treatment of illness.

Identifier	ReturnReference	Explanation
State Community Benefit Report	Pt VI, Ln 7	The organization files a Texas Annual Statement of Community Benefit Standard. Texas has established a minimum level of charity care and community benefit that must be provided by nonprofit hospitals in order to retain their Texas tax-exempt status. The standard set by the state is met when charity care and community benefits are provided in a combined amount equal to at least five percent of the hospital's or hospital system's net patient revenue, provided that charity care and government-sponsored indigent health care are provided are at least four percent of net patient revenue. THR is the parent company of a healthcare system filing the combined community benefit report in Texas. THR reported other community benefit in this report. The data provided for Schedule H is THR's share of operations from its taxable joint ventures which operate hospitals in Texas. The taxable joint ventures are not required to file community benefit reports with the state of Texas.

Schedule I (Form 990)

OMB No 1545-0047

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

2012

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization Texas Health Resources

Employer identification number 75-2702388

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?
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.

Table with 8 columns: (a) Name and address of organization or government, (b) EIN, (c) IRC Code section if applicable, (d) Amount of cash grant, (e) Amount of non-cash assistance, (f) Method of valuation (book, FMV, appraisal, other), (g) Description of non-cash assistance, (h) Purpose of grant or assistance.

See Additional Data Table

Main data table grid with 8 columns corresponding to the headers in Part II.

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

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.

Part III can be duplicated if additional space is needed.

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

Part IV Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Procedures for Monitoring Grants	Part I, Line 2	Texas Health Resources (THR) receives various requests from the community for assistance. THR management reviews these requests to verify that they are benefiting the community and they are in agreement with THR's mission. The grants or assistance given by THR are generally to local organizations that have a longstanding record of benefiting the local community. Since the vast majority of the assistance given by THR is to local organizations, management is able to monitor the use of the funds using personal inspection. Many of the events are published in the local paper. Many are community wide events where THR employees attend, or work as volunteers or coordinators.

Software ID:
Software Version:
EIN: 75-2702388
Name: Texas Health Resources

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Cancer Society 8901 Carpenter Freeway Dallas, TX 75247	74-1185665	501(c)(3)	31,000				General Purpose
American Diabetes Association 4101 Alpha Rd Dallas, TX 75244	13-1623888	501(c)(3)	28,500				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Central TX Conference of United Methodist Churchs 464 Bailey Ave Fort Worth, TX 76107	75-0851211	501(c)(3)	25,000				General Purpose
Davey O'Brien Foundation 306 W Seventh St Fort Worth, TX 76102	75-1620423	501(c)(3)	10,000				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
DFW Hospital Council 250 Decker Drive Irving, TX 75062	75-1254380	501(c)(3)	14,500				General Purpose
March of Dimes 12660 coit Road Dallas, TX 75251	13-1846366	501(c)(3)	45,500				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
North TX Accountable Healthcare Pship 140 E 12th St Dallas, TX 75203	27-3651426	501(c)(3)	25,000				General Purpose
Parkland Foundation 27770 N Stemmons Fwy Dallas, TX 75207	75-2089180	501(c)(3)	51,000				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Plano Independent School District 2700 W 15th St Plano, TX 75075	75-2481906	501(c)(3)	5,090				General Purpose
TX Health Harris Methodist Foundation 612 E Lamar Blvd Arlington, TX 76011	75-2401033	501(c)(3)	16,500				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
TX Health Presbyterian Foundation 612 E Lamar Blvd Arlington, TX 76011	75-2022128	501(c)(3)	208,100				General Purpose
Texas Medical Association 401 W 15th Street Austin, TX 78701	74-1078510	501(c)(3)	8,250				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
The Cooper Institute 12330 Preston Road Dallas, TX 75230	23-7075529	501(c)(3)	10,000				General Purpose
Wye River Group on Helathcare PO Box 1682 Austin, TX 78767	74-3002171	501(c)(3)	15,000				General Purpose

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Red Cross		501(c)(3)	10,000				General Purpose

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
Texas Health Resources

Employer identification number

75-2702388

Part I Questions Regarding Compensation

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- | | |
|---|---|
| <input checked="" type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input checked="" type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input checked="" type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input checked="" type="checkbox"/> Discretionary spending account | <input checked="" type="checkbox"/> 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

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

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

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> 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?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

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?
- b** Any related organization?

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?
- b** Any related organization?

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

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	Yes	
2	Yes	
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
9		

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

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

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

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

Part III Supplemental Information

Complete this part to 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.

Identifier	Return Reference	Explanation
First Class Travel	Schedule J, Part I, Line 1a	THE CEO uses first class travel infrequently, upgrading to first class when available and/or possible to specific destinations where flights are overbooked by the airlines and passengers with coach tickets are not guaranteed to be on the specific flight booked
Travel for Companions	Schedule J, Part I, Line 1a	The organization and/or related organizations allow spouses or guests to accompany an officer of the organization on business related travel. The value of the spouse/guest travel is included in the taxable compensation of the employee.
Gross-Up Payments	Schedule J, Part I, Line 1a	Certain imputed income is grossed-up to include the employment taxes paid on the listed person's behalf. The grossed up amount is included in the taxable compensation of the employee.
Discretionary Spending Account	Schedule J, Part I, Line 1a	Each Executive at the vice president level and above receives a perk allowance which is included in the taxable compensation of the employee.
Social Club Dues	Schedule J, Part I, Line 1a	The Foundation Presidents are reimbursed for social club dues. The portion of the dues allocable to personal use is included in the taxable compensation of these employees.
Personal Services	Schedule J, Part I, Line 1a	The CEO is provided financial planning and tax preparation services. These services are included in the taxable compensation of the CEO.
CEO Compensation	Schedule J, Part I, Line 3	Texas Health Resources (THR) uses the following methods to establish the compensation of the organization's CEO: * THR has a compensation committee comprised of external Board Members that review compensation philosophy and design; * THR Board hired independent compensation consultants; * THR & the independent compensation consultants utilize published third-party compensation surveys; * Written employment contract; * Approval by the board and compensation committee. An independent third party compensation consultant is hired by the THR Board of Trustees (Board) to review base pay annually as compared to a peer group of employers similar in size and scope to THR. Every three years the independent compensation consultant reviews all aspects of executive compensation (base, incentives, benefits, etc.) which includes: * Review and confirmation of the executive compensation philosophy; * Market review of base and incentive pay for all positions. National, regional, and local data is reviewed when available; * Market review of benefits and perquisites; * Interview of selected officers and members of the Governance Committee of the Board (Compensation Committee), and * Review of financial reports, job descriptions, organizational charts, current salaries, incentive opportunities, incentive payments, benefits, perquisites and plan documents. The independent third party compensation consultant meets directly with the executive compensation & benefits sub-committee which is made up of six independent Board members and the governance committee to report the results of the total compensation study. At the beginning of each year, the compensation committee reviews the results of the outside consultant's market analysis for base salaries, and makes recommendations to the Board and the Board approves the following for the CEO: * Base salary and benefits; * Prior year executive annual incentive awards; * Current year executive annual incentive plan targets, key performance indicators and potential payout amounts; * Long-term incentive award if cycle has ended; * Long-term incentive plan targets, key performance indicators and potential payout amount if new cycle is starting, and * Employment agreement in years of renewal.
Severance Payments	Schedule J, Part I, Line 4a	The severance payment was paid out of the Separation Pay Plan of Texas Health Resources (THR), a related 501(c)(3) organization. THR's Separation Pay Plan provides payments to employees whose positions were eliminated by the organization based on the employee's years of services and the level of the affected position. The listed employees qualified for severance based on an involuntary separation from service without a comparable position being open and available at the time of separation. Richard Boyd \$177,080 Stanley Ryfa \$250,574
Nonqualified Retirement Plan	Schedule J, Part I, Line 4b	Participation in the plan is made available to a select group of management and highly compensated employees, as determined by the THR Board of Trustees, who are providing services to an employer in key positions of management and responsibility. Benefits are calculated for eligible employees when base pay and incentives exceed the IRS qualified plan compensation limit. SERP benefits vest while the participant is employed if the participant reaches age 65, becomes disabled, dies, or reaches the following years of service: 2 years - 25%, 3 years - 50%, 4 years - 75%, and 5 or more - 100%. For Frozen Restoration Accounts (account balances prior to 1/1/2010), the participant or beneficiary shall be taxed on his or her vested SERP benefits upon the earliest of: * Remaining employed by THR to age 68; * Termination of employment for disability or death; * Involuntary termination of employment without reasonable cause, or * Satisfying a 24 month non-compete period following his or her termination of employment. Payment is made following the before mentioned events, except in the case of involuntary separations for which the participant must wait until after 24 months to receive the previously taxed benefit. For the Active Restoration Account (account balances after 12/31/2009) participants must be employed on Dec 1 to qualify for the current year's SERP amount unless separation is due to death, disability, retirement (age 65) or early retirement (age 60 or above with 15 or more years of service). SERP amounts are calculated each Dec 1, vested balances are taxed, and the net balances can begin accruing earnings. Vested balances are paid in cash lump sums within the 90 day period commencing upon the earlier of death, disability, or separation from service. THR owns any investments purchased in connection with its obligations under the SERP Plan. If THR becomes insolvent, executives are unsecured creditors and will have no preferred claim to any assets. Contribution to the following employees were made during the year. The amounts below are included in the amount reported on Sch J, Part II, Column B(III) and Column (F): Edward Marx \$13,198 Jim Dunn \$1,337 Joan Clark \$3,473 Mark Lester \$2,760 Jonathan Scholl \$4,754 Robert Jones \$248 Stanley Dennis \$4,100 Britt Berrett \$5,348

Software ID:
Software Version:
EIN: 75-2702388
Name: Texas Health Resources

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				
HawthorneDouglas D	(i) (ii)	1,051,730	1,126,575	311,305	180,141	15,592	2,685,343	362,256
Berdan Barclay	(i) (ii)	588,928	337,234	163,657	91,374	23,296	1,204,489	140,760
HansonStephen C	(i) (ii)	572,815	332,314	138,598	80,648	23,147	1,147,522	150,033
LongRonald R	(i) (ii)	524,123	299,659	111,729	77,123	25,324	1,037,958	132,681
AmparanO scar L	(i) (ii)	297,043 212,173	167,619 119,728	54,188 38,706	46,703 33,360	8,348 5,963	573,901 409,930	65,126 46,518
SchollJonathan Wade	(i) (ii)	492,666	159,511	87,130	145,502	20,024	904,833	32,019
CanoseJeffrey L	(i) (ii)	250,195 178,711	125,159 89,399	53,443 38,174	39,288 28,063	10,512 7,508	478,597 341,855	39,022 27,873
BoesCharles	(i) (ii)	365,401	207,256	99,997	60,068	14,060	746,782	89,313
BellBonnie L	(i) (ii)	367,739	200,849	97,137	62,832	16,182	744,739	84,664
KramerKenneth J	(i) (ii)	236,576	101,817	59,331	70,750	26,539	495,013	40,686
MitchellJohn D	(i) (ii)	209,594	43,454	66,550	34,933	21,003	375,534	159
BerrettBritt R	(i) (ii)	493,661	531,254	106,567	84,234	20,310	1,236,026	289,725
LesterMark C	(i) (ii)	222,016 158,583	81,483 58,202	55,173 39,409	27,829 19,878	7,689 5,492	394,190 281,564	1,610 1,150
BerenzweigHarold K	(i) (ii)	213,777 152,698	47,686 34,062	44,699 31,928	39,941 28,529	9,387 6,705	355,490 253,922	
VargaDaniel W	(i) (ii)		250,000	250,000			500,000	
RansomElizabeth	(i) (ii)	225,886	6,160	61,404	11,450	11,215	316,115	
RyfaStanley R	(i) (ii)	139,419	190,986	321,390	9,644	12,899	674,338	125,237
VelascoFerdinand T	(i) (ii)	347,892	227,485	54,508	93,350	21,204	744,439	150,883
MarxEward	(i) (ii)	366,202	162,023	86,415	40,706	23,647	678,993	61,700
DennisStanley G	(i) (ii)	276,959	81,243	147,991	18,750	21,636	546,579	3,224

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				
GaidaJohn B	(i) (ii)	291,824	132,502	76,418	42,697	20,035	563,476	50,710
GortiSudhakar	(i) (ii)	164,358	24,349	296,242	7,132	22,513	514,594	
Shinkus ClarkJoan Frances	(i) (ii)	312,021	105,805	48,625	35,660	17,588	519,699	37,417
RoperJack R	(i) (ii)	267,772	120,308	75,804	40,589	15,666	520,139	47,092
MimsKrystal	(i) (ii)	356,362	378,100	41,387	63,509	25,413	864,771	216,319
KirbyMichelle Riddle	(i) (ii)	254,386	107,520	57,655	44,264	7,376	471,201	41,202
GwaltneyElaine B	(i) (ii)	273,429	101,462	42,845	39,596	10,822	468,154	33,114
TesmerDavid J	(i) (ii)	263,557	95,024	52,900	46,300	12,592	470,373	35,498
SaldanaLuis Eduardo	(i) (ii)	400,682		2,150	15,000	22,734	440,566	
HolmesKevin B	(i) (ii)	227,223	101,524	68,160	38,006	26,093	461,006	39,363
AndersonSusan Elaine	(i) (ii)	226,334	96,412	56,426	37,051	853	417,076	38,282
JonesRobert Douglas	(i) (ii)	274,751	59,696	43,446	35,692	23,057	436,642	248
PearsonGeorge	(i) (ii)	214,339	93,994	65,869	36,619	15,996	426,817	38,117
McWhorterRicky E	(i) (ii)	234,328	66,242	70,589	37,771	7,419	416,349	9,504
Stolz Michael	(i) (ii)	373,992	247,616	118,646	58,358	15,359	813,971	116,629
Ziesmann Thomas	(i) (ii)	356,587	184,326	52,130	135,018	28,219	756,280	39,104
Peterson Lisa	(i) (ii)	326,537	107,585	38,050	17,319	22,382	511,873	750
Tabuena Jose	(i) (ii)	88,377	60,395	249,072	6,623	14,448	418,915	
Soderstrom Carl	(i) (ii)	393,584	531,701	3,089	18,750	14,284	961,408	
Heighten Clay	(i) (ii)	390,150	531,701	3,064	18,750	22,737	966,402	

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				
Myers Lynne	(i) (ii)	352,899		2,200	18,750	3,639	377,488	

