

Form **990**

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

OMB No. 1545-0047

2013

Department of the Treasury
Internal Revenue Service

Do not enter Social Security numbers on this form as it may be made public.

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

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning **JUL 1, 2013** and ending **JUN 30, 2014**

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

C Name of organization: **Baylor Scott & White Health (f/k/a BSW Health Service)**
 Doing Business As: _____
 Number and street (or P.O. box if mail is not delivered to street address): **2001 Bryan Street** Room/suite: **2200**
 City or town, state or province, country, and ZIP or foreign postal code: **Dallas, TX 75201**

D Employer identification number: **46-3131350**

E Telephone number: **214-820-4135**

F Name and address of principal officer: **Robert Pryor, M.D. 2401 South 31st Street, Temple, TX 76508**

G Gross receipts: **0.**

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list (see instructions)

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: **www.baylorhealth.com**

K Form of organization: Corporation Trust Association Other

L Year of formation: **2013** **M** State of legal domicile: **TX**

Part I Summary

1 Briefly describe the organization's mission or most significant activities: See Sch O			
2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
Activities & Governance	3 Number of voting members of the governing body (Part VI, line 1a)	3	7
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	0
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	0
	6 Total number of volunteers (estimate if necessary)	6	0
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0.
	Revenue	8 Contributions and grants (Part VIII, line 1h)	
9 Program service revenue (Part VIII, line 2g)			0.
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)			0.
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)			0.
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)			0.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		0.
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0.
	b Total fundraising expenses (Part IX, column (D), line 25)		0.
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		0.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)		0.
	19 Revenue less expenses Subtract line 18 from line 12		0.
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)	0.	10,000,000.
	22 Net assets or fund balances. Subtract line 21 from line 20	0.	10,000,000.

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 MAY 21 2015
 OGDEN, UT

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: *Fred Savelsbergh* Date: **5/11/2015**
 Type or print name and title: **Fred Savelsbergh, CFO/Treasurer**

Paid Preparer Use Only
 Print/Type preparer's name: _____ Preparer's signature: _____ Date: _____ Check if self-employed: PTIN: _____
 Firm's name: _____ Firm's EIN: _____
 Firm's address: _____ Phone no.: _____

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

61 one 04B 015

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Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission:

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

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

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

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

If "Yes," describe these changes on Schedule O.

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

4a (Code _____) (Expenses \$ 0. including grants of \$ _____) (Revenue \$ 0.)

Baylor Scott & White Health provides centralized administrative and management services to Baylor Scott & White Holdings and its affiliates entities (collectively "BSWH"). BSWH is a faith-based nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and other community services to the residents of North and Central Texas. BSWH is the largest not-for-profit health care system in Texas, and one of the largest in the United States. BSWH was formed from the 2013 combination of Baylor Health Care System and Scott & White Healthcare. BSWH exist to serve all people by providing personalized health and wellness through exemplary care, education, and research as a Christian ministry of healing.

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 **▶**

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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>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
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>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>		X
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>	X	
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>		X
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>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
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>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
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</i>		X
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>		X
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>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>		X
b <i>If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?</i>		

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Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 17? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X	
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2	X	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note. All Form 990 filers are required to complete Schedule O

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Part V Statements Regarding Other IRS Filings and Tax Compliance

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

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

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

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

Section A. Governing Body and Management

	1a	1b	2	3	4	5	6	7a	7b	8a	8b	9	Yes	No
1a	7													
1b		0												
2														X
3														X
4					X									
5														X
6						X								
7a							X							
7b								X						
8a										X				
8b										X				
9														X

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

	10a	10b	11a	11b	12a	12b	12c	13	14	15a	15b	16a	16b	Yes	No
10a															X
10b															
11a			X												
11b															
12a					X										
12b					X										
12c							X								
13								X							
14									X						
15a															X
15b															X
16a															X
16b															

Section C. Disclosure

17	List the states with which a copy of this Form 990 is required to be filed	None
18	Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization:	James Pool - 214-820-2855 2001 Bryan Street, Suite 2300, Dallas, TX 75201

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Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f					
Program Service Revenue	2 a		Business Code				
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f					
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)					
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6 a	Gross rents	(i) Real	(ii) Personal			
		Less: rental expenses					
		Rental income or (loss)					
		Net rental income or (loss)					
	7 a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
		Less: cost or other basis and sales expenses					
		Gain or (loss)					
		Net gain or (loss)					
	8 a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a				
		Less: direct expenses	b				
		Net income or (loss) from fundraising events					
	9 a	Gross income from gaming activities. See Part IV, line 19	a				
Less: direct expenses		b					
Net income or (loss) from gaming activities							
10 a	Gross sales of inventory, less returns and allowances	a					
	Less: cost of goods sold	b					
	Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code					
11 a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See instructions.		0.	0.	0.	0.	

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21				
2 Grants and other assistance to individuals in the United States. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees)				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)				
12 Advertising and promotion				
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization				
23 Insurance				
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 _____				
b _____				
c _____				
d _____				
e All other expenses _____				
25 Total functional expenses. Add lines 1 through 24e	0.	0.	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 if following SOP 98-2 (ASC 958-720)

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Part X Balance Sheet

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

		(A) Beginning of year		(B) End of year	
Assets	1 Cash - non-interest-bearing		1		
	2 Savings and temporary cash investments		2	10,000,000.	
	3 Pledges and grants receivable, net		3		
	4 Accounts receivable, net		4		
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see Instr). Complete Part II of Sch L			6	
	7 Notes and loans receivable, net			7	
	8 Inventories for sale or use			8	
	9 Prepaid expenses and deferred charges			9	
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a			
	b Less accumulated depreciation	10b		10c	
	11 Investments - publicly traded securities			11	
	12 Investments - other securities. See Part IV, line 11			12	
	13 Investments - program-related. See Part IV, line 11			13	
	14 Intangible assets			14	
	15 Other assets. See Part IV, line 11			15	
16 Total assets. Add lines 1 through 15 (must equal line 34)		0.	16	10,000,000.	
Liabilities	17 Accounts payable and accrued expenses		17		
	18 Grants payable		18		
	19 Deferred revenue		19		
	20 Tax-exempt bond liabilities		20		
	21 Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			22	
	23 Secured mortgages and notes payable to unrelated third parties			23	
	24 Unsecured notes and loans payable to unrelated third parties			24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			25	
	26 Total liabilities. Add lines 17 through 25		0.	26	0.
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		27	10,000,000.	
	28 Temporarily restricted net assets		28		
	29 Permanently restricted net assets		29		
	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		0.	33	10,000,000.
	34 Total liabilities and net assets/fund balances		0.	34	10,000,000.

Form 990 (2013)

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Baylor Scott & White Health
(f/k/a BSW Health Service)

Form 990 (2013)

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Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	
2	Total expenses (must equal Part IX, column (A), line 25)	2	
3	Revenue less expenses. Subtract line 2 from line 1	3	
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	10,000,000.
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	10,000,000.

Part XII Financial Statements and Reporting

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

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

Form 990 (2013)

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
▶ Attach to Form 990 or Form 990-EZ.

OMB No 1545-0047

2013

Open to Public Inspection

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

Name of the organization **Baylor Scott & White Health (f/k/a BSW Health Service)** Employer identification number **46-3131350**

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

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

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

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

 - (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).

(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 US?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Baylor University	75-1837454	03	X						0.
Scott & White Memorial	74-1166904	03	X						0.
All Saints Health Found	75-1947007	07	X						0.
Baylor All Saints Medic	75-1008430	03	X						0.
Baylor Health Care	75-1606705	07	X						0.
Total	30								0.

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

Schedule A (Form 990 or 990-EZ) 2013

See Part IV for Line 11 Continuation

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Baylor Scott & White Health

Schedule A (Form 990 or 990-EZ) 2013 (f/k/a BSW Health Service)

46-3131350 Page 2

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

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

Section B. Total Support

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2012 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 33 1/3% support test - 2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
17a 10% -facts-and-circumstances test - 2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 10% -facts-and-circumstances test - 2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
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 <input type="checkbox"/>		

Schedule A (Form 990 or 990-EZ) 2013

Baylor Scott & White Health

Schedule A (Form 990 or 990-EZ) 2013 (f/k/a BSW Health Service)

46-3131350 Page 3

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

**Baylor Scott & White Health
(f/k/a BSW Health Service)**

Schedule A (Form 990 or 990-EZ)

46-3131350 Page 4

Part IV Supplemental Information (Schedule A, Part I, Line 11h - Information regarding supported organizations (continuation))

(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 support
			Yes	No	Yes	No	Yes	No	
Baylor Institute for	75-103722603		X						0.
Baylor Regional Medical Center	75-177711903		X						0.
Baylor Medical Center	75-258685703		X						0.
Baylor Regional Medical Center	82-055170403		X						0.
Baylor Medical Center	75-184413903		X						0.
Baylor Medical Center	75-103759103		X						0.
Baylor Research Institute	75-192189804		X						0.
Baylor Specialty Health Texas Provider Network	75-176538503		X						0.
Hillcrest Baptist Medical Center	75-253681803		X						0.
Hillcrest Baptist Medical Center	74-116194403		X						0.
Hillcrest Family Health Center	74-273035011		X						0.
Hillcrest Physician Services	74-296708111		X						0.
Irving Healthcare Foundation	75-157093307		X						0.
Scott & White Clinic	74-295827709		X						0.
Scott & White Continuum of Care	20-285092003		X						0.
Scott & White EMS, Inc.	75-324274909		X						0.
Scott & White Foundation	74-246081507		X						0.
Scott & White Health Center	27-351315407		X						0.
Scott & White Hospital	27-443445103		X						0.
Scott & White Hospital	27-302615103		X						0.
Scott & White Hospital	46-400770003		X						0.
Scott & White Hospital	20-374969503		X						0.
Scott & White Hospital	74-159571103		X						0.
Scott & White Hospital	74-251975203		X						0.
Baylor Medical Center	45-451025203			X					0.
Continuation Total									

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Schedule A (Form 990 or 990-EZ)

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

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

OMB No. 1545-0047

2013

Open to Public Inspection

Name of the organization **Baylor Scott & White Health**
(f/k/a BSW Health Service)

Employer identification number
46-3131350

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

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

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

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of an historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	
- Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d
- Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____
- Number of states where property subject to conservation easement is located ▶ _____
- Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? Yes No
- Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____
- Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____
- Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? Yes No
- In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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

(i) Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
(ii) Assets included in Form 990, Part X	▶ \$ _____
- If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
b Assets included in Form 990, Part X	▶ \$ _____

Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule D (Form 990) 2013

46-3131350 Page 3

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities.

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	

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

Schedule D (Form 990) 2013

332053 08-25-13

**Baylor Scott & White Health
(f/k/a BSW Health Service)**

Schedule D (Form 990) 2013

46-3131350 Page 4

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

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

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

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

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

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

Part XIII Supplemental Information.

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

Part X, Line 2:

The filing organization does not have separate individual audited financial statements; however, the organization is included in Baylor Scott & White Health's combined audited financial statements (System). The System follows the provisions of ASC 740, "Income Taxes." As of June 30, 2014 and 2013, the System had no material gross unrecognized tax benefits.

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

2013

Department of the Treasury
Internal Revenue Service

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

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

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

Open to Public Inspection

Name of the organization **Baylor Scott & White Health
(f/k/a BSW Health Service)**

Employer identification number
46-3131350

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 type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on 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 directors, trustees, and officers, including 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 type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input 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 section 501(c)(3) and 501(c)(4) organizations 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		
2		
4a		X
4b	X	
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

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

Schedule J (Form 990) 2013

Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule J (Form 990) 2013

46-3131350

Page 2

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				
(1) Gary Brock Director	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	701,331.	357,762.	161,547.	257,357.	16,772.	1,494,769.	139,579.
(2) Glen Couchman, M.D. Director	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	560,584.	78.	20,960.	33,150.	20,012.	634,784.	0.
(3) Pat Currie Director	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	559,394.	27.	20,080.	33,150.	21,822.	634,473.	0.
(4) Cyndy Dunlap Director	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	252,634.	326.	18,532.	33,150.	14,225.	318,867.	0.
(5) Rosemary Luquire Director	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	360,076.	186,319.	135,695.	134,977.	21,213.	838,280.	117,417.
(6) Irving Prengler, M.D. Director	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	482,222.	113,389.	11,510.	68,573.	24,201.	699,895.	0.
(7) Robert Pryor, M.D. President/COO/CMO/Vice-Chair	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	1,026,355.	27.	6,748.	33,150.	21,262.	1,087,542.	0.
(8) Joel Allison CEO/Chair	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	1,073,317.	871,329.	884,013.	172,790.	22,161.	3,023,610.	837,873.
(9) William Boyd Chief Legal Office/Secretary	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	582,787.	298,107.	251,031.	215,925.	21,326.	1,369,176.	225,260.
(10) Fred Savelsbergh CFO/Treasurer	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	544,895.	272,384.	18,900.	201,110.	20,655.	1,057,944.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

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Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule J (Form 990) 2013

46-3131350

Page 3

Part III Supplemental Information

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

in quality, patient satisfaction and financial performance. At the end of
three years, awards are determined by the organization's governing body for
participants. Payouts are partially made in cash and the remainder vests
over an additional two year period. The following individual participated
in and/or received payments (noted in parenthesis) from this plan during
the tax year: Gary Brock (\$289,645), Rosemary Luquire (\$151,677), Joel
Allison (\$489,790), Fred Savelsbergh (\$119,447) and William Boyd
(\$245,151).

048015

332113
09-13-13

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 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization

Baylor Scott & White Health
(f/k/a BSW Health Service)

Employer identification number
46-3131350

Form 990, Part I, Line 1, Description of Organization Mission:

Faith based supporting organization providing services to a network of acute care hospitals and related health care entities that provide patient care, medical education, research and community services.

Form 990, Part VI, Section A, line 4:

Effective October 1, 2013, Baylor Health Care System, a Texas nonprofit corporation (BHCS), and Scott & White Healthcare ("SWHC"), a Texas nonprofit corporation, consummated their affiliation pursuant to an Affiliation Agreement (the "Agreement") dated June 19, 2013. BHCS and SWHC formed Baylor Scott & White Holdings (BSW Holdings), a Texas nonprofit corporation.

While the receipt of the Internal Revenue Service (IRS) tax-exempt and public charity determination letter for BSW Holdings was pending, BHCS and SWHC formed a Texas limited liability company, Baylor Scott & White Health LLC (BSW Holdings LLC). On December 31, 2013, BSW Holdings received a favorable determination letter from the IRS regarding their tax-exempt and public charity status. Effective March 1, 2014, BSW Holdings LLC was merged into BSW Holdings. BSW Holdings is now the sole member of BHCS and SWHC and has control and substantial reserved powers over all BHCS and SWHC material affiliates including the organization, as more fully described in the exemption application filed with the Internal Revenue Service for BSW Holdings.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.
332211
08-04-13

Schedule O (Form 990 or 990-EZ) (2013)

Name of the organization Baylor Scott & White Health
(f/k/a BSW Health Service)

Employer identification number
46-3131350

Pursuant to this transaction, the organizational documents for the
organization were amended to give BSW Holdings, the sole member of the
organization, control and substantial reserved powers over the
organization, including approval of the organization's articles of
incorporation and bylaws and amendments thereto, appointment and removal of
members of the organization's governing body, approval of dissolutions and
mergers, and other similar decisions over the organization.

Form 990, Part VI, Section A, line 6:

Members or Stockholders:

The organization is a Texas nonprofit membership organization in which BSW
Holdings, a tax-exempt, Texas nonprofit corporation, is the sole member.

Form 990, Part VI, Section A, line 7a:

Election of members of governing body by members,
stockholders, or other persons:

The sole member, BSW Holdings, elects and removes the members of the
governing body.

Form 990, Part VI, Section A, line 7b:

Governing body decisions subject to approval:

All rights and powers are reserved to the sole member, BSW Holdings, except
only those rights and powers expressly set forth in the bylaws, required by
state or federal law, or to meet the requirements and standards promulgated

Name of the organization **Baylor Scott & White Health**
(f/k/a BSW Health Service)

Employer identification number
46-3131350

by Joint Commission. For example, the member's reserved rights and powers include, without limitation, approval of the organization's articles of incorporation and bylaws and amendments thereto, appointment and removal of members of the organization's governing body, approval of dissolutions and mergers, and other similar decisions over the organization.

Form 990, Part VI, Section B, line 11:

Process used to review the Form 990:

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

Form 990, Part VI, Section B, Line 12c:

Process used to monitor and enforce compliance with the organization's conflict of interest policy:

Persons with an actual or perceived ability to influence the organization have the duty to disclose annually and otherwise promptly as potential conflicts are identified, any familial, professional or financial relationships with entities or individuals that do, or seek to do business with the organization or that compete with the organization. These individuals include the organization's officers, governing body,

Name of the organization Baylor Scott & White Health
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management, physicians with administrative services agreements and other
key personnel who interact with outside organizations or businesses on
behalf of the organization. The BSW Holdings Board of Trustees Audit and
Compliance Committee and the BSW Holdings Corporate Compliance Committee
review all relevant disclosures submitted by these individuals to determine
whether a conflict of interest exists and to determine an appropriate
resolution, if necessary. Any individual with a perceived or potential
conflict is prohibited from voting or participating in the decision making
process regarding such transaction with that individual.

Form 990, Part VI, Section C, Line 19:

Process for making governing documents, conflict of interest
policy, & financial statements available to the public:

The organization's articles of incorporation and amendments thereto are
made available to the public by the filing of those documents with the
Texas Secretary of State. Also, the organization is included within the
combined financial statements of BSW Holdings that are made available to
the public by the posting of those documents through DAC Bond. The
organization's other governing documents and conflicts of interest policy
are not made available to the public.

Form 990, Part XI, line 9, Changes in Net Assets:

Transfer between entities under common control 10,000,000.

Part I, Question 4 & Part VI, Question 1B, Number of Indep. Bd. Members:

The organization's board members are employee's of BSW

Holdings, the organization's sole member, or a related tax exempt

Name of the organization Baylor Scott & White Health
(f/k/a BSW Health Service)

Employer identification number
46-3131350

organization. Therefore, the organization's board would not be deemed
independent according to the definition of independence in the Form 990
instructions. However, BSW Holdings appoints the organization's board
members to fulfill the mission and charitable purpose of the
organization. BSW Holdings' governing body is, and would be deemed
independent under the said instructions, because it is comprised of a
majority of independent community representatives that provide
leadership and governance to BSW Holdings and its affiliated tax exempt
entities to ensure it is meeting its charitable purpose.

Supplemental Information, Section 6038 Statement:

Disclosure Statement Related to Forms 5471, Information

Return of U.S. Persons with Respect to Certain Foreign Corporations,
Filed on Behalf of the Taxpayer: In accordance with IRC Section 6038
and the constructive ownership rules of IRC Sections 958(a) and (b),
the taxpayer is required to file Forms 5471, Information Return of U.S.
Persons with Respect to Certain Foreign Corporations, with respect to
certain controlled foreign corporations (CFCs) including Scott & White
Assurance Ltd and Health Care Insurance Company of Texas, Ltd. These
filing requirements are or will be satisfied through the filing of
Forms 5471 for these CFCs by other U.S. taxpayers identified below who
have the same filing requirement.

Taxpayer Name: Scott & White Memorial Hospital

Taxpayer Address: 2401 S. 31st Street Temple, TX 76508

Taxpayer Identification Number of U.S. tax return with which the Forms
5471 were or will be filed: 74-1166904

IRS Service Center where U.S. tax return was or will be filed: Ogden

332212
09-04-13

Schedule O (Form 990 or 990-EZ) (2013)

Name of the organization **Baylor Scott & White Health
(f/k/a BSW Health Service)**

Employer identification number
46-3131350

Taxpayer Name: Baylor Health Care System

Taxpayer Address: 2001 Bryan Street Suite 2200 Dallas, TX 75201

**Taxpayer Identification Number of U.S. tax return with which the Forms
5471 were or will be filed: 75-1812652**

IRS Service Center where U.S. tax return was or will be filed: Ogden

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization **Baylor Scott & White Health
(f/k/a BSW Health Service)** Employer identification number **46-3131350**

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
All Saints Health Foundation - 75-1947007 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Fundraising	Texas	501(c)(3)	Line 7	Baylor All Saints Medical Center	X	
Baylor All Saints Medical Center - 75-1008430, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Health Care System - 75-1812652 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Management Services	Texas	501(c)(3)	Line 11b, II	Baylor Scott & White Holdings	X	
Baylor Health Care System Employee Benefit Trust - 75-1848557, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	VEBA	Texas	501(c)(9)	Line 9	Baylor Health Care System	X	

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

Schedule R (Form 990) 2013

Baylor Scott & White Health
 (f/k/a BSW Health Service)

46-3131350

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Baylor Health Care System Foundation - 75-1606705, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Fundraising	Texas	501(c)(3)	Line 7	Baylor Health Care System	X	
Baylor Health Services - 75-1917311 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Inactive	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Institute for Rehabilitation at Gaston Episcopal Hospital - 75-103722, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Rehabilitation Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Medical Center at Carrollton - 45-4510252, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Medical Center at Irving - 75-2586857 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Medical Center at Waxahachie - 75-1844139, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Medical Centers at Garland and McKinney - 75-1037591, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Regional Medical Center at Grapevine - 75-1777119, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Regional Medical Center at Plano - 82-0551704, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Baylor Research Institute - 75-1921898 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Research	Texas	501(c)(3)	Line 4	Baylor Health Care System	X	
Baylor Scott & White Holdings - 46-3130985 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Parent	Texas	501(c)(3)	Line 11b, II	N/A		X
Baylor Specialty Health Centers - 75-1765385 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Long Term Acute Care Hospitals	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	

Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

46-3131350

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Baylor University Medical Center - 75-1837454, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Acute Care Hospital	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Brenham Care Center - 74-2663229 2401 S 31st Street Temple, TX 76508	Inactive	Texas	501(c)(3)	Line 9	Scott & White Hospital-Brenham	X	
HealthTexas Provider Network - 75-2536818 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Physician Services	Texas	501(c)(3)	Line 3	Baylor Health Care System	X	
Hillcrest Baptist Medical Center - 74-1161944, 100 Hillcrest Medical Blvd, Waco, TX 76712	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Memorial Hospital	X	
Hillcrest Family Health Center - 74-2730350 100 Hillcrest Medical Blvd Waco, TX 76712	Physician Services	Texas	501(c)(3)	Line 11a, I	Hillcrest Baptist Medical Center	X	
Hillcrest Physician Services - 74-2967081 100 Hillcrest Medical Blvd Waco, TX 76712	Physician Services	Texas	501(c)(3)	Line 11a, I	Hillcrest Baptist Medical Center	X	
Irving Healthcare Foundation - 75-1570933 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Fundraising	Texas	501(c)(3)	Line 3	Baylor Medical Center at Irving	X	
Scott & White Clinic - 74-2958277 2401 S 31st Street Temple, TX 76508	Physician Services	Texas	501(c)(3)	Line 9	Scott & White Healthcare	X	
Scott & White Continuing Care Hospital - 20-2850920, 2401 S 31st Street, Temple, TX 76508	Long Term Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White EMS, Inc. - 75-3242749 2401 S 31st Street Temple, TX 76508	Emergency Transport	Texas	501(c)(3)	Line 9	Scott & White Memorial Hospital	X	
Scott & White Foundation-Brenham - 74-2460815, 2401 S 31st Street, Temple, TX 76508	Fundraising	Texas	501(c)(3)	Line 7	Scott & White Hospital-Brenham	X	
Scott & White Health Plan - 74-2052197 2401 S 31st Street Temple, TX 76508	HMO/Insurance	Texas	501(c)(4)		Scott & White Healthcare	X	

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332222
05-01-13

Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

46-3131350

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Scott & White Healthcare - 26-4532547 2401 S 31st Street Temple, TX 76508	Management Services	Texas	501(c)(3)	Line 11a, I	Baylor Scott & White Holdings	X	
Scott & White Healthcare Foundation - 27-3513154, 2401 S 31st Street, Temple, TX 76508	Fundraising	Texas	501(c)(3)	Line 7	Scott & White Healthcare	X	
Scott & White Hospital-Brenham - 74-2519752 2401 S 31st Street Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Hospital-College Station - 27-4434451, 2401 S 31st Street, Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Hospital-Llano - 27-3026151 2401 S 31st Street Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Hospital-Marble Falls - 46-4007700, 2401 S 31st Street, Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Hospital-Round Rock - 20-3749695, 2401 S 31st Street, Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Hospital-Taylor - 74-1595711 2401 S 31st Street Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Medical Plan Trust - 74-2866102, 2401 S 31st Street, Temple, TX 76508	VEBA	Texas	501(c)(9)	Line 9	Scott & White Healthcare	X	
Scott & White Memorial Hospital - 74-1166904 2401 S 31st Street Temple, TX 76508	Acute Care Hospital	Texas	501(c)(3)	Line 3	Scott & White Healthcare	X	
Scott & White Memorial Hospital Employee Welfare Benefit Trust - 74-2939712, 2401 S 31st Street, Temple, TX 76508	VEBA	Texas	501(c)(9)	Line 9	Scott & White Healthcare	X	
Southern Sector Health Initiative - 26-3087442, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Diabetes Health & Wellness Center	Texas	501(c)(3)	Line 11a, I	Baylor University Medical Center	X	