**Schedule K
(Form 990)**

OMB No 1545-0047

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.**

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
Texas Health Resources

Employer identification number
75-2702388

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	Tarrant Cnty Cultural Education Facility Fin Corp	04-3833551	87638TAS2	05-31-2007	620,367,416	Refund 10/30/97 Issue Bonds		X		X		X
B	Tarrant Cnty Cultural Education Facility Fin Corp	04-3833551	87638TBE2	05-31-2007	102,323,221	Construction & Equip for Facility		X		X		X
C	Tarrant Cnty Cultural Education Facility Fin Corp	04-3833551	87638TCL5	10-30-2008	366,120,000	Refund 1/31/89 & Refund 5/14/03 Bo		X		X		X
D	Tarrant Cnty Cultural Education Facility Fin Corp	04-3833551	87638TEE9	11-23-2010	151,950,525	Redeem 10/30/08 Series D, F & G		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0		190,065,000		0	
2	Amount of bonds legally defeased	0		0		0		0	
3	Total proceeds of issue	620,432,581		109,908,750		366,264,054		151,950,525	
4	Gross proceeds in reserve funds	0		0		0		0	
5	Capitalized interest from proceeds	0		0		0		0	
6	Proceeds in refunding escrows	617,372,104		0		327,900,000		150,425,000	
7	Issuance costs from proceeds	3,060,477		529,732		1,868,320		1,525,525	
8	Credit enhancement from proceeds	0		0		0		0	
9	Working capital expenditures from proceeds	0		0		0		0	
10	Capital expenditures from proceeds	0		109,379,018		36,495,734		0	
11	Other spent proceeds	0		0		0		0	
12	Other unspent proceeds	0		0		0		0	
13	Year of substantial completion	2007		2009		2009		2010	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X	X		X	
15	Were the bonds issued as part of an advance refunding issue?	X			X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		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		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?	X			X	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		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?	X		X		X		X	
c Are there any research agreements that may result in private business use of bond-financed property?		X		X		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?								
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	0%		0%		0%		0%	
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	0%		0 00000%		0 00000%		0 00000%	
6 Total of lines 4 and 5	0%		0%		0%		0%	
7 Does the bond issue meet the private security or payment test?		X		X		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		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?		X		X		X		X
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X		X		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			X		X
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?		X				X		X
b Exception to rebate?								
c No rebate due?								
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?		X		X	X			X
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		X
b Name of provider	0		0		0			
c Term of hedge								
d Was the hedge superintegrated?		X		X		X		X
e Was a hedge terminated?		X		X		X		X

Part IV Arbitrage (Continued)

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

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 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		X		X

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
Monitoring Procedures	0	The organization has established processes and procedures to ensure All nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations section 1.141-12 and 1.145-2, To monitor the requirement of section 148, 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 Although the procedures have been drafted and are currently being implemented, they have not completed the formal approval process prescribed by THR Although the procedures have been drafted and are currently being implemented, they have not completed the formal approval process prescribed by THR

**Schedule K
(Form 990)**

OMB No 1545-0047

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.**

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
Texas Health Resources

Employer identification number

75-2702388

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	Tarrant Cnty Cultural Education Facility Fin Corp	04-3833551		11-30-2010	135,000,000	Construction & Equip Health Facili		X		X		X
B	Tarrant Cnty Cultural Education Facility Fin Corp	04-3833551	87638TEH2	10-04-2012	50,000,000	Construction & Equipment Health Fa		X		X		X

Part II Proceeds

		A	B	C	D				
1	Amount of bonds retired	0	0						
2	Amount of bonds legally defeased	0	0						
3	Total proceeds of issue	135,000,000	50,000,000						
4	Gross proceeds in reserve funds	0	0						
5	Capitalized interest from proceeds	0	0						
6	Proceeds in refunding escrows	0	0						
7	Issuance costs from proceeds	444,565	0						
8	Credit enhancement from proceeds	0	0						
9	Working capital expenditures from proceeds	0	0						
10	Capital expenditures from proceeds	97,531,456	0						
11	Other spent proceeds	0	0						
12	Other unspent proceeds	37,023,979	50,000,000						
13	Year of substantial completion	2013							
		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?								
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	0%		0 00000%		%		%	
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	0 00000%		0 00000%		%		%	
6 Total of lines 4 and 5	0%		0 00000%		%		%	
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?		X		X				
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		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?								
c No rebate due?								
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?	X		X					
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	0		0					
c Term of hedge								
d Was the hedge superintegrated?		X		X				
e Was a hedge terminated?		X		X				

Part IV Arbitrage (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
5a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b Name of provider	0		0					
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6 Were any gross proceeds invested beyond an available temporary period?		X		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
1 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. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
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Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization Texas Health Resources

Employer identification number 75-2702388

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

Table with 4 columns: (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

Table with 9 columns: (a) Name of interested person, (b) Relationship with organization, (c) Purpose of loan, (d) Loan to or from the organization?, (e) Original principal amount, (f) Balance due, (g) In default?, (h) Approved by board or committee?, (i) Written agreement?

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

Table with 5 columns: (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) Cantey Hanger LLP	S Tatum - Entity Owner	190,103	Legal Services		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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Additional Data

Software ID:
Software Version:
EIN: 75-2702388
Name: Texas Health Resources

Form 990, Schedule L, Part II - Loans to and from Interested Persons

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) Amparan Oscar Split Dollar Life		X	383,824	343,303		No	Yes		Yes	
(2) Anderson Elaine Split Dollar Life		X	132,286	118,934		No	Yes		Yes	
(3) Bell Bonnie Split Dollar Life		X	292,408	285,071		No	Yes		Yes	
(4) Berdan Barclay Split Dollar Life		X	391,073	338,965		No	Yes		Yes	
(5) Boes Charles Split Dollar Life		X	339,306	315,982		No	Yes		Yes	
(6) Bourland Ronald Split Dollar Life		X	667,796	608,083		No	Yes		Yes	
(7) Canose Jeffrey MD Split Dollar Life		X	195,328	195,328		No	Yes		Yes	
(8) Deegan Michael MD Split Dollar Life		X	606,664	580,260		No	Yes		Yes	
(9) Gaida John Split Dollar Life		X	325,505	296,028		No	Yes		Yes	
(10) Hanson Stephen Split Dollar Life		X	633,598	633,598		No	Yes		Yes	
(11) Hawthorne Douglas Split Dollar Life		X	679,621	593,571		No	Yes		Yes	
(12) Holmes Kevin Split Dollar Life		X	126,284	122,651		No	Yes		Yes	
(13) Kirby Michelle Split Dollar Life		X	50,114	46,368		No	Yes		Yes	
(14) Kramer Kenneth Split Dollar Life		X	147,009	138,577		No	Yes		Yes	
(15) Long Ronald Split Dollar Life		X	462,774	462,774		No	Yes		Yes	
(16) Pearson George Split Dollar Life		X	301,931	285,329		No	Yes		Yes	
(17) Roper Jack Split Dollar Life		X	232,399	179,472		No	Yes		Yes	
(18) Tesmer David Split Dollar Life		X	118,239	114,742		No	Yes		Yes	
(19) White Douglas A Split Dollar Life		X	134,152	126,347		No	Yes		Yes	

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.**

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Texas Health Resources

Employer identification number

75-2702388

Identifier	Return Reference	Explanation
Business Relationship	Part VI, Section A, Line 2	Texas Health Resources (THR) and its related organizations included in the THR healthcare system encourage employees to become involved in philanthropic endeavors in their communities. As a result, THR healthcare system employees who are serving as officers, board members, or key employees may, from time to time, also serve on the boards of various community organizations such as church boards, United Way, etc. There may be a business relationship as a result of multiple THR employees serving on the same community boards. THR employees serve as the corporate officers of each subsidiary organization. As THR system employees, all officers have a business relationship within the organizations of the THR healthcare system. THR also appoints system officers to the boards of various controlled joint ventures. As THR system employees, various officers of the organization may have a business relationship through serving on THR controlled joint venture boards.

Identifier	Return Reference	Explanation
Form 990 Filing	Part VI, Section B, Line 11b	A full copy of the Form 990 is provided to members of the governing board before filing. In addition, the Audit & Compliance Committee of the Texas Health Resources (THR) Board of trustees is given the opportunity to review, comment, and ask questions regarding the Form 990s filed for THR and each of its wholly controlled affiliates.

Identifier	Return Reference	Explanation
Conflict of Interest	Part VI, Section B, Line 12c	Texas Health Resources (THR) has adopted a Conflict of Interest Policy that applies to THR and all of its wholly owned or wholly controlled affiliates. During the first quarter of each fiscal year, a Duality and Conflict Statement Form is distributed by the THR Chief Compliance Officer to all persons who are covered by this policy. All disclosed conflicts are reviewed by the THR Chief Compliance Committee. A report, listing each reported Duality of Interest or Conflict of Interest is given to both the Chair of the Governing body and the President of the Corporation with which the reporting person is affiliated. The THR Board of Trustees receives a report when the Annual Disclosure process is complete.

Identifier	Return Reference	Explanation
Compensation Determination	Part VI, Section B, Line 15 a & b	<p>Texas Health Resources (THR) uses the following methods to establish the compensation of the organization's CEO</p> <ul style="list-style-type: none"> * THR has a compensation committee comprised of external Board Members that review compensation philosophy and design * THR Board hired independent compensation consultants * THR & the independent compensation consultants utilize published third-party compensation surveys * Written employment contract * Approval by the board and compensation committee <p>An independent third party compensation consultant is hired by the THR Board of Trustees (Board) to review base pay annually as compared to a peer group of employers similar in size and scope to THR. Every three years the independent compensation consultant reviews all aspects of executive compensation (base, incentives, benefits, etc.) which includes:</p> <ul style="list-style-type: none"> * Review and confirmation of the executive compensation philosophy * Market review of base and incentive pay for all positions. National, regional, and local data is reviewed when available * Market review of benefits and perquisites * Interview of selected officers and members of the Governance Committee of the Board (Compensation Committee), and * Review of financial reports, job descriptions, organizational charts, current salaries, incentive opportunities, incentive payments, benefits, perquisites and plan documents. <p>The independent third party compensation consultant meets directly with the executive compensation & benefits sub-committee which is made up of six independent Board members and the governance committee to report the results of the total compensation study. At the beginning of each year, the compensation committee reviews the results of the outside consultant's market analysis for base salaries, and makes recommendations to the Board and the Board approves the following for the CEO:</p> <ul style="list-style-type: none"> * Base salary and benefits * Prior year executive annual incentive awards * Current year executive annual incentive plan targets, key performance indicators and potential payout amounts * Long-term incentive award if cycle has ended * Long-term incentive plan targets, key performance indicators and potential payout amount if new cycle is starting, and * Employment agreement in years of renewal

Identifier	Return Reference	Explanation
Public Disclosure	Part VI, Section C, Line 19	The organization does not make its governing documents or conflict of interest policy available to the public. The consolidated financial statements of Texas Health Resources (THR) are made available to the public on the website www.dacbond.com . Consolidated financial statements are posted to this website quarterly and the audited financial statements are posted annually. The financial statements of the wholly controlled affiliates of THR are not posted to the website nor are they generally made available to the public in any other manner.

Identifier	Return Reference	Explanation
Consolidated Financial Statements	Part XII, Line 2c	Texas Health Resources (THR) prepares consolidated financial statements with its related entities. The THR Board appoints an audit and compliance sub-committee that assumes responsibility for oversight of the consolidated audit for all related entities. The related entities do not have a separate audit committee, but abide by the THR committee's oversight. There has been no change during the year in the organizations oversight selection process.

Identifier	Return Reference	Explanation
Other Changes in Fund Balance	Part XI, Line 9	Treasury Share Adjustments \$-764,340 Transfers to/from related IRC Section 501(c)(3) entities \$7,979,374

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization
Texas Health Resources

Employer identification number

75-2702388

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Texas Health Partners LLC 14131 Midway Rd Ste 1050 Addison, TX 75001 02-0546958	Mgmt Co	TX	29,498,402	6,247,615	TH Resources
(2) Texas Health SingleSource Staffing LLC 612 E Lamar Blvd 14th Flr Arlington, TX 76011 27-0324828	Staffing	TX	0	165,973	TH Resources
(3) THR-SCA Holdings LLC 612 E Lamar Blvd 14th Flr Arlington, TX 76011 46-1096461	Holding Co	TX	742,354	16,334,845	TH Resources

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

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

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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) Disproportionate 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	
See Additional Data Table												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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) AMH Health Ventures Inc 800 W Randol Mill Road Arlington, TX 76012 75-2141114	Comp/Billing Svc	TX	N/A	C Corp					
(2) Fort Worth Surgical Care Givers Inc 3000 Riverchase Galleria Ste 500 Birmingham, AL 35244 62-1204446	Holding Company	TX	THR-SCA Holding	C Corp	116,488	1,299,339	100 000 %	Yes	
(3) Greenville Surgery Center Inc 3000 Riverchase Galleria Ste 500 Birmingham, AL 35244 75-2123689	Holding Company	TX	THR-SCA Holding	C Corp	0	1,586,811	100 000 %	Yes	
(4) Texas Health Biomedical Advancement Ctr 612 E Lamar Blvd Arlington, TX 76011 75-2636884	Inactive	TX	N/A	C Corp					
(5) Texas Health Resources Casualty Company 612 E Lamar Blvd Arlington, TX 76011 03-0310676	Insurance	VT	TH Resources	C Corp	19,978	309,088	100 000 %	Yes	
(6) Charitable Remainder Trusts (4) 612 E Lamar Blvd Arlington, TX 76011	CR Trust	TX	TH Resources	Trust					

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

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

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

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

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

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

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

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

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

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

(a) Name of other 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" to 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 section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate 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	

Software ID:
 Software Version:
 EIN: 75-2702388
 Name: Texas Health Resources

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier		Return Reference		Explanation		(h) Disproportionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
(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	Yes		No	Yes	
Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership											
AMH Cath Labs LLC 811 Wright St Arlington, TX 76012 20-3003947	Hospital	TX	N/A								
Cleburne Imaging LLC 6301 Abrams Road Ste 131 Dallas, TX 75231 46-0767278	Outpatient Diagno	TX	N/A								
Denton Surgery Center LLC 3000 Riverchase Galleria Ste 500 Birmingham, AL 35244 47-0926556	Amb Surg Ctr	TX	TH Resources	Related	487,697	3,284,063		No	0	Yes	70 300 %
Flower Mound Hospital Partners LLC 14131 Midway Rd Ste 1050 Addison, TX 75001 26-0684968	Hospital	TX	TH Resources	Related	7,588,119	86,291,158		No	0	No	54 597 %
Greenville Surgery Center Ltd 3000 Riverchase Galleria Ste 500 Birmingham, AL 35244 74-2411643	Amb Surg Ctr	TX	N/A								
Health Imaging Partners LLC 8610 Explorer Drive Ste 300 Colorado Springs, CO 80920 27-1385885	Outpatient Diagno	TX	TH Resources	Related	3,555,441	19,814,780		No	0	No	51 000 %
Physician Medical Center LLC 14131 Midway Road Ste 1050 Addison, TX 75001 48-1281376	Hospital	TX	TH Plano	Related	1,671,475	1,915,832		No	0	No	6 003 %
Presbyterian Cancer Center-Dallas LLC 1221 Merit Dr Ste 500 Dallas, TX 75251 26-0422749	Medical Mgmt	TX	N/A								
Rockwall Regional Hospital LLC 14131 Midway Rd Ste 1050 Addison, TX 75001 20-2848116	Hospital	TX	TH Resources	Related	9,823,512	35,214,506		No	0	Yes	53 242 %
ShermanGrayson Healthcare System LLC 2400 Dallas Pkwy Plano, TX 75093 27-2025497	Hospital	TX	TH Resources	Related	-18,047,954	33,836,843		No	0	No	50 100 %
Southlake Specialty Hospital LLC 14131 Midway Rd Ste 1050 Addison, TX 75001 02-0555370	Hospital	TX	TH HEB	Related	1,060,455	1,771,799		No	0	Yes	6 112 %
Surgical Caregivers of Fort Worth LP 3000 Riverchase Galleria Ste 500 Birmingham, AL 35244 75-1925497	Amb Surg Ctr	TX	N/A								
Texas Health Flower Mound Orthopedic Sur 5000 Long Prairie Road Flower Mound, TX 75028 80-0866449	Amb Surg Ctr	TX	TH Resources	Related	-242	1,677,029		No	0	Yes	51 000 %
Texas Health MedSynergies LLC 12550 Corporate Drive Flr 3 Irvin Irving, TX 75038 80-0272951	Mgmt Services	TX	Th Resources	Related	1,101,996	16,204,294		No	0	No	93 200 %
Texas Health SingleSource Staffing LLC 612 E Lamar Blvd Ste 1400 Arlington, TX 76011 27-0324828	Temp Staffing	TX	TH Resources	Related	-52,682			No	0	Yes	100 000 %

--> 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
Texas Health Fort Worth	a	2,913,753	Contract
Texas Health HEB	a	902,285	Contract
Texas Health Dallas	a	776,454	Contract
Texas Health Plano	a	2,210,537	Contract
Texas Health Presbyterian Foundation	a	146,991	Contract
Texas Health Harris Methodist Foundation	a	54,434	Contract
Texas Health Allen	a	374,987	Contract
Texas Health Kaufman	a	31,220	Contract
Texas Health Physician Group	a	6,203,132	Contract
Texas Health Research & Education Institute	a	224,266	Contract
Texas Health Stephenville	a	121,987	Contract
Texas Health Azle	a	355,278	Contract
Texas Health Denton	a	1,850,621	Contract
Texas Health Alliance	a	139,601	Contract
Texas Health Outpatient Surg Ctr Alliance	a	229,458	Contract
Womens Specialty Surgery Center	a	317,704	Contract
Flower Mound Hospital Partners LLC	m	135,199	Contract
Health Imaging Partners LLC	m	53,492	Contract
Rockwall Regional Hospital LLC	m	157,089	Contract
Southlake Specialty Hospital	m	168,045	Contract
AMH Cath Labs LLC	l	2,598,997	Contract
USMD Hospital at Fort Worth LP	m	90,648	Contract
TH Flower Mound Orthopedic Surgery Center	r	1,677,271	JV Agreement
ShermanGrayson Healthcare System LLC	r	4,607,999	JV Agreement
THR-STT Rockwall ASC	r	1,831,091	JV Agreement

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
THR-STT Southlake ASC	r	5,871,585	JV Agreement
Denton Surgery Center	s	303,000	JV Agreement
Flower Mound Hospital Partners	s	1,746,383	JV Agreement
Health Imaging Partners	s	2,856,347	JV Agreement
Physician Medical Center	s	1,607,299	JV Agreement
Rockwall Regional Hospital	s	3,726,546	JV Agreement
Southlake Specialty Hospital	s	921,762	JV Agreement
THR-STT Rockwall ASC	s	596,854	JV Agreement
THR-STT Southlake ASC	s	1,225,564	JV Agreement
USMD Hospital at Arlington LP	s	4,595,711	JV Agreement
USMD Hospital at Fort Worth LP	s	509,650	JV Agreement



Texas Health Resources

Consolidated Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

INDEPENDENT AUDITORS' REPORT

The Board of Trustees,
Texas Health Resources

We have audited the accompanying consolidated financial statements of Texas Health Resources, a Texas non-profit corporation, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U S generally accepted accounting principles, 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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Health Resources as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with U S generally accepted accounting principles



Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, effective January 1, 2012, Texas Health Resources changed the presentation of the provision for bad debts associated with patient service revenue for the adoption of Financial Accounting Standards Board Accounting Standards Update 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

Dallas, Texas

April 11, 2013

**TEXAS HEALTH RESOURCES
CONSOLIDATED BALANCE SHEETS**

December 31, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 448,503	\$ 277,342
Short-term investments	1,526	1,495
Receivables -		
Patient, less allowance for doubtful accounts of \$103,280 in 2012 and \$115,559 in 2011	361,091	343,695
Other, net	92,162	64,263
Assets limited as to use	254,394	154,051
Other current assets	95,495	102,585
Total current assets	1,253,171	943,431
Assets Limited as to Use	2,050,969	1,752,144
Property and Equipment, net	1,696,318	1,665,322
Investments in Unconsolidated Affiliates	121,030	68,249
Goodwill and Intangible Assets, net	141,238	144,141
Other Assets, net	38,891	36,368
Total assets	\$ 5,301,617	\$ 4,609,655
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 209,634	\$ 161,647
Accounts payable	152,646	117,293
Estimated third-party payor settlements	38,412	38,160
Accrued salaries, wages, and employee benefits	213,180	191,775
Other accrued liabilities	161,970	158,978
Total current liabilities	775,842	667,853
Long-Term Debt, net of current portion	1,245,181	1,115,622
Other Noncurrent Liabilities	67,482	68,996
Total liabilities	2,088,505	1,852,471
Net Assets		
Net Assets of THR		
Unrestricted	3,013,216	2,578,718
Temporarily restricted	82,427	75,870
Permanently restricted	56,559	53,253
Total net assets of THR	3,152,202	2,707,841
Non-controlling ownership interest in equity of consolidated affiliates - unrestricted	60,910	49,343
Total net assets	3,213,112	2,757,184
Total liabilities and net assets	\$ 5,301,617	\$ 4,609,655

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended December 31, 2012 and 2011
(Dollars in Thousands)

	<u>2012</u>	<u>2011</u>
Operating Revenue		
Net patient service revenue before provision for bad debts	\$ 3,825,963	\$ 3,591,503
Less Provision for bad debts	<u>278,616</u>	<u>306,793</u>
Net patient service revenue	3,547,347	3,284,710
Equity in earnings of unconsolidated affiliates	6,255	8,646
Other operating revenue	<u>171,156</u>	<u>144,965</u>
Total operating revenue	<u>3,724,758</u>	<u>3,438,321</u>
Operating Expenses		
Salaries, wages, and employee benefits	1,821,461	1,712,615
Supplies	593,777	578,692
Other operating expenses	786,272	751,842
Depreciation and amortization	185,161	183,336
Interest expense	<u>49,344</u>	<u>48,721</u>
Total operating expenses	<u>3,436,015</u>	<u>3,275,206</u>
Operating Income	<u>288,743</u>	<u>163,115</u>
Nonoperating Gains (Losses)		
Net realized investment income and gains	83,757	98,630
Net unrealized gains (losses) on investments	115,824	(96,238)
Equity in earnings (losses) of unconsolidated affiliates, nonoperating	4,009	(136)
Release of Related Foundations net assets upon transfer of control	-	64,784
Other, net	<u>1,174</u>	<u>5,729</u>
Total nonoperating gains, net	<u>204,764</u>	<u>72,769</u>
Revenue and Gains In Excess of Expenses and Losses before Income Taxes	493,507	235,884
Less Income Tax Expense	<u>10,170</u>	<u>6,166</u>
Revenue and Gains In Excess of Expenses and Losses	483,337	229,718
Less Revenue and Gains in Excess of Expenses and Losses Attributable to Non-Controlling Interest	<u>53,215</u>	<u>43,358</u>
Revenue and Gains In Excess of Expenses and Losses from Continuing Operations Attributable to THR	430,122	186,360

(Continued)

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS, Continued
Years ended December 31, 2012 and 2011
(Dollars in Thousands)

	<u>2012</u>	<u>2011</u>
Other Changes in Unrestricted Net Assets		
Net unrealized gains on investments, other than trading securities	\$ 3,801	\$ 21,352
Net assets released from restrictions used for purchase of property and equipment	4,127	10,209
Change in fair value of interest rate swap agreements	42	(3,381)
Transfers to permanently restricted net assets	(200)	(360)
Other changes, net	<u>(3,394)</u>	<u>59</u>
Increase in Unrestricted Net Assets	<u>434,498</u>	<u>214,239</u>
Changes in Temporarily Restricted Net Assets		
Contributions received for purchase of property and equipment	12,264	1,770
Contributions received for operations	10,392	9,388
Net realized investment gain	3,176	4,489
Net unrealized gains (losses) on investments	2,053	(2,462)
Change in value of split-interest agreement	104	412
Net assets released related to Foundations transfer of control	-	(64,784)
Net assets released from restrictions	(20,665)	(20,522)
Transfers to permanently restricted net assets	<u>(767)</u>	<u>(1,580)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>6,557</u>	<u>(73,289)</u>
Changes in Permanently Restricted Net Assets		
Contributions	2,136	152
Unrealized investment gains (losses) on beneficial interest in perpetual trust, net	203	(417)
Transfers from unrestricted net assets	200	360
Transfers from temporarily restricted net assets	<u>767</u>	<u>1,580</u>
Increase in Permanently Restricted Net Assets	<u>3,306</u>	<u>1,675</u>
Increase in Net Assets of THR	444,361	142,625
Net Assets of THR, beginning of year	<u>2,707,841</u>	<u>2,565,216</u>
Net Assets of THR, end of year	<u>\$ 3,152,202</u>	<u>\$ 2,707,841</u>

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Cash Flows From Operating Activities		
Increase in net assets of THR	\$ 444,361	\$ 142,625
Adjustments to reconcile increase in net assets to net cash provided by operating activities, excluding the net effects of acquisitions -		
Net unrealized (gains) losses on investments	(121,881)	77,765
Net realized gains on investments	(31,116)	(68,418)
Change in value of split-interest agreement	(104)	(412)
Provision for bad debts	279,185	307,997
Restricted contributions received for purchase of property and equipment	(12,264)	(1,770)
Depreciation and amortization	185,161	183,336
Amortization of bond premiums	(1,457)	(1,542)
Net losses on impairment and disposal of property and equipment	8,312	7,003
Gain on sale of Denton Surgery Center	(4,158)	-
Equity in earnings of unconsolidated affiliates	(6,255)	(8,646)
Distributions from unconsolidated affiliates	12,389	10,581
Equity in (earnings) losses of unconsolidated affiliates, nonoperating	(4,009)	136
Change in fair value of interest rate swap agreements	(42)	3,381
Revenue and gains in excess of expenses and losses attributable to non-controlling interest	53,215	43,358
Other changes in non-controlling interest of consolidated affiliates	(281)	-
(Increase) decrease in		
Receivables, patient, net	(296,824)	(311,150)
Receivables, other, net	(29,476)	5,130
Other assets, net	3,324	(18,915)
Increase (decrease) in		
Accounts payable and accrued liabilities	52,596	51,221
Other noncurrent liabilities	(1,472)	(11,879)
Net cash provided by operating activities	529,204	409,801

(Continued)

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
Years ended December 31, 2012 and 2011
(Dollars in Thousands)

	<u>2012</u>	<u>2011</u>
Cash Flows From Investing Activities		
Purchases of property and equipment, net	\$ (222,104)	\$ (139,255)
Proceeds from disposal of property and equipment	2,633	2,194
Acquisition of physician practices	(957)	(60)
Investment in unconsolidated affiliates, net	(31,470)	97
Cash acquired due to transfer of control of Related Foundations	-	3,671
Cash used in deconsolidation of Denton Surgery Center	(1,226)	-
Purchases of short-term investments and assets limited as to use, net	<u>(246,202)</u>	<u>(245,052)</u>
Net cash used in investing activities	<u>(499,326)</u>	<u>(378,405)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	206,985	62,739
Debt issuance costs	(1,797)	-
Principal payments on capital lease obligations	(1,396)	(2,871)
Principal payments on long-term debt, net	(34,459)	(32,124)
Contributions from non-controlling interest holders	2,352	4,682
Distributions to non-controlling interest holders	(42,666)	(41,980)
Proceeds from restricted contributions received for purchase of property and equipment	<u>12,264</u>	<u>1,770</u>
Net cash provided by (used in) financing activities	<u>141,283</u>	<u>(7,784)</u>
Net Increase in Cash and Cash Equivalents	171,161	23,612
Cash and Cash Equivalents, beginning of year	<u>277,342</u>	<u>253,730</u>
Cash and Cash Equivalents, end of year	<u>\$ 448,503</u>	<u>\$ 277,342</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 50,861</u>	<u>\$ 50,508</u>
Supplemental Schedule of Noncash Investing Activities		
Contributions of property and equipment and other assets to THR-SCA Holdings, LLC	<u>\$ 14,435</u>	<u>\$ -</u>
Supplemental Schedule of Noncash Financing Activities		
Property and equipment acquired through capital lease obligations	<u>\$ 381</u>	<u>\$ 595</u>

See accompanying notes to consolidated financial statements

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

1. Organization

Texas Health Resources (THR), a Texas non-profit corporation, operates through its controlled affiliates a health care system with services and facilities throughout north central Texas. THR is organized and operated for the benefit of its tax-exempt controlled affiliates and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended (the Code), as an organization described in Section 501(c)(3). THR's wholly-controlled facilities include 13 acute care hospitals and a 10-bed long-term care hospital. The following table provides the locations of THR's tax-exempt member hospitals (the Tax-Exempt Hospitals) as of December 31, 2012. The Tax-Exempt Hospitals have been recognized as exempt from federal income taxes under the Code as organizations described in Section 501(c)(3), with the exception of Texas Health Harris Methodist Hospital Alliance whose application is currently pending with the IRS.

<u>Tax-Exempt Hospital</u>	<u>Location (Texas)</u>
Texas Health Arlington Memorial Hospital	Arlington
Texas Health Harris Methodist Hospital Alliance	Fort Worth
Texas Health Harris Methodist Hospital Azle	Azle
Texas Health Harris Methodist Hospital Cleburne	Cleburne
Texas Health Harris Methodist Hospital Fort Worth	Fort Worth
Texas Health Harris Methodist Hospital Hurst-Euless-Bedford	Bedford
Texas Health Harris Methodist Hospital Southwest Fort Worth	Fort Worth
Texas Health Harris Methodist Hospital Stephenville	Stephenville
Texas Health Presbyterian Hospital Allen	Allen
Texas Health Presbyterian Hospital Dallas	Dallas
Texas Health Presbyterian Hospital Denton	Denton
Texas Health Presbyterian Hospital Kaufman	Kaufman
Texas Health Presbyterian Hospital Plano	Plano
Texas Health Specialty Hospital Fort Worth (10-bed long-term care hospital)	Fort Worth

In addition, THR is the sole member or sole shareholder of certain other wholly-controlled affiliates engaged in health care related activities in support of its mission including Texas Health Physicians Group (THPG), a Texas 501(a) physician organization and recognized as exempt from federal income taxes under the Code as an organization described in Section 501(c)(3) that consists of approximately 800 employed physicians, physician assistants, and nurse practitioners in over 230 locations throughout north central Texas.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Organization, continued

THR and some of its controlled affiliates participate in joint ventures with physicians and non-physicians to operate hospitals and other health related ventures. The following table provides the location of the joint venture hospitals along with THR and its controlled affiliate's ownership interest in those hospitals at December 31, 2012.