Baylor Scott & White Health

Schedule R (Form 990) 2013 (f/k/a BSW Health Service)

46-3131350 Page 2

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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	
Arlington Ortho & Spine Hospital, LLC - 26-1578178, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Arlington Surgicare Partners, Ltd. - 75-2748040, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baylor Affiliated Services, LLC - 26-0614730, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Benefit Plans	TX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baylor Heart and Vascular Center, LLP - 75-2834135, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Specialty Hospital	TX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Baylor All Saints Med Cntr at Ft. Worth Condo Owners Association, Inc. - 26-, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Condo Association	TX	N/A	C CORP	N/A	N/A	N/A	X	
Baylor Health Enterprises, LP - 75-1997378 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Fitness Center/Pharmacy/ Hotel	TX	N/A	C CORP	N/A	N/A	N/A	X	
Baylor Health Network, Inc. - 75-2463251 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Billing/Collection	TX	N/A	C CORP	N/A	N/A	N/A	X	
Baylor Med Ctr at Grapevine Condo Owners Association, Inc. - 75-2747555, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Condo Association	TX	N/A	C CORP	N/A	N/A	N/A	X	
Baylor Quality Health Care Alliance, LLC - 45-4015863, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	ACO	TX	N/A	C CORP	N/A	N/A	N/A	X	

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Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

46-3131350

Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportion- ate 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	
Baylor Scott & White Health LLC - 46-3748258, 4005 Crutcher, Suite 310, Dallas, TX 75246	Parent	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Baylor Surgicare at Ennis, LLC - 27-4202856, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Baylor Surgicare at Granbury, LLC - 26-3896477, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Baylor Surgicare at Mansfield, LLC - 27-1835675, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Baylor Surgicare at Plano Parkway, LLC - 27-4282604, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Baylor Surgicare at Plano, LLC - 26-0308454, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Bellaire Outpatient Surgery Center, LLP - 56-2297308, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
BIR JV, LLP - 27-4586141 4714 Gettysburg Rd Mechanicsburg, PA 17055	Rehabilitation Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
BTDI JV, LLP - 46-2908086 5214 Maryland Way, Suite 200 Brentwood, TN 37207	Imaging Centers	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

46-3131350

Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportion- ate 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	
Dallas Surgical Partners, LLC - 72-2183815, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
Denton Surgicare Partners, Ltd. - 75-2708579, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
Desoto Surgicare Partners, Ltd. - 75-2592508, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
EBD JV, LLP - 45-5434614 10077 Grogans Mill Rd, Suite 1 The Woodlands, TX 77380	Free Standing Emergency Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
ESWCT, LLC. - 90-0899017 10077 Grogans Mill Rd. Ste. 10 The Woodlands, TX 77380	Free Standing Emergency Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
Frisco Medical Center, LLP - 75-2865177, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
Ft. Worth Surgicare Partners, Ltd. - 75-2658178, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
Garland Surgicare Partners, Ltd. - 75-2764855, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	
GlobalRehab, LP - 28-8077072 4714 Gettysburg Rd Mechanicsburg, PA 17055	Rehabilitation Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	

Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

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Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropor- tionate 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	
GlobalRehab-Fort Worth, LP - 20-5558682, 4714 Gettysburg Rd, Mechanicsburg, PA 17055	Rehabilitation Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Grapevine Surgicare Partners, Ltd. - 75-2854711, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
HealthTexas Provider Network-Gastro. Serv., LLP - 73-1697736, 2001 Bryan St, Ste 2200, Dallas, TX 75201	Physician Services	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Irving Coppel Surgical Hospital, LLP - 54-2086863, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Lewisville Surgicare Partners, Ltd. - 75-2862263, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Lone Star Endoscopy Center, LLC - 27-3635726, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
MEDCO Construction, LLC - 20-5965871, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Construction	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Metrocrest Surgery Center, LP - 03-0380493, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Metroplex Surgicare Partners, Ltd. - 75-2567179, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

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Baylor Scott & White Health
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Schedule R (Form 990)

46-3131350

Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportion- ate 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	
MSH Partners, LLP - 75-2829613, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
North Central Surgical Center, LLP - 20-1508140, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
North Garland Surgery Center, LLP - 56-2399993, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Park Cities Surgery Center, LLC - 56-2357079, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Physicians Surgical Center of Ft. Worth, LLP - 20-8303422, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Rockwall Ambulatory Surgery Center, LLP - 20-5506447, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Rockwall/Heath Surgery Center, LLP - 20-0334166, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
SeniorCare Associates, LP - 20-1937212, 4714 Gettysburg Rd, Mechanicsburg, PA 17055	Rehabilitation Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Specialty Surgery Center of Fort Worth, LP - 20-1942281, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

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Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

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Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportion- ate 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	
Surgery Center of Richardson Phys Pship, LP - 20-0606781, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Texas Endoscopy Center, LLC - 47-0985876, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Texas Health Venture Group, LLC - 75-2696845, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Holds interests in ASCs/ Short Stay Hospitals	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Texas Heart Hospital of the Southwest, LLP - 41-2101361, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Specialty Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
THVG Bariatric, LLC - 38-3894636, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Holds interests in Ambulatory Surgery Centers	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Trophy Club Medical Center, LLP - 48-1260190, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Short Stay Hospital	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Tuscan Surgery Center at Las Colinas, LLC - 27-3578014, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
University Surgical Partners of Dallas, LLP - 55-0823809, 15305 Dallas Pkwy, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Valley View Surgicare Partners, Ltd. - 75-2900902, 15305 Dallas Parkway, Suite 1600, Addison, TX 75001	Ambulatory Surgery Center	TX	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

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Baylor Scott & White Health
(f/k/a BSW Health Service)

Schedule R (Form 990)

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Part IV Continuation of Identification of Related Organizations Taxable as a Corporation or Trust

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
BMP Incorporated - 75-1436779 2001 Bryan Street, Suite 2200 Dallas, TX 75201	Post Office	TX	N/A	C CORP	N/A	N/A	N/A	X	
BUMC/Roberts Condominium Owners Association, Inc. - 75-2897806, 2001 Bryan Street, Suite 2200, Dallas, TX 75201	Condo Association	TX	N/A	C CORP	N/A	N/A	N/A	X	
Charitable Remainder Trusts (63)	Investment	TX	N/A		N/A	N/A	N/A	X	
Charitable Lead Trusts (2)	Investment	TX	N/A		N/A	N/A	N/A	X	
Health Care Insurance Company of Texas, Ltd. - 98-0403182, P.O. Box GT, 720 W. Bay Rd, Grand Cayman, CAYMAN ISLANDS	Investment	Cayman Islands	N/A	C CORP	N/A	N/A	N/A	X	
Hillcrest Health Holdings, Inc - 74-2793367 3000 Herring St Waco, TX 76708	Management Services	TX	N/A	C CORP	N/A	N/A	N/A	X	
Insurance Company of Scott & White - 74-3092083, 2401 S 31st Street, Temple, TX 76508	Insurance	TX	N/A	C CORP	N/A	N/A	N/A	X	
Scott & White Assurance, Ltd - 98-0589956 23 Lime Tree Bay Grand Cayman, CAYMAN ISLANDS	Investment	Cayman Islands	N/A	C CORP	N/A	N/A	N/A	X	
Scott & White Properties Holdings, Inc - 45-2920596, 2401 S 31st Street, Temple, TX 76508	Investment	TX	N/A	C CORP	N/A	N/A	N/A	X	
Scott & White Properties, Inc - 74-2497061 2401 S 31st Street Temple, TX 76508	Hotel Services	TX	N/A	C CORP	N/A	N/A	N/A	X	

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Baylor Scott & White Health

Schedule R (Form 990) 2013 (f/k/a BSW Health Service)

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

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

	Yes	No
1 During the tax year, did the 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		X
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)	X	
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)		X
k Lease of facilities, equipment, or other assets from related organization(s)		X
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)		X
p Reimbursement paid to related organization(s) for expenses		X
q Reimbursement paid by related organization(s) for expenses		X
r Other transfer of cash or property to related organization(s)		X
s Other transfer of cash or property from related organization(s)		X

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Baylor Scott & White Holdings	C	10,000,000	GAAP
(2)			
(3)			
(4)			
(5)			
(6)			

04B 015

Part VII Supplemental Information

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

Lined area for supplemental information.

Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax

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

Do not enter social security numbers on this form as it may be made public
 Information about Form 990 and its instructions is at www.irs.gov/form990

OMB No 1545-0047
2014
Open to Public Inspection

A For the 2014 calendar year, or tax year beginning 07-01-2014, and ending 06-30-2015

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Baylor Scott & White Health Doing business as Number and street (or P O box if mail is not delivered to street address) Room/suite 2001 Bryan Street No 2200 City or town, state or province, country, and ZIP or foreign postal code Dallas, TX 75201	D Employer identification number 46-3131350 E Telephone number (214) 820-4135 G Gross receipts \$ 878,060,477
F Name and address of principal officer Joel Allison 4005 Crutcher Suite 310 Dallas, TX 75246		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates 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: ▶ www.baylorscottandwhite.com		
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 2013 M State of legal domicile TX

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities See Sch O Faith based supporting organization providing services to a network of acute care hospitals and related health care entities that provide patient care, medical education, research and community services		
	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	8
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	0
	5 Total number of individuals employed in calendar year 2014 (Part V, line 2a)	5	0
	6 Total number of volunteers (estimate if necessary)	6	0
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	251,186
	b Net unrelated business taxable income from Form 990-T, line 34	7b	76,972
Revenue		Prior Year	Current Year
	8 Contributions and grants (Part VIII, line 1h)	0	5,700,087
	9 Program service revenue (Part VIII, line 2g)	0	854,477,530
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	0	-680,110
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	17,847,633
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	0	877,345,140
Expenses			
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	434,063,201
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	0	461,087,694
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	0	895,150,895
	19 Revenue less expenses Subtract line 18 from line 12	0	-17,805,755
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	10,000,000	343,969,587
	21 Total liabilities (Part X, line 26)	0	66,819,093
	22 Net assets or fund balances Subtract line 21 from line 20	10,000,000	277,150,494

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	2016-05-13 Date
	Fred Savelsbergh CFO/Treasurer Type or print name and title	

Paid Preparer Use Only	Prnt/Type preparer's name Firm's name ▶ Firm's address ▶	Preparer's signature Date	Check <input type="checkbox"/> if self-employed Firm's EIN ▶ Phone no	PTIN
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May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III Yes No

1 Briefly describe the organization's mission
Baylor Scott & White Health exists to serve all people by providing personalized health and wellness through exemplary care, education and research as a Christian ministry of healing

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses \$ 865,158,427 including grants of \$) (Revenue \$ 854,477,530)
Baylor Scott & White Health provides centralized administrative and management services to Baylor Scott & White Holdings and its affiliated entities (collectively "BSWH") BSWH is a faith-based nationally acclaimed network of acute care hospitals and related health care entities providing quality patient care, medical education, medical research and other community services to the residents of North and Central Texas BSWH is the largest not-for-profit health care system in Texas, and one of the largest in the United States BSWH was formed from the 2013 combination of Baylor Health Care System and Scott & White Healthcare BSWH exist to serve all people by providing personalized health and wellness through exemplary care, education, and research as a Christian ministry of healing

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 865,158,427

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> <input checked="" type="checkbox"/>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	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>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>	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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>	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> <input checked="" type="checkbox"/>	Yes	
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> <input checked="" type="checkbox"/>		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> <input checked="" type="checkbox"/>	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> <input checked="" type="checkbox"/>	Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i> <input checked="" type="checkbox"/>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i> <input checked="" type="checkbox"/>		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</i> (see instructions)		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>		No
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		

Part IV Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question number, question text, and Yes/No response boxes. Includes sections for backup withholding, employee reporting, foreign accounts, prohibited transactions, and charitable contributions.

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

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

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a Enter the number of voting members of the governing body at the end of the tax year (8); 1b Enter the number of voting members included in line 1a, above, who are independent (0); 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? (No); 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? (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? (Yes); 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? (Yes); 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? (Yes); 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: a The governing body? (Yes); b 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.)

Table with 3 columns: Question, Yes, No. Rows include: 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? a The organization's CEO, Executive Director, or top management official (Yes); b 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? (No); 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?

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 [X] 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, address, and telephone number of the person who possesses the organization's books and records: James Pool

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

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

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

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

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Gary Brock Director	40 00	X					2,341,091	0	316,869	
(2) Glen Couchman MD Director	40 00	X					977,426	0	32,465	
(3) Pat Curne Director	40 00	X					976,115	0	32,472	
(4) Cyndy Dunlap RN Director	40 00	X					448,048	0	22,235	
(5) Rosemary Luquire Director	40 00	X					995,395	0	175,108	
(6) Irving Prengler MD Director	40 00	X					1,203,277	0	108,735	
(7) Robert Pryor MD President/COO/CMO/Vice-Chair	3 00 40 00	X		X			0	1,730,593	48,620	
(8) Joel Allison CEO/Chair	3 00 40 00	X		X			0	3,213,737	204,034	
(9) William Boyd Chief Legal Office/Secretary	1 00 40 00			X			0	1,621,121	272,774	
(10) Fred Savelsbergh CFO/Treasurer	1 00 40 00			X			0	1,440,832	262,460	
(11) Dianne Grussendorf SVP Managed Care	40 00				X		478,961	0	67,454	
(12) John McWhorter SVP	40 00				X		1,592,088	0	271,801	
(13) Pam Bryant SVP Supply Chain	40 00				X		408,621	0	61,978	
(14) Jennifer Coleman Stribling SVP Marketing PR	40 00				X		664,515	0	133,507	

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(15) David Ballard SVP Quality Health Care Improvement	40 00				X			1,173,835	0	218,637
(16) James Pool SVP Chief Accounting Officer	40 00				X			509,937	0	78,944
(17) Matthew Chambers Chief Information Officer	40 00				X			708,942	0	28,555
(18) Lisa Havens SVP System Risk Officer	40 00				X			473,918	0	26,458
(19) Ernest Franklin SVP Clinical Integration	40 00				X			711,787	0	91,393
(20) William Roberts Chief Strategy Development Officer	40 00				X			903,179	0	198,801
(21) Alan Miller MD Chief of Oncology	32 00					X		533,005	0	35,012
(22) Donald Kennerly MD VP Chief Quality Officer	40 00					X		727,008	0	83,227
(23) Clifford Fullerton Chief Population Health Officer	40 00					X		574,526	0	79,834
(24) Andrew Masica MD Chief Clinical Effective Officer	40 00					X		623,169	0	79,394
(25) Mark Teresi SVP North Division CFO	40 00					X		705,159	0	72,710
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								17,730,002	8,006,283	3,003,477

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **619**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Hewitt Associates LLC PO Box 95135 Chicago, IL 606945135	HR Technology/Payroll	15,744,274
Allscripts Healthcare LLC 24630 Network Place Chicago, IL 60673	Consulting	10,162,129
Moroch 3625 N Hall Suite 1100 Dallas, TX 75219	Advertising	8,149,443
Norton Rose Fulbright US LLP PO Box 844284 Dallas, TX 75284	Legal Fees	4,788,424
Hunton and Williams LLP PO Box 405759 Atlanta, GA 30384	Legal Fees	3,323,195

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **225**

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514		
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a						
	b	Membership dues 1b						
	c	Fundraising events 1c						
	d	Related organizations 1d	5,679,703					
	e	Government grants (contributions) 1e						
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	20,384					
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f	5,700,087					
Program Service Revenue			Business Code					
	2a	Corporate Services	561000	814,831,099	814,831,099			
	b	Management Fees	561000	24,766,805	24,766,805			
	c	Rent	531120	11,768,253	11,768,253			
	d	DSRIP	900099	966,769	966,769			
	e	Affiliate Income	900099	517,594	517,594			
	f	All other program service revenue		1,627,010	1,375,824	251,186		
	g	Total. Add lines 2a-2f		854,477,530				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		35,227		35,227		
	4	Income from investment of tax-exempt bond proceeds						
	5	Royalties		17,138,054		17,138,054		
	6a	Gross rents	(i) Real					
			(ii) Personal					
			b	Less rental expenses				
			c	Rental income or (loss)				
	d	Net rental income or (loss)						
	7a	Gross amount from sales of assets other than inventory	(i) Securities					
			(ii) Other					
			b	Less cost or other basis and sales expenses		715,337		
			c	Gain or (loss)		-715,337		
	d	Net gain or (loss)		-715,337		-715,337		
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses b						
	c	Net income or (loss) from fundraising events						
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses b						
c	Net income or (loss) from gaming activities							
10a	Gross sales of inventory, less returns and allowances	a						
		b	Less cost of goods sold b					
		c	Net income or (loss) from sales of inventory					
Miscellaneous Revenue		Business Code						
11a	Parking	812930	709,579		709,579			
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d		709,579					
12	Total revenue. See Instructions		877,345,140	854,226,344	251,186	17,167,523		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2	Grants and other assistance to domestic individuals. See Part IV, line 22				
3	Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	19,783,706		19,783,706	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	346,834,968	346,834,968		
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	14,352,420	14,352,420		
9	Other employee benefits	35,699,487	35,699,487		
10	Payroll taxes	17,392,620	17,392,620		
11	Fees for services (non-employees)				
a	Management				
b	Legal	8,649,862		8,649,862	
c	Accounting	1,553,650		1,553,650	
d	Lobbying				
e	Professional fundraising services. See Part IV, line 17				
f	Investment management fees	5,250		5,250	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	189,658,978	189,658,978		
12	Advertising and promotion	24,857,077	24,857,077		
13	Office expenses	87,867,888	87,867,888		
14	Information technology				
15	Royalties				
16	Occupancy	44,164,702	44,164,702		
17	Travel	4,683,261	4,683,261		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	8,437	8,437		
19	Conferences, conventions, and meetings	1,066,560	1,066,560		
20	Interest	194,210	194,210		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	64,512,283	64,512,283		
23	Insurance	3,789,774	3,789,774		
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	Non-Medical Supplies	5,491,043	5,491,043		
b	Dues & Memberships	2,304,278	2,304,278		
c	Taxes-Property and Sale	1,477,159	1,477,159		
d	Federal Income Tax	517,320	517,320		
e	All other expenses	20,285,962	20,285,962		
25	Total functional expenses. Add lines 1 through 24e	895,150,895	865,158,427	29,992,468	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing		1	
	2 Savings and temporary cash investments	10,000,000	2	10,551,506
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net		4	207,428,213
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use		8	2,830,438
	9 Prepaid expenses and deferred charges		9	288,533
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 324,545,787		
	b Less accumulated depreciation	10b 201,794,636	0	10c 122,751,151
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets		14	119,746
	15 Other assets See Part IV, line 11		15	
16 Total assets. Add lines 1 through 15 (must equal line 34)	10,000,000	16	343,969,587	
Liabilities	17 Accounts payable and accrued expenses		17	66,606,188
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	0	25	212,905
	26 Total liabilities. Add lines 17 through 25	0	26	66,819,093
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	10,000,000	27	277,150,494
	28 Temporarily restricted net assets		28	
	29 Permanently restricted net assets		29	
	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	10,000,000	33	277,150,494	
34 Total liabilities and net assets/fund balances	10,000,000	34	343,969,587	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	877,345,140
2	Total expenses (must equal Part IX, column (A), line 25)	2	895,150,895
3	Revenue less expenses Subtract line 2 from line 1	3	-17,805,755
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	10,000,000
5	Net unrealized gains (losses) on investments	5	918,149
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	284,038,100
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	277,150,494

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ.

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

2014

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
Baylor Scott & White Health

Employer identification number
46-3131350

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 in lines 11a through 11d that describes the type of supporting organization and complete lines 11e, 11f, and 11g
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s) **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions) **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions) **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization
 - f Enter the number of supported organizations **2 8**
 - g Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
See Additional Data Table						
Total 28					0	

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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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 VI)						
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 section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2014 (line 6, column (f) divided by line 11, column (f))	14	
15 Public support percentage for 2013 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2014. 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 <input type="checkbox"/>		
b 33 1/3% support test—2013. 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 <input type="checkbox"/>		
17a 10%-facts-and-circumstances test—2014. 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 VI how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 10%-facts-and-circumstances test—2013. 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 VI how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
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 <input type="checkbox"/>		

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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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 VI.)						
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 section 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2014 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2013 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2014 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2013 Schedule A, Part III, line 17	18	

- 19a 33 1/3% support tests—2014.** 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—2013.** 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 Supporting Organizations

(Complete only if you checked a box on line 11 of Part I. If you checked 11a of Part I, complete Sections A and B. If you checked 11b of Part I, complete Sections A and C. If you checked 11c of Part I, complete Sections A, D, and E. If you checked 11d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.		No
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).		No
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? If "Yes," answer (b) and (c) below.		No
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? If "Yes," describe in Part VI when and how the organization made the determination.		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? If "Yes," explain in Part VI what controls the organization put in place to ensure such use.		
4a Was any supported organization not organized in the United States ("foreign supported organization")? If "Yes" and if you checked 11a or 11b in Part I, answer (b) and (c) below.		No
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed, (ii) the reasons for each such action, (iii) the authority under the organization's organizing document authorizing such action, and (iv) how the action was accomplished (such as by amendment to the organizing document).		No
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (a) its supported organizations, (b) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (c) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? If "Yes," provide detail in Part VI .		No
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in IRC 4958(c)(3)(C)), a family member of a substantial contributor, or a 35-percent controlled entity with regard to a substantial contributor? If "Yes," complete Part I of Schedule L (Form 990).		No
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? If "Yes," complete Part II of Schedule L (Form 990).		No
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? If "Yes," provide detail in Part VI .		No
b Did one or more disqualified persons (as defined in line 9(a)) hold a controlling interest in any entity in which the supporting organization had an interest? If "Yes," provide detail in Part VI .		No
c Did a disqualified person (as defined in line 9(a)) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? If "Yes," provide detail in Part VI .		No
10a Was the organization subject to the excess business holdings rules of IRC 4943 because of IRC 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? If "Yes," answer b below.		No
b Did the organization have any excess business holdings in the tax year? (Use Schedule C, Form 4720, to determine whether the organization had excess business holdings).		
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		No
b A family member of a person described in (a) above?		No
c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI.		No

Part IV Supporting Organizations (continued)**Section B. Type I Supporting Organizations**

- 1** Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? *If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.*
- 2** Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? *If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised or controlled the supporting organization.*

	Yes	No
1		
2		

Section C. Type II Supporting Organizations

- 1** Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? *If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).*

	Yes	No
1		No

Section D. All Type III Supporting Organizations

- 1** Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (1) a written notice describing the type and amount of support provided during the prior tax year, (2) a copy of the Form 990 that was most recently filed as of the date of notification, and (3) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?
- 2** Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? *If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).*
- 3** By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? *If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.*

	Yes	No
1		
2		
3		

Section E. Type III Functionally-Integrated Supporting Organizations

- 1** Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (**see instructions**)
- a** The organization satisfied the Activities Test. Complete **line 2** below.
- b** The organization is the parent of each of its supported organizations. Complete **line 3** below.
- c** The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).
- 2** Activities Test **Answer (a) and (b) below.**

- a** Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? *If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.*
- b** Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? *If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.*
- 3** Parent of Supported Organizations **Answer (a) and (b) below.**
- a** Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? *Provide details in Part VI.*
- b** Did the organization exercise a substantial degree of direction over the policies, programs and activities of each of its supported organizations? *If "Yes," describe in Part VI the role played by the organization in this regard.*

	Yes	No
2a		
2b		
3a		
3b		

Part V – Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov 20, 1970. **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income

	(A) Prior Year	(B) Current Year (optional)
1 Net short-term capital gain	1	
2 Recoveries of prior-year distributions	2	
3 Other gross income (see instructions)	3	
4 Add lines 1 through 3	4	
5 Depreciation and depletion	5	
6 Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7 Other expenses (see instructions)	7	
8 Adjusted Net Income (subtract lines 5, 6 and 7 from line 4)	8	

Section B - Minimum Asset Amount

	(A) Prior Year	(B) Current Year (optional)
1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year)	1	
a Average monthly value of securities	1a	
b Average monthly cash balances	1b	
c Fair market value of other non-exempt-use assets	1c	
d Total (add lines 1a, 1b, and 1c)	1d	
e Discount claimed for blockage or other factors (explain in detail in Part VI) _____		
2 Acquisition indebtedness applicable to non-exempt use assets	2	
3 Subtract line 2 from line 1d	3	
4 Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	
5 Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6 Multiply line 5 by .035	6	
7 Recoveries of prior-year distributions	7	
8 Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount

		Current Year
1 Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2 Enter 85% of line 1	2	
3 Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4 Enter greater of line 2 or line 3	4	
5 Income tax imposed in prior year	5	
6 Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	6	
7 <input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally-integrated Type III supporting organization (see instructions)		

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI) See instructions	
7 Total annual distributions. Add lines 1 through 6	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI) See instructions	
9 Distributable amount for 2014 from Section C, line 6	
10 Line 8 amount divided by Line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2014	(iii) Distributable Amount for 2014
1 Distributable amount for 2014 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2014 (reasonable cause required--see instructions)			
3 Excess distributions carryover, if any, to 2014			
a From 2009. _____			
b From 2010. _____			
c From 2011. _____			
d From 2012. _____			
e From 2013. _____			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2014 distributable amount			
i Carryover from 2009 not applied (see instructions)			
j Remainder Subtract lines 3g, 3h, and 3i from 3f			
4 Distributions for 2014 from Section D, line 7 \$ _____			
a Applied to underdistributions of prior years			
b Applied to 2014 distributable amount			
c Remainder Subtract lines 4a and 4b from 4			
5 Remaining underdistributions for years prior to 2014, if any Subtract lines 3g and 4a from line 2 (if amount greater than zero, see instructions)			
6 Remaining underdistributions for 2014 Subtract lines 3h and 4b from line 1 (if amount greater than zero, see instructions)			
7 Excess distributions carryover to 2015. Add lines 3j and 4c			
8 Breakdown of line 7			
a From 2010. _____			
b From 2011. _____			
c From 2012. _____			
d From 2013. _____			
e From 2014. _____			

Part VI Supplemental Information. Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Return Reference	Explanation
Part I, Line 11g, Column VI	The organization provides financial, human resources, legal, information technology, management, advisory and other services to the supported organizations listed in Part I, Line 11g(i)
Part IV, Section A, Question 1	All of the supported organizations are listed by name in the organization's governing documents except for Baylor Medical Center at Carrollton. Baylor Medical Center at Carrollton (FEIN 45-4510252) was added to the list of supported organizations during the tax year. Baylor Medical Center at Carrollton is a newly formed nonprofit corporation exempt from taxation under Code Section 501(c)(3) and has received a determination status as a publicly supported organization under Code Section 509(a)(1). The organization's certificate of formation provides for the addition of future affiliated hospitals and healthcare delivery organizations that are owned and/or controlled by the organization and that are publicly supported organizations under Code Section 509(a)(1) or Code Section 509(a)(2).
Part IV, Section A, Question 5a	Baylor Medical Center at Carrollton (FEIN 45-4510252) was added to the list of supported organizations during the tax year. Baylor Medical Center at Carrollton is a newly formed nonprofit corporation exempt from taxation under Code Section 501(c)(3) and has received a determination status as a publicly supported organization under Code Section 509(a)(1). The organization's certificate of formation provides for the addition of future affiliated hospitals and healthcare delivery organizations that are owned and/or controlled by the organization and that are publicly supported organizations under Code Section 509(a)(1) or Code Section 509(a)(2).
Part IV, Section C, Question 1	The organization is supervised or controlled in connection with the supported organizations named and/or designated by class in the organization's certificate of formation. Baylor Scott & White Holdings (FEIN 46-3130985) is the organization's parent and sole corporate member and has the ultimate managerial responsibility over the organization and all other affiliates that comprise the Baylor Scott & White Health integrated health care delivery system. The Baylor Scott & White Holdings' Board of Trustees, which elects and removes directors of the organization, will exercise ultimate supervisory authority and governance over the entire system. Baylor Scott & White Holdings has been delegated the authority, duty and responsibility for the affairs of the organization and its affiliates, including among others, the power to exercise the reserved powers over the organization and its subsidiary corporations.