<u>Hospital</u>	<u>Location (Texas)</u>	<u>Ownership Interest</u>
Consolidated:		
Texas Institute for Surgery, L L P (d/b/a Texas Institute for Surgery at Texas Health Presbyterian Hospital Dallas)	Dallas	50.0%
Physicians Medical Center, L L C (d/b/a Texas Health Center for Diagnostics & Surgery Plano)	Plano	53.3%
Southlake Specialty Hospital, L L C (d/b/a Texas Health Harris Methodist Hospital Southlake)	Southlake	53.8%
Rockwall Regional Hospital L L C (d/b/a Texas Health Presbyterian Hospital Rockwall)	Rockwall	53.3%
Flower Mound Hospital Partners, L L C (d/b/a Texas Health Presbyterian Hospital Flower Mound)	Flower Mound	54.6%
AMH Cath Labs, L L C (d/b/a Texas Health Heart & Vascular Hospital Arlington)	Arlington	55.4%
Unconsolidated:		
USMD Hospital of Arlington, L P	Arlington	51.0%
USMD Hospital of Fort Worth, L P	Fort Worth	51.0%
Texas Health Huguley, Inc (d/b/a Huguley Memorial Medical Center)	Fort Worth	51.0%
Sherman/Grayson Health System, L L C (d/b/a Texas Health Presbyterian Hospital - WNJ)	Sherman	50.1%
Texas Rehabilitation Hospital of Fort Worth, L L C	Fort Worth	30.0%

In addition to the hospitals listed above, there are numerous other non-hospital health related joint ventures included in THR's accompanying consolidated financial statements, including outpatient imaging and surgery centers.

Effective December 31, 2010, THR acquired certain assets and assumed certain liabilities of Medical Edge Healthcare Group, P A (Medical Edge), a physician group, and all of the stock of PhyServe Physician Services, Inc (PhyServe), a provider of management services to Medical Edge and other physician groups. The acquisition was funded by available cash. Simultaneously, THR sold all of the PhyServe stock to MedSynergies, Inc. The net purchase price of Medical Edge was originally recorded at December 31, 2010 as approximately \$39,957,000 current assets, \$59,521,000 goodwill, \$42,176,000 other intangibles and long term assets, and \$34,699,000 in liabilities. During 2011, adjustments were made to the purchase price accounting based on revisions to valuations resulting in a final allocation of approximately \$45,137,000 current assets, \$75,652,000 goodwill, \$39,086,000 other intangibles and long term assets, and \$52,920,000 in liabilities. The transaction more than doubled the number of physicians employed by Texas Health Physician Group (THPG), a wholly controlled affiliate of THR and a 501(a) physician organization.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Organization, continued

THR and its tax-exempt controlled affiliates receive support from two foundations, Texas Health Harris Methodist Foundation (THHMF) and Texas Health Presbyterian Foundation (THPF). These foundations (collectively, the Foundations) operate as non-private foundations exempt from federal income taxes under Section 501(a) of the Code as organizations described in Section 501(c)(3). Effective January 1, 2011, the sole corporate membership of THHMF and THPF was transferred from Harris Methodist Health System and Presbyterian Healthcare Resources, respectively, to THR. Following the transfer, THR began consolidating the Foundations. Prior to obtaining control of the Foundations, THR recognized their right to the assets held by the Foundations as an interest in the net assets of the Related Foundations in the consolidated balance sheets. As a result of this transfer, approximately \$64,784,000 of the Foundations net assets which had been previously reflected as temporarily restricted on THR's financial statements were released. THR had recorded its interest in this portion of the Foundations net assets as temporarily restricted because it did not have immediate access to these funds and they were therefore not considered readily available. Due to the transfer of control, these funds are now readily available to THR. Under normal circumstances, THR records the release of such funds as other operating revenue, however, because this transfer of control is not an ordinary occurrence, this release has been recorded in nonoperating gains (losses). Total assets, liabilities and net assets of the Foundations at January 1, 2011, were approximately \$196,283,000, \$7,817,000, and \$188,466,000, respectively.

The accompanying consolidated financial statements include the accounts of THR, its wholly controlled affiliates and its consolidated joint ventures (collectively, the System). All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, and governmental or other securities with original maturities of three months or less at time of purchase, excluding amounts limited as to use by board designation or other arrangements.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Realized investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is restricted by donor or law. Investments in mineral interests, which have limited marketability, are stated at fair value, as estimated based on a multiple of annual revenues. Investments in real estate are stated at fair value, as estimated by using private valuations. Investments in hedge funds are stated at fair value, as estimated by the general partner of the hedge fund and reviewed by management. Unrealized gains and losses on investments are excluded from revenue and gains in excess of expenses and losses unless the investments are trading securities. Management reviews individual securities to determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in realized investment gains or losses in the consolidated statements of operations and changes in net assets. To determine whether a decline is other than temporary, management considers whether it has the ability and intent to hold the investment until a market price recovery, which may be maturity, and whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary.

The System invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonable to assume that changes in the values of investment securities will occur in the near term and that such changes could be material to the accompanying consolidated financial statements.

Split-Interest Agreements

The Foundations have received as contributions various types of split-interest agreements, including charitable gift annuities, charitable remainder unitrusts and perpetual trusts held by a third party.

Under charitable gift annuity arrangements for which the Foundations are the trustee of the assets, the Foundations record the assets at fair value and the liabilities to the beneficiaries at the present value of the estimated future payments to be distributed by the Foundations to such beneficiaries. The amount of the contribution is the difference between the asset and the liability and is recorded as unrestricted revenue, unless otherwise restricted by the donor. Subsequent changes to the annuity liability are recorded as changes in value of split-interest agreements in the appropriate net asset class.

Under charitable remainder unitrust arrangements for which the Foundations are the trustee of the assets, the Foundations record as donor-restricted contributions the present value of the residual interest in the trust in the period in which the trust is established. The assets held in trust are recorded at fair value when received, and the liabilities to the beneficiaries are recorded at the present value of the estimated future payments to be distributed by the Foundations to such beneficiaries. The amount of the contribution is the difference between the asset and the liability and is recorded as temporarily restricted or permanently restricted support. Subsequent changes in fair value for charitable remainder unitrusts are recorded as changes in value of split-interest agreements in the appropriate net asset class.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Split-Interest Agreements, continued

Under perpetual trusts held by a third-party arrangement, the Foundations record contribution revenue and an asset when it is notified of the trust's existence. The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets and that value may generally be measured by the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the assets contributed to the trust differs from the present value of the expected future cash flows. Distributions from the trust are reported as investment income that increases the appropriate net asset class. Adjustments to the amount reported as an asset, based on periodic review, are recognized as unrealized investment gains or losses on beneficial interest in perpetual trust in the permanently restricted net asset class.

Under the charitable gift annuity arrangements and charitable remainder unitrust arrangements for which the Foundations are not the trustee of the assets, the Foundations record a receivable and contribution revenue at the present value of the estimated future distributions expected to be received by the Foundations over the expected term of the agreement. However, if an unrelated third-party has variance power to redirect the benefits to another organization or if the Foundations' rights to the benefits are conditional, the Foundations do not recognize its potential for future distributions from the asset held by the trustee.

The discount rates and actuarial assumptions used in calculating present values have been based on Internal Revenue Service guidelines and actuarial tables. For agreements in which the Foundations are the trustee, the discount rates used are commensurate with the risks involved at the time the contributions are initially recognized and are not subsequently revised. For agreements in which the Foundations are not the trustee, under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-30, Not-for-Profit Entities Split Interest Agreements, and the guidance as provided in the AICPA Audit and Accounting Guide, Not-for-Profit Organizations, split-interest agreements held by others net expected cash flows are revalued to fair value at each year-end using a current risk-free rate of return, which ranged from 0.72% to 2.95% and 0.83% to 2.89% for the years ended December 31, 2012 and 2011, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Patient accounts receivable are reported net of estimated allowances for doubtful accounts and contractual adjustments in the balance sheets. The allowance and resulting provision for bad debts is based upon a combination of the aging of receivables and management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators for each of its major payor sources of revenue. Management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience and payment trends by payor category. Patient accounts are also monitored and, if necessary, past due accounts are placed with collection agencies in accordance with guidelines established by management. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Accounts Receivable and Allowance for Doubtful Accounts, continued

The System's allowance for doubtful accounts for self-pay patients (including allowances for charity care) decreased from 94.7% of self-pay accounts receivable at December 31, 2011, to 94.2% of self-pay accounts receivable at December 31, 2012. In addition, the System's self-pay write-offs for bad debts decreased from approximately \$327,667,000 for fiscal year 2011 to approximately \$263,887,000 for fiscal year 2012. Both decreases were the result of shifts in payor mix and an overall increase in patients qualifying for the System's charity care policy in fiscal year 2012. The System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Assets Limited as to Use

The System maintains certain assets that are limited as to use under board designation, indenture agreements, and other provisions, including self insurance trust agreements. Amounts required to fund current liabilities of the System have been classified as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations and changes in net assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue and gains in excess of expenses and losses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Goodwill and Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized. The System reviews goodwill annually or more frequently if circumstances warrant a more timely review, to determine if there has been an impairment. FASB Accounting Standards Update (ASU) 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill and Impairment*, provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test described in Topic 350 is unnecessary. THR adopted the provisions of this ASU for the fiscal year ended December 31, 2011 and prepared a qualitative assessment of goodwill impairment for all reporting units that have assigned goodwill. No impairments were identified for the years ended December 31, 2012 and 2011.

In July 2012, the FASB issued ASU 2012-02, *Intangibles—Testing Indefinite-Lived Assets for Impairment*, which provides an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that indefinite-lived intangible assets are impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform a quantitative impairment test by comparing the fair value with the carrying amount. Management elected to early adopt this update for the fiscal year ended December 31, 2012 and prepared a qualitative assessment of indefinite-lived intangible assets impairment in conjunction with the goodwill impairment analysis discussed above. No impairments were identified for the years ended December 31, 2012 and 2011.

Goodwill activity for the years ended December 31, 2012 and 2011 is presented below (dollars in thousands)

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 124,890	\$ 108,800
Goodwill acquired from Medical Edge transaction	-	16,086
Goodwill acquired from other transactions	<u>334</u>	<u>4</u>
Balance at end of year	<u>\$ 125,224</u>	<u>\$ 124,890</u>

Asset Retirement Obligations

The fair value of a liability for a legal obligation associated with the retirement of long-lived assets is recognized in the period in which it is incurred if the fair value can be reasonably estimated. The fair value, which approximates the cost a third party would incur in performing the tasks necessary to retire such assets, is recognized at the present value of expected future cash flows and is added to the carrying value of the associated asset and depreciated over the asset's useful life. The liability is accreted over time and is reduced upon settlement of the obligation.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Impairment or Disposal of Long-Lived Assets

When events or changes in circumstances indicate that the carrying amount of long-lived assets, including property and equipment, or other long-lived assets, may not be recoverable, an evaluation of the recoverability of currently recorded costs is performed. When an evaluation is performed, the estimated value of undiscounted future net cash flows associated with the assets is compared to the assets' carrying value to determine if a write-down to fair value is required.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Long-lived assets to be disposed of are reflected at the lower of either their carrying amounts or their fair value less costs to sell or close. In such circumstances, estimates of fair value are based on independent appraisals, established market prices for comparable assets, or internal calculations of estimated discounted future cash flows.

Derivative Instruments

Certain consolidated joint ventures, Rockwall Regional Hospital, L L C (Rockwall), Flower Mound Hospital Partners, L L C (Flower Mound) and AMH Cath Labs, L L C (ACL), use interest rate swap agreements to manage interest rate risk and account for derivative instruments utilized in connection with these activities at fair value. GAAP requires entities to recognize all derivatives as either assets or liabilities in the consolidated balance sheets at their respective fair values. For derivatives designated as hedges, changes in fair value are either offset against the change in fair value of the assets and liabilities through revenue and gains in excess of expenses and losses for any ineffective portion, or recognized in other changes in unrestricted net assets until the hedged item is recognized in revenue and gains in excess of expenses and losses.

These consolidated joint ventures only enter into derivative contracts that they intend to designate as a hedge of a forecasted transaction of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, these consolidated joint ventures formally document the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. These consolidated joint ventures also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transactions are highly effective in offsetting cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other changes in unrestricted net assets to the extent that the derivative is an effective hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported in revenues and gains in excess of expenses and losses.

These consolidated joint ventures discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is undesignated as a hedging instrument because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Derivative Instruments, continued

In all situations in which hedge accounting is discontinued and the derivative is retained, these consolidated joint ventures continue to carry the derivative at its fair value in the consolidated balance sheets and recognize any subsequent changes in its fair value in revenues and gains in excess of expenses and losses. When it is probable that a forecasted transaction will not occur, these consolidated joint ventures discontinue hedge accounting and recognize immediately any gains and losses that were accumulated in other changes in unrestricted net assets.

By using derivative financial instruments to hedge exposures to changes in interest rates and commodity prices, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty and, therefore, the System is not exposed to the counterparty's credit risk in these circumstances. The System minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties. The derivative instruments entered into by the System do not contain credit-risk-related contingent features.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The System does not enter into derivative instruments for any purpose other than cash flow hedging. The System does not speculate using derivative instruments.

Physician Income Guarantees

Consistent with its policy on physician relocation and recruitment, THR hospitals provide income guarantee agreements to certain non-employed physicians who agree to relocate to its communities to fill a need in the hospital's service area and commit to remain in practice there. Under such agreements, THR hospitals are required to make payments to the physicians in excess of the amounts they earn in their practice up to the amount of the income guarantee. The income guarantee periods are typically 12 months. Such payments are recoverable from the physicians if they do not fulfill their commitment period to the community, which is typically three years subsequent to the guarantee period. At December 31, 2012, the maximum potential amount of future payments under these guarantees was approximately \$5,922,000.

At December 31, 2012 and 2011, THR had a liability of approximately \$3,136,000 and \$3,281,000, respectively, for the fair value of new or modified guarantees entered into, with a corresponding asset recorded in other current assets in the consolidated balance sheets, which will be amortized over the commitment period.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to THR and its tax-exempt controlled affiliates 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. The 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 accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions and other operating revenue.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by THR and its tax-exempt controlled affiliates have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by THR and its tax-exempt controlled affiliates in perpetuity.

Revenue and Gains in Excess of Expenses and Losses

The consolidated statements of operations and changes in net assets include revenue and gains in excess of expenses and losses. Changes in unrestricted net assets which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, 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), and other items required by GAAP to be reported separately.

Net Patient Service Revenue

Net patient service revenue is recognized as services are provided and 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.

Charity Care

The Tax-Exempt Hospitals provide care to patients who meet criteria established under THR's charity care policy without charge or at amounts less than their established rates. Because the Tax-Exempt Hospitals do not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue or patient receivables.