Additional Data

Software ID:
Software Version:
EIN: 46-3131350
Name: Baylor Scott & White Health

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A) Baylor University Medical Center	751837454		Yes		0	0
(A) Scott & White Memorial Hospital	741166904		Yes		0	0
(B) All Saints Health Foundation	751947007		Yes		0	0
(C) Baylor All Saints Medical Center	751008430		Yes		0	0
(D) Baylor Health Care System Foundation	751606705		Yes		0	0
(E) Baylor Institute for Rehabilitation at Gaston Episcopal Hospital	751037226		Yes		0	0
(F) Baylor Regional Medical Center at Grapevine	751777119		Yes		0	0
(G) Baylor Medical Center at Irving	752586857		Yes		0	0
(H) Baylor Regional Medical Center at Plano	820551704		Yes		0	0
(I) Baylor Medical Center at Waxahachie	751844139		Yes		0	0
(J) Baylor Medical Centers at Garland and McKinney	751037591		Yes		0	0
(K) Baylor Research Institute	751921898		Yes		0	0
(L) Baylor Specialty Health Centers	751765385		Yes		0	0
(M) HealthTexas Provider Network	752536818		Yes		0	0
(N) Hillcrest Baptist Medical Center	741161944		Yes		0	0

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(P) Irving Healthcare Foundation	751570933		Yes		0	0
(A) Scott & White Clinic	742958277		Yes		0	0
(B) Scott & White Continuing Care Hospital	202850920		Yes		0	0
(C) Scott & White EMS Inc	753242749		Yes		0	0
(D) Scott & White Foundation-Brenham	742460815		Yes		0	0
(E) Scott & White Healthcare Foundation	273513154		Yes		0	0
(F) Scott & White Hospital-College Station	274434451		Yes		0	0
(G) Scott & White Hospital-Llano	273026151		Yes		0	0
(H) Scott & White Hospital-Marble Falls	464007700		Yes		0	0
(I) Scott & White Hospital-Round Rock	203749695		Yes		0	0
(J) Scott & White Hospital-Taylor	741595711		Yes		0	0
(K) Scott & White Hospital-Brenham	742519752		Yes		0	0
(L) Baylor Medical Center at Carrollton	454510252			No	0	0

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2014

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.

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

Department of the Treasury Internal Revenue Service

Name of the organization Baylor Scott & White Health

Employer identification number

46-3131350

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: 1 Total number at end of year, 2 Aggregate value of contributions to (during year), 3 Aggregate value of grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors...?, 6 Did the organization inform all grantees...?

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

Table with 2 columns: Description, Held at the End of the Year. Rows include: 1 Purpose(s) of conservation easements, 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution..., 3 Number of conservation easements modified..., 4 Number of states where property subject to conservation easement is located..., 5 Does the organization have a written policy..., 6 Staff and volunteer hours..., 7 Amount of expenses incurred..., 8 Does each conservation easement reported on line 2(d) above satisfy the requirements..., 9 In Part XIII, describe how the organization reports conservation easements...

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

Table with 2 columns: Description, Amount. Rows include: 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report..., 1b If the organization elected, as permitted under SFAS 116 (ASC 958), to report..., 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain...

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

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? Yes No

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

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

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

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

- a** Board designated or quasi-endowment ▶
 - b** Permanent endowment ▶
 - c** Temporarily restricted endowment ▶
- The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		28,155,546	15,677,172	12,478,374
c Leasehold improvements				
d Equipment		296,390,241	186,117,464	110,272,777
e Other				
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				122,751,151

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

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

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

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

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

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

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Professional Liability Reserve	-252,318
Accrued Income Tax	465,223
Total. (Column (b) must equal Form 990, Part X, col (B) line 25)	212,905

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

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

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

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

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

Part XIII Supplemental Information

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

Return Reference	Explanation
Part X, Line 2	The filing organization does not have separate individual audited financial statements, however, the organization is included in BSW Holdings' combined audited financial statements (System) The System follows the provisions of ASC 740 "Income Taxes " As of June 30, 2015 and 2014, the System had no material gross unrecognized tax benefits

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No 1545-0047

2014

**Open to Public
Inspection**

▶ **Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.**

▶ **Attach to Form 990.**

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

Department of the Treasury
Internal Revenue Service

Name of the organization
Baylor Scott & White Health

Employer identification number

46-3131350

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

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



2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) See Add'l Data					
(2)					
(3)					
(4)					
(5)					
3a Sub-total	0	0			101,419
b Total from continuation sheets to Part I	0	0			0
c Totals (add lines 3a and 3b)	0	0			101,419

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									

- 2** Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter  _____
- 3** Enter total number of other organizations or entities 

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1 Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* Yes No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A; do not file with Form 990)* Yes No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)* Yes No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)* Yes No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)* Yes No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713; do not file with Form 990)* Yes No

Part V Supplemental Information

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

990 Schedule F, Supplemental Information

Return Reference	Explanation
Part I, line 3	Accrual Basis

Additional Data

Software ID:
Software Version:
EIN: 46-3131350
Name: Baylor Scott & White Health

Form 990 Schedule F Part I - Activities Outside The United States

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region	(d) Activities conducted in region (by type) (i.e., fundraising, program services, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service (s) in region	(f) Total expenditures for region
Europe	0	0	Program Services	Insurance Mtg/Medical Education	31,579
Central America and the Caribbean	0	0	Program Services	Insurance Meetings	3,697
North America	0	0	Program Services	Insurance Meetings	12,963

Form 990 Schedule F Part I - Activities Outside The United States

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region	(d) Activities conducted in region (by type) (i e , fundraising, program services, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service (s) in region	(f) Total expenditures for region
South America	0	0	Program Services	Medical Education	14,526
South Asia	0	0	Program Services	Technology Services	30,843
Middle East	0	0	Program Services	Billing & Collections	7,811

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2014

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, line 23.

▶ Attach to Form 990.

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

Department of the Treasury
Internal Revenue Service

Name of the organization
Baylor Scott & White Health

Employer identification number

46-3131350

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 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 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 directors, trustees, officers, including 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 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), 501(c)(4), and 501(c)(29) organizations 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		No
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b		No
7	Yes	
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 in column(B) reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

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

Return Reference	Explanation
Part I, Line 1a	Discretionary spending account-The organization provides eligible employees who travel frequently in their personal vehicle an auto expense allowance in lieu of reimbursement for business mileage under the organization's business travel and expense reimbursement policy. All auto expense allowances are treated as taxable compensation. Thirteen of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year. Health or social club dues or initiation fees-The organization may reimburse eligible employees for dues for a health club and/or a social club where there is a bona fide business need for the membership. For example, as part of the organization's promotion of health, the organization will cover a portion of any employees' fitness center club membership dues paid to an affiliated entity that owns and operates a fitness center. All employees are eligible for this benefit. Such reimbursements are treated as taxable compensation to the extent any part of the membership is used for personal use. Four of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year. Tax indemnification and gross-up payments-The organization provides tax indemnification where an authorized member of management determines there is justification to reimburse an individual for the tax impact on certain taxable, non-cash benefits provided to them. All tax indemnification payments provided are treated as taxable compensation. Three of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year. Travel for companions-The organization reimburses eligible employees and board members certain reasonable travel expenses associated with spousal travel where the spouse's presence is important to the event. These events may include, for example, board meetings, business meetings, and award ceremonies approved by the BSW Holdings' CEO, COO or CFO. All spousal travel reimbursements are treated as taxable compensation. Three of the persons listed in the Form 990, Part VII, Section A, received this benefit during the tax year.
Part I, Lines 4a-b	Donald Kennerly received a severance payment in the amount of \$240,047. In order to recruit and retain key talent, BSW Holdings and certain tax exempt affiliates (BSWH) offers a supplemental non-qualified retirement plan to eligible employees. The plan provides an annual benefit (based on a percentage of compensation) to the employee that is paid to the employee on a future date upon vesting in the plan. The following individual(s) participated in and/or received payments (noted in parenthesis) from BSWH's supplemental non-qualified retirement plan during the tax year: Gary Brock (\$513,743), Rosemary Luquire (\$45,032), Joel Allison (\$166,682), Irving Prengler, M D (\$385,372), Fred Savelsbergh, William Boyd (\$82,612), Dianne Grussendorf, John McWhorter, Pam Bryant, Jennifer Coleman Stribling, David Ballard (\$79,219), James Pool, Ernest Franklin, Donald Kennerly, Clifford Fullerton, Andrew Masica (\$956), William Roberts (\$65,216) and Mark Teresi. Also, select certain officers, as designated by BSW Holdings' governing body, are eligible to participate in a Long Term Incentive Plan that is designed to recognize the key senior leaders' value and contribution to BSWH as well as align their compensation to the long term strategy of BSWH. Performance targets are based upon a percentage of the participant's base salary and are developed by independent third party expert(s) using market competitive data within the guides of reasonableness. The plan is based on BSWH's three-year performance against its peers, determined based on peer rankings or percentile rankings in quality, patient satisfaction and financial performance. At the end of three years, awards are determined by BSW Holdings' governing body for participants. Payouts are partially made in cash and the remainder vests over an additional two year period. The following individual participated in and/or received payments (noted in parenthesis) from this plan during the tax year: Gary Brock (\$317,832), Rosemary Luquire (\$165,925), Joel Allison (\$647,098), Fred Savelsbergh (\$248,344), John McWhorter (\$255,725), Jennifer Coleman Stribling (\$117,010), David Ballard (\$118,788), William Roberts (\$174,693) and William Boyd (\$266,673).
Part I, Line 7	The organization has adopted and implemented BSW Holdings', the organization's ultimate parent, Annual Incentive Program to provide a market competitive total cash compensation incentive program that is designed to attract and retain key leaders and establish greater individual accountability and alignment to business performance. Payout targets are based upon a percentage of base pay and are developed by independent third party expert(s) using comparable market competitive data within the bounds of reasonableness and that are reviewed and approved by BSW Holdings' governing body. Payout levels are based upon a combination of system, entity, and individual performance using various metrics related to quality, patient satisfaction, employee retention, and financial stewardship. BSW Holdings' governing body may approve modifications to annual incentive awards provided under the program consistent with market comparability data.

Additional Data

Software ID:
Software Version:
EIN: 46-3131350
Name: Baylor Scott & White Health

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

(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 in column (B) reported as deferred in prior Form 990
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
Gary Brock, Director	(i)	744,834	932,513	663,744	297,287	19,582	2,657,960	646,904
	(ii)	0	0	0	0	0	0	0
Glen Couchman MD, Director	(i)	558,912	391,859	26,655	15,763	16,702	1,009,891	0
	(ii)	0	0	0	0	0	0	0
Pat Currie, Director	(i)	559,048	391,893	25,174	15,763	16,709	1,008,587	0
	(ii)	0	0	0	0	0	0	0
Cyndy Dunlap RN, Director	(i)	256,119	169,405	22,524	13,000	9,235	470,283	0
	(ii)	0	0	0	0	0	0	0
Rosemary Luquire, Director	(i)	374,736	485,710	134,949	153,428	21,680	1,170,503	115,701
	(ii)	0	0	0	0	0	0	0
Irving Prengler MD, Director	(i)	522,794	275,929	404,554	78,044	30,691	1,312,012	385,372
	(ii)	0	0	0	0	0	0	0
Robert Pryor MD, President/COO/CMO/Vice-Chair	(i)	0	0	0	0	0	0	0
	(ii)	1,024,945	694,124	11,524	27,923	20,697	1,779,213	0
Joel Allison, CEO/Chair	(i)	0	0	0	0	0	0	0
	(ii)	1,136,560	1,865,724	211,453	175,206	28,828	3,417,771	166,682
William Boyd, Chief Legal Office/Secretary	(i)	0	0	0	0	0	0	0
	(ii)	618,715	781,795	220,611	247,715	25,059	1,893,895	195,406
Fred Savelsbergh, CFO/Treasurer	(i)	0	0	0	0	0	0	0
	(ii)	589,303	730,196	121,333	235,638	26,822	1,703,292	101,353
Dianne Grussendorf, SVP Managed Care	(i)	335,846	135,636	7,479	42,231	25,223	546,415	0
	(ii)	0	0	0	0	0	0	0
John McWhorter, SVP	(i)	599,814	871,913	120,361	243,012	28,789	1,863,889	104,635
	(ii)	0	0	0	0	0	0	0
Pam Bryant, SVP Supply Chain	(i)	296,711	104,833	7,077	42,616	19,362	470,599	0
	(ii)	0	0	0	0	0	0	0
Jennifer Coleman Stribling, SVP Marketing PR	(i)	261,362	338,221	64,932	107,822	25,685	798,022	50,009
	(ii)	0	0	0	0	0	0	0
David Ballard, SVP Quality Health Care Improvement	(i)	470,538	603,576	99,721	191,434	27,203	1,392,472	79,219
	(ii)	0	0	0	0	0	0	0
James Pool, SVP Chief Accounting Officer	(i)	259,804	237,253	12,880	40,752	38,192	588,881	0
	(ii)	0	0	0	0	0	0	0
Matthew Chambers, Chief Information Officer	(i)	401,015	286,226	21,701	13,000	15,555	737,497	0
	(ii)	0	0	0	0	0	0	0
Lisa Havens, SVP System Risk Officer	(i)	267,344	184,698	21,876	13,000	13,458	500,376	0
	(ii)	0	0	0	0	0	0	0
Ernest Franklin, SVP Clinical Integration	(i)	380,526	327,386	3,875	56,577	34,816	803,180	0
	(ii)	0	0	0	0	0	0	0
William Roberts, Chief Strategy Development Officer	(i)	186,016	558,204	158,959	172,608	26,193	1,101,980	138,416
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees								
(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 in column (B) reported as deferred in prior Form 990
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
Alan Miller MD, Chief of Oncology	(i)	455,443	77,172	390	13,000	22,012	568,017	0
	(ii)	0	0	0	0	0	0	0
Donald Kennerly MD, VP Chief Quality Officer	(i)	316,474	160,108	250,426	65,227	18,000	810,235	0
	(ii)	0	0	0	0	0	0	0
Clifford Fullerton, Chief Population Health Officer	(i)	412,190	149,965	12,371	59,889	19,945	654,360	0
	(ii)	0	0	0	0	0	0	0
Andrew Masica MD, Chief Clinical Effective Officer	(i)	375,984	244,663	2,522	52,666	26,728	702,563	956
	(ii)	0	0	0	0	0	0	0
Mark Teresi, SVP North Division CFO	(i)	363,408	332,734	9,017	54,021	18,689	777,869	0
	(ii)	0	0	0	0	0	0	0

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 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

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

OMB No 1545-0047

2014

Open to Public Inspection

Name of the organization
Baylor Scott & White Health

Employer identification number

46-3131350

Return Reference	Explanation
Part I, Question 4 & Part VI, Question 1B, Number of Indep Bd Members	The organization's board members are employee's of BSW Holdings, the organization's sole member, or a related tax exempt organization. Therefore, the organization's board would not be deemed independent according to the definition of independence in the Form 990 instructions. However, BSW Holdings appoints the organization's board members to fulfill the mission and charitable purpose of the organization. BSW Holdings' governing body is, and would be deemed independent under the said instructions, because it is comprised of a majority of independent community representatives that provide leadership and governance to BSW Holdings and its affiliated tax exempt entities to ensure it is meeting its charitable purpose.

Return Reference	Explanation
Part V, Question 1a and 2a	<p>In October 2013, Baylor Health Care System (BHCS) and Scott & White Healthcare (SWHC) combined into one new integrated health care delivery system (System). BHCS and SWHC formed Baylor Scott & White Holdings (BSW Holdings) and Baylor Scott & White Health (BSWH) in connection with their combination. BSW Holdings is the sole member of both BHCS and SWHC and serves as the new parent organization for the System and has control and substantial reserved powers over all of BHCS and SWHC material affiliates. Additionally, BSWH was formed to serve as the new service company of the system and provides centralized administrative and management services to the System. During the tax year, certain operations and employees were moved from the legacy parent organizations (BHCS and SWHC) to BSW Holdings and/or BSWH as part of these integration efforts. During this integration, employees of BHCS, SWHC and/or other affiliates were moved and/or transitioned to BSW Holdings or BSWH. However, due to timing of year ends and integration of payroll systems the employee's wages and payroll tax filings were reported under the federal tax identification numbers of BHCS, SWHC or another wholly controlled affiliate under a common paymaster, common agent and/or other transition services arrangement. Therefore, BSW Holdings and BSWH did not have any amounts to report in Part V, Line 1a or 2a for the calendar year ending within the tax year.</p>

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	Members or Stockholders The organization is a Texas nonprofit membership organization in which BSW Holdings, a tax-exempt, Texas nonprofit corporation, is the sole member

Return Reference	Explanation
Form 990, Part VI, Section A, line 7a	Election of members of governing body by members, stockholders, or other persons The sole member, BSW Holdings, elects and removes the members of the governing body

Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	Governing body decisions subject to approval All rights and powers are reserved to the sole member, BSW Holdings, except only those rights and powers expressly set forth in the bylaws, required by state or federal law, or to meet the requirements and standards promulgated by Joint Commission For example, the member's reserved rights and powers include, without limitation, approval of the organization's articles of incorporation and bylaws and amendments thereto, appointment and removal of members of the organization's governing body, approval of dissolutions and mergers, and other similar decisions over the organization

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

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

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	<p>Process for determining compensation The organization, a controlled affiliate of BSW Holdings, recognizes that those chosen to lead the organization are vital to its ongoing success and growth Thus, it must attract, retain and engage the highest quality officers and key employees to lead the organization and help the organization maintain its national reputation for achieving high targets for medical quality, patient safety, and patient satisfaction A significant portion of the organization's officers and key employees' total compensation is based on significant performance achievements This strategy places a greater emphasis on the importance of the organization achieving targeted improvements in the areas of people, quality, patient satisfaction and financial stewardship, annually Total executive compensation is part of an integrated talent management strategy developed by the BSW Holdings' Board of Trustees and its Compensation and Governance Committee (C&G Committee) to attract, motivate, and retain the best leadership resources for the organization Executive compensation is determined pursuant to guidelines outlined in the intermediate sanction rules under IRC Section 4958 including taking steps to meet the rebuttable presumption standard of reasonableness under Treasury Regulation 53.4958-6, as summarized below When making compensation decisions, the organization compares itself to similar-sized, and structured businesses including other integrated health care service systems and other similar-sized organizations, both locally and nationally The BSW Holdings' Board of Trustees and C&G Committee, on behalf of the organization, works directly with an independent compensation expert(s) to identify reasonable and competitive market rates as well as provide an annual review of the total compensation of the system's top management officials and key employees For the organization's officers or key employees that don't meet the threshold for annual review by the C&G Committee of the new combined BSWH System have been through a similar process by the one of the legacy parent board's (BHCS or SWHC) compensation committees in a prior year The C&G Committee is made up of members of the BSW Holdings' Board of Trustees, who are independent, community volunteers guided by the information provided by the independent compensation expert(s), the C&G Committee approves and recommends to the BSW Holdings' Board of Trustees salary increases, earned incentives, and/or benefit offerings for the organization's President, other officers and/or key employees to be comparable to similar organizations for similar services and/or positions Furthermore, the C&G Committee is charged with the responsibility of reviewing annually the major elements of the executive compensation program to assure designs remain consistent with the business needs, market practices, and compensation philosophy As part of the decision making process, the C&G Committee will often meet in executive session to discuss and review recommendations made by the independent compensation expert(s) During the executive session no officer or key employee whose compensation is being reviewed is present during these discussions All decisions are contemporaneously documented in the C&G Committee minutes which are timely reviewed and approved by the C&G Committee</p>

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

Return Reference	Explanation
Form 990, Part IX, line 11g	Contract Labor Program service expenses 19,817,847 Management and general expenses 0 Fundraising expenses 0 Total expenses 19,817,847 Other Purchased Services Program service expenses 96,878,010 Management and general expenses 0 Fundraising expenses 0 Total expenses 96,878,010 Repairs & Maintenance Program service expenses 33,975,711 Management and general expenses 0 Fundraising expenses 0 Total expenses 33,975,711 Professional Fees Program service expenses 38,987,410 Management and general expenses 0 Fundraising expenses 0 Total expenses 38,987,410

Return Reference	Explanation
Form 990, Part XI, line 9	Distribution from Tax Exempt Subsidiary 284,038,100

Return Reference	Explanation
Supplemental Information, Section 6038 Statement	Disclosure Statement Related to Forms 5471, Information Return of U S Persons with Respect to Certain Foreign Corporations, Filed on Behalf of the Taxpayer In accordance with IRC Section 6038 and the constructive ownership rules of IRC Sections 958(a) and (b), the taxpayer is required to file Forms 5471, Information Return of U S Persons with Respect to Certain Foreign Corporations, with respect to certain controlled foreign corporations (CFCs) including Baylor Scott & White Assurance SPC These filing requirements are or will be satisfied through the filing of Form 5471 for this CFC by the U S taxpayer identified below who has the same filing requirement Taxpayer Name Baylor University Medical Center Taxpayer Address 2001 Bryan Street Suite 2200 Dallas, TX 75201 Taxpayer Identification Number of U S tax return with which the Forms 5471 were or will be filed 75-1837454 IRS Service Center where U S tax return was or will be filed Ogden

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2014

**Open to Public
Inspection**

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

Department of the Treasury
Internal Revenue Service

Name of the organization
Baylor Scott & White Health

Employer identification number

46-3131350

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) 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	