Electronic Health Record Incentive Payment Program

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for hospitals that meaningfully use certified electronic health record (EHR) technology. In order to qualify for the Act's Year One reporting period, a hospital must meet certain designated EHR meaningful use criteria from both mandatory and optionally selected requirements for ninety consecutive days within the Act's reporting year. During 2011, THR's eligible hospitals received approximately \$26,977,000 of reimbursement payments under the Act's Year One reporting period. At December 31, 2012 and 2011, approximately \$1,795,000 of these payments were recorded in the accompanying consolidated balance sheets for potential adjustments. The remainder of the payments were recorded as other operating revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2011.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Electronic Health Record Incentive Payment Program, continued

THR has elected to apply the grant accounting guidance in International Accounting Standards (IAS) 20 to these incentive payments. IAS 20 does not allow incentive payments to be recognized as income until there is reasonable assurance that the entity will successfully demonstrate compliance with the minimum number of meaningful use objectives. THR's management believes the relevant criteria was met for Year One reporting and determined compliance was reasonably assured. At December 31, 2011, THR's management was evaluating the reliability of the recently developed reports demonstrating each of its eligible hospitals' compliance with the applicable EHR meaningful use requirements for the Act's Year Two reporting period. As a result, management did not believe adequate reliable information was available at that time to make a determination of reasonable assurance that the hospitals would be able to successfully demonstrate compliance with the minimum number of meaningful use objectives for the Act's Year Two reporting period. Therefore, THR did not record an accrual as of December 31, 2011 in the accompanying consolidated financial statements for estimated EHR incentive payments under the Act's Year Two reporting period.

During 2012, THR's management completed its evaluation and testing of the developed reports intended to demonstrate compliance with the applicable EHR meaningful use requirements. In order to qualify for the Act's Year Two and Year Three reporting periods, a hospital must meet certain designated EHR meaningful use criteria from both mandatory and optionally selected requirements for 365 consecutive days within the Act's reporting year. THR's management believes the relevant criteria was met for Year Two and is being met for Year Three reporting periods and has determined compliance is reasonably assured. During 2012, THR's eligible hospitals received approximately \$18,467,000 of reimbursement payments under the Act's Year Two reporting period. At December 31, 2012, approximately \$1,954,000 of the 2012 payments were recorded in the accompanying consolidated balance sheets for potential adjustments. The remainder of the payments were recorded as other operating revenue in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2012. At December 31, 2012, THR's management has accrued EHR meaningful use payments of approximately \$5,910,000 and \$3,712,000 for the Act's Year Two and Year Three reporting periods, respectively. This accrual is included in other receivables in the accompanying consolidated balance sheets and in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

Self-Insurance

Under THR's self-insurance programs, claims are reflected as liabilities based upon actuarial estimation, including both reported, and incurred but not reported claims, taking into consideration the severity of the incidents and the expected timing of claim payments.

Recent Accounting Pronouncements

In December, 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*, an amendment of ASC 350, *Intangibles – Goodwill and Other*. For qualifying reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist, such as when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. THR adopted the provisions of this ASU effective January 1, 2012, and adoption did not have a material impact on the consolidated financial statements for the current or prior years.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* which will improve comparability of fair value measurements presented and disclosed. The update is not intended to change the application of Topic 820. THR adopted the provisions of this ASU effective January 1, 2012, and adoption did not have a material impact on the consolidated financial statements for the current or prior years.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which is intended to increase transparency about a health care entity's net patient service revenue and related allowance for doubtful accounts. This update requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts), under certain circumstances. Additionally, these health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. THR adopted the provisions of this ASU effective January 1, 2012. The provision for bad debts has been reclassified from an operating expense to a deduction from patient service revenues, and the prior year has been reclassified to conform to this presentation.

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires an entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the entity. The ASU is effective for THR beginning January 1, 2014 and is not expected to have a material impact on the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the December 31, 2011 financial statements to conform to the December 31, 2012 presentation. The reclassifications had no effect on revenue and gains in excess of expenses or net assets as previously reported. The provision for patient bad debts is now reported as a component of net patient service revenue rather than an operating expense.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

3. Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the hospitals and THPG at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, outpatient services, and certain capital and medical education costs related to Medicare beneficiaries are paid based on a combination of prospective and cost reimbursement methodologies or fee schedule. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Most outpatient services are reimbursed by the Medicaid program under a cost reimbursement methodology or fee schedule. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicaid fiscal intermediary.

Medicare and Medicaid cost report settlements are estimated in the period services are provided to the program beneficiaries. These estimates are revised as needed until final settlement of the cost report. Laws and regulations governing the Medicare and Medicaid programs are extremely 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 term. Net patient service revenue increased approximately \$18,934,000 and \$12,489,000 in 2012 and 2011, respectively, due to reassessment of settlement issues and other changes in estimates related to final settlements. Additionally, in 2012, the System received approximately \$20,930,000 additional Medicare payments from The Rural Floor Provision Settlement that was signed on April 5, 2012. This settlement related to the improper calculation of the Medicare DRG rate for System facilities by the Centers for Medicare and Medicaid Services (CMS) for years 2004 to 2011.

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospitals and THPG under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Items such as high cost drugs and implants are generally paid as an add-on to prospectively determined rates. All of these payment methods can occur independently or in combination for different commercial agreements.

Additionally, the Tax-Exempt Hospitals provide discounted pricing to uninsured patients. The pricing is calculated by applying a discount to charges for services received. The discount rate was 40% effective January 1, 2011 and 45% effective May 1, 2011. The consolidated and unconsolidated joint venture hospitals also provide similar discounted pricing to uninsured patients.

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

3. Net Patient Service Revenue, continued

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the year ended December 31, 2012 from these major payor sources, is as follows (dollars in thousands)

	2012
Medicare	\$ 740,746
Medicare Managed Care	306,026
Medicaid	162,935
Medicaid Managed Care	125,159
Managed Care	2,183,667
Commercial and Other	113,292
Private Pay	194,138
	\$ 3,825,963

THR (through Texas Health Presbyterian Hospital Dallas), Baylor Health Care System, HCA North Texas Division, and Methodist Hospitals of Dallas have entered into an Affiliation Agreement with Parkland Memorial Hospital and Healthcare System (Parkland), and have created Dallas County Indigent Care Corporation (DCICC), a Texas non-profit corporation, to effectuate participation in the Texas Private Hospital Medicaid Upper Payment Limit (UPL) program and subsequent 1115 waiver program. The UPL program ended on September 30, 2011 and was replaced with the 1115 waiver when it was approved by CMS on December 12, 2011 retroactive to October 1, 2011. DCICC has separately entered into a series of agreements with Parkland and the University of Texas Southwestern Medical Center of Dallas (UT Southwestern). In September, 2009, THR and its affiliates agreed to expand the Dallas County UPL program by adding additional hospitals and assuming additional contracts with UT Southwestern. THR added the following hospitals: Texas Health Presbyterian Hospitals Plano, Allen, Denton, Kaufman and the joint venture hospital Texas Health Presbyterian Hospital Rockwall.

Beginning in August, 2009, THR (through Texas Health Harris Methodist Hospitals Fort Worth, Hurst-Euless-Bedford, Southwest Fort Worth, Azle and Texas Health Arlington Memorial Hospital), Baylor Health Care System, HCA North Texas Division, and Methodist Hospitals of Dallas have entered into an Affiliation Agreement with John Peter Smith Hospital and Healthcare System (JPS), and have created Tarrant County Indigent Care Corporation (TCICC), a Texas non-profit corporation. In January 2010, THR and its affiliates agreed to expand the Tarrant County UPL program by adding Texas Health Harris Methodist Hospital Cleburne and Texas Health Harris Methodist Hospital Stephenville. During 2012, Huguley Memorial Medical Center entered into an affiliation agreement with JPS. TCICC has separately entered into a series of agreements with JPS and various physician groups.

During 2012 and 2011, THR, on behalf of its participating hospitals, recorded supplemental Medicaid revenue of approximately \$133,154,000 and \$113,515,000, respectively, under the UPL and subsequent 1115 waiver programs. At December 31, 2012 and 2011, THR had a receivable of \$44,665,000 and \$23,367,000, respectively, related to the UPL and subsequent 1115 waiver program for both the DCICC and TCICC programs.

During 2012 and 2011, THR, on behalf of its participating hospitals, recorded expense of approximately \$79,229,000 and \$64,920,000, respectively, representing disbursements made to the companies listed above through the DCICC and TCICC for providing services to Dallas and Tarrant County indigent patients.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

3. Net Patient Service Revenue, continued

At December 31, 2012 and 2011, THR has deferred revenue of approximately \$9,811,000 and \$23,197,000, respectively included in other accrued liabilities on the consolidated balance sheets. The deferred revenue at December 31, 2012 is comprised of approximately \$15,454,000 representing 10% of the payments that have been received or are expected under the waiver programs (Dallas and Tarrant County) relating to uncertainties surrounding the State of Texas capacity limits, offset by approximately \$5,643,000 net receivable due from the other partners in the DCICC and TCICC relating to indemnity agreement requirements. Approximately \$13,661,000 of the deferred revenue at December 31, 2011 represents 10% of payments that were received under the UPL programs (Dallas and Tarrant County) relating to uncertainties surrounding the State of Texas capacity limits. The remaining \$9,536,000 represents liabilities incurred when the UPL program ended on September 30, 2011 related to both DCICC and TCICC. The end of the UPL program caused certain provisions under the indemnity agreements to become effective relating back to the start of both the DCICC and TCICC programs.

4. Charity Care and Community Benefit

In accordance with its mission and promise, THR, through its hospitals, commits substantial resources to sponsor a broad range of services for the indigent as well as the broader community. Community benefit provided to the indigent includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or to persons who are underinsured. This category of community benefit in accordance with Texas law includes the unreimbursed costs of traditional charity care as well as the estimated unreimbursed costs of care provided to beneficiaries of Medicaid and other indigent public programs. THR also benefits the communities it serves by providing facilities for the education and training of health care professionals and by participating in research activities that offer the potential of improving health care.

THR also promotes access to health care services by providing support for indigent care clinics, promotes community health education and wellness programs, supports other local community based non-profit organizations through charitable donations, and sponsors a variety of health-related support groups and programs. These activities are classified as community benefits under Texas law.

Finally, THR hospitals provide a significant amount of health care services to uninsured and underinsured individuals who do not pay for the services they receive. When THR does not have the information required to properly determine charity status, the amounts owed by these individuals are classified as bad debt expense.

THR provides care to patients who meet criteria established under its charity care policy without charge or at amounts less than their established rates. Because THR does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. THR estimated costs associated with charity care based on the ratio of cost to gross charges and applying this ratio to charity care provided. THR estimates direct and indirect costs associated with providing charity care was approximately \$183,650,000 and \$144,044,000 for the years ended December 31, 2012 and 2011, respectively. THR receives certain funds to offset or subsidize charity services provided from gifts or grants restricted for charity or indigent care. The amount of such funds recognized in unrestricted operations from such sources totaled approximately \$621,000 and \$568,000 for the years ended December 31, 2012 and 2011, respectively.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Investments

Short-Term Investments

The composition of short-term investments at December 31, 2012 and 2011 is set forth in the following table (dollars in thousands)

	2012	2011
Fixed income securities	\$ 1,526	\$ 1,495

Assets Limited as to Use

Assets limited as to use that are required for obligations classified as current liabilities are included in current assets in the consolidated balance sheets. The composition of assets limited as to use at December 31, 2012 and 2011 is set forth in the following table (dollars in thousands)

	2012	2011
Internally designated		
Cash and cash equivalents	\$ 45	\$ 77
U S government securities	1,151	1,138
Fixed income securities	694,536	603,374
Equity securities	1,357,276	1,111,370
Hedge funds	1,570	1,396
Donor-restricted special purpose and endowment funds		
Cash and cash equivalents	1,382	1,030
Mutual funds	-	842
Mineral interests	4,330	4,650
Real estate	2,768	2,768
Fixed income securities	36,580	33,956
Equity securities	73,033	61,822
Beneficial interest in perpetual trust, held in charitable remainder unitrusts, and held in charitable gift annuities		
Cash and cash equivalents	273	364
Mutual funds	276	272
Mineral interests	1,144	1,371
Real estate	842	842
Fixed income securities	3,974	3,807
Equity securities	4,022	3,653
Other provisions		
Cash and cash equivalents	51,657	1,658
Fixed income securities	44,583	49,530
Equity securities	13,330	11,790
	2,292,772	1,895,710
Less Assets limited as to use - required for current liabilities	(254,394)	(154,051)
	\$ 2,038,378	\$ 1,741,659

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Investments, continued

Assets Limited as to Use, continued

Excluded from the above table are promises to give of approximately \$12,591,000 and \$10,485,000 at December 31, 2012 and 2011, respectively that are included in assets limited as to use in the accompanying consolidated balance sheets. These promises to give are comprised of the following at December 31, 2012 and 2011 (dollars in thousands)

	2012	2011
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 13,396	\$ 11,251
Less Unamortized discount	(121)	(235)
	13,275	11,016
Less Allowance for uncollectibles	(684)	(531)
Net unconditional promises to give	<u>\$ 12,591</u>	<u>\$ 10,485</u>
Schedule of future amounts due		
Less than one year	\$ 7,632	\$ 5,032
One to five years	3,961	4,477
Over five years	1,803	1,742
Total	<u>\$ 13,396</u>	<u>\$ 11,251</u>

Discount rates for these promises to give ranged from 0.16% to 4.82% and from 0.36% to 4.82% for the years ended December 31, 2012 and 2011, respectively.

THR and its wholly-controlled affiliates participate with Presbyterian Healthcare Resources, a founding member of THR, in a pooled, long term investment fund administered by THR. Amounts internally designated represent THR and its wholly-controlled affiliates pro rata share of the fund. These funds exist to provide liquidity for the System, to support its capital program, and to backstop short-term reserves as a buffer against interruption of business operations due to catastrophic events. The fund's asset allocation is a reflection of the System's investment objectives as stated in its investment policy statement. Prior to July 16, 2012, the fixed income securities in the pool, which are primarily U.S. government obligations, were designated as other-than-trading securities while the equity securities were designated as trading. As a result of modifications to THR's investment policy statement effective July 16, 2012, all purchases of fixed income securities in the pool after this date are designated as trading securities.

Management evaluates THR and its wholly-controlled affiliates' fixed income securities to determine whether any are deemed to be other-than-temporarily impaired due to credit worthiness of the bond issuers. There were no securities deemed to be other-than-temporarily impaired at December 31, 2012 or 2011.

At December 31, 2012, THR and its wholly-controlled affiliates' were not invested in any fixed income securities that are deemed not to be other-than-temporarily impaired and have been in a continuous unrealized loss position for twelve months or greater. At December 31, 2012, the fair value and gross unrealized losses on THR and its wholly-controlled affiliates' pro rata share of fixed income securities that are deemed not to be other-than temporarily impaired and have been in a continuous unrealized loss position for less than twelve months were approximately \$83,097,000 and \$705,000, respectively.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Investments, continued

Investment Income

Net realized investment income, included in revenue and gains in excess of expenses and losses in the consolidated statements of operations and changes in net assets, is comprised of the following for the years ended December 31, 2012 and 2011 (dollars in thousands)

	2012	2011
Interest and dividends	\$ 55,817	\$ 34,701
Realized gains, net	31,116	68,418
Total net realized investment income	86,933	103,119
Less Net realized investment gain related to restricted funds	(3,176)	(4,489)
Net realized investment income, other than amount related to restricted funds	\$ 83,757	\$ 98,630

6. Property and Equipment

A summary of property and equipment at December 31, 2012 and 2011 is as follows (dollars in thousands)

	2012	2011
Land	\$ 140,994	\$ 145,338
Buildings and improvements	1,904,294	1,794,580
Fixed equipment	318,165	306,315
Major movable equipment	840,159	759,555
Building and equipment under capital lease obligations	8,103	8,123
	3,211,715	3,013,911
Less Accumulated depreciation and amortization	(1,556,082)	(1,416,000)
	1,655,633	1,597,911
Construction and renovation in progress	40,685	67,411
	\$ 1,696,318	\$ 1,665,322

Depreciation and amortization expense related to property and equipment from continuing operations for the years ended December 31, 2012 and 2011 was approximately \$178,999,000 and \$178,738,000, respectively. Included in the above table is the cost, approximately \$322,321,000 and \$298,752,000, and accumulated depreciation, approximately \$168,088,000 and \$151,490,000, of land, buildings, and equipment held out for lease at December 31, 2012 and 2011, respectively.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

6. Property and Equipment, continued

The System has several construction projects in progress, which include renovation and modernization of existing facilities and construction of new facilities. Total remaining estimated costs of these projects is approximately \$154,959,000, of which the System has outstanding commitments of approximately \$63,074,000 at December 31, 2012. Total interest capitalized during the years ended December 31, 2012 and 2011 was approximately \$2,230,000 and \$1,001,000, respectively.

The System recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This applies to legal obligations to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The fair value of a liability for a legal obligation associated with the retirement of long-lived assets is recognized in the period in which it is incurred. The fair value, which approximates the cost a third party would incur in performing the tasks necessary to retire such assets, is recognized at the present value of expected future cash flows and is added to the carrying value of the associated asset and depreciated over the asset's useful life.

Asset retirement obligations related to asbestos removal are recorded as other non-current liabilities in the accompanying consolidated balance sheets and totaled approximately \$6,894,000 and \$7,335,000 at December 31, 2012 and 2011, respectively. As a result of changes in estimated costs to abate certain types of asbestos, the System recorded decreases to the liability and a reduction in asbestos abatement expenses of approximately \$29,000 during the year ended December 31, 2012, and increases to the liability and additional asbestos abatement expenses of approximately \$138,000 during the year ended December 31, 2011. Depreciation expense related to the associated assets was approximately \$46,000 and \$47,000 in 2012 and 2011, respectively. Additional accretion costs were approximately \$373,000 and \$365,000 for the years ended December 31, 2012 and 2011, respectively.

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TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt

A summary of long-term debt at December 31, 2012 and 2011 is as follows (dollars in thousands)

	2012	2011
System Revenue Bonds (Texas Health Resources), Series 2012A (Taxable), fixed interest rates of 4.366%, due through 2047	\$ 100,000	\$ -
System Revenue Bonds (Texas Health Resources), Series 2012B, variable interest rates, due through 2047 (interest rate was 0.11% at December 31, 2012)	50,000	-
System Revenue Bonds (Texas Health Resources), Series 2010, fixed interest rates of 5.00%, due through 2040	157,550	157,550
System Tax-Exempt Loan (Texas Health Resources), Series 2010 Bank of America Private Loan, variable interest rates, due through 2035, (interest rates were 0.78% and 0.82% at December 31, 2012 and 2011, respectively)	33,388	20,157
System Tax-Exempt Loan (Texas Health Resources), Series 2010 Compass Private Loan, variable interest rates, due through 2033, (interest rates were 1.17% and 1.19% at December 31, 2012 and 2011, respectively)	64,588	36,293
System Revenue Bonds (Texas Health Resources), Series 2008A, 2008B, and 2008C, variable interest rates, due through 2047, (interest rates ranging from 0.11% to 0.13% and 0.03% to 0.30% at December 31, 2012 and 2011, respectively)	176,055	176,055
System Revenue Bonds (Texas Health Resources), Series 2007A and 2007B, fixed interest rates of 5.00%, due through 2047	671,005	684,565
Term and Revolving Loans (Rockwall Regional Hospital, L L C), variable interest rates, due through 2017, (interest rates ranging from 2.16% to 2.26% and 2.13% to 2.26% at December 31, 2012 and 2011, respectively)	47,086	56,043
Term and Revolving Loans (Flower Mound Hospital Partners, L L C), variable interest rates, due through 2018, (interest rates ranging from 1.53% to 1.78% and 1.30% to 1.53% at December 31, 2012 and 2011, respectively)	93,809	102,517
Term and Revolving Loans (AMH Cath Labs, L L C), variable interest rates, due through 2022, (interest rates ranging from 1.11% to 1.51% and 1.19% to 1.59% at December 31, 2012 and 2011, respectively)	21,700	22,524
Notes Payable (Health Imaging Partners, LLC) varying rates of imputed interest, due through 2018, (interest rates ranging from 2.94% to 7.95% and 2.94% to 7.90% at December 31, 2012 and 2011, respectively)	9,498	2,360
Note Payable (THR-SCA Holdings, LLC), convertible to equity, interest rate of 4% fixed or 49% of available cash flow, due 2032	7,492	-
Capital Lease Obligations, at imputed interest rates ranging from 4.74% - 8.09% collateralized by leased equipment	3,142	4,157
Other loans and notes payable, variable interest rates due through 2017 (interest rates ranging from 1.96% to 3.30% and 2.71% to 8.00% at December 31, 2012 and 2011, respectively)	8,998	3,087
	1,444,311	1,265,308
Add		
Unamortized original issue premium/discount, net	10,504	11,961
Less		
Current portion of long-term debt	(209,634)	(161,647)
Long-term debt, net of current portion	\$ 1,245,181	\$ 1,115,622

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, continued

In December, 2012, THR entered into credit agreements with Wells Fargo Bank N A and U S Bank N A for lines of credit of \$75,000,000 each (the Credit Agreements) Under the Credit Agreements, outstanding balances under the lines of credit generally bear interest at a variable rate calculated as a percentage of LIBOR plus a spread At December 31, 2012, there were no outstanding balances under these Credit Agreements

THR issued Series 2012A (Series 2012A Bonds) and 2012B (Series 2012B Bonds) bonds (collectively the Series 2012 Bonds) through Tarrant County Cultural Education Facilities Finance Corporation (official statements dated September 27, 2012) in the amounts of \$100,000,000 and \$50,000,000, respectively The proceeds of the Series 2012 Bonds will be used to (a) finance and reimburse THR for the costs of the acquisition, construction, renovation, remodeling and/or equipping of capital improvements and (b) pay certain costs incurred in connection with the issuance of the Series 2012 Bonds The Series 2012A Bonds are taxable fixed rate bonds that were priced to yield 4.366% interest The Series 2012B Bonds are tax-exempt variable rate demand bonds, and are as such subject to periodic tender and remarketing provisions The interest rates at which the bonds are remarketed are determined in accordance with the remarketing agreement applicable to the Series 2012B Bonds Liquidity for payment of the Series 2012B Bonds tendered for purchase and not remarketed is provided by THR under a self liquidity program As a result, THR has classified the Series 2012B Bonds as a current liability in the current portion of long-term debt

In November, 2010, THR entered into tax-exempt loan agreements with Bank of America, N A and Compass Mortgage Corporation in the aggregate principal amount of \$135,000,000 (the Bank Loans) The proceeds of these Bank Loans will be used (a) to pay costs of acquiring, constructing, renovating, remodeling and/or equipping capital improvements for certain THR tax-exempt health facilities, and (b) to pay certain costs incurred in connection with the Bank Loans The Bank Loans bear interest at variable rates calculated as a percentage of LIBOR plus a spread At December 31, 2012 and 2011, THR had drawn approximately \$33,388,000 and \$20,157,000, and \$64,588,000 and \$36,293,000 on the Bank of America and Compass Bank Loans, respectively

THR issued Series 2010 bonds (the Series 2010 Bonds) through the Tarrant County Cultural Education Facilities Finance Corporation (official statement dated November 11, 2010) in the amount of \$157,550,000 The proceeds of the Series 2010 Bonds were used (a) to refund the Tarrant County Health Facilities Development Corporation Texas Health Resources System Revenue Bonds, Series 2008D, 2008F, and 2008G, and (b) to pay certain costs incurred in connection with the issuance of the Series 2010 Bonds and the provisions for payment of the refunded Series 2008D, 2008F, and 2008G Bonds

THR issued Series 2008A-G bonds (the Series 2008 Bonds) through the Tarrant County Cultural Education Facilities Finance Corporation (official statement dated October 27, 2008) in the amount of \$366,120,000 The proceeds of the Series 2008 Bonds were used (a) to refund the Tarrant County Health Facilities Development Corporation Texas Health Resources System Revenue Bonds, Series 2003 (the Series 2003 Bonds) (\$300,000,000) and the Plano Health Facilities Development Corporation Unit Priced Demand Adjustable Revenue Bonds (Children's and Presbyterian Healthcare Center of North Texas Project) Series 1989 (the Series 1989 Bonds) (\$27,900,000), (b) to finance or refinance the purchase, development, construction, reconstruction, renovation, rehabilitation and/or equipping of certain THR tax-exempt health facilities (\$35,900,000), and, (c) pay certain costs incurred in connection with the issuance of the Series 2008 Bonds and the provisions for payment of the refunded Series 2003 and Series 1989 Bonds As previously discussed, THR defeased all of the outstanding Series 2008D, 2008F, and 2008G Bonds in November, 2010, with proceeds from the issuance of the Series 2010 Bonds In addition, THR redeemed all of the outstanding Series 2008E Bonds on November 22, 2010 at a purchase price equal to the principal amount (\$36,140,000) thereof plus interest accrued thereon to the redemption date THR used available cash to redeem the Series 2008E Bonds

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, continued

The Series 2008 Bonds are variable rate demand bonds. Accordingly, the Series 2008 Bonds are subject to periodic tender and remarketing provisions. The interest rates at which the bonds are remarketed are determined in accordance with the remarketing agreement applicable to each series of the Series 2008 Bonds. Liquidity for payment of the Series 2008A (\$65,000,000) and 2008B (\$50,285,000) Bonds tendered for purchase and not remarketed is provided by THR under a self liquidity program. As a result, THR has classified these two series as current liabilities in the current portion of long-term debt. Liquidity for payment of the Series 2008C Bonds tendered for purchase and not remarketed is provided by a Standby Bond Purchase Agreement (SBPA) with JPMorgan Chase Bank, N.A. With respect to the bonds supported by a SBPA, any principal balance that would require repayment within twelve months under the terms of the SBPA agreement is classified as current. Based on the payment terms in the SBPA, at the end of any reporting period, THR could have up to three of twelve quarterly payments due within a one-year period of time, therefore, THR carries 3/12 of the outstanding principal amount on these bonds as a current liability in the current portion of long-term debt. THR's management believes that the lending institution holding this SBPA has the ability to meet its obligation, if necessary. The SBPA expires November 23, 2015 and may be renewed or replaced. In the event the SBPA is not renewed and THR is unable to replace the liquidity facilities, the outstanding bonds become bank bonds under a mandatory tender provision. The SBPA also contains certain liquidity facility agreement special default provisions that would result in immediate termination of the agreement requiring THR to purchase any tendered bonds that are unable to be remarketed.

In the event all of the Series 2008 and Series 2012B Bonds were tendered and the remarketing agents were unable to remarket the bonds, THR's required repayment of principal as compared to scheduled principal repayments are as follows (dollars in thousands)

Series 2008 and 2012B Bonds		
Year Ending December 31,	Scheduled Principal Payments	Self Liquidity and SBPA Provisions
2013	\$ -	\$ 180,477
2014	-	20,257
2015	-	20,257
2016	-	5,064
Thereafter	226,055	-
Total	\$ 226,055	\$ 226,055

Concurrent with the issuance of the Series 1997 Bonds and amended in connection with the issuance of the Series 2008 and Series 2012 Bonds, THR entered into the Second Amended and Restated Master Trust Indenture (the Master Indenture). Among other requirements, THR granted a security interest in (a) certain of its revenue (as defined in the Master Indenture) and accounts receivable of the grantor, (b) all money and investments held or required to be held for the credit of the funds and accounts established by or under the Master Indenture, and (c) any and all property that may, from time to time, be subjected to the lien and security interest of the Master Indenture.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, continued

In April and May 2007, at THR's request, Tarrant County Cultural Education Facilities Finance Corporation issued \$597,840,000 of Refunding Revenue Bonds and \$100,000,000 of Revenue Bonds, Series 2007A and 2007B, respectively. The proceeds of the Series 2007A Bonds were used (a) to provide payment of principal, redemption premium, and interest to redemption or maturity on \$366,985,000 outstanding Series 1997A Bonds, \$157,090,000 outstanding Series 1997B Bonds, and \$68,745,000 outstanding Series 1997C Bonds, and (b) to pay certain costs incurred in connection with the issuance of the Series 2007A Bonds and the provisions for the refunded bonds. The proceeds of the sale of the Series 2007B Bonds will be used (a) to pay or reimburse THR for the costs of acquiring, constructing, renovating, remodeling, and/or equipping capital improvements for THR and its tax-exempt controlled affiliates, and (b) to pay certain costs incurred in connection with the issuance of the Series 2007B Bonds.

In December, 2010, Rockwall entered into a Credit Agreement with JP Morgan Chase Bank NA (the Chase Agreement). The Chase Agreement provides Rockwall with a Real Estate Term Loan of \$42,000,000, an Equipment Term Loan of \$13,000,000, and a Revolving Loan of \$5,000,000 to be used as working capital. Under the Chase Agreement, outstanding balances bear interest based on a one-, two-, or three-month LIBOR rate plus 1.95%. The Real Estate Term Loan and Equipment Term Loan had outstanding balances of approximately \$37,800,000 and \$9,286,000, and \$39,900,000 and \$11,143,000 at December 31, 2012 and 2011, respectively. The Revolving Loan had no outstanding balance at December 31, 2012 with an outstanding balance of \$5,000,000 at December 31, 2011.

On January 13, 2011, Rockwall entered into a forward starting swap agreement with JPMorgan Chase Bank with respect to the \$42,000,000 Real Estate Term Loan. This swap is intended to reduce the financial risk related to rising LIBOR interest rates by executing a cash flow hedge that will convert the floating rate exposure to a fixed rate hedge instrument. The fixed rate on this hedge is 2.70%, with a start date of January 31, 2011 and ending date of December 31, 2017. The fair value of this swap was a liability of approximately \$3,252,000 and \$2,892,000 at December 31, 2012 and 2011, respectively, and is included in other noncurrent liabilities on the accompanying consolidated balance sheets.