Part VII Supplemental Information

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

Return Reference**Explanation**

Additional Data

Software ID:
Software Version:
EIN: 46-3131350
Name: Baylor Scott & White Health

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) All Saints Health Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1947007	Fundraising	TX	501(c)(3)	Line 7	Baylor All Saints Medical Center	Yes	
(1) Baylor All Saints Medical Center 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1008430	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(2) Baylor Health Care System 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1812652	Management Services	TX	501(c)(3)	Line 11b, II	Baylor Scott & White Holdings	Yes	
(3) Baylor Health Care System Employee Benefit Trust 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1848557	VEBA	TX	501(c)(9)		Baylor Health Care System	Yes	
(4) Baylor Health Care System Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1606705	Fundraising	TX	501(c)(3)	Line 7	Baylor Health Care System	Yes	
(5) Baylor Health Services 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1917311	Inactive	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(6) Baylor Institute for Rehabilitation at Gaston Episcopal Hospital 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1037226	Rehabilitation Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(7) Baylor Medical Center at Carrollton 2001 Bryan Street Suite 2200 Dallas, TX 75201 45-4510252	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(8) Baylor Medical Center at Irving 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2586857	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(9) Baylor Medical Center at Waxahachie 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1844139	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(10) Baylor Medical Centers at Garland and McKinney 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1037591	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(11) Baylor Regional Medical Center at Grapevine 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1777119	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(12) Baylor Regional Medical Center at Plano 2001 Bryan Street Suite 2200 Dallas, TX 75201 82-0551704	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(13) Baylor Research Institute 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1921898	Research	TX	501(c)(3)	Line 4	Baylor Health Care System	Yes	
(14) Baylor Scott & White Holdings 2001 Bryan Street Suite 2200 Dallas, TX 75201 46-3130985	Parent	TX	501(c)(3)	Line 11b, II	N/A		No
(15) Baylor Specialty Health Centers 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1765385	Long Term Acute Care Hospitals	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(16) Baylor University Medical Center 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1837454	Acute Care Hospital	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(17) Brenham Care Center 2401 S 31st Street Temple, TX 76508 74-2663229	Inactive	TX	501(c)(3)	Line 9	Scott & White Hospital-Brenham	Yes	
(18) HealthTexas Provider Network 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2536818	Physician Services	TX	501(c)(3)	Line 3	Baylor Health Care System	Yes	
(19) Hillcrest Baptist Medical Center 100 Hillcrest Medical Blvd Waco, TX 76712 74-1161944	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Memorial Hospital	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes No	
(21) Hillcrest Family Health Center 100 Hillcrest Medical Blvd Waco, TX 76712 74-2730350	Physician Services	TX	501(c)(3)	Line 11a, I	Hillcrest Baptist Medical Center	Yes	
(1) Hillcrest Physician Services 100 Hillcrest Medical Blvd Waco, TX 76712 74-2967081	Physician Services	TX	501(c)(3)	Line 11a, I	Hillcrest Baptist Medical Center	Yes	
(2) Irving Healthcare Foundation 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1570933	Fundraising	TX	501(c)(3)	Line 3	Baylor Medical Center at Irving	Yes	
(3) Scott & White Clinic 2401 S 31st Street Temple, TX 76508 74-2958277	Physician Services	TX	501(c)(3)	Line 9	Scott & White Healthcare	Yes	
(4) Scott & White Continuing Care Hospital 2401 S 31st Street Temple, TX 76508 20-2850920	Long Term Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(5) Scott & White EMS Inc 2401 S 31st Street Temple, TX 76508 75-3242749	Emergency Transport	TX	501(c)(3)	Line 9	Scott & White Memorial Hospital	Yes	
(6) Scott & White Foundation-Brenham 2401 S 31st Street Temple, TX 76508 74-2460815	Fundraising	TX	501(c)(3)	Line 7	Scott & White Hospital-Brenham	Yes	
(7) Scott & White Health Plan 2401 S 31st Street Temple, TX 76508 74-2052197	HMO/Insurance	TX	501(c)(4)		Baylor Scott & White Holdings	Yes	
(8) Scott & White Healthcare 2401 S 31st Street Temple, TX 76508 26-4532547	Management Services	TX	501(c)(3)	Line 11a, I	Baylor Scott & White Holdings	Yes	
(9) Scott & White Healthcare Foundation 2401 S 31st Street Temple, TX 76508 27-3513154	Fundraising	TX	501(c)(3)	Line 7	Scott & White Healthcare	Yes	
(10) Scott & White Hospital-Brenham 2401 S 31st Street Temple, TX 76508 74-2519752	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(11) Scott & White Hospital-College Station 2401 S 31st Street Temple, TX 76508 27-4434451	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(12) Scott & White Hospital-Llano 2401 S 31st Street Temple, TX 76508 27-3026151	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(13) Scott & White Hospital-Marble Falls 2401 S 31st Street Temple, TX 76508 46-4007700	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(14) Scott & White Hospital-Round Rock 2401 S 31st Street Temple, TX 76508 20-3749695	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(15) Scott & White Hospital-Taylor 2401 S 31st Street Temple, TX 76508 74-1595711	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(16) Scott & White Medical Plan Trust 2401 S 31st Street Temple, TX 76508 74-2866102	VEBA	TX	501(c)(9)		Scott & White Healthcare	Yes	
(17) Scott & White Memorial Hospital 2401 S 31st Street Temple, TX 76508 74-1166904	Acute Care Hospital	TX	501(c)(3)	Line 3	Scott & White Healthcare	Yes	
(18) Scott & White Memorial Hospital Employee Welfare Benefit Trust 2401 S 31st Street Temple, TX 76508 74-2939712	VEBA	TX	501(c)(9)		Scott & White Healthcare	Yes	
(19) Southern Sector Health Initiative 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-3087442	Diabetes Health & Wellness Center	TX	501(c)(3)	Line 11a, I	Baylor University Medical Center	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?
Yes	No							
Baylor All Saints Med Cntr at Ft Worth Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 26-1661900	Condo Association	TX	N/A	C				No
Baylor Health Enterprises LP 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1997378	Fitness Center/Pharmacy/Hotel	TX	N/A	C				No
Baylor Health Network Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2463251	Billing/Collection	TX	N/A	C				No
Baylor Med Ctr at Grapevine Condo Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2747555	Condo Association	TX	N/A	C				No
Baylor Quality Health Care Alliance LLC 2001 Bryan Street Suite 2200 Dallas, TX 75201 45-4015863	ACO	TX	N/A	C				No
Baylor Scott & White Assurance 23 Lime Tree Bay Grand Cayman CJ 98-0589956	Investment	CJ	N/A	C				No
BMP Incorporated 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-1436779	Post Office	TX	N/A	C				No
BUMCRoberts Condominium Owners Association Inc 2001 Bryan Street Suite 2200 Dallas, TX 75201 75-2897806	Condo Association	TX	N/A	C				No
Charitable Lead Trusts (2)	Investment	TX	N/A	T				No
Charitable Remainder Trusts (66)	Investment	TX	N/A	T				No
Hillcrest Health Holdings Inc 3000 Herring St Waco, TX 76708 74-2793367	Management Services	TX	N/A	C				No
Insurance Company of Scott & White 2401 S 31st Street Temple, TX 76508 74-3092083	Insurance	TX	N/A	C				No
Scott & White Properties Holdings Inc 2401 S 31st Street Temple, TX 76508 45-2920596	Investment	TX	N/A	C				No
Scott & White Properties Inc 2401 S 31st Street Temple, TX 76508 74-2497061	Hotel Services	TX	N/A	C				No

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

(a) Name of related organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
BTDI JV LLP	A	2,387,665	GAAP
EBD JV LLP	A	1,478,043	GAAP
Scott & White Memorial Hospital	C	244,767,500	GAAP
Baylor Health Care System	K	622,110	GAAP
Baylor All Saints Medical Center	L	50,818,217	GAAP
Baylor Health Care System	L	4,139,352	GAAP
Baylor Health Care System Foundation	L	4,055,658	GAAP
Baylor Health Enterprises LP	L	1,587,464	GAAP
Baylor Heart & Vascular Center LLP	L	7,904,843	GAAP
BIR JV LLP	L	3,052,964	GAAP
Baylor Medical Center at Carrollton	L	21,374,025	GAAP
Baylor Medical Centers at Garland and McKinney	L	50,854,551	GAAP
Baylor Medical Center at Irving	L	29,214,737	GAAP
Baylor Medical Center at Waxahachie	L	15,871,156	GAAP
Baylor Quality Health Care Alliance LLC	L	887,328	GAAP
Baylor Regional Medical Center at Grapevine	L	33,799,817	GAAP
Baylor Regional Medical Center at Plano	L	28,531,388	GAAP
Baylor Research Institute	L	4,306,162	GAAP
Baylor Scott & White Holdings	L	21,401,008	GAAP
Baylor Specialty Health Centers	L	5,428,573	GAAP
Baylor University Medical Center	L	141,165,672	GAAP
HealthTexas Provider Network	L	43,889,347	GAAP
HealthTexas Provider Network-Gastro Enterology Services	L	430,848	GAAP
Hillcrest Baptist Medical Center	L	34,046,128	GAAP
Hillcrest Family Health Center	L	1,723,412	GAAP

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

(a) Name of related organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Hillcrest Physician Services	L	1,949,339	GAAP
Irving Coppell Surgical Hospital LLP	L	214,200	GAAP
Medco Construction LLC	L	742,255	GAAP
Scott & White Clinic	L	72,732,911	GAAP
Scott & White Continuing Care Hospital	L	4,464,629	GAAP
Scott & White EMS Inc	L	644,604	GAAP
Scott & White Healthcare Foundation	L	764,301	GAAP
Scott & White Hospital-College Station	L	16,536,477	GAAP
Scott & White Hospital-LLano	L	6,840,648	GAAP
Scott & White Hospital-Round Rock	L	30,040,667	GAAP
Scott & White Hospital-Taylor	L	2,659,836	GAAP
Scott & White Memorial Hospital	L	161,053,569	GAAP
Southern Sector Health Initiative	L	772,320	GAAP
Surgery Center of Richardson LP	L	790,690	GAAP
Texas Heart Hospital of the Southwest LLP	L	15,376,071	GAAP
Texas Health Ventures Group LLC	L	10,284,483	GAAP
Baylor Medical Center at Irving	M	492,318	GAAP
Baylor Quality Health Care Alliance LLC	M	582,841	GAAP
Baylor Research Institute	M	136,957	GAAP
Baylor Scott & White Health Plan	M	187,400	GAAP
Baylor University Medical Center	M	272,530	GAAP
BIR JV LLP	M	290,219	GAAP
HealthTexas Provider Network	M	1,658,042	GAAP
Scott & White Clinic	M	1,713,078	GAAP
Scott & White Continuing Care Hospital	M	359,402	GAAP

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

(a) Name of related organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Scott & White Healthcare Foundation	M	257,259	GAAP
Scott & White Hospital-Brenham	M	4,739,223	GAAP
Scott & White Memorial Hospital	M	1,560,508	GAAP
Baylor All Saints Medical Center	Q	691,145	GAAP
Baylor Heart & Vascular Center LLP	Q	108,674	GAAP
Baylor Medical Centers at Garland and McKinney	Q	581,365	GAAP
Baylor Medical Center at Carrollton	Q	299,250	GAAP
Baylor Medical Center at Irving	Q	533,170	GAAP
Baylor Medical Center at Waxahachie	Q	167,571	GAAP
Baylor Regional Medical Center at Grapevine	Q	979,788	GAAP
Baylor Regional Medical Center at Plano	Q	225,632	GAAP
Baylor Research Institute	Q	56,547	GAAP
Baylor Specialty Health Centers	Q	93,681	GAAP
Baylor University Medical Center	Q	2,143,499	GAAP
HealthTexas Provider Network	Q	336,890	GAAP
Scott & White Hospital-LLano	Q	58,077	GAAP
Scott & White Healthcare	S	324,241,574	GAAP
Texas Heart Hospital of the Southwest LLP	Q	274,214	GAAP
Baylor Health Care System Foundation	C	5,679,703	GAAP

Short Form Return of Organization Exempt From Income Tax

OMB No 1545-1150

2012

Open to Public Inspection

Form **990-EZ**

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)
Sponsoring organizations of donor advised funds, organizations that operate one or more hospital facilities, and certain controlling organizations as defined in section 512(b)(13) must file Form 990. All other organizations with gross receipts less than \$200,000 and total assets less than \$500,000 at the end of the year may use this form.
The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2012 calendar year, or tax year beginning **JUN 14, 2013** and ending **JUN 30, 2013**

B Check if applicable: <input type="checkbox"/> Address change <input checked="" type="checkbox"/> Name change <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Baylor Scott & White Health (f/k/a BSW Health Service) Number and street (or P O box, if mail is not delivered to street address) Room/suite 2001 Bryan Street 2200 City or town, state or country, and ZIP + 4 Dallas, TX 75201	D Employer identification number 46-3131350 E Telephone number 214-820-4135 F Group Exemption Number
---	---	---

G Accounting Method Cash Accrual Other (specify) _____

H Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF)

I Website: **www.baylorhealth.com**

J Tax-exempt status (check only one) - 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527

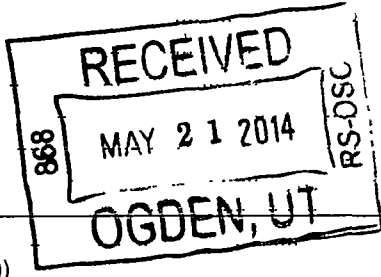
K Check if the organization is not a section 509(a)(3) supporting organization or a section 527 organization and its gross receipts are normally not more than \$50,000. A Form 990-EZ or Form 990 return is not required though Form 990-N (e-postcard) may be required (see instructions). But if the organization chooses to file a return, be sure to file a complete return.

L Add lines 5b, 6c, and 7b, to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets (Part II, line 25, column (B) below) are \$500,000 or more, file Form 990 instead of Form 990-EZ. \$ 0.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (see the instructions for Part I)

Check if the organization used Schedule O to respond to any question in this Part I

Revenue	1	Contributions, gifts, grants, and similar amounts received					
	2	Program service revenue including government fees and contracts					
	3	Membership dues and assessments					
	4	Investment income					
	5a	Gross amount from sale of assets other than inventory	5a				
	b	Less cost or other basis and sales expenses	5b				
	c	Gain or (loss) from sale of assets other than inventory (Subtract line 5b from line 5a)	5c				
	6	Gaming and fundraising events					
	a	Gross income from gaming (attach Schedule G if greater than \$15,000)	6a				
b	Gross income from fundraising events (not including \$ _____ of contributions from fundraising events reported on line 1) (attach Schedule G if the sum of such gross income and contributions exceeds \$15,000)	6b					
c	Less direct expenses from gaming and fundraising events	6c					
d	Net income or (loss) from gaming and fundraising events (add lines 6a and 6b and subtract line 6c)	6d					
7a	Gross sales of inventory, less returns and allowances	7a					
b	Less cost of goods sold	7b					
c	Gross profit or (loss) from sales of inventory (Subtract line 7b from line 7a)	7c					
8	Other revenue (describe in Schedule O)	8					
9	Total revenue. Add lines 1, 2, 3, 4, 5c, 6d, 7c, and 8	9				0.	
Expenses	10	Grants and similar amounts paid (list in Schedule O)					
	11	Benefits paid to or for members					
	12	Salaries, other compensation, and employee benefits					
	13	Professional fees and other payments to independent contractors					
	14	Occupancy, rent, utilities, and maintenance					
	15	Printing, publications, postage, and shipping					
	16	Other expenses (describe in Schedule O)					
17	Total expenses. Add lines 10 through 16	17				0.	
Net Assets	18	Excess or (deficit) for the year (Subtract line 17 from line 9)					0.
	19	Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return)					0.
	20	Other changes in net assets or fund balances (explain in Schedule O)					0.
	21	Net assets or fund balances at end of year. Combine lines 18 through 20	21				0.



SCANNED JUN 18 2014

LHA For Paperwork Reduction Act Notice, see the separate instructions. Form **990-EZ** (2012)

232171
01-11-13

Part V Other Information (Note the Schedule A and personal benefit contract statement requirements in the instructions for Part V) Check if the organization used Sch. O to respond to any question in this Part V

		Yes	No			
33	Did the organization engage in any significant activity not previously reported to the IRS? If "Yes," provide a detailed description of each activity in Schedule O		X			
34	Were any significant changes made to the organizing or governing documents? If "Yes," attach a conformed copy of the amended documents if they reflect a change to the organization's name. Otherwise, explain the change on Schedule O (see instructions)	X				
35a	Did the organization have unrelated business gross income of \$1,000 or more during the year from business activities (such as those reported on lines 2, 6a, and 7a, among others)?		X			
35b	If "Yes," to line 35a, has the organization filed a Form 990-T for the year? If "No," provide an explanation in Schedule O	N/A				
35c	Was the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization subject to section 6033(e) notice, reporting, and proxy tax requirements during the year? If "Yes," complete Schedule C, Part III		X			
36	Did the organization undergo a liquidation, dissolution, termination, or significant disposition of net assets during the year? If "Yes," complete applicable parts of Schedule N		X			
37a	Enter amount of political expenditures, direct or indirect, as described in the instructions	37a	0.			
37b	Did the organization file Form 1120-POL for this year?		X			
38a	Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still outstanding at the end of the tax year covered by this return?	38a	X			
38b	If "Yes," complete Schedule L, Part II and enter the total amount involved	38b	N/A			
39a	Section 501(c)(7) organizations Enter initiation fees and capital contributions included on line 9	39a	N/A			
39b	Gross receipts, included on line 9, for public use of club facilities	39b	N/A			
40a	Section 501(c)(3) organizations Enter amount of tax imposed on the organization during the year under section 4911	0.	section 4912	0.	section 4955	0.
40b	Section 501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year, or did it engage in an excess benefit transaction in a prior year that has not been reported on any of its prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X			
40c	Section 501(c)(3) and 501(c)(4) organizations Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0.			
40d	Section 501(c)(3) and 501(c)(4) organizations Enter amount of tax on line 40c reimbursed by the organization		0.			
40e	All organizations At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? If "Yes," complete Form 8886-T		X			
41	List the states with which a copy of this return is filed	None				
42a	The organization's books are in care of	James Pool	Telephone no	214-820-2855		
	Located at	2001 Bryan Street, Suite 2300, Dallas, TX	ZIP + 4	75201		
42b	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)? If "Yes," enter the name of the foreign country		X			
42c	At any time during the calendar year, did the organization maintain an office outside of the U.S.? If "Yes," enter the name of the foreign country		X			
43	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the tax year	43	N/A			
44a	Did the organization maintain any donor advised funds during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ		X			
44b	Did the organization operate one or more hospital facilities during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ		X			
44c	Did the organization receive any payments for indoor tanning services during the year?		X			
44d	If "Yes" to line 44c, has the organization filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O					
45a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X				
45b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," Form 990 and Schedule R may need to be completed instead of Form 990-EZ (see instructions)		X			

	Yes	No
46 Did the organization engage, directly or indirectly, in political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	46	X

Part VI Section 501(c)(3) organizations only

All section 501(c)(3) organizations must answer questions 47-49b and 52, and complete the tables for lines 50 and 51
Check if the organization used Schedule O to respond to any question in this Part VI

	Yes	No
47 Did the organization engage in lobbying activities or have a section 501(h) election in effect during the tax year? If "Yes," complete Sch C, Part II	47	X
48 Is the organization a school as described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	48	X
49a Did the organization make any transfers to an exempt non-charitable related organization?	49a	X
b If "Yes," was the related organization a section 527 organization?	49b	

50 Complete this table for the organization's five highest compensated employees (other than officers, directors, trustees and key employees) who each received more than \$100,000 of compensation from the organization. If there is none, enter "None"

(a) Name and title of each employee paid more than \$100,000	(b) Average hours per week devoted to position	(c) Reportable compensation (Forms W-2/1099-MISC)	(d) Health benefits, contributions to employee benefit plans, and deferred compensation	(e) Estimated amount of other compensation
NONE				

f Total number of other employees paid over \$100,000 ▶ _____

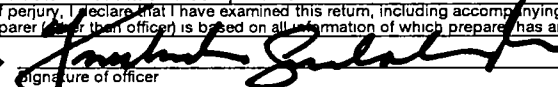
51 Complete this table for the organization's five highest compensated independent contractors who each received more than \$100,000 of compensation from the organization. If there is none, enter "None" NONE

(a) Name and address of each independent contractor paid more than \$100,000	(b) Type of service	(c) Compensation

d Total number of other independent contractors each receiving over \$100,000 ▶ _____

52 Did the organization complete Schedule A? Note: All section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A ▶ Yes No

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

Sign Here	 Signature of officer	Date 05/14/2014
	FREDERICK SAVELSBERGH Type or print name and title	

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no			

May the IRS discuss this return with the preparer shown above? See instructions ▶ Yes No

SCHEDULE A
(Form 990 or 990-EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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 **Baylor Scott & White Health (f/k/a BSW Health Service)** Employer identification number **46-3131350**

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

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

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

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?		X
(ii) A family member of a person described in (i) above?		X
(iii) A 35% controlled entity of a person described in (i) or (ii) above?		X
- h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(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	
Baylor University M	75-1837454	03	X						0.
Scott & White Memori	74-1166904	03	X						0.
All Saints Health Found	75-1947007	07	X						0.
Baylor All Saints Medic	75-1008430	03	X						0.
Baylor Health Care	75-1606705	07	X						0.
Total	29								0.

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

Schedule A (Form 990 or 990-EZ) 2012

See Part IV for Line 11 Continuation

232021
12-04-12

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 section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

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 from 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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		

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 section 501(c)(3) organization, check this box and stop here

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

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 990-EZ 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	Baylor Scott & White Health (f/k/a BSW Health Service)	Employer identification number 46-3131350
--------------------------	---	--

Form 990-EZ, Part III, Primary Exempt Purpose - Faith based supporting organization providing centralized administrative and management services to a network of acute care hospitals and related health care entities that provide patient care, medical education, research and community services.

Form 990-EZ, Part V, Information Regarding Personal Benefit Contracts:
The organization did not, during the year, receive any funds, directly, or indirectly, to pay premiums on a personal benefit contract.
The organization, did not, during the year, pay any premiums, directly, or indirectly, on a personal benefit contract.

Form 990-EZ, Section B, Name Change:
The organization changed it's legal name and revised the certificate of formation effective March 1, 2014 which was after the end of the tax year. The restated certificate of formation is attached evidencing the name change. Also, notification of the name change from BSW Health Service to Baylor Scott & White Health was provided to the IRS via written correspondence on March 31, 2014.

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Nandita Berry
Secretary of State

Office of the Secretary of State

February 28, 2014

Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, TX 77010 USA

RE: Baylor Scott & White Health
File Number: 801801789

It has been our pleasure to file the Restated Certificate of Formation for the referenced entity. Enclosed is the certificate evidencing filing. Payment of the filing fee is acknowledged by this letter.

If we may be of further service at any time, please let us know.

Sincerely,

Corporations Section
Business & Public Filings Division
(512) 463-5555

Enclosure

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Nandita Berry
Secretary of State

Office of the Secretary of State

CERTIFICATE OF FILING OF

Baylor Scott & White Health
801801789

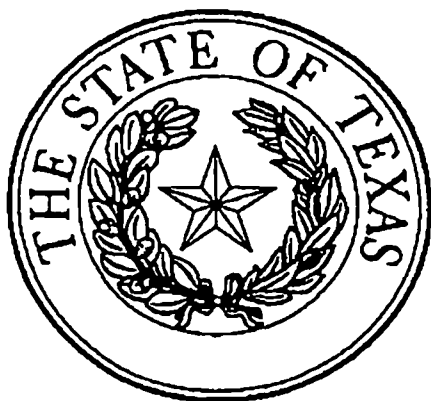
[formerly: BSW Health Service]

The undersigned, as Secretary of State of Texas, hereby certifies that a Restated Certificate of Formation for the above named domestic nonprofit corporation has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

Dated: 02/27/2014

Effective: 03/01/2014 12:01 am



NANDITA BERRY

Nandita Berry
Secretary of State

**RESTATED CERTIFICATE OF FORMATION
(WITH NEW AMENDMENTS)
OF
BSW HEALTH SERVICE**

FILED
In the Office of the
Secretary of State of Texas

FEB 27 2014

Corporations Section

BSW Health Service, a Texas nonprofit corporation (the "Corporation"), by and through the undersigned authorized officer, adopts the following in accordance with Sections 3.057 through 3.059 of the Texas Business Organizations Code (the "TBOC"):

1. The current name of the filing entity is BSW Health Service, a Texas nonprofit corporation. The name of the filing entity is being changed to Baylor Scott & White Health.
2. The Corporation was formed as a nonprofit corporation on June 14, 2013 under the name "BSW Health Service" and issued file number 801801789 by the Secretary of State of the State of Texas (the "Secretary of State").
3. This document restates the entire Certificate of Formation of the Corporation, referred to herein as the "Certificate of Formation," as amended and supplemented by all Certificates of Amendment previously filed by the Secretary of State, and as further amended as set forth herein.
4. This document further amends the Certificate of Formation of the Corporation by changing the name of the Corporation to "Baylor Scott & White Health," changing the reference to the name of the sole member of the Corporation in Article VII to "Baylor Scott & White Holdings," updating the address of one of the directors in Article VIII, and upating the registered agent of the Corporation in Article XI. The full text of each added or amended provision of the Certificate of Formation is contained in the Restated Certificate of Formation attached hereto as Exhibit A.
5. Each new amendment to the Certificate of Formation effected by this document has been made in accordance with the provisions of the TBOC. The amendments have been approved in the manner required by the TBOC and by the governing documents of the Corporation.
6. The Restated Certificate of Formation, which is attached to this document, accurately states the text of the Certificate of Formation and each amendment to the Certificate of Formation that is in effect, and as further amended by this document. The attached Restated Certificate of Formation does not contain any other change in the Certificate of Formation except for the information permitted to be omitted by the provisions of the TBOC applicable to the Corporation. The Certificate of Formation of the Corporation and all amendments and supplements thereto are hereby superseded by the Restated Certificate of Formation attached hereto.
7. This document becomes effective at 12:01 a.m. on March 1, 2014.