In February 2008, Flower Mound entered into a Credit Agreement (the Agreement) with various lending institutions with JP Morgan Chase Bank, NA acting as agent for the lenders. The Agreement provides Flower Mound with an Advancing Term Loan Commitment of \$105,000,000 used for the construction of the hospital building and the acquisition of equipment and a Revolving Loan Commitment of \$20,000,000 to be used as working capital. During 2010, the Agreement was amended to reduce the Revolving Loan to \$15,000,000 as of December 31, 2010 and to \$10,000,000 as of December 31, 2011. During 2012, the Agreement was amended to reduce the Revolving Loan to \$5,000,000. Under the Agreement, outstanding balances for the Term and Revolving Loans bear interest based on one-, two-, three-, or six-month Eurodollar rates, plus 1.15% for the Term Loan and 0.90% for the Revolving Loan. The balance outstanding on the Term Loan as of December 31, 2012 and 2011 was approximately \$93,809,000 and \$99,517,000, respectively. There was no outstanding balance on the Revolving Loan as of December 31, 2012. The balance outstanding on the Revolving Loan as of December 31, 2011 was approximately \$3,000,000.

Flower Mound also entered into a forward starting interest swap agreement with respect to \$73,500,000 of the Term Loan. This swap is intended to reduce the financial risk related to rising interest rates by executing a cash flow hedge that will convert the floating rate exposure to a fixed rate hedge instrument. The fixed rate on the hedge is 4.76% with a start date of September 30, 2009. The fair value of the swap was a liability of approximately \$11,137,000 and \$11,524,000 at December 31, 2012 and 2011, respectively and is included in other noncurrent liabilities on the accompanying consolidated balance sheets. All of the increase or decrease in the fair value for the years ended December 31, 2012 and 2011 is recorded in other changes in unrestricted net assets in the accompanying consolidated statement of operations and changes in net assets.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, continued

On December 28, 2011, ACL entered into Loan Agreements with Bank of America, N A (the Agreements) The Agreements provide ACL with a ten year floating rate Service Line Term Loan of \$15,300,000, a seven year floating rate Equipment Term Loan of \$6,400,000 and a five year floating rate Revolving Line of Credit of \$10,000,000 The loans bear interest at LIBOR plus a credit spread of 1.3% for the Service Line Term Loan and 0.9% for the Equipment Term Loan and Revolving Line of Credit Balances outstanding as of December 31, 2012 and 2011 were \$15,300,000 on the Service Line Term Loan and \$6,400,000 on the Equipment Term Loan The balance outstanding as of December 31, 2011 on the Revolving Line of Credit was \$750,000 with no balance outstanding as of December 31, 2012

On December 22, 2011, ACL entered into Interest Rate Swap Agreements with Bank of America N A with respect to the Service Line Term Loan and Equipment Term Loan These swaps are intended to reduce the financial risk related to rising LIBOR interest rates by executing a cash flow hedge that will convert the floating rate exposure to a fixed rate hedge instrument The fixed rate on the Service Line Term Loan hedge is 2.0025%, with a start date of December 28, 2011 and ending date of January 1, 2022 The fixed rate on the Equipment Term Loan hedge is 1.6470%, with a start date of December 28, 2011 and ending date of January 1, 2019 The fair value of the swaps at December 31, 2012 and 2011 was a liability of approximately \$835,000 and \$255,000, respectively and is included in other noncurrent liabilities on the accompanying balance sheets The swaps are considered effective hedges as of December 31, 2012 and 2011, therefore, the change in fair value of the swaps for the years ended December 31, 2012 and 2011 is recorded in other changes in unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets

Scheduled principal repayments on long-term debt are as follows (dollars in thousands)

<u>Year Ending December 31,</u>	<u>Scheduled Principal Payments</u>
2013	\$ 29,157
2014	29,839
2015	30,633
2016	37,032
2017	37,060
Thereafter	<u>1,280,590</u>
Total	<u>\$ 1,444,311</u>

Unamortized bond and debt issuance costs at December 31, 2012 and 2011 were approximately \$6,224,000 and \$5,314,000, respectively, and are included in other assets in the accompanying consolidated balance sheets

The Master Indenture, SBPA, Bank Loans and Credit Agreements contain various covenants which require, among other things, the maintenance of certain financial ratios and certain other restrictions Management believes THR is in compliance with its covenants as of December 31, 2012

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 were restricted for the following purposes (dollars in thousands)

	<u>2012</u>	<u>2011</u>
Capital improvements	\$ 36,007	\$ 32,819
Education and training	18,204	16,833
Patient care	10,654	9,230
Research	6,786	6,721
Community outreach	3,560	3,914
Other restricted purposes	<u>7,216</u>	<u>6,353</u>
	<u>\$ 82,427</u>	<u>\$ 75,870</u>

Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2012 and 2011 were restricted by donors to be maintained by THR in perpetuity for the following purposes (dollars in thousands)

	<u>2012</u>	<u>2011</u>
Education and training	\$ 22,378	\$ 20,163
Research	11,945	11,549
Patient care	7,968	7,597
Capital improvements	3,526	3,467
Community outreach	2,566	2,491
Other restricted purposes	<u>8,176</u>	<u>7,986</u>
	<u>\$ 56,559</u>	<u>\$ 53,253</u>

9. Endowment

The Foundations' endowments consist of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Endowment, continued

Based on the interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) by the Board of Trustees of the Foundations, the guidance in FASB ASC 958-205, Not-for-Profit Entities Presentation of Financial Statements, and absent explicit donor stipulations to the contrary, the Foundations classify the original value of gifts donated to the permanent endowment as well as accumulations to the permanent endowment made at the direction of the donor or by policy as permanently restricted net assets. 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 Foundations in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundations consider 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 purposes of the Foundations 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 Foundations
- (7) The investment policies of the Foundations

Changes in the Foundations' endowment net assets for the years ended December 31, 2012 and 2011 is as follows (dollars in thousands)

	Board Designated Endowment Funds	Donor- Restricted Endowment Funds		Total Endowment Funds
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance at December 31, 2010	\$ -	\$ -	\$ -	\$ -
Transfer in from change in control of Foundations	42,712	26,758	43,583	113,053
Contributions	-	-	541	541
Interest and dividends	629	1,747	-	2,376
Realized and unrealized gains, net	(137)	192	-	55
Transfers	-	(1,501)	1,940	439
Amounts appropriated for expenditure	(209)	(2,325)	-	(2,534)
Balance at December 31, 2011	42,995	24,871	46,064	113,930
Contributions	-	-	2,221	2,221
Interest and dividends	827	1,883	-	2,710
Realized and unrealized gains, net	2,818	2,974	-	5,792
Transfers	-	(718)	1,267	549
Amounts appropriated for expenditure	(236)	(1,433)	-	(1,669)
Balance at December 31, 2012	<u>\$ 46,404</u>	<u>\$ 27,577</u>	<u>\$ 49,552</u>	<u>\$ 123,533</u>

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of December 31, 2012 and 2011.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Endowment, continued

The Foundations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in securities and other instruments which compliment or balance one another, thereby reducing risk without significantly reducing average returns.

To satisfy its long-term rate-of-return objectives, the Foundations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundations have spending policies that allow up to 4% of the endowment to be appropriated for expenditure unless otherwise stipulated in the donor agreement, calculated after the endowment principal has been increased by the annual Consumer Price Index. This is consistent with the Foundations' objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth.

10. Non-Controlling Interests

The System controls and therefore consolidates certain investees in its partnerships with physicians and non-physicians to operate hospitals and other health related ventures. The activity for non-controlling interests for the years ended December 31, 2012 and 2011 is summarized below (dollars in thousands).

	2012	2011
Non-controlling ownership interest in equity of consolidated affiliates, beginning of year	\$ 49,343	\$ 43,283
Revenue and gains in excess of expenses and losses attributable to non-controlling interest	53,215	43,358
Elimination of noncontrolling interest on Denton Surgery Center	(1,053)	-
Non-controlling interest in change in fair value of interest rate swap agreements	(281)	-
Contributions from non-controlling interest holders	2,352	4,682
Distributions to non-controlling interest holders	(42,666)	(41,980)
Non-controlling ownership interest in equity of consolidated affiliates, end of year	\$ 60,910	\$ 49,343

11. Retirement Plans

The System has various plans, primarily defined contribution plans, which cover eligible full-time and part-time employees of the System. Plan contributions, included in salaries, wages, and employee benefits in the consolidated statements of operations and changes in net assets, were approximately \$49,165,000 and \$48,952,000 for the years ended December 31, 2012 and 2011, respectively.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

12. Federal and State Income Taxes

The System has certain subsidiaries and operations such as partnership interests, retail pharmacies and outside laboratory services that are taxable for federal income tax purposes. The taxable activities of all includible entities have approximately \$1,082,000 and \$936,000 in net deferred tax assets, against which a 100% valuation allowance has been recorded, for the years ended December 31, 2012 and 2011, respectively. While the System expects to generate taxable income from certain activities in the future, the valuation allowance has been recorded because the System does not believe taxable income will be incurred by the entities that generated the net deferred tax assets. The Texas franchise tax applies to certain of the System's consolidated for-profit and joint venture interests. Under this law, tax is calculated on a margin base and is therefore reflected in the System's statements of operations and changes in net assets as income tax expense. Federal and state income tax expense of approximately \$10,170,000 and \$6,166,000 is included in the consolidated statements of operations and changes in net assets for the years ended December 31, 2012 and 2011, respectively.

13. Concentrations of Credit Risk

Financial institutions that potentially subject the System to concentrations of credit risk consist of deposits in banks and investments in excess of the Federal Deposit Insurance Corporation, Securities Investor Protection Corporation and other privately insured limits. The System has not experienced any credit losses on these financial instruments.

The hospitals and physician practices grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2012 and 2011 is as follows:

	2012	2011
Medicare	19%	21%
Medicare Managed Care	8%	6%
Medicaid	3%	2%
Medicaid Managed Care	6%	5%
Managed care organizations	45%	45%
Other third-party payors	3%	3%
Patients	16%	18%
	100%	100%

14. Commitments and Contingencies

Management evaluates contingencies based upon available evidence. In addition, allowances for losses are provided each year for disputed items which have continuing significance. Management believes that allowances for losses have been provided to the extent necessary and that its assessment of contingencies is reasonable. Due to the inherent uncertainties and subjectivity involved in accounting for contingencies, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. To the extent that the resolution of contingencies results in amounts which vary from management's estimates, future operating results will be charged or credited. The principal commitments and contingencies are described below.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Commitments and Contingencies, continued

Professional and General Liability Insurance

The System has known professional and general liability claims and incidents that may result in the assertion of claims, as well as exposure from unknown incidents that may be asserted. In connection with these risks, THR maintains a self-insurance program for the professional and general liabilities of THR and its wholly-controlled hospital affiliates whereby undiscounted reserves are recorded based on actuarial estimates from an independent third-party actuary. The self-insurance program includes coverage for general liability exposure of THPG. Professional liability exposure of THPG is purchased from commercial carriers and is not included in the self-insurance program. In connection with the self-insurance program, THR maintains trust funds, included in assets limited as to use in the consolidated balance sheets, which hold assets for the purpose of paying potential professional liability and general liability claims. The System also purchases insurance for professional liability and general liability claims in excess of THR's self-insurance retention level.

Workers' Compensation Insurance

The System purchases workers' compensation insurance from commercial carriers with per claim deductibles and aggregate limits. Accrued claims include estimates for known claims and incidents incurred but not reported at December 31, 2012 and 2011, respectively.

Employee Health Insurance

THR maintains a self-insurance medical plan for the employees of THR and its wholly-controlled affiliates. Accrued claims include estimates for known claims and services incurred but not reported at December 31, 2012 and 2011, respectively. THR also purchases insurance to limit its losses on claims for medical expenses.

Guarantees of Indebtedness

The Tax-Exempt Hospitals guaranteed approximately \$15,386,000 and \$9,142,000 of patient notes purchased by banks at December 31, 2012 and 2011, respectively. The System recorded a contingent liability of approximately \$7,470,000 and \$6,235,000 at December 31, 2012 and 2011, respectively, for these guarantees based on historical default rates.

In conjunction with the USMD Hospital of Arlington, L P (USMD Arlington) partnership, THR entered into a limited guaranty agreement with Bank of America whereby THR guaranteed its proportionate share of any indebtedness outstanding between Bank of America and USMD Arlington. Effective March 1, 2010, THR acquired an additional 26% ownership interest in USMD Arlington, for a total ownership interest of 51%, and also acquired a 51% ownership interest in USMD Hospital of Fort Worth, L P (USMD Fort Worth). In conjunction with these acquisitions, THR guaranteed an additional 26% of USMD Arlington's bank indebtedness and agreed to guarantee 100% of USMD Fort Worth's Southwest Bank indebtedness and 51% of their Bank of Texas indebtedness for a fee. At December 31, 2012 and 2011, THR's share of principal on USMD Arlington's and USMD Fort Worth's outstanding indebtedness was approximately \$18,036,000 and \$8,557,000, and \$19,178,000 and \$10,971,000, respectively. Payments are due from THR if USMD Arlington or USMD Fort Worth is unable to fulfill its obligations at the scheduled payment dates. As of December 31, 2012, it is not probable that THR will be required to make significant payments under the limited guaranty agreements. No amounts have been recorded in the accompanying consolidated financial statements for these guarantees.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Commitments and Contingencies, continued

Guarantees of Indebtedness, continued

In conjunction with the previously discussed December 31, 2010 sale of Physerve Physicians Services, Inc to MedSynergies, Inc (MSI), THR also entered into a limited guaranty agreement with Comerica Bank whereby THR guaranteed 50% of the indebtedness outstanding between Comerica Bank and MSI under a Revolving Credit and Term Loan Agreement dated as of December 31, 2010. Effective September 29, 2012, Comerica Bank terminated the limited guaranty agreement. At December 31, 2011, THR's 50% share of principal on MSI's outstanding indebtedness under this agreement was approximately \$20,000,000. In consideration of THR entering into this guaranty, MSI paid THR a monthly fee equal to a percentage of the indebtedness outstanding.

Litigation

The System is a party to several legal actions arising in the ordinary course of its business. In management's opinion, the System has adequate legal defenses, insurance coverage, and (or) self insurance trust assets for each of these actions, and management estimates that these matters will be resolved without material adverse effect on the System's future financial position, results of operations, or cash flows.

Regulatory Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments and compliance can be subject to future review and interpretation as well as the possible emergence of regulatory actions unknown or unasserted at this time. Management believes that the System is in substantial compliance with applicable government laws and regulations. Regulatory inquiries and voluntary reports may be made from time-to-time. It is management's policy to cooperate fully in resolving any such reports or inquiries.

In December, 2010, the Department of Justice (DOJ) issued a request for information pursuant to the False Claims Act to THR involving seven THR wholly controlled hospitals. The request involves information regarding Medicare claims submitted by the hospitals in connection with the implantation of implantable cardioverter defibrillators (ICDs) during the period 2003 to the date of the request. The government is seeking this information to determine if ICD implantation procedures were performed in accordance with Medicare coverage requirements. Management understands that the DOJ has submitted similar requests to other hospital systems as well. The System is cooperating with the government regarding its review, to date, the DOJ has not asserted any claim against THR hospitals.

THR's Corporate Compliance Department investigates all compliance matters reported through its compliance program. As of the date of this disclosure, there was no additional pending or, to the knowledge of System management, threatened litigation, including professional liability claims, or reported compliance issues which in the opinion of System management involves any substantial risk of material liability for the System, and where applicable, in excess of available reserves and insurance coverage. In management's opinion, the System does not expect the resolution of any known regulatory compliance matters to have a material adverse effect on the System's future financial position, results of operations, or cash flows.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Commitments and Contingencies, continued

Operating Leases

The System leases various equipment and facilities under operating leases expiring at various dates through 2025. Total rental expense, included in other operating expenses in the consolidated statements of operations and changes in net assets, was approximately \$87,220,000 and \$94,067,000 for the years ended December 31, 2012 and 2011, respectively.