The undersigned affirms that the person designated as registered agent in the Restated Certificate of Formation has consented to the appointment. The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized under the provisions of law governing the Corporation to execute this document.

Date: February 27, 2014

BSW HEALTH SERVICE

By:

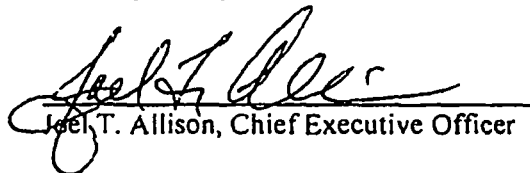

Joel T. Allison, Chief Executive Officer

EXHIBIT A

**RESTATED CERTIFICATE OF FORMATION
OF
BAYLOR SCOTT & WHITE HEALTH**

**ARTICLE I
NAME**

The name of the Corporation is Baylor Scott & White Health ("Corporation").

**ARTICLE II
NON-PROFIT CORPORATION**

The Corporation is a non-profit corporation.

**ARTICLE III
DURATION**

The period of duration of the corporation is perpetual.

**ARTICLE IV
PURPOSES**

The Corporation is formed and organized and shall be operated exclusively for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent United States tax laws (hereinafter referred to as the "Code"). In carrying out the purposes stated in this Article IV, the Corporation is organized and shall operate exclusively for the benefit of, to perform the functions of, or to carry out the purposes of All Saints Health Foundation, Baylor All Saints Medical Center, Baylor Health Care System Foundation, Baylor Institute for Rehabilitation at Gaston Episcopal Hospital, Baylor Regional Medical Center at Grapevine, Baylor Medical Center at Irving, Baylor Regional Medical Center at Plano, Baylor Medical Center at Waxahachie, Baylor Medical Centers at Garland and McKinney, Baylor Research Institute, Baylor Specialty Health Centers, Baylor University Medical Center, HealthTexas Provider Network, Hillcrest Baptist Medical Center, Hillcrest Family Health Center, Hillcrest

Physician Services, Irving Healthcare Foundation, Scott & White Clinic, Scott & White Continuing Care Hospital, Scott & White EMS, Inc., Scott & White Foundation – Brenham, Scott & White Healthcare Foundation, Scott & White Hospital – Brenham, Scott & White Hospital - College Station, Scott & White Hospital – Llano, Scott & White Hospital – Marble Falls, Scott & White Hospital – Round Rock, Scott & White Hospital – Taylor, and Scott & White Memorial Hospital, all being publicly supported organizations under Code Section 509(a)(1) or Code Section 509(a)(2), and future affiliated hospitals and healthcare delivery organizations that are owned and/or controlled by the Corporation and that are publicly supported organizations under Code Section 509(a)(1) or Code Section 509(a)(2), including providing, on a centralized basis, management and administrative services for such entities including, but not limited to, all or substantially all operational, finance, accounting, legal, human resources, risk management, quality and information services.

ARTICLE V POWERS

Subject to the restrictions set forth below, the Corporation shall have and may exercise all powers permitted under the Business Organizations Code of the State of Texas (“TBOC”) in order to carry out the purposes set forth above.

ARTICLE VI RESTRICTIONS

No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation, or any private individual; provided, however, that reasonable compensation may be paid for services rendered to or for the Corporation and expenses may be reimbursed or paid in furtherance of one or more of its purposes, reasonable interest may be paid on any outstanding liability owed by the Corporation to any director or officer of the Corporation

or any private individual, and the Corporation may indemnify its directors, officers, and employees with respect to actions taken in their capacities as such to the extent permitted under the TBOC, this Certificate of Formation, the Bylaws of the Corporation ("Bylaws"), and the Code.

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation (except as otherwise provided by Code Section 501(h)), and the Corporation shall not participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Notwithstanding any other provision of this Certificate of Formation, the Corporation shall not carry on, conduct, engage, participate, or intervene in (a) any activity or transaction not permitted to be conducted or carried on by an organization exempt from taxation under Code Sections 501(c)(3) and 509(a)(3) and the regulations thereunder or by any organization, contributions to which are deductible under Code Sections 170(a)(1) and 170(c)(2) and the regulations thereunder, or (b) any activity or transaction which would result in the loss by the Corporation of its status as an exempt organization under the provisions of Code Sections 501(c)(3) and 501(a). The use, directly or indirectly, of any part of the Corporation's assets in any such activity or transaction is hereby expressly prohibited.

ARTICLE VII MEMBER

The Corporation shall have one member, Baylor Scott & White Holdings, a Texas non-profit corporation. The rights of the member, in addition to those expressly provided for by Texas law, shall be as set forth in this Certificate of Formation and in the Bylaws of the Corporation.

**ARTICLE VIII
BOARD OF DIRECTORS**

The Corporation shall be governed by a Board of Directors ("Board") appointed by the sole member of the Corporation. The powers of, and other matters relating to, the Board shall be set forth in the Bylaws. In no event shall there be fewer than three members of the Board. The names and addresses of the eight persons constituting the Board as of the date this Restated Certificate of Formation was adopted are as follows:

Joel T. Allison	4005 Crutcher Street, Suite 310, Dallas, Texas 75246
Robert Pryor, M.D.	2401 S. 31 st Street, Temple, Texas 76508
Gary Brock	3600 Gaston Avenue, Dallas, Texas 75246
Glen Couchman, M.D.	2401 S. 31 st Street, Temple, Texas 76508
Patricia Currie	2401 S. 31 st Street, Temple, Texas 76508
Cyndy Dunlap, R.N.	2401 S. 31 st Street, Temple, Texas 76508
Rosemary Luquire, R.N.	3600 Gaston Avenue, Dallas, Texas 75246
Irving Prengler, M.D.	3600 Gaston Avenue, Dallas, Texas 75246

**ARTICLE IX
LIMITATION ON LIABILITY OF DIRECTORS**

To the fullest extent permitted by law, a director shall not be liable to the Corporation for monetary damages for an act or omission in the director's capacity as a trustee, except for liability of a director for (a) a breach of a director's duty of loyalty to the Corporation, (b) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (c) a transaction (which transaction may in no case violate the restrictions set forth in Article VI) from which a director received an improper benefit, whether or not the benefit

resulted from an action taken within the scope of the director's office, or (d) an act or omission for which the liability of a director is expressly provided for by statute. No amendment to or repeal of this Article IX shall apply to or have any effect upon the liability or alleged liability of any director for or with respect to any act or omission of such director occurring prior to such amendment or repeal.

ARTICLE X INDEMNIFICATION

The Corporation shall indemnify its directors and officers from and against any and all liabilities, costs and expenses incurred by them in such capacities as and to the fullest extent permitted by Texas law and the Code, as presently in effect and as hereafter amended, and shall have the power to purchase and maintain liability insurance for those persons or make other arrangements on such person's behalf as and to the fullest extent permitted by Texas law and the Code, as presently in effect and as hereafter amended.

ARTICLE XI REGISTERED OFFICE AND AGENT

The street address of the registered office of the Corporation is 1999 Bryan Street, Suite 900, Dallas, Texas 75201 and the name of its registered agent at such address is CT Corporation System.

ARTICLE XII AMENDMENTS

The power to amend or restate this Certificate of Formation and the power to adopt, amend, or repeal the Bylaws of the Corporation shall be vested exclusively in the sole member of the Corporation, as set forth and described in the Bylaws.

**ARTICLE XIII
DISSOLUTION**

Any voluntary winding up of the Corporation shall be in accordance with a plan adopted by the Board and approved by the Board of Trustees of the sole member of the Corporation. Upon the winding up and dissolution of the Corporation, the Board shall, after paying or making adequate provision of all of the liabilities of the Corporation, distribute the remaining assets of the Corporation to the Member or, at the direction of the Member, to any of the other organizations affiliated with and supported by the Corporation that are then in existence and tax-exempt pursuant to section 501(c)(3) of the Code. If no such organizations then exist, the Board shall distribute such assets to another non-profit corporation that is tax-exempt under section 501(c)(3) of the Code.

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Annual Disclosure Report

For the Twelve Months Ended June 30, 2015

Contacts:

Francis P. Anderson
Vice President and Chief Debt Officer
Baylor Scott & White Health
254-215-9272
fanderson@sw.org

Frederick Savelsbergh
Executive Vice President and Chief Financial Officer
Baylor Scott & White Health
214-820-7506
fredsa@baylorhealth.edu

Annual Disclosure Report for June 30, 2015

BAYLOR SCOTT & WHITE HEALTH

**NOTICE
relating to:**

**BAYLOR HEALTH CARE SYSTEM
TAXABLE NOTES
SERIES 2000**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2011A**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2011B
7 MONTH WINDOW VRDB**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2011C, 2011D, AND 2011E**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2013A**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2013B
7 MONTH WINDOW VRDB**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
TAXABLE HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2013C**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT AND WHITE MEMORIAL HOSPITAL
AND SCOTT, SHERWOOD AND BRINDLEY
FOUNDATION PROJECT)
SERIES 2008-1**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2013A**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2010**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2013C**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2013B**

**BAYLOR SCOTT & WHITE HOLDINGS
TAXABLE BONDS
SERIES 2015**

Annual Disclosure Report for June 30, 2015

CUSIP Nos: 072865AA6, 87638QLH0, 87638QLJ6, 83678QKY4, 87638QLK3, 87638QFF1, 87638QFV6, 87638QFG9, 87638QFW4, 87638QFH7, 87638QFJ3, 87638QFK0, 87638QFL8, 87638QFM6, 87638QFN4, 87638QFP9, 87638QFQ7, 87638QFR5, 87638QFS3, 87638QFT1, 87638QFX2, 87638QEW5, 87638QEY1, 87638QFA2, 87638QGU7, 87638QGV5, 87638QGW3, 87638QHA0, 87638QGX1, 87638QGY9, 87638QGZ6, 87638QGT0, 87638QHB8, 87638QAJ8, 87658QLB3, 87638QLC1, 87638QLD9, 87638QLP2, 87638QMP1, 87638QLQ0, 87638QMQ9, 87638QLR8, 87638QMR7, 87638QLS6, 87638QMS5, 87638QMD8, 87638QND7, 87638QLT4, 87638QMT3, 87638QLU1, 87638QMU0, 87638QME6, 87638QNE5, 87638QLV9, 87638QMH9, 87638QLW7, 87638QMJ5, 87638QLX5, 87638QMK2, 87638QLY3, 87638QML0, 87638QLZ0, 87638QMF3, 87638QMA4, 87638QMG1, 87638QNG0, 87638QMM8, 87638QNM7, 87638QMB2, 87638QNB1, 87638QMC0, 87638QNC9, 87638QMN6, 87638QNN5, 87638QFY0, 87638QFZ7, 87638QGA1, 87638QGB9, 87638QGC7, 87638QGD5, 87638QGE3, 87638QGF0, 87638QGG8, 87638QGH6, 87638QGJ2, 87638QGK9, 87638QGL7, 87638QGM5, 87638QGN3, 87638QGQ6, 87638QGP8, 87638QGR4, 87638QGS2, 072863AA1, 072863AB9, 072863AC7, 87638QDU0, 87638QDV8, 87638QDW6, 87638QEH8, 87638QDX4, 87638QDY2, 87638QEFJ4, 87638QNNQ8, 87638QEL9, 87638QER6, 87638QEF2, 87638QEG0, 87638QES4

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Annual Disclosure Report for June 30, 2015

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ATTENTION

This document is marked with a dated date of June 30, 2015 and reflects information only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the document that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the document. Any information contained in the portion of the document indicated to concern recent events speaks only as of its date. We expressly disclaim any duty to provide an update of any information contained in this document.

The information contained in this document may include “forward looking statements” by using forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, receipt of funding grants, and various other factors which are beyond our control.

Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

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Annual Disclosure Report for June 30, 2015

ORGANIZATION

Baylor Scott & White Health System

Baylor Scott & White Holdings, a Texas nonprofit organization (BSW Holdings) and its controlled affiliates (collectively, the “System”) was created from the combination of two Texas healthcare systems, Baylor Health Care System (BHCS) and its affiliates (the “North Texas Division”) and Scott & White Healthcare (S&W) and its affiliates (the “Central Texas Division”). BSW Holdings and Baylor Scott & White Health, a Texas nonprofit corporation (BSW Health), were created by BHCS and S&W in connection with their combination. BSW Holdings is the sole member of BHCS, S&W, and BSW Health and has control and substantial reserved powers over all BHCS and S&W material affiliates.

The System includes two flagship hospitals, Baylor University Medical Center (BUMC) and Scott & White Memorial Hospital (Memorial) along with another nineteen hospitals (see licensed beds table) located in north and central Texas.

The System includes five foundations and one research institute which are the Baylor Health Care System Foundation, Scott & White Healthcare Foundation, the Irving Healthcare Foundation, All Saints Health Foundation, Scott & White Foundation – Brenham and Baylor Research Institute.

The System also includes Baylor Scott & White Quality Alliance (BSWQA). BSWQA is an accountable care organization developing a clinically integrated network of employed physicians, independent physicians, hospitals and other providers of care whose mission is to improve quality, control rising costs and provide the most efficient care for the patients in the communities served by the System.

The System also includes Scott & White Clinic (the “Clinic”), HealthTexas Provider Network (HTPN), Hillcrest Family Health Center and Hillcrest Physician Services. The Clinic, a Texas nonprofit corporation, operates regional facilities located throughout the Central Texas area, in addition to the main campus in Temple, Texas. HTPN is a Texas nonprofit corporation that owns and operates primary care and specialty practices in the Dallas-Fort Worth metroplex. Hillcrest Family Health Center and Hillcrest Physician Services operate in the greater Waco area.

The System operates a state certified Health Maintenance Organization, Scott & White Health Plan (the “Health Plan” or “SWHP”), which provides health insurance benefits to approximately 234,000 members through a variety of commercial, Medicaid, Medicare, Part D, Pharmacy Benefits Management, and Administrative Services Only products and services.

The System’s combined financial statements also include partnerships through Texas Health Ventures Group, LLC (THVG) with eight short-stay surgery hospitals and 28 ambulatory surgery centers, BIR JV, LLP (BIR JV) with four rehabilitation hospitals and 53 clinics, EBD JV, LLP (EBD JV) with seven emergency medical centers, BTDI JV, LLP (BTDI JV) with 24 imaging centers, THVG Bariatric, LLC (AIGB), providing bariatric services, ESWCP, LLC that

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operate one emergency medical center and Scott & White EMS, Inc. that operates a medical transport service.

The System is committed to medical education in support of its mission of exemplary care, education and research. The Texas A&M Health Science Center College of Medicine and the System have established a Clinical Training Program, at which medical students will complete clinical rotations at BUMC and S&W Main Campus, among other clinical affiliates. In addition, the System provides physician medical education through affiliations with Texas A&M Health Science Center College of Medicine and the University of Texas Southwestern Medical School. Nursing education is conducted through programs and affiliations with numerous schools of nursing including University of Mary Hardin-Baylor, Texas A&M University – Corpus Christi, Baylor University School of Nursing, Dallas County Community College District, Texas Woman’s University and the University of Texas at Arlington.

Obligated Group

Prior to their affiliation, BHCS and certain of its affiliates and S&W and certain of its affiliates each issued and secured debt under separate master trust indentures (the “Old MTIs”). On February 21, 2014, BHCS and S&W completed the substitution of the Old MTIs with a new Master Indenture of Trust and Security Agreement, dated as of February 1, 2014 (the “Master Indenture”), among BHCS, S&W, and other affiliates from time to time obligated thereunder (the “Obligated Affiliates”), and The Bank of New York Mellon Trust Company, National Association, as trustee, which secures all outstanding notes previously issued by BHCS and S&W under the Old MTIs. At the time of its execution and delivery, the Master Indenture formed a single obligated credit group consisting of the following entities as Obligated Affiliates: BHCS, S&W, Baylor University Medical Center, a Texas nonprofit corporation, Baylor All Saints Medical Center, a Texas nonprofit corporation, Baylor Regional Medical Center at Grapevine, a Texas nonprofit corporation, Baylor Medical Center at Waxahachie, a Texas nonprofit corporation, Baylor Regional Medical Center at Plano, a Texas nonprofit corporation, Scott & White Memorial Hospital, a Texas nonprofit corporation, Scott & White Clinic, a Texas nonprofit corporation, Scott & White Hospital – Round Rock, a Texas nonprofit corporation, Scott & White Continuing Care Hospital, a Texas nonprofit corporation, and Hillcrest Baptist Medical Center, a Texas nonprofit corporation. There are no designated affiliates under the Master Indenture. Effective April 1, 2014, BSW Holdings was admitted as an Obligated Affiliate under the Master Indenture and, effective April 8, 2014, was appointed as the Combined Group Representative.

The combined System’s credit ratings are Aa3 (Stable Outlook) by Moody’s Investors Service and AA- (Stable Outlook) by Standard and Poor’s Ratings Services.

Awards and Distinctions

The System is recognized as one of the leading healthcare delivery systems across the United States, having received the following recognitions, among others:

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- Eleven Baylor Scott & White Health hospitals received U.S. News recognition this year: 4 hospitals listed in the 2015–2016 *U.S. News & World Report's* “Best Hospitals” metro area ranking for Dallas–Fort Worth; 9 hospitals in the System rated as U.S. News “Best Hospitals for Common Care”;
- Six hospitals with Magnet® designation for nursing excellence by the American Nurses Credentialing Center (achieved by less than seven percent of hospitals nationwide);
- Received the National Quality Forum National Quality Health Care Award for being a role model in achieving meaningful, sustainable quality improvement in healthcare;
- Received the American Hospital Association Circle of Life Award for innovative palliative and end-of-life care by the Supportive and Palliative Care program; and
- Sixty-three HTPN practices and all Central Texas primary care clinics – 52 in total - have received National Committee for Quality Assurance (NCQA) Patient–Centered Medical Home Recognition for using evidence–based, patient–centered processes that focus on highly coordinated care and long–term, participative relationships.
- The Central Texas Division has been recognized by the Dartmouth Institute of Health Policy and Clinical Practice as a leader in low resource utilization for chronically ill patients in their last six months of life. S&W scored among the highest in patient safety scores in most categories of the study that was last published in 2012.
- BSWQA has been awarded a three–year accreditation as a Level 2 accountable care organization, the first to be awarded the recognition in North Texas and the second in the state.
- Received recognition for excellence in Health IT from Hospitals & Health Networks Magazine (One of the nation’s Most Wired in the “Most Improved” category 2015) and the Health Care Information and Management Systems Society (HIMSS); Analytics Stage 7 awards for 99% of CTX facilities.
- Scott & White Health Plan recognized for excellence in diabetic care by the Texas Diabetes Council in Austin.
- The System’s two flagship hospitals in Dallas and Temple – BUMC and Memorial – have also received numerous accreditations, accolades, and honors, including:

BUMC

- *U.S. News & World Report* – Named as one of the nation’s “Best Hospitals” for 23 consecutive years and ranked as the No. 1 hospital in Dallas–Fort Worth and the No. 3 hospital in Texas;
- *U.S. News & World Report* – Named as one of the top 50 hospitals nationally in three specialties: Diabetes & Endocrinology, Gastroenterology & GI Surgery, Neurology & Neurosurgery and ranked as National High Performer in eight specialties: Cancer,

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Ear, Nose & Throat, Geriatrics, Gynecology, Nephrology, Orthopedics, Pulmonology and Urology; and recognized for clinical excellence in treating Chronic Obstructive Pulmonary Disease and Congestive Heart Failure;

- *National Research Corporation* – For the 19th consecutive year, awarded the Consumer Choice Award for Best Overall Quality, Best Doctors, Best Nurses, and Best Image/Reputation among hospitals in North Texas; and
- *American Nurses Credentialing Center* – Earned third consecutive Magnet® designation, a distinction earned by fewer than two percent of the nation’s hospitals;
- *The Joint Commission* – Reaccredited with a Gold Seal of Approval™ for the Ventricular Assist Device Program, the nation’s first such accredited program.

Memorial

- *U.S. News & World Report* –“Best Hospitals for Common Care” for excellence in treating COPD;
- *Becker’s Hospital Review* – 100 Hospitals and Health Systems With Great Oncology Programs in U.S. for Glenda Tanner Vasicek Cancer Center and 100 Hospitals with Great Women’s Health Programs in U.S.;
- *Truven Health Analytics* – 50 Top Cardiovascular Hospitals in U.S. for Heart and Vascular Institute and one of the Nation’s 100 Top Hospitals;
- *American Heart Association/American Stroke Association* – Get With The Guidelines®– Stroke Honor Roll-Elite Quality Achievement Award;
- *American Heart Association* – Mission: Lifeline® Bronze Plus Receiving Quality Achievement Award;
- *American College of Surgeons Commission on Cancer (CoC)* – Outstanding Achievement Award for the Scott & White Vasicek Cancer Center;
- *American College of Radiology (ACR)* – Breast Imaging Center of Excellence: Breast Ultrasound, Mammography, Stereotactic;
- *American College of Cardiology* – National Cardiovascular Data Registry (NCDR®) Acute Coronary Treatment and Intervention Outcomes Network (ACTION) Registry – Get with the Guidelines® (GWTG) Platinum Performance Achievement Award for 2015; and
- *The Joint Commission* – The Gold Seal of Approval; Accredited Programs in Hospital, Nursing Care Center, Home Care; Advanced Certification in: Stroke (Primary Stroke Center), Ventricular Assist Device

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KEY OPERATING AND FINANCIAL INDICATORS

The information contained in this document represents the financial condition and results of operations of BSWH for the three months ended December 31, 2013, March 31, 2014, and June 30, 2014, the nine months ended June 30, 2014, the four quarters of fiscal year 2015, and fiscal year ending June 30, 2015. BSWH fiscal year end is June 30. Given the October 1, 2013 effective date of the BHCS and SWH affiliation, the first year of operations included only nine months of activity.

BSW Holdings has accounted for the combination as a merger of not-for-profit entities under Accounting Standards Codification (ASC) 958-805, “*Not-for Profit Entities: Business Combinations*” resulting in a new reporting entity effective October 1, 2013, the merger date, with no activities before the merger. Therefore, the combined assets, liabilities and net assets of Baylor and Scott & White are included in the accompanying combined financial statements as of the merger date at their historical basis under the carryover method with adjustments to conform the individual accounting policies of Baylor and Scott & White and to eliminate intra-entity balances.

	Three					Twelve	
	Months Ended						Months Ended
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	June 30, 2015		
Total Operating Revenue	\$ 1,782,856	\$ 1,872,266	\$ 1,806,291	\$ 2,074,513	\$ 7,535,926		
Operating Margin	9.1%	8.7%	6.7%	10.9%	8.9%		
Adjusted EBITDA ⁽¹⁾	\$ 289,977	\$ 300,537	\$ 353,602	\$ 357,608	\$ 1,301,723		
Cash and Investments	\$ 3,804,636	\$ 3,856,456	\$ 3,978,314	\$ 4,559,330	\$ 4,559,330		
Days in Patient Accounts Receivable ⁽²⁾	38.2	37.3	38.3	33.4	36.4		

(1) Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is defined as revenue in excess of expenses plus depreciation, amortization, taxes, interest, excluding unrealized gains/losses on investments, unrealized gains/losses on interest rate swaps and loss on extinguishment of debt.

(2) Days Revenue in Patient Accounts Receivable is defined as net patient receivables divided by average daily net patient revenue. Average daily net patient revenue is defined as net patient care revenue (less patient related bad debt) divided by the number of days in the period.

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FY14 - BSWH Key Operating and Financial Indicators
(\$ Thousands)

	Three Months Ended			Nine Months Ended
	December 31, 2013	March 31, 2014	June 30, 2014	June 30, 2014
Total Operating Revenue	\$ 1,700,933	\$ 1,646,668	\$ 1,775,391	\$ 5,122,992
Operating Margin	5.9%	3.1%	7.0%	5.4%
Adjusted EBITDA ⁽¹⁾	\$ 247,377	\$ 204,828	\$ 276,873	\$ 729,078
Cash and Investments	\$ 3,593,780	\$ 3,501,679	\$ 3,818,621	\$ 3,818,621
Days in Patient Accounts Receivable ⁽²⁾	40.7	40.2	37.3	38.6

(1) Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is defined as revenue in excess of expenses plus depreciation, amortization, taxes, interest, excluding unrealized gains/losses on investments, unrealized gains/losses on interest rate swaps and loss on extinguishment of debt.