The following is a five year schedule, by year, of future minimum lease payments under noncancelable operating leases that have initial terms in excess of one year as of December 31, 2012 (dollars in thousands)

<u>Year Ending</u> <u>December 31,</u>	
2013	\$ 57,929
2014	45,322
2015	36,797
2016	32,036
2017	28,716

The System leases office space and land at fair market value to non-THPG physicians, health care related businesses, and others under operating leases expiring at various dates through 2072. Total rental income, included in other operating revenue and other non-operating gains in the consolidated statements of operations and changes in net assets, was approximately \$36,810,000 and \$38,727,000 for the years ended December 31, 2012 and 2011, respectively.

The following is a five-year schedule, by year, of future minimum rental income payments under noncancelable leases that have initial terms in excess of one year as of December 31, 2012 (dollars in thousands)

<u>Year Ending</u> <u>December 31,</u>	
2013	\$ 26,241
2014	18,369
2015	14,481
2016	10,518
2017	7,819

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

15. Functional Operating Expenses

The System provides general and comprehensive health care services to residents within its geographic locations. Operating expenses related to providing these services for the years ended December 31, 2012 and 2011 were as follows (dollars in thousands)

	2012	2011
Patient care services	\$ 3,004,051	\$ 2,886,043
General and administrative	410,294	368,200
Research and physician education	15,254	14,598
Fundraising	6,416	6,365
	\$ 3,436,015	\$ 3,275,206

16. Fair Value Measurements

The System follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets and liabilities that are measured and reported at fair value each reporting period. The financial assets recorded at fair value on a recurring basis primarily relate to investments, assets limited as to use, interest rate swap agreements, and contributions receivable from split-interest agreements. FASB ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The following tables present information about the System's assets and liabilities (dollars in thousands) that are measured at fair value on a recurring basis as of December 31, 2012 and 2011, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The System's assets limited as to use that are categorized as Level 3, or valued using significant unobservable inputs, represent an investment in the Central Texas Methodist Foundation, contributions receivable from split-interest agreements and an endowment fund primarily holding mineral interests that are valued based on a multiple of annual revenues.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

16. Fair Value of Financial Instruments, continued

	<u>2012</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 51,733	\$ 50,502	\$ 1,231	\$ -
Domestic equity securities				
Cash equivalents	23,961	23,961	-	-
Energy	91,964	91,585	379	-
Materials	69,540	69,540	-	-
Industrials	102,117	102,117	-	-
Consumer discretionary	229,656	229,179	477	-
Consumer staples	67,607	67,293	314	-
Health care	153,378	152,969	409	-
Financials	213,697	213,185	512	-
Information technology	202,800	202,743	57	-
Telecommunication services	30,815	30,601	214	-
Utilities	21,335	18,600	2,735	-
Other	21,009	21,002	7	-
International equity securities				
Mutual funds	110,189	110,189	-	-
Common collective trust	109,593	109,593	-	-
Fixed income securities				
Cash equivalents	26,204	-	26,204	-
U S Government	13,732	-	13,732	-
Corporate bonds	3,328	-	3,328	-
Agency mortgages	208,430	-	208,430	-
U S Agencies	482,737	-	482,737	-
Other	2,186	-	2,186	-
Common collective trust	46,207	46,207	-	-
Mutual funds	276	-	276	-
Hedge funds	1,570	-	1,570	-
Central Texas Methodist Foundation	1,151	-	-	1,151
Real estate	3,610	-	3,592	18
Mineral interests	5,473	-	-	5,473
Contributions receivable from split-interest agreements	1,803	-	-	1,803
Total assets	<u>\$ 2,296,101</u>	<u>\$ 1,539,266</u>	<u>\$ 748,390</u>	<u>\$ 8,445</u>
Interest rate swap agreements	<u>\$ (15,225)</u>	<u>\$ -</u>	<u>\$ (15,225)</u>	<u>\$ -</u>

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

16. Fair Value of Financial Instruments, continued

	<u>2011</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 1,488	\$ 451	\$ 1,037	\$ -
Domestic equity securities				
Cash equivalents	26,166	26,166	-	-
Energy	118,449	118,045	404	-
Materials	60,500	60,500	-	-
Industrials	95,428	95,428	-	-
Consumer discretionary	164,502	164,180	322	-
Consumer staples	49,135	48,895	240	-
Health care	114,836	114,496	340	-
Financials	155,855	155,501	354	-
Information technology	171,697	171,642	55	-
Telecommunication services	17,847	17,651	196	-
Utilities	29,148	29,062	86	-
Other	15,570	13,181	2,389	-
International equity securities				
Mutual funds	83,178	83,178	-	-
Common collective trust	86,293	86,293	-	-
Fixed income securities				
Cash equivalents	22,703	-	22,703	-
U S Government	14,123	-	14,123	-
Corporate bonds	7,902	-	7,902	-
Agency mortgages	195,444	-	195,444	-
U S Agencies	400,571	-	400,571	-
Other	1,918	-	1,918	-
Common collective trust	51,172	51,172	-	-
Mutual funds	1,114	-	1,114	-
Hedge funds	1,396	-	1,396	-
Central Texas Methodist Foundation	1,138	-	-	1,138
Real estate	3,610	-	3,592	18
Mineral interests	6,022	-	-	6,022
Contributions receivable from split-interest agreements	1,741	-	-	1,741
Total assets	\$ 1,898,946	\$ 1,235,841	\$ 654,186	\$ 8,919
Interest rate swap agreements	\$ (14,671)	\$ -	\$ (14,671)	\$ -

Included in assets limited as to use in the accompanying statements of financial position is approximately \$10,788,000 and \$8,744,000 at December 31, 2012 and 2011, respectively, of pledges receivable that have been excluded from the above tables

The System's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of level 1, level 2, or level 3 for the years ended December 31, 2012 and 2011.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

16. Fair Value of Financial Instruments, continued

The change in the fair value of the System's assets limited as to use valued using significant unobservable inputs (Level 3) is shown below (dollars in thousands)

	2012	2011
Fair value recorded at beginning of year	\$ 8,919	\$ -
Transfer in from change in control of Foundations	-	8,109
Sales/withdrawals	-	(46)
Adjustment to record increase in estimated fair value		
due to realized investment gains	13	23
Adjustment to record increase (decrease) in estimated		
fair value due to unrealized gains (losses)	(549)	487
Change in value of split-interest agreements	62	346
Fair value recorded at end of year	\$ 8,445	\$ 8,919

The adjustment to record the increase (decrease) in estimated fair value due to realized and unrealized gains (losses) on the investments valued using significant unobservable inputs is included in changes in temporarily restricted net assets in the accompanying consolidated statements of operations and changes in net assets. The change in value of split-interest agreements on the investments valued using significant unobservable inputs is included in changes in unrestricted and temporarily restricted net assets in the accompanying consolidated statements of operations and changes in net assets. The increase in unrealized gains (losses) relating to assets still held at December 31, 2012 and 2011 is approximately (\$549,000) and \$487,000, respectively.

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Equity Securities

Equity securities are measured using quoted market prices.

Fixed Income Securities

Fixed income securities are measured using quoted market prices, if available, or estimated using quoted market prices for similar assets.

Common Collective Trusts

Investments in common collective trusts may be accessed at any time at the net asset value as reported by the manager on a daily basis. THR's interest in these trusts contains no other rights or obligations. As such, net asset value represents fair value for these investments. Each common collective trust invests in either equity or fixed income securities.

Mutual Funds

Values of investments in mutual funds are based on net asset values.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

16. Fair Value of Financial Instruments, continued

Hedge Funds

Values of investments in hedge funds are estimated by the general partner of the hedge fund based on the underlying securities which are primarily level 1 and 2 financial instruments and reviewed by management of THR

Central Texas Methodist Foundation

The value of the investment in the Central Texas Methodist Foundation is estimated by the manager of the foundation based on the valuation of loans made by the foundation

Real Estate

Investments in real estate are measured by private valuations

Mineral Interests

Investments in mineral interests are estimated based on a multiple of annual revenues

Contributions Receivable from Split-Interest Agreements

The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets

Long-Term Debt

Fair value of the System's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the System for debt of the same remaining maturities and is therefore classified as Level 2 under the fair value hierarchy. The carrying amounts and fair value of the System's long-term debt at December 31, 2012 and 2011 were as follows (dollars in thousands)

	Book Value		Estimated Fair Value	
	2012	2011	2012	2011
Fixed rate	\$ 939,059	\$ 854,076	\$ 994,280	\$ 891,539
Variable rate	494,118	413,589	494,118	413,589
Other	21,638	9,604	21,638	9,604
	<u>\$ 1,454,815</u>	<u>\$ 1,277,269</u>	<u>\$ 1,510,036</u>	<u>\$ 1,314,732</u>

Interest Rate Swap Agreements

Current market pricing models were used to estimate fair values of interest rate swap agreements

Other Financial Instruments

The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, receivables, accounts payable, estimated third-party settlements, accrued salaries, wages, and employee benefits, and other accrued liabilities approximates its fair value due to the short-term nature of these financial instruments

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

17. Investments in Unconsolidated Affiliates

THR and its controlled affiliates participate with other non-profit organizations, physicians, and non-physicians to provide health care related services. At December 31, 2012, THR and its controlled affiliates own interests in Community Hospice of Texas (Hospice), a provider of hospice services, LHCG XXXIII, LLC (LHC Home Health), a provider of home health services, North Central Texas Services (d/b/a CareFlite) (CareFlite), a provider of helicopter, fixed wing and ground ambulance services, USMD Arlington and USMD Fort Worth, short-stay hospitals, Imaging Center Partnership, L L P (d/b/a Southwest Diagnostic Imaging Center) (SDIC), a provider of outpatient diagnostic imaging services, Sherman/Grayson Health System, L L C (d/b/a Texas Health Presbyterian Hospital – WNJ) (WNJ) and Texas Health Huguley, Inc (d/b/a Huguley Memorial Medical Center) (Huguley), acute care hospitals, THR/STT Rockwall ASC, LLC (STT Rockwall), THR/STT Southlake ASC, LLC (STT Southlake), ambulatory surgery centers, and other partnerships.

Effective May 1, 2012, THR entered into an agreement with Adventist Health System to form a joint venture to own and manage Huguley Memorial Medical Center, a 213 bed hospital located in south Fort Worth. Huguley Memorial Medical Center will remain a non-profit, faith-based organization, and over time, is expected to adopt the Texas Health brand.

Effective June 1, 2012, THR purchased shares of THR/STT Rockwall ASC, LLC and THR/STT Southlake ASC, LLC, two existing ambulatory surgery centers located in Rockwall and Southlake, respectively.

Effective July 1, 2012, Texas Health Presbyterian Hospital Dallas sold its Home Health service line to LHCG XXXIII, LLC. In conjunction with the transaction, THR acquired a 20% ownership interest in that joint venture and recorded a gain on the sale of the service line of approximately \$3,787,000, which is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

Effective October 1, 2012, THR entered into an agreement with Surgical Care Affiliates, LLC (SCA) to form a joint venture to acquire and develop ambulatory surgery centers (ASC's) in the Dallas Fort Worth Metroplex. THR owns THR-SCA Holdings, LLC joint venture, and SCA manages the daily operations of the ASC's. The ASC's included in the joint venture as of December 31, 2012 are Greenville Surgery Center (Greenville SC), Flower Mound Surgery Center (Flower Mound SC), Surgical Caregivers of Fort Worth (SC Fort Worth), and Denton Surgery Center (Denton SC). THR contributed its existing ownership in Denton SC to THR-SCA Holdings and received approximately \$1,360,000 cash from SCA to compensate THR for the difference between the fair value of Denton SC versus the fair value of the ASC's contributed by SCA. As a result of this transaction, THR deconsolidated Denton SC effective October 1, 2012, and recognized a gain of approximately \$5,518,000, which is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

TEXAS HEALTH RESOURCES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

17. Investments in Unconsolidated Affiliates, continued

The ownership interests, carrying amounts, and equity in earnings of investments in unconsolidated affiliates at December 31, 2012 and 2011 were as follows (dollars in thousands)

	Ownership Interest		Carrying Value		Equity in Earnings	
	2012	2011	2012	2011	2012	2011
USMD Arlington	51 00%	51 00%	\$ 25,008	\$ 22,135	\$ 7,468	\$ 6,845
Hospice	50 00%	50 00%	15,577	12,965	2,612	1,573
USMD Fort Worth	51 00%	51 00%	12,874	10,188	2,881	3,135
MSI	13 00%	13 00%	10,040	8,862	-	-
CareFlite	50 00%	50 00%	5,544	4,163	1,382	(1,709)
SDIC	50 00%	50 00%	1,860	1,774	4,565	4,374
WNJ	50 10%	50 10%	-	2,888	(15,319)	(5,555)
Huguley	51 00%	0 00%	17,781	-	2,781	-
Denton SC	70 30%	0 00%	8,829	-	527	-
STT Southlake	51 00%	0 00%	6,058	-	1,467	-
SC Fort Worth	51 00%	0 00%	4,453	-	206	-
STT Rockwall	51 00%	0 00%	2,009	-	757	-
Flower Mound SC	51 00%	0 00%	1,677	-	-	-
Greenville SC	86 30%	0 00%	1,072	-	10	-
LHC Home Health	20 00%	0 00%	1,056	-	(194)	-
Others	1 00% - 51 00%	1 00% - 50 00%	7,192	5,274	1,121	(153)
			<u>\$ 121,030</u>	<u>\$ 68,249</u>	<u>\$ 10,264</u>	<u>\$ 8,510</u>

The equity in earnings of unconsolidated affiliates providing services that the System does not provide as part of its routine services are included in nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets. All others are included in operating revenue.

18. Related-Party Transactions

THR incurred expenses for purchased services from North Texas Health Care Laundry Cooperative Association (NTHC Laundry), for which THR holds a 44% ownership interest, of approximately \$8,218,000 and \$7,481,000 for the years ended December 31, 2012 and 2011, respectively, which is recorded in other operating expenses in the accompanying consolidated statements of operations and changes in net assets. Amounts due to NTHC Laundry, which total approximately \$511,000 and \$590,000 at December 31, 2012 and 2011, respectively, are reflected in current liabilities in the accompanying consolidated balance sheets. THR's hospitals provided services to Hospice totaling approximately \$4,137,000 and \$3,291,000 for the years ended December 31, 2012 and 2011, respectively, which is recorded in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets. Amounts due from Hospice for these services, which total approximately \$101,000 and \$94,000 at December 31, 2012 and 2011, respectively, are reflected in patient receivables in the accompanying consolidated balance sheets. Additionally, THR has various other immaterial transactions with certain of its nonconsolidated affiliates throughout the year.

19. Subsequent Events

The System evaluated events subsequent to December 31, 2012 and through April 11, 2013, the date on which the financial statements were issued.