(2) Days Revenue in Patient Accounts Receivable is defined as net patient receivables divided by average daily net patient revenue. Average daily net patient revenue is defined as net patient care revenue (less patient related bad debt) divided by the number of days in the period.

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FINANCIAL OPERATIONS SUMMARY

Baylor Scott & White Health				
FY15 Combined Balance Sheets				
(\$ Thousands)				
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
ASSETS				
Current assets	\$ 2,257,302	\$ 2,289,633	\$ 2,002,666	\$ 2,436,804
Long-term investments	2,685,319	2,686,645	3,111,933	3,093,448
Assets whose use is limited	251,761	220,453	226,038	208,725
Property and equipment, net	3,324,779	3,361,746	3,354,656	3,371,810
Other assets	524,824	527,604	529,446	576,630
Total assets	<u>\$ 9,043,985</u>	<u>\$ 9,086,081</u>	<u>\$ 9,224,739</u>	<u>\$ 9,687,417</u>
LIABILITIES AND NET ASSETS				
Current liabilities	\$ 1,276,088	\$ 1,226,245	\$ 1,260,764	1,174,144
Long-term debt and capital lease obligations, less current maturities	2,297,814	2,274,687	2,258,500	2,642,677
Other long-term liabilities	476,972	560,520	593,276	557,954
Total liabilities	<u>4,050,874</u>	<u>4,061,452</u>	<u>4,112,540</u>	<u>4,374,775</u>
Noncontrolling interests - redeemable	283,010	296,117	279,346	313,005
Net assets	<u>4,710,101</u>	<u>4,728,512</u>	<u>4,832,853</u>	<u>4,999,637</u>
Total liabilities and net assets	<u>\$ 9,043,985</u>	<u>\$ 9,086,081</u>	<u>\$ 9,224,739</u>	<u>\$ 9,687,417</u>

Baylor Scott & White Health				
FY14 Combined Balance Sheets				
(\$ Thousands)				
	December 31, 2013	March 31, 2014	June 30, 2014	
ASSETS				
Current assets	\$ 1,866,192	\$ 1,855,780	\$ 2,114,021	
Long-term investments	2,681,922	2,666,407	2,729,198	
Assets whose use is limited	317,720	281,152	270,888	
Property and equipment, net	3,261,334	3,286,329	3,319,123	
Other assets	519,386	544,473	536,148	
Total assets	<u>\$ 8,646,554</u>	<u>\$ 8,634,141</u>	<u>\$ 8,969,378</u>	
LIABILITIES AND NET ASSETS				
Current liabilities	\$ 1,113,537	\$ 1,046,726	\$ 1,273,540	
Long-term debt and capital lease obligations, less current maturities	2,369,134	2,368,251	2,302,187	
Other long-term liabilities	405,888	456,015	469,223	
Total liabilities	<u>3,888,559</u>	<u>3,870,992</u>	<u>4,044,950</u>	
Noncontrolling interests - redeemable	291,267	269,881	281,160	
Net assets	<u>4,466,728</u>	<u>4,493,268</u>	<u>4,643,268</u>	
Total liabilities and net assets	<u>\$ 8,646,554</u>	<u>\$ 8,634,141</u>	<u>\$ 8,969,378</u>	

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FY15 - BSWH Summary Combined Statements of Operations

(\$ Thousands)

	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015*</u>	<u>2015*</u>
Total operating revenue	\$ 1,782,856	\$ 1,872,266	\$ 1,806,291	\$ 2,074,513	\$ 7,535,926
Total operating expenses	1,621,077	1,709,342	1,684,888	1,838,717	6,854,024
Total merger costs	-	-	-	9,571	9,571
Income from operations	161,779	162,924	121,403	226,225	672,331
Non-operating (losses) gains and income tax expense	(35,502)	(71,120)	15,560	(1,722)	(92,784)
Excess of revenues over expenses	\$ 126,277	\$ 91,804	\$ 136,963	\$ 224,503	\$ 579,547

* The results reflected above include a year to date reclassification of merger costs from operating expenses to a separate financial statement line in the last quarter of fiscal year 2015.

FY14 - BSWH Summary Combined Statements of Operations

(\$ Thousands)

	Three Months Ended			Nine Months Ended
	December 31,	March 31,	June 30,	June 30,
	<u>2013</u>	<u>2014</u>	<u>2014*</u>	<u>2014*</u>
Total operating revenue	\$ 1,700,933	\$ 1,646,668	\$ 1,775,391	\$ 5,122,992
Total operating expenses	1,600,185	1,594,856	1,623,171	4,818,212
Total merger costs	-	-	27,382	27,382
Income from operations	100,748	51,812	124,838	277,398
Non-operating (losses) gains and income tax expense	94,030	15,104	61,068	170,202
Excess of revenues over expenses	\$ 194,778	\$ 66,916	\$ 185,906	\$ 447,600

* The results reflected above include a year to date reclassification of merger costs from operating expenses to a separate financial statement line in the last quarter of fiscal year 2014.

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FY15 - BSWH Summary Financial Information					
(\$ Thousands)					
	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	2014	2014	2015	2015	2015
CASH FLOW					
Cash flow from operating activities	\$ 179,501	\$ 273,130	\$ 222,927	\$ 442,913	\$ 1,118,471
Adjusted operating cash flow (1)	\$ 267,174	\$ 271,869	\$ 233,467	\$ 337,120	\$ 1,109,630
Adjusted EBITDA (2)	\$ 289,977	\$ 300,537	\$ 353,602	\$ 357,608	\$ 1,301,723
Capital expenditures for property and equipment	\$ 93,968	\$ 126,286	\$ 81,895	\$ 123,992	\$ 426,141
Total capitalization (3)	\$ 6,584,248	\$ 6,583,113	\$ 6,656,070	\$ 7,205,371	\$ 7,205,371
FINANCIAL RATIOS					
Operating margin	9.1%	8.7%	6.7%	10.9%	8.9%
Adjusted operating cash flow as a percentage of total revenue (1)	15.0%	14.5%	12.9%	16.3%	14.7%
Adjusted EBITDA margin (4)	16.3%	16.1%	19.6%	17.2%	17.3%
Debt to capitalization (5)	36.3%	36.0%	35.4%	38.0%	38.0%
Debt to cash flow (6)	2.4x	2.3x	1.9x	2.7x	2.5x
<p>(1) Adjusted operating cash flow is defined as income from operations plus depreciation and amortization plus interest expense. Adjusted operating cash flow as a percentage of total revenue is calculated by dividing the adjusted operating cash flow by total operating revenue.</p> <p>(2) Adjusted EBITDA is defined as excess of revenue over expenses plus depreciation, amortization, taxes, interest, excluding unrealized gains/losses on investments, gains/losses on interest rate swaps and loss on extinguishment of debt.</p> <p>(3) Total capitalization is defined as long-term debt (including long-term debt subject to remarketing arrangements) net of current maturities plus unrestricted net assets.</p> <p>(4) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by total operating revenue.</p> <p>(5) Debt to capitalization is defined as (long-term debt (including long-term debt subject to remarketing arrangements) net of current maturities) divided by total capitalization.</p> <p>(6) Debt to cash flow is defined as (long-term debt (including long-term debt subject to remarketing arrangements) plus current maturities) divided by (excess of revenues over expenses plus depreciation and amortization excluding unrealized gain/loss on investments and unrealized gains/losses on interest rate swaps divided by number of days in the period times 365).</p>					

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FY14 - BSWH Summary Financial Information				
(\$ Thousands)				
	Three Months Ended			Nine Months Ended
	December 31, <u>2013</u>	March 31, <u>2014</u>	June 30, <u>2014</u>	June 30, <u>2014</u>
CASH FLOW				
Cash flow from operating activities	\$ 219,646	\$ 50,241	\$ 359,757	\$ 629,644
Adjusted operating cash flow (1)	\$ 209,545	\$ 163,768	\$ 236,373	\$ 609,686
Adjusted EBITDA (2)	\$ 247,377	\$ 204,828	\$ 276,873	\$ 729,078
Capital expenditures for property and equipment	\$ 117,722	\$ 113,358	\$ 123,536	\$ 354,616
Total Capitalization (3)	\$ 6,418,858	\$ 6,443,550	\$ 6,521,042	\$ 6,521,042
FINANCIAL RATIOS				
Operating margin	5.9%	3.1%	7.0%	5.4%
Adjusted operating cash flow as a percentage of total revenue (1)	12.3%	9.9%	13.3%	11.9%
Adjusted EBITDA margin (4)	14.5%	12.4%	15.6%	14.2%
Debt to capitalization (5)	38.4%	38.2%	36.8%	36.8%
Debt to cash flow (6)	2.9x	3.5x	2.5x	2.9x
<p>(1) Adjusted operating cash flow is defined as income from operations plus depreciation and amortization plus interest expense. Adjusted operating cash flow as a percentage of total revenue is calculated by dividing the adjusted operating cash flow by total operating revenue.</p> <p>(2) Adjusted EBITDA is defined as excess of revenues over expenses plus depreciation, amortization, taxes, interest, excluding unrealized gains/losses on investments, gains/losses on interest rate swaps and loss on extinguishment of debt.</p> <p>(3) Total capitalization is defined as long-term debt (including long-term debt subject to remarketing arrangements) net of current maturities and unrestricted net assets.</p> <p>(4) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by total operating revenue.</p> <p>(5) Debt to capitalization is defined as (long-term debt (including long-term debt subject to remarketing arrangements) net of current maturities) divided by total capitalization.</p> <p>(6) Debt to cash flow is defined as (long-term debt (including long-term debt subject to remarketing arrangements) plus current maturities) divided by (excess of revenues over expenses plus depreciation and amortization excluding unrealized gain/loss on investments and unrealized gains/losses on interest rate swaps divided by number of days in the period times 365.</p>				

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MANAGEMENT DISCUSSION AND ANALYSIS

Net Operating Income

The System's operating margin for the fourth quarter of fiscal year 2015 was \$226.2 million or 10.9% of total operating revenue, compared to \$124.8 million or 7.0% for the three months ended June 30, 2014. Adjusted EBITDA was \$357.6 million or 17.2% of total operating revenue for the fourth quarter of fiscal year 2015 versus \$276.9 million or 15.6% for the three months ended June 30, 2014.

Net Operating Revenue

The combined total operating revenue for the fourth quarter of fiscal year 2015 was \$2,074.5 million, an increase of \$299.1 million or 16.8% over the three months ended June 30, 2014.

Net patient care revenue, net of patient related bad debt expense, was \$1,737.0 million for the fourth quarter of fiscal year 2015, an increase of \$244.6 million or 16.4% over the three months ended June 30, 2014. The increase in net patient care revenue reflects higher volumes in the fourth quarter of fiscal year 2015.

Charity care charges increased \$8.5 million or 4.5% to \$197.3 million in the fourth quarter of fiscal year 2015 compared to \$188.8 million in the three months ended June 30, 2014, or 11.4% and 12.7%, as a percentage of net patient care revenue in the fourth quarter of fiscal year 2015 and the three months ended June 30, 2014, respectively.

Premium revenue decreased \$4.0 million or 2.4% to \$166.0 million in the fourth quarter of fiscal year 2015 compared to \$170.0 million for the three months ended June 30, 2014.

Net assets released from restrictions for operations increased \$0.5 million or 2.9% to \$18.0 million in the fourth quarter of fiscal year 2015 compared to \$17.5 million for the three months ended June 30, 2014.

Operating Expenses

Combined operating expenses for the fourth quarter of fiscal year 2015 were \$1,838.7 million, an increase of \$215.5 million or 13.3% over the three months ended June 30, 2014.

Salaries, wages, and employee benefits increased \$93.5 million or 11.2% to \$928.0 million for the fourth quarter of fiscal year 2015 compared to \$834.5 million for the three months ended June 30, 2014, representing approximately 44.7% and 47.0% of total operating revenue for the fourth quarter of fiscal year 2015 and the three months ended June 30, 2014, respectively. Salaries, wages, and employee benefits represented approximately 50.4% and 51.4% of total operating expenses for the fourth quarter of fiscal year 2015 and the three months ended June 30, 2014, respectively.

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Supplies and other operating expenses increased \$95.5 million or 15.4% for the fourth quarter of fiscal year 2015 to \$714.3 million compared to \$618.8 million for the three months ended June 30, 2014, and represented approximately 34.4% and 34.9% of total operating revenue for the fourth quarter of fiscal year 2015 and the three months ended June 30, 2014, respectively. Supplies and other operating expenses represented approximately 38.8% and 38.1% of total operating expenses for the fourth quarter of fiscal year 2015 and the three months ended June 30, 2014, respectively.

Medical claims increased \$28.5 million or 48.4% for the fourth quarter of fiscal year 2015 to \$87.4 million compared to \$58.9 million for the three months ended June 30, 2014. Medical claims increased when compared to the prior three months ended June 30, 2014 due to significantly higher Individual Exchange and Medicaid membership and a higher volume of large dollar claims during this period.

Depreciation and amortization decreased \$4.0 million or -4.6% to \$85.5 million for the fourth quarter of fiscal year 2015 compared to \$89.5 million for the three months ended June 30, 2014.

Interest expense increased \$3.4 million or 15.5% to \$25.4 million for the fourth quarter of fiscal year 2015 compared to \$22.0 million for the three months ended June 30, 2014.

FY15 - BSWH Operating Expenses					
(\$ Thousands)					
	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Salaries, wages, and employee benefits	\$ 843,578	\$ 878,250	\$ 881,124	\$ 927,967	\$ 3,530,919
Supplies	294,758	321,369	289,908	365,402	1,271,437
Other operating expenses	320,539	338,203	336,659	348,935	1,344,336
Medical claims	58,405	61,480	63,637	87,351	270,873
(Gains) losses on fixed asset disposals, net	(1,598)	1,095	1,496	(1,833)	(840)
Depreciation and amortization	84,898	83,887	89,492	85,459	343,736
Interest expense	20,497	25,058	22,572	25,436	93,563
Total operating expenses (excludes merger costs)	<u>\$ 1,621,077</u>	<u>\$ 1,709,342</u>	<u>\$ 1,684,888</u>	<u>\$ 1,838,717</u>	<u>\$ 6,854,024</u>

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FY14 - BSWH Operating Expenses (\$ Thousands)	Three Months Ended			Nine Months Ended
	December 31,	March 31,	June 30,	June 30,
	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
Salaries, wages, and employee benefits	\$ 819,739	\$ 823,372	\$ 834,549	\$ 2,477,660
Supplies	287,487	271,001	298,785	857,273
Other operating expenses	324,289	329,422	319,967	973,678
Medical claims	59,632	58,439	58,896	176,967
Losses (gains) on fixed asset disposals, net	241	666	(561)	346
Depreciation and amortization	86,387	89,706	89,541	265,634
Interest expense	22,410	22,250	21,994	66,654
Total operating expenses (excludes merger costs)	<u>\$ 1,600,185</u>	<u>\$ 1,594,856</u>	<u>\$ 1,623,171</u>	<u>\$ 4,818,212</u>

Full-Time Equivalents

Full-time equivalents (FTEs) are the number of total hours worked in a given period divided by the maximum number of compensable hours in a period as defined by law. The following table displays FTEs for employees of BSWH, which include physicians, advanced practice providers, and other employees.

BSWH Employees	Obligated	SWHP	Other	June 30,
	Affiliates		Entities	2015
				Total
Physician FTE's	988	-	643	1,631
Advanced practice provider FTE's	512	-	271	783
Joint venture FTEs ⁽¹⁾	-	-	3,685	3,685
Other employee FTE's	18,447	583	14,640	33,670
Total FTE's	<u>19,947</u>	<u>583</u>	<u>19,239</u>	<u>39,769</u>

⁽¹⁾ Joint Venture FTEs above include THVG, BIR JV, BTDI JV, and EBD JV. AIGB JV FTEs are not included in the table.

BSWH Employed Physicians June 30, 2015			
	Number of Physicians	Board Certification	Average Age
Obligated Affiliates	1,640	1,076	49
Other System Entities	821	769	49
Total	<u>2,461</u>	<u>1,845</u>	

Annual Disclosure Report for June 30, 2015

Nonoperating Gains (Losses)

The System recorded unrestricted unrealized losses on investments of \$6.8 million for the fourth quarter of fiscal year 2015 compared to unrestricted unrealized gains of \$53.2 million for the three months ended June 30, 2014. Unrestricted realized gains and investment income on investments were \$20.9 million for the fourth quarter of fiscal year 2015 compared to unrestricted realized gains and investment income on investments of \$42.2 million for the three months ended June 30, 2014, representing an decrease of \$21.3 million or -50.5%. The System recorded unrealized gains in its interest rate swap portfolio of \$54.6 million for the fourth quarter of fiscal year 2015 compared to unrealized losses in its interest rate swap portfolio of \$22.8 million for the three months ended June 30, 2014.

The table below summarizes the System's interest rate swap portfolio agreements as of June 30, 2015:

SUMMARY OF INTEREST RATE SWAP TRANSACTIONS						
Counterparty ¹	Description	Effective Date	Termination Date	Notional Amount (\$ in 000's)	Interest Rates	
					Payable	Receivable
Bank of America, N.A.	Fixed Payer	1/15/2016	11/15/50	\$ 73,740	3.975%	Variable
Deutsche Bank AG New York Branch	Fixed Payer	1/15/2016	2/15/23	\$ 19,415	4.096%	Variable
Deutsche Bank AG New York Branch	Fixed Payer	1/15/2016	2/15/23	\$ 83,320	4.109%	Variable
Deutsche Bank AG New York Branch	Fixed Payer	1/18/2011	8/15/41	\$ 85,775	3.518%	Variable
Goldman Sachs Bank U.S.A.	Fixed Payer	1/15/2016	11/15/50	\$ 155,760	3.991%	Variable
Goldman Sachs Bank U.S.A.	Fixed Payer	6/11/2008	8/15/41	\$ 57,220	3.646%	Variable
Goldman Sachs Bank U.S.A.	Fixed Payer	6/11/2008	8/15/46	\$ 37,175	3.641%	Variable
JP Morgan Chase Bank, N.A.	Fixed Payer	8/15/2022	8/15/45	\$ 69,715	4.140%	Variable
JP Morgan Chase Bank, N.A.	Fixed Payer	8/15/2022	8/15/45	\$ 69,340	4.723%	Variable
JP Morgan Chase Bank, N.A.	Fixed Receiver	2/2/2011	2/15/18	\$ 80,020	Variable	1.85%
Wells Fargo Bank, N.A.	Fixed Payer	1/15/2016	2/15/28	\$ 83,320	3.987%	Variable
Wells Fargo Bank, N.A.	Fixed Payer	1/18/2011	8/15/46	\$ 56,225	3.518%	Variable
Wells Fargo Bank, N.A.	Fixed Payer	8/15/2014	8/15/22	\$ 80,495	4.215%	Variable
Wells Fargo Bank, N.A.	Fixed Payer	8/15/2014	8/15/22	\$ 80,020	4.798%	Variable

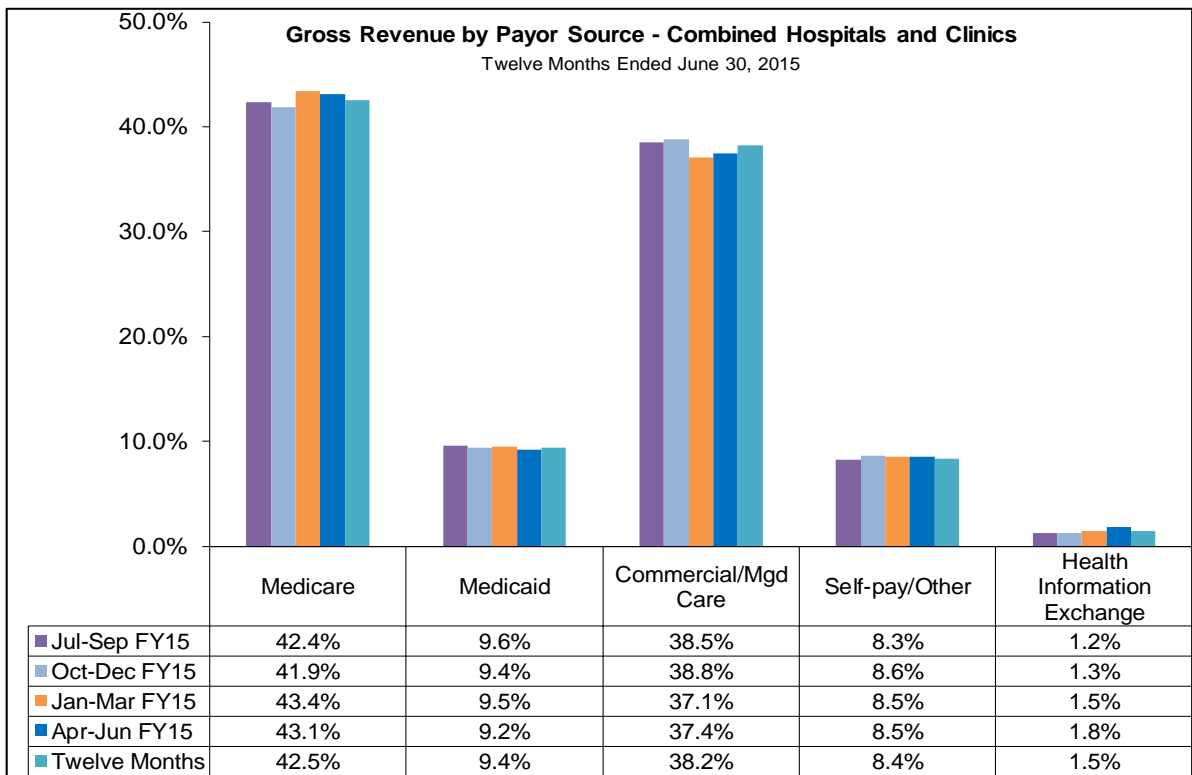
¹ Counterparty line items in the table may include multiple swap confirmations.

Annual Disclosure Report for June 30, 2015

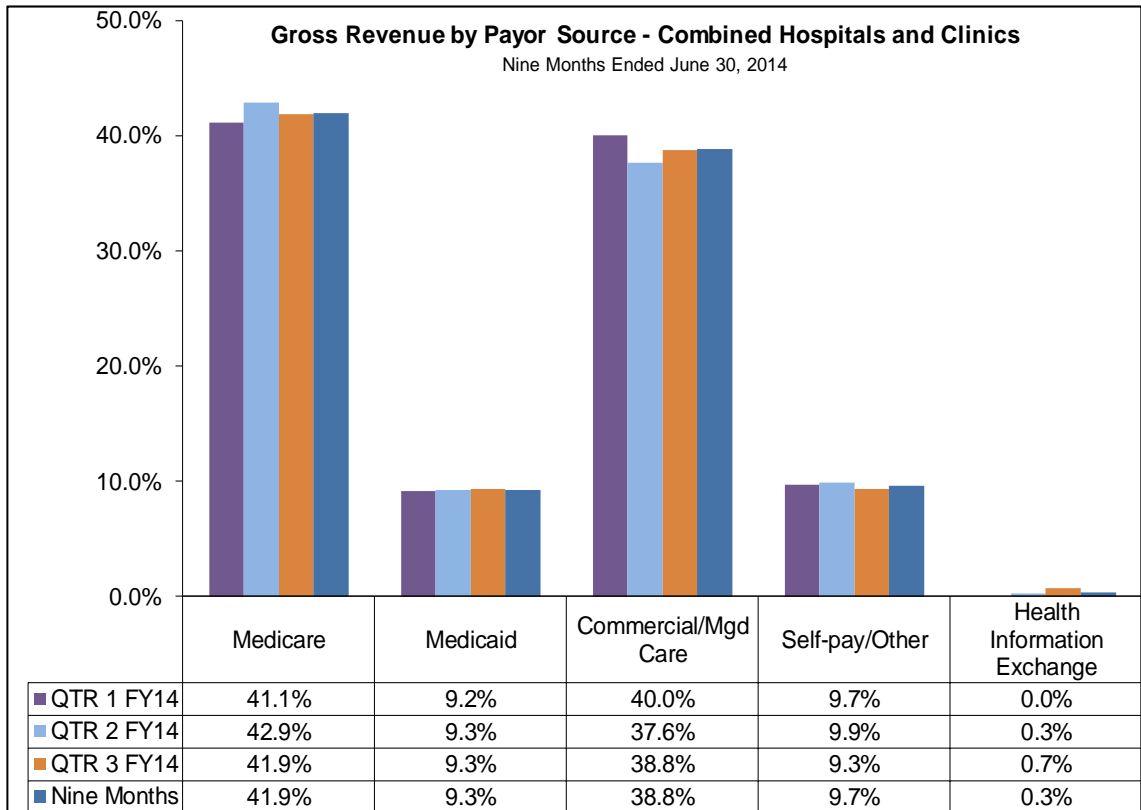
Utilization Statistics

BSWH derives its patient revenue from managed care companies, Medicare, Medicaid, commercial insurers, self paying patients and other sources. The gross revenue by payor source for the combined hospital and clinics includes intercompany activity related to the insured patients of the Health Plan.

The following graph approximates the percentages of gross patient revenue by payor inclusive of the Health Plan activity:



Annual Disclosure Report for June 30, 2015



BSWH Market Share & Population Served

<u>Division</u>	<u>Hospital Market Share⁽¹⁾</u>	<u>Clinic % Population Served⁽²⁾</u>
Central TX	22.0%	23.3%
North TX	19.7%	8.2%

⁽¹⁾Percentage of total discharges in each Division derived from Texas Department of State Health Services Texas Health Care Information Collection Public Use Data File for calendar year ending 2013. The Central TX market is based off a 33 county area and the North TX market is based off a 13 county area.

⁽²⁾ Unique patients treated at BSWH physician offices and clinics in the service area of each Division for the twelve months ending June 30, 2015, divided by the total population in each Division as of January 1, 2015. Population estimates provided by Truven Health/Claritas.

Annual Disclosure Report for June 30, 2015

FY15 - Operating Data - BSWH Total

	Three Months Ended				Twelve Months Ended
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	June 30, 2015
Licensed Beds	5,014	4,951	5,307	5,253	5,253
Inpatient Admissions ⁽¹⁾	47,068	47,567	47,669	48,313	190,617
Patient Days	238,160	245,037	250,675	246,137	980,009
Occupancy	63.1%	65.7%	69.0%	65.6%	65.1%
Average Length of Stay (Days)	5.1	5.2	5.3	5.1	5.2
Average Daily Census	2,589	2,663	2,785	2,705	2,685
Discharges	46,928	47,571	47,432	48,276	190,207
Emergency Room Visits	173,727	182,034	175,287	185,356	716,404
Inpatient Surgical Cases	12,966	13,200	12,253	13,107	51,526
Outpatient Surgical Cases	44,608	50,412	42,331	47,315	184,666
Outpatient Registrations	805,297	805,579	792,525	823,964	3,227,365
Clinic Visits (IP & OP)	686,401	687,570	737,702	732,368	2,844,041
HealthTexas Encounters	510,763	552,366	556,113	587,452	2,206,694
Relative Value Units ⁽²⁾	2,572,001	2,636,057	2,685,301	2,822,172	10,715,531
Deliveries	7,640	7,330	6,901	7,113	28,984
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenue:	59.8%	59.7%	58.4%	59.4%	59.3%

(1) Admissions include adult and special care nursery.

(2) Relative value units include amounts from the North Texas Division and Central Texas Division.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

FY14 - Operating Data - BSWH Total

	Three Months Ended			Nine Months Ended
	December 31, 2013	March 31, 2014	June 30, 2014	June 30, 2014
Licensed Beds	5,220	5,102	5,098	5,098
Inpatient Admissions ⁽¹⁾	46,342	45,933	46,481	138,756
Patient Days	236,577	245,528	242,202	724,307
Occupancy	62.2%	67.5%	66.9%	66.7%
Average Length of Stay (Days)	5.1	5.3	5.2	5.2
Average Daily Census	2,765	2,932	2,879	2,858
Discharges	46,073	45,975	46,286	138,334
Emergency Room Visits	155,378	161,522	171,309	488,209
Inpatient Surgical Cases	12,755	12,113	12,873	37,741
Outpatient Surgical Cases	44,822	39,627	44,379	128,828
Outpatient Registrations	829,420	788,963	802,984	2,421,367
Clinic Visits (IP & OP)	682,960	673,863	678,280	2,035,103
HealthTexas Encounters	491,813	529,539	524,240	1,545,592
Relative Value Units ⁽²⁾	2,467,809	2,490,998	2,525,985	7,484,792
Deliveries	7,617	7,032	7,047	21,696
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenue	58.2%	57.4%	59.1%	58.2%

(1) Admissions include adult and special care nursery.

(2) Relative value units includes amounts from the North Texas Division and Central Texas Division.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

Annual Disclosure Report for June 30, 2015

FY15 - Operating Data - Obligated Affiliates Subtotal

	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	2014	2014	2015	2015	2015
Licensed Beds	3,189	3,224	3,490	3,490	3,490
Inpatient Admissions ⁽¹⁾	31,854	31,883	32,036	32,716	128,489
Patient Days	164,057	168,902	174,254	171,869	679,082
Occupancy	68.9%	69.9%	74.4%	70.9%	69.8%
Average Length of Stay (Days)	5.2	5.3	5.5	5.3	5.3
Average Daily Census	1,783	1,836	1,936	1,889	1,860
Discharges	31,830	31,867	31,965	32,789	128,451
Emergency Room Visits	96,005	97,498	94,717	100,593	388,813
Inpatient Surgical Cases	8,237	8,226	7,807	8,369	32,639
Outpatient Surgical Cases	13,669	13,855	12,769	13,345	53,638
Outpatient Registrations	589,758	590,858	584,263	596,291	2,361,170
Clinic Visits (IP & OP)	599,791	601,762	645,141	641,999	2,488,693
Relative Value Units ⁽²⁾	1,476,233	1,449,425	1,493,033	1,544,698	5,963,389
Deliveries	5,021	4,888	4,513	4,737	19,159
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenues	54.1%	52.7%	52.0%	51.5%	52.6%

(1) Admissions include adult and special care nursery.

(2) Relative value units include amounts from the North Texas Division and Central Texas Division.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

FY14 - Operating Data - Obligated Affiliates Subtotal

	Three Months Ended			Nine Months Ended
	December 31,	March 31,	June 30,	June 30,
	2013	2014	2014	2014
Licensed Beds	3,372	3,254	3,254	3,254
Inpatient Admissions ⁽¹⁾	30,969	30,852	31,499	93,320
Patient Days	161,633	167,442	166,641	495,716
Occupancy	66.0%	71.3%	74.4%	73.8%
Average Length of Stay (Days)	5.3	5.4	5.3	5.3
Average Daily Census	1,881	1,987	1,964	1,944
Discharges	30,752	30,876	31,430	93,058
Emergency Room Visits	90,321	92,776	97,178	280,275
Inpatient Surgical Cases	7,957	7,747	8,288	23,992
Outpatient Surgical Cases	14,173	12,479	13,634	40,286
Outpatient Registrations	630,248	576,961	596,776	1,803,985
Clinic Visits (IP & OP)	599,906	586,341	592,949	1,779,196
Relative Value Units ⁽²⁾	1,428,583	1,407,311	1,420,618	4,256,512
Deliveries	4,949	4,496	4,684	14,129
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenues	52.9%	51.4%	53.0%	52.5%

(1) Admissions include adult and special care nursery.

(2) Relative value units includes amounts from the North Texas Division and Central Texas Division.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

Annual Disclosure Report for June 30, 2015

FY15 - Operating Data - Non-Obligated Affiliates Subtotal	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	2014	2014	2015	2015	2015
Licensed Beds	1,825	1,727	1,817	1,763	1,763
Inpatient Admissions ⁽¹⁾	15,214	15,684	15,633	15,597	62,128
Patient Days	74,103	76,135	76,421	74,268	300,927
Occupancy	53.1%	58.1%	59.3%	55.9%	56.5%
Average Length of Stay (Days)	4.9	4.8	4.9	4.8	4.9
Average Daily Census	805	828	849	816	825
Discharges	15,098	15,704	15,467	15,487	61,756
Emergency Room Visits	77,722	84,536	80,570	84,763	327,591
Inpatient Surgical Cases	4,729	4,974	4,446	4,738	18,887
Outpatient Surgical Cases	30,939	36,557	29,562	33,970	131,028
Outpatient Registrations	215,539	214,721	208,262	227,673	866,195
Clinic Visits (IP & OP)	86,610	85,808	92,561	90,369	355,348
HealthTexas Encounters	510,763	552,366	556,113	587,452	2,206,694
Relative Value Units ⁽²⁾	1,095,768	1,186,632	1,192,268	1,277,474	4,752,142
Deliveries	2,619	2,442	2,388	2,376	9,825
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenues	68.4%	69.2%	67.5%	69.9%	68.8%

(1) Admissions include adult and special care nursery.

(2) Relative value units include amounts from the North Texas Division and Central Texas Division.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

FY14 - Operating Data - Non-Obligated Affiliates Subtotal	Three Months Ended			Nine Months Ended
	December 31,	March 31,	June 30,	June 30,
	2013	2014	2014	2014
Licensed Beds	1,848	1,848	1,844	1,844
Inpatient Admissions ⁽¹⁾	15,373	15,081	14,982	45,436
Patient Days	74,944	78,086	75,561	228,591
Occupancy	55.5%	60.5%	54.8%	55.2%
Average Length of Stay (Days)	4.9	5.2	5.1	5.0
Average Daily Census	884	945	915	914
Discharges	15,321	15,099	14,856	45,276
Emergency Room Visits	65,057	68,746	74,131	207,934
Inpatient Surgical Cases	4,798	4,366	4,585	13,749
Outpatient Surgical Cases	30,649	27,148	30,745	88,542
Outpatient Registrations	199,172	212,002	206,208	617,382
Clinic Visits (IP & OP)	83,054	87,522	85,331	255,907
HealthTexas Encounters	491,813	529,539	524,240	1,545,592
Relative Value Units ⁽²⁾	1,039,226	1,083,687	1,105,367	3,228,280
Deliveries	2,668	2,536	2,363	7,567
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenue	66.2%	66.4%	68.2%	67.0%

(1) Admissions include adult and special care nursery.

(2) Relative value units includes amounts from the North Texas Division and Central Texas Division.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

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BSWH Clinic Visits		
	<u>Nine Months Ended</u>	<u>Twelve Months Ended</u>
	<u>June 30,</u>	<u>June 30,</u>
	<u>2014</u>	<u>2015</u>
Temple Region	1,230,024	1,676,550
Round Rock Region	297,612	442,199
College Station Region	257,878	380,707
Waco Region	164,098	227,326
Hill Country Region	85,491	117,259
Totals	<u>2,035,103</u>	<u>2,844,041</u>

⁽¹⁾ excludes emergency room visits

<u>System Inpatient Admissions by Facility</u>	
	Twelve Months Ended
	June 30,
	<u>2015</u>
Baylor University Medical Center	35,703
Scott & White Memorial Hospital	29,615
Baylor All Saints Medical Centers	17,728
Hillcrest Baptist Medical Center JV	13,283
Baylor Regional Medical Center at Grapevine	11,424
Baylor Regional Medical Center at Plano	6,216
Scott & White Round Rock Hospital	5,825
McLane Children's Hospital	3,914
Baylor Medical Center at Waxahachie	4,396
Scott & White Continuing Care Hospital	385
Obligated Affiliates Subtotal	128,489
Texas Health Ventures Group JV	10,782
Baylor Medical Center at Irving	11,494
Baylor Medical Center at Garland	7,823
Baylor Medical Center at McKinney	6,772
Baylor Medical Center at Carrollton	6,102
The Heart Hospital Baylor Plano JV	4,365
Scott & White College Station Hospital	4,861
Baylor Institute for Rehabilitation JV	3,956
Baylor Heart & Vascular Center JV	2,261
Scott & White Brenham Hospital	1,324
Scott & White Llano Hospital	751
Baylor Specialty Health Centers	398
Scott & White Taylor Hospital	500
The Heart Hospital Baylor Denton JV	290
EBD JV	410
ESW Cedar Park JV	39
Non-Obligated Affiliates Subtotal	62,128
Total	190,617

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BSWH Adult and Pediatric Licensed Beds - June 30, 2015		
	Licensed Beds	Staffed Beds
Baylor All Saints Medical Center	574	373
Baylor Medical Center at Waxahachie	104	85
Baylor Regional Medical Center at Grapevine	313	244
Baylor Regional Medical Center at Plano	160	121
Baylor University Medical Center	998	800
Hillcrest Baptist Medical Center	576	275
Scott & White Continuing Care Hospital	50	50
Scott & White Hospital - Round Rock	101	101
Scott & White Memorial Hospital	614	616
Obligated Affiliates Subtotal	3,490	2,665
Baylor Heart and Vascular Hospital	61	54
Baylor Medical Center at Carrollton	216	124
Baylor Medical Center at Garland	113	112
Baylor Medical Center at Irving	293	207
Baylor Medical Center at McKinney	143	107
Our Children's House	54	32
BIR JV, LLP (4 hospitals)	220	215
EBD, JV, LLP (7 emergency centers)	56	40
ESWCT, LLC (1 emergency center)	8	8
Scott & White Hospital - Brenham	60	60
Scott & White Hospital - College Station	119	95
Scott & White Hospital - Llano	30	30
Scott & White Hospital - Taylor	25	25
Texas Health Ventures Group (8 hospitals)	227	213
The Heart Hospital Baylor Denton	22	22
The Heart Hospital Baylor Plano	116	116
Non-Obligated Alliliates Subtotal	1,763	1,460
Total	5,253	4,125

Source: Texas Department of Health, September 8, 2015. Scott & White Hospital - Marble Falls was excluded from the table above as it opened August 2015 with 46 licensed beds.

Annual Disclosure Report for June 30, 2015

Liquidity

Unrestricted cash and investments of \$3.9 billion increased \$821.0 million after capital expenditures of \$426.1 million and net gains on trading investments of \$56.8 million for fiscal year to date 2015 as compared to June 30, 2014. Unrestricted days cash on hand increased to 218.6 days for the twelve months ended June 30, 2015 from 184.6 for the nine months ended June 30, 2014. Including restricted funds, days cash on hand totaled 255.6 days for the twelve months ended June 30, 2015 compared to 229.0 days for the nine months ended June 30, 2014. The debt to capitalization ratio increased to 38.0% at June 30, 2015 from 36.8% at June 30, 2014 and total assets increased 8.0% to \$9,687.4 million at June 30, 2015 from June 30, 2014.

FY15 - BSWH Cash and Investments				
(\$ Thousands)				
	September 30,	December 31,	March 31,	June 30,
	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
Cash and cash equivalents (1)	\$ 794,794	\$ 886,813	\$ 575,931	\$ 1,185,285
Short-term investments (2)	70,621	62,545	64,412	71,872
Long-term investments (3)	<u>2,939,221</u>	<u>2,907,098</u>	<u>3,337,971</u>	<u>3,302,173</u>
Total cash and equivalents	3,804,636	3,856,456	3,978,314	4,559,330
Less: restricted cash and investments (4)	<u>718,452</u>	<u>672,465</u>	<u>690,224</u>	<u>659,969</u>
Total unrestricted cash and investments	<u>\$ 3,086,184</u>	<u>\$ 3,183,991</u>	<u>\$ 3,288,090</u>	<u>\$ 3,899,361</u>
YTD average daily operating expenses (less depreciation) (5)	\$ 16,698	\$ 17,183	\$ 17,361	\$ 17,836
Unrestricted days cash on hand (6)	184.8	185.3	189.4	218.6
Day cash on hand (7)	227.9	224.4	229.1	255.6

(1) Cash and cash equivalents are composed of assets that may be immediately converted to cash.

(2) Short-term investments are assets that mature in one year or less.

(3) Long-term investments are comprised of U.S. and international small, mid and larger capitalization stocks, intermediate term fixed income securities, non-directional hedge funds, real estate, and private equity.

(4) Restricted cash and investments is the sum of assets restricted by donors (restricted long-term investments), other designated assets, assets held by bond trustees and assets required to meet self-insurance obligations.

(5) Year to date average daily operating expenses excludes merger costs.

(6) Unrestricted days cash on hand is calculated as unrestricted cash and investments divided by YTD average daily operating expenses.

(7) Days cash on hand includes restricted funds.

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Annual Disclosure Report for June 30, 2015

FY14 - BSWH Cash and Investments			
(\$ Thousands)			
	December 31, <u>2013</u>	March 31, <u>2014</u>	June 30, <u>2014</u>
Cash and cash equivalents (1)	\$ 549,154	\$ 499,804	\$ 743,908
Short-term investments (2)	42,812	52,142	72,486
Long-term investments (3)	3,001,814	2,949,733	3,002,227
Total cash and equivalents	3,593,780	3,501,679	3,818,621
Less: restricted cash and investments (4)	755,981	725,679	740,269
Total unrestricted cash and investments	\$ 2,837,799	\$ 2,776,000	\$ 3,078,352
YTD average daily operating expenses (less depreciation) (5)	\$ 16,454	\$ 16,588	\$ 16,676
Unrestricted days cash on hand (6)	172.5	167.3	184.6
Days Cash on Hand (7)	218.4	211.1	229.0
<p>(1) Cash and cash equivalents are composed of assets that may be immediately converted to cash.</p> <p>(2) Short-term investments are assets that mature in one year or less.</p> <p>(3) Long-term investments are comprised of U.S. and international small, mid and larger capitalization stocks, intermediate term fixed income securities, non-directional hedge funds, real estate, and private equity.</p> <p>(4) Restricted cash and investments is the sum of assets restricted by donors (restricted long-term investments), other designated assets, assets held by bond trustees and assets required to meet self-insurance obligations.</p> <p>(5) YTD average daily operating expenses excludes merger costs.</p> <p>(6) Unrestricted days cash on hand is unrestricted cash and investments divided by YTD average daily operating expenses.</p> <p>(7) Days cash on hand includes restricted funds.</p>			

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Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health Self Liquidity Report (\$ Thousands)		June 30, 2015
ASSETS		
Daily Liquidity		
Money Market Funds - Aaa-rated		\$ 258,496
Checking and deposit accounts at P-1 rated bank		604,641
US Treasuries & Aaa-rated Agencies (< 3 year maturity)		25,995
US Treasuries & Aaa-rated Agencies (> 3 year maturity)		55,824
Short-term investment funds at P-1 rated bank		12,896
Subtotal Daily Liquidity (Cash & Securities)		957,852
\$400 Million General Purpose LOC (undrawn amount) (1)		336,920
Subtotal Daily Liquidity		\$ 1,294,772
Weekly Liquidity		
Fixed Income: Publicly Traded Fixed Income Securities rated at least Aa3		32,480
Fixed Income: Other Investment Grade Publicly Traded Holdings		717,163
Fixed Income: Bond Funds		-
Equities: Exchange Traded Equity (ownership of shares of stock)		160,585
Equities: Equity Funds		481,740
Subtotal Weekly Liquidity		1,391,968
Total Daily and Weekly Liquidity		\$ 2,686,740
Longer Term Liquidity		
Funds, vehicles, investments that allow withdrawals with one month notice or longer		\$ 1,071,396
(1) Baylor Scott & White Holdings \$400MM line of credit expires January 14, 2019.		
The table above sets forth those assets that would reasonably be available to BSWH to satisfy a liquidity event. The table does not include assets held by affiliates of BSWH that would not be reasonably available to BSWH to satisfy a liquidity event, including assets held by the five Foundations as described further in this report, THVG, Texas Heart Hospital of the Southwest, LLP (THHSW) and Baylor Heart and Vascular Center, LLP (BHVC), among others.		

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Annual Disclosure Report for June 30, 2015

NET ASSETS OF THE FOUNDATIONS

The System operates five philanthropic foundations which include Baylor Health Care System Foundation, Scott & White Healthcare Foundation, All Saints Health Foundation, Irving Healthcare Foundation, and Scott & White Foundation – Brenham. In addition, the System has an interest in the net assets of the related Hillcrest Health Foundation. The cumulative net assets of these six entities are as follows:

FY15 - Net Assets of the Foundations				
(\$ Thousands)				
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Unrestricted	\$ 117,881	\$ 115,720	\$ 116,990	\$ 127,276
Temporarily Restricted	275,337	271,999	282,900	288,588
Permanently Restricted	228,849	230,178	236,607	237,321
Total	<u>\$ 622,067</u>	<u>\$ 617,897</u>	<u>\$ 636,497</u>	<u>\$ 653,185</u>

FY14 - Net Assets of the Foundations			
(\$ Thousands)			
	December 31, 2013	March 31, 2014	June 30, 2014
Unrestricted	\$ 108,989	\$ 110,931	\$ 122,773
Temporarily Restricted	279,590	274,612	277,155
Permanently Restricted	223,067	228,147	228,427
Total	<u>\$ 611,646</u>	<u>\$ 613,690</u>	<u>\$ 628,355</u>

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Annual Disclosure Report for June 30, 2015

DEBT SERVICE COVERAGE

<u>System Debt Service Coverage</u> (\$ in thousands)	<u>Twelve Months Ended June 30, 2015</u>
Excess (deficit) of revenues over expenses	\$ 579,547
Depreciation and amortization	343,736
Interest expense	93,563
Loss from extinguishment of debt	71,379
Unrealized (gains) losses on investments	149,904
Unrealized (gains) losses on interest rate swap	55,219
Consolidated net revenues available for debt service	<u>\$ 1,293,348</u>
Interest expense	\$ 93,563
Principal payments on long-term debt	513,870
Unscheduled and early debt payments	<u>(413,580)</u>
Actual annual debt service	\$ 193,853
Historical coverage of the actual annual debt service	6.67 x
The maximum annual debt service of the System	\$ 158,632
Historical coverage of the maximum annual debt service coverage ⁽¹⁾	8.15 x

⁽¹⁾Maximum annual debt service is defined as the largest total annual debt service requirements for the current fiscal year or any succeeding fiscal year.

Annual Disclosure Report for June 30, 2015

Obligated Affiliates Debt Service Coverage (\$ in thousands)

	Twelve Months Ended June 30, 2015
Excess (deficit) of revenues over expenses	\$ 409,209
Depreciation and amortization	150,693
Interest expense	62,605
Loss from extinguishment of debt	71,379
Unrealized (gains) losses on investments	119,307
Unrealized (gains) losses on interest rate swap	55,219
Consolidated net revenues available for debt service	\$ 868,412
Interest Expense	62,605
Principal payments on long-term debt	485,004
Unscheduled and early debt payments	(413,535)
Actual annual debt service	\$ 134,074
Historical coverage of the actual annual debt service	6.48 x
The maximum annual debt service of the Obligated Affiliates	\$ 137,213
Historical coverage of the maximum annual debt service coverage ⁽¹⁾	\$ 6.33 x

⁽¹⁾Maximum annual debt service is defined as the largest total annual debt service requirements for the current fiscal year or any succeeding fiscal year.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health				
Combined Balance Sheets				
(\$ Thousands)				
ASSETS	September 30, <u>2014</u>	December 31, <u>2014</u>	March 31, <u>2015</u>	June 30, <u>2015</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 794,794	\$ 886,813	\$ 575,931	\$ 1,185,285
Short-term investments	70,621	62,545	64,412	71,872
THVG funds due from United Surgical Partners, Inc.	60,139	64,221	60,414	58,876
Accounts receivables:				
Patient, net	633,218	651,358	648,312	637,637
Premium	53,444	48,304	49,043	41,161
Other	243,343	179,201	197,162	240,758
Invested collateral-securities lending program	212,853	221,639	220,924	-
Other current assets	188,890	175,552	186,468	201,215
Total current assets	<u>2,257,302</u>	<u>2,289,633</u>	<u>2,002,666</u>	<u>2,436,804</u>
LONG-TERM INVESTMENTS:				
Unrestricted	2,218,628	2,234,633	2,647,747	2,642,204
Restricted	466,691	452,012	464,186	451,244
Total long-term investments	<u>2,685,319</u>	<u>2,686,645</u>	<u>3,111,933</u>	<u>3,093,448</u>
ASSETS WHOSE USE IS LIMITED:				
Other designated assets	69,334	70,462	72,921	78,323
Self insurance reserves	81,455	83,687	85,999	82,268
Funds held by bond trustee	100,972	66,304	67,118	48,134
Total assets whose use is limited	<u>251,761</u>	<u>220,453</u>	<u>226,038</u>	<u>208,725</u>
ASSETS HELD FOR SALE	3,635	-	-	9,157
PROPERTY AND EQUIPMENT, net	3,324,779	3,361,746	3,354,656	3,371,810
CONTRIBUTIONS RECEIVABLE, net	61,521	59,220	64,543	70,365
INVESTMENTS OF INSURANCE SUBSIDIARIES	2,141	-	-	-
INTEREST IN NET ASSETS OF RELATED FOUNDATIONS	4,217	4,217	4,082	4,035
OTHER LONG-TERM ASSETS:				
Equity investment in unconsolidated entities	69,688	72,074	70,698	70,474
Goodwill and intangible assets, net	357,588	358,522	357,014	390,743
Other	26,034	33,571	33,109	31,856
Total other long-term assets	<u>453,310</u>	<u>464,167</u>	<u>460,821</u>	<u>493,073</u>
Total assets	<u>\$ 9,043,985</u>	<u>\$ 9,086,081</u>	<u>\$ 9,224,739</u>	<u>\$ 9,687,417</u>

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health				
Combined Balance Sheets - continued				
(\$ Thousands)				
	September 30, <u>2014</u>	December 31, <u>2014</u>	March 31, <u>2015</u>	June 30, <u>2015</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Current maturities of long-term debt and capital lease obligations	\$ 125,299	\$ 124,883	\$ 125,644	\$ 61,464
Long-term debt subject to short-term remarketing arrangements	95,000	95,000	95,000	95,000
Trade accounts payable	184,881	169,572	172,169	278,653
Payable under securities lending program	212,853	221,639	220,924	-
Accrued liabilities:				
Payroll related	234,494	219,172	226,488	388,583
Third-party programs	53,550	53,680	61,654	57,031
Other	370,011	342,299	358,885	293,413
Total current liabilities	<u>1,276,088</u>	<u>1,226,245</u>	<u>1,260,764</u>	<u>1,174,144</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	2,297,814	2,274,687	2,258,500	2,642,677
OTHER LONG-TERM LIABILITIES:				
Self insurance and other insurance liabilities	87,729	103,614	104,480	80,104
Interest rate swap liability, net	216,033	275,538	308,545	258,531
Other	173,210	181,368	180,251	219,319
Total other long-term liabilities	<u>476,972</u>	<u>560,520</u>	<u>593,276</u>	<u>557,954</u>
Total liabilities	<u>4,050,874</u>	<u>4,061,452</u>	<u>4,112,540</u>	<u>4,374,775</u>
COMMITMENTS AND CONTINGENCIES				
NONCONTROLLING INTERESTS - REDEEMABLE	283,010	296,117	279,346	313,005
NET ASSETS:				
Unrestricted - attributable to BSWH	4,061,445	4,078,580	4,173,544	4,326,067
Unrestricted - noncontrolling interest nonredeemable	129,989	134,846	129,026	141,627
Total unrestricted net assets	<u>4,191,434</u>	<u>4,213,426</u>	<u>4,302,570</u>	<u>4,467,694</u>
Temporarily restricted	287,570	282,676	292,685	292,644
Permanently restricted	231,097	232,410	237,598	239,299
Total net assets	<u>4,710,101</u>	<u>4,728,512</u>	<u>4,832,853</u>	<u>4,999,637</u>
Total liabilities and net assets	<u>\$ 9,043,985</u>	<u>\$ 9,086,081</u>	<u>\$ 9,224,739</u>	<u>\$ 9,687,417</u>

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health			
Combined Balance Sheets			
(\$ Thousands)			
ASSETS	December 31, <u>2013</u>	March 31, <u>2014</u>	June 30, <u>2014</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 549,154	\$ 499,804	\$ 743,908
Short-term investments	42,812	52,142	72,486
THVG funds due from United Surgical Partners, Inc.	50,815	58,117	63,271
Accounts receivables:			
Patient, net	641,703	617,363	611,386
Premium	46,199	48,767	52,798
Other	166,044	198,614	206,895
Invested collateral-securities lending program	203,652	197,071	180,833
Other current assets	165,813	183,902	182,444
Total current assets	<u>1,866,192</u>	<u>1,855,780</u>	<u>2,114,021</u>
LONG-TERM INVESTMENTS:			
Unrestricted	2,243,661	2,221,880	2,259,817
Restricted	438,261	444,527	469,381
Total long-term investments	<u>2,681,922</u>	<u>2,666,407</u>	<u>2,729,198</u>
ASSETS WHOSE USE IS LIMITED:			
Other designated assets	25,471	26,146	67,654
Self insurance reserves	88,188	88,661	82,184
Funds held by bond trustee	204,061	166,345	121,050
Total assets whose use is limited	<u>317,720</u>	<u>281,152</u>	<u>270,888</u>
ASSETS HELD FOR SALE	3,635	3,635	3,635
PROPERTY AND EQUIPMENT, net	3,261,334	3,286,329	3,319,123
CONTRIBUTIONS RECEIVABLE, net	65,681	65,557	61,483
INVESTMENTS OF INSURANCE SUBSIDIARIES	2,172	2,174	2,141
INTEREST IN NET ASSETS OF RELATED FOUNDATIONS	7,513	4,809	4,217
OTHER LONG-TERM ASSETS:			
Equity investment in unconsolidated entities	50,274	76,136	73,021
Goodwill and intangible assets, net	331,485	352,138	357,905
Other	58,626	40,024	33,746
Total other long-term assets	<u>440,385</u>	<u>468,298</u>	<u>464,672</u>
Total assets	<u>\$ 8,646,554</u>	<u>\$ 8,634,141</u>	<u>\$ 8,969,378</u>

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health			
Combined Balance Sheets - continued			
(\$ Thousands)			
LIABILITIES AND NET ASSETS	December 31, <u>2013</u>	March 31, <u>2014</u>	June 30, <u>2014</u>
CURRENT LIABILITIES:			
Current maturities of long-term debt and capital lease obligations	\$ 80,882	\$ 79,908	\$ 138,322
Long-term debt subject to short-term remarketing arrangements	95,000	95,000	95,000
Trade accounts payable	180,787	169,078	226,669
Payable under securities lending program	203,652	197,071	180,833
Accrued liabilities:			
Payroll related	237,460	195,179	257,543
Third-party programs	63,250	62,121	52,013
Other	252,506	248,369	323,160
Total current liabilities	<u>1,113,537</u>	<u>1,046,726</u>	<u>1,273,540</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	2,369,134	2,368,251	2,302,187
OTHER LONG-TERM LIABILITIES:			
Self insurance and other insurance liabilities	90,328	89,167	83,748
Interest rate swap liability, net	144,713	180,204	203,312
Other	170,847	186,644	182,163
Total other long-term liabilities	<u>405,888</u>	<u>456,015</u>	<u>469,223</u>
Total liabilities	<u>3,888,559</u>	<u>3,870,992</u>	<u>4,044,950</u>
COMMITMENTS AND CONTINGENCIES			
NONCONTROLLING INTERESTS - REDEEMABLE	291,267	269,881	281,160
NET ASSETS:			
Unrestricted - attributable to BSWH	3,817,874	3,858,163	3,995,319
Unrestricted - noncontrolling interest nonredeemable	136,850	122,136	128,536
Total unrestricted net assets	<u>3,954,724</u>	<u>3,980,299</u>	<u>4,123,855</u>
Temporarily restricted	286,185	283,542	288,779
Permanently restricted	225,819	229,427	230,634
Total net assets	<u>4,466,728</u>	<u>4,493,268</u>	<u>4,643,268</u>
Total liabilities and net assets	<u>\$ 8,646,554</u>	<u>\$ 8,634,141</u>	<u>\$ 8,969,378</u>

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health Combined Statements of Operations and Changes in Net Assets (\$ Thousands)	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015⁽¹⁾</u>	<u>2015</u>
OPERATING REVENUE:					
Net patient care revenue	\$ 1,655,877	\$ 1,764,689	\$ 1,681,740	\$ 1,873,080	\$ 6,975,386
Less patient related bad debt expense	131,059	156,340	157,775	136,086	581,260
Net patient care revenue, net of patient related bad debt expense	<u>1,524,818</u>	<u>1,608,349</u>	<u>1,523,965</u>	<u>1,736,994</u>	<u>6,394,126</u>
Premium revenue	168,929	170,136	190,774	166,014	695,853
Other operating revenue	73,894	77,403	71,907	153,532	376,736
Net assets released from restrictions for operations	15,215	16,378	19,645	17,973	69,211
Total operating revenue	<u>1,782,856</u>	<u>1,872,266</u>	<u>1,806,291</u>	<u>2,074,513</u>	<u>7,535,926</u>
OPERATING EXPENSES:					
Salaries, wages and employee benefits	843,578	878,250	881,124	927,967	3,530,919
Supplies	294,758	321,369	289,908	365,402	1,271,437
Other operating expenses	320,539	338,203	336,659	348,935	1,344,336
Medical claims	58,405	61,480	63,637	87,351	270,873
(Gains) losses on fixed asset disposals, net	(1,598)	1,095	1,496	(1,833)	(840)
Depreciation and amortization	84,898	83,887	89,492	85,459	343,736
Interest	20,497	25,058	22,572	25,436	93,563
Total operating expenses	<u>1,621,077</u>	<u>1,709,342</u>	<u>1,684,888</u>	<u>1,838,717</u>	<u>6,854,024</u>
INCOME FROM OPERATIONS BEFORE MERGER COSTS	<u>161,779</u>	<u>162,924</u>	<u>121,403</u>	<u>235,796</u>	<u>681,902</u>
MERGER COSTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,571</u>	<u>9,571</u>
Income from operations	<u>161,779</u>	<u>162,924</u>	<u>121,403</u>	<u>226,225</u>	<u>672,331</u>
NONOPERATING GAINS (LOSSES):					
(Losses) gains on investments, net	(15,074)	(2,676)	59,562	14,960	56,772
Interest rate swap activity	(16,097)	(62,865)	(40,902)	50,620	(69,244)
Contributions	632	348	452	360	1,792
Equity in (losses) earnings of unconsolidated entities	(1,977)	(1,803)	(1,046)	868	(3,958)
Loss on extinguishment of debt	-	(1,247)	-	(70,132)	(71,379)
Other	(316)	(235)	(197)	2,356	1,608
Total nonoperating (losses) gains	<u>(32,832)</u>	<u>(68,478)</u>	<u>17,869</u>	<u>(968)</u>	<u>(84,409)</u>
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES	<u>128,947</u>	<u>94,446</u>	<u>139,272</u>	<u>225,257</u>	<u>587,922</u>
INCOME TAX EXPENSE	<u>2,670</u>	<u>2,642</u>	<u>2,309</u>	<u>754</u>	<u>8,375</u>
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	<u>126,277</u>	<u>91,804</u>	<u>136,963</u>	<u>224,503</u>	<u>579,547</u>

(1) The results reflected above include a year to date reclassification of merger costs from operating expenses to a separate financial statement line in net operating income in the last quarter of fiscal year 2015.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health					
Combined Statements of Operations and Changes in Net Assets - continued					
(\$ Thousands)					
	Three Months Ended				Twelve Months Ended
	September 30,	December 31,	March 31,	June 30,	June 30,
	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015⁽¹⁾</u>	<u>2015</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS:					
Unrealized (losses) gains on investments, net	\$ (313)	\$ 5,405	\$ 976	\$ (897)	\$ 5,171
Net assets released from restrictions for capital expenditures	1,440	1,693	1,669	2,210	7,012
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(10,498)	(13,529)	(13,931)	2,184	(35,774)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests- redeemable	(49,395)	(62,175)	(36,008)	(49,386)	(196,964)
Other	68	(1,206)	(525)	(13,490)	(15,153)
INCREASE IN UNRESTRICTED NET ASSETS	<u>67,579</u>	<u>21,992</u>	<u>89,144</u>	<u>165,124</u>	<u>343,839</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Contributions	16,055	17,291	22,068	19,946	75,360
Realized gains and investment income, net	4,404	6,452	15,959	3,119	29,934
Unrealized losses on investments, net	(4,878)	(10,685)	(6,419)	(992)	(22,974)
Changes in value of split-interest agreements	(120)	249	85	(217)	(3)
Net assets released from restrictions for operations	(15,215)	(16,378)	(19,645)	(17,973)	(69,211)
Net assets released from restrictions for capital expenditures	(1,440)	(1,693)	(1,669)	(2,210)	(7,012)
Changes in net assets of related foundations	-	-	(149)	(61)	(210)
Other	(15)	(130)	(221)	(1,653)	(2,019)
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(1,209)</u>	<u>(4,894)</u>	<u>10,009</u>	<u>(41)</u>	<u>3,865</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Contributions	401	641	4,149	740	5,931
Realized gains and investment income, net	92	448	33	89	662
Unrealized (losses) gains on investments, net	(96)	(264)	78	(100)	(382)
Changes in value of split-interest agreements	94	33	427	(203)	351
Changes in net assets of related foundations	-	-	12	16	28
Other	(28)	455	489	1,159	2,075
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>463</u>	<u>1,313</u>	<u>5,188</u>	<u>1,701</u>	<u>8,665</u>
INCREASE IN NET ASSETS	<u>66,833</u>	<u>18,411</u>	<u>104,341</u>	<u>166,784</u>	<u>356,369</u>
NET ASSETS, beginning of year	<u>4,643,268</u>	<u>4,710,101</u>	<u>4,728,512</u>	<u>4,832,853</u>	<u>4,643,268</u>
NET ASSETS, end of year	<u>\$ 4,710,101</u>	<u>\$ 4,728,512</u>	<u>\$ 4,832,853</u>	<u>\$ 4,999,637</u>	<u>\$ 4,999,637</u>

(1) The results reflected above include a year to date reclassification of merger costs from operating expenses to a separate financial statement line in net operating income in the last quarter of fiscal year 2015.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health				
Combined Statement of Operations and Changes in Net Assets				
(\$ Thousands)				
	Three Months Ended			Nine Months Ended
	December 31, <u>2013</u>	March 31, <u>2014</u>	June 30, <u>2014⁽¹⁾</u>	June 30, <u>2014</u>
OPERATING REVENUE:				
Net patient care revenue	\$ 1,584,183	\$ 1,505,707	\$ 1,576,875	\$ 4,666,765
Less patient related bad debt expense	133,273	123,896	84,463	341,632
Net patient care revenue, net of patient related bad debt expense	1,450,910	1,381,811	1,492,412	4,325,133
Premium revenue	156,202	168,481	170,004	494,687
Other operating revenue	75,771	78,706	95,508	249,985
Net assets released from restrictions for operations	18,050	17,670	17,467	53,187
Total operating revenue	1,700,933	1,646,668	1,775,391	5,122,992
OPERATING EXPENSES:				
Salaries, wages and employee benefits	819,739	823,372	834,549	2,477,660
Supplies	287,487	271,001	298,785	857,273
Other operating expenses	324,289	329,422	319,967	973,678
Medical claims	59,632	58,439	58,896	176,967
Gain (losses) on fixed asset disposals, net	241	666	(561)	346
Depreciation and amortization	86,387	89,706	89,541	265,634
Interest	22,410	22,250	21,994	66,654
Total operating expenses	1,600,185	1,594,856	1,623,171	4,818,212
INCOME FROM OPERATIONS BEFORE MERGER COSTS				
	100,748	51,812	152,220	304,780
MERGER COSTS				
	-	-	27,382	27,382
Income from operations	100,748	51,812	124,838	277,398
NONOPERATING GAINS (LOSSES):				
Gains on investments, net	86,193	56,373	89,649	232,215
Interest rate swap activity	15,159	(39,179)	(26,114)	(50,134)
Contributions	448	499	4,720	5,667
Equity in losses of unconsolidated entities	(1,422)	(2,503)	(1,787)	(5,712)
Loss on extinguishment of debt	-	(254)	-	(254)
Other	(4,142)	2,270	(1,294)	(3,166)
Total nonoperating gains	96,236	17,206	65,174	178,616
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES				
	196,984	69,018	190,012	456,014
INCOME TAX EXPENSE				
	2,206	2,102	4,106	8,414
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES				
	194,778	66,916	185,906	447,600

(1) The results reflected above include a year to date reclassification of merger costs from operating expenses to a separate financial statement line in net operating income in the last quarter of fiscal year 2014.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health Combined Statement of Operations and Changes in Net Assets - continued (\$ Thousands)	Three Months Ended			Nine Months Ended
	December 31, <u>2013</u>	March 31, <u>2014</u>	June 30, <u>2014</u> ⁽¹⁾	June 30, <u>2014</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS:				
Unrealized gains on investments, net	\$ 940	\$ 1,468	\$ 5,686	\$ 8,094
Net assets released from restrictions for capital expenditures	11,479	12,338	3,714	27,531
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(3,777)	(23,098)	(4,038)	(30,913)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests- redeemable	(46,180)	(32,075)	(47,452)	(125,707)
Other	(454)	26	184	(244)
INCREASE IN UNRESTRICTED NET ASSETS	156,786	25,575	144,000	326,361
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	19,289	16,655	17,247	53,191
Realized gains and investment income, net	8,067	5,633	6,240	19,940
Unrealized gains on investments, net	10,018	2,556	8,037	20,611
Changes in value of split-interest agreements	56	245	(971)	(670)
Net assets released from restrictions for operations	(18,050)	(17,670)	(17,467)	(53,187)
Net assets released from restrictions for capital expenditures	(11,479)	(12,338)	(3,714)	(27,531)
Changes in net assets of related foundations	-	(2,576)	(610)	(3,186)
Other	861	4,852	(4,038)	1,675
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	8,762	(2,643)	4,724	10,843
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Contributions	766	4,466	1,605	6,837
Realized gains and investment income, net	142	44	151	337
Unrealized gains on investments, net	97	18	104	219
Changes in value of split-interest agreements	(1)	307	15	321
Changes in net assets of related foundations	-	12	18	30
Other	(41)	(1,239)	(617)	(1,897)
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	963	3,608	1,276	5,847
INCREASE IN NET ASSETS	166,511	26,540	150,000	343,051
NET ASSETS, beginning of period	4,300,217	4,466,728	4,493,268	4,300,217
NET ASSETS, end of period	\$ 4,466,728	\$ 4,493,268	\$ 4,643,268	\$ 4,643,268

(1) The results reflected above include a year to date reclassification of merger costs from operating expenses to a separate financial statement line in net operating income in the last quarter of fiscal year 2014.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health Combined Statements of Cash Flows (\$ Thousands)	Three Months Ended				Twelve
					Months Ended
	September 30, <u>2014</u>	December 31, <u>2014</u>	March 31, <u>2015</u>	June 30, <u>2015</u>	June 30, <u>2015</u>
Cash Flows From Operating Activities:					
Increase in net assets	\$ 66,833	\$ 18,411	\$ 104,341	\$ 166,784	\$ 356,369
Adjustments to reconcile increase in net assets to net cash provided by operating activities:					
Loss on extinguishment of debt	-	1,247	-	4,752	5,999
Unrealized losses on investments, net	48,948	41,191	70,023	7,927	168,089
Realized gains on sales of investments, net	(21,557)	(27,220)	(129,878)	(3,489)	(182,144)
Losses (gains) on interest rate swap, net	11,974	60,252	37,608	(54,615)	55,219
Contributions restricted for long-term purposes	(401)	(641)	(4,149)	(740)	(5,931)
Patient related bad debt expense	131,059	156,340	157,775	136,086	581,260
Depreciation and amortization	84,898	83,887	89,492	85,459	343,736
(Gains) losses on sale or disposal of assets, net	(1,598)	(2,334)	1,496	1,596	(840)
Change in value of split-interest agreements	26	(282)	(512)	420	(348)
Deferred rent	2,225	(60)	329	10,382	12,876
Other changes attributable to noncontrolling interests	59,892	75,705	49,939	47,202	232,738
Changes in operating assets and liabilities (net of acquisitions):					
Increase in net patient accounts receivable	(152,891)	(174,480)	(154,729)	(122,554)	(604,654)
(Increase) decrease in other accounts receivable	(36,984)	69,273	(18,268)	(31,442)	(17,421)
Decrease (increase) in other assets	4,785	5,068	(13,006)	(19,987)	(23,140)
(Decrease) increase in trade accounts payable and accrued liabilities	(16,337)	(59,229)	34,575	203,004	162,013
(Decrease) increase in other liabilities	(1,371)	26,002	(2,109)	12,128	34,650
Net cash provided by operating activities	<u>179,501</u>	<u>273,130</u>	<u>222,927</u>	<u>442,913</u>	<u>1,118,471</u>
Cash Flows From Investing Activities:					
Purchases of property and equipment, net	(93,968)	(126,286)	(81,895)	(123,992)	(426,141)
Cash proceeds from sales of assets	3,623	10,417	334	6,657	21,031
Cash paid for acquisitions, net of cash received	-	-	(343)	(24,236)	(24,579)
Decrease (increase) in THVG funds due from United Surgical Partners, Inc.	3,132	(4,082)	3,807	1,538	4,395
Decrease (increase) in trading investments	18,812	(8,301)	(366,432)	14,616	(341,305)
Payments on interest rate swap	(4,123)	(2,613)	(3,294)	(3,995)	(14,025)
Decrease (increase) in other than trading investments	101	1,459	(689)	(7,733)	(6,862)
Decrease in investments of insurance subsidiaries	-	2,141	-	-	2,141
(Increase) decrease in invested collateral-securities lending program	(32,020)	(8,786)	715	220,924	180,833
Decrease (increase) in assets whose use is limited	19,127	31,308	(5,585)	17,313	62,163
Net cash (used in) provided by investing activities	<u>(85,316)</u>	<u>(104,743)</u>	<u>(453,382)</u>	<u>101,092</u>	<u>(542,349)</u>
Cash Flows From Financing Activities:					
Principal payments on long-term debt	(33,706)	(36,053)	(25,456)	(418,655)	(513,870)
Proceeds from issuance of long-term debt	16,215	12,405	9,322	731,144	769,086
Increase (decrease) in payable under securities lending program	32,020	8,786	(715)	(220,924)	(180,833)
Distributions to noncontrolling interest owners	(67,610)	(57,848)	(65,911)	(36,505)	(227,874)
Purchases of noncontrolling interests	(362)	(7,289)	(1,589)	43	(9,197)
Sales of noncontrolling interests	9,930	2,539	790	10,583	23,842
Cash receipts for long-term purposes	416	1,455	3,409	112	5,392
Annuity payments to beneficiaries	(202)	(363)	(277)	(449)	(1,291)
Net cash (used in) provided by financing activities	<u>(43,299)</u>	<u>(76,368)</u>	<u>(80,427)</u>	<u>65,349</u>	<u>(134,745)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	50,886	92,019	(310,882)	609,354	441,377
Cash And Cash Equivalents, beginning of period	743,908	794,794	886,813	575,931	743,908
Cash And Cash Equivalents, end of period	<u>\$ 794,794</u>	<u>\$ 886,813</u>	<u>\$ 575,931</u>	<u>\$ 1,185,285</u>	<u>\$ 1,185,285</u>

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health Combined Statements of Cash Flows (\$ Thousands)	Three Months Ended			Nine Months Ended
	December 31, 2013	March 31, 2014	June 30, 2014	June 30, 2014
Cash Flows From Operating Activities:				
Increase in net assets	\$ 166,419	\$ 26,540	\$ 150,092	\$ 343,051
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Loss on extinguishment of debt	-	254	-	254
Unrealized gains on investments, net	(50,984)	(16,507)	(61,326)	(128,817)
Realized gains on sales of investments, net	(41,921)	(38,457)	(29,755)	(110,133)
(Gains) losses on interest rate swap, net	(18,473)	36,065	22,823	40,415
Contributions restricted for long-term purposes	(766)	(4,466)	(1,605)	(6,837)
Patient related bad debt expense	133,273	123,896	84,463	341,632
Depreciation and amortization	86,387	89,706	89,541	265,634
Losses (gains) on sale or disposal of assets, net	241	666	(561)	346
Change in value of split-interest agreements	(55)	(552)	956	349
Deferred rent	148	(462)	4,803	4,489
Other changes attributable to noncontrolling interests	56,278	55,157	45,185	156,620
Changes in operating assets and liabilities (net of acquisitions):				
Increase in net patient accounts receivable	(190,656)	(99,556)	(77,451)	(367,663)
Decrease (increase) in other accounts receivable	36,926	(35,019)	(26,234)	(24,327)
Decrease (increase) in other assets	2,719	(44,138)	34,041	(7,378)
Increase (decrease) in trade accounts payable and accrued liabilities	34,987	(60,121)	182,697	157,563
Increase (decrease) in other liabilities	5,123	17,235	(57,912)	(35,554)
Net cash provided by operating activities	219,646	50,241	359,757	629,644
Cash Flows From Investing Activities:				
Purchases of property and equipment, net	(117,722)	(113,358)	(123,536)	(354,616)
Cash proceeds from sales of assets	373	3,343	1,610	5,326
Cash paid for acquisitions, net of cash received	(2,400)	(1,680)	(6,555)	(10,635)
Decrease (increase) in THVG funds due from United Surgical Partners, Inc.	14,963	(7,302)	(14,574)	(6,913)
Decrease in trading investments	19,312	61,296	33,432	114,040
Payments on interest rate swap	(3,316)	(3,114)	(3,289)	(9,719)
Decrease (increase) in other than trading investments	174	(96)	(3,840)	(3,762)
(Increase) decrease in investments of insurance subsidiaries	(11)	(2)	33	20
Decrease (increase) in invested collateral-securities lending program	7,048	6,581	(5,977)	7,652
Decrease in assets whose use is limited	30,075	36,568	39,928	106,571
Net cash used in investing activities	(51,504)	(17,764)	(82,768)	(152,036)
Cash Flows From Financing Activities:				
Principal payments on long-term debt	(18,171)	(12,574)	(8,791)	(39,536)
Proceeds from issuance of long-term debt	7,874	6,095	3,958	17,927
(Decrease) increase in payable under securities lending program	(7,048)	(6,581)	5,977	(7,652)
Distributions to noncontrolling interest owners	(47,546)	(71,438)	(32,916)	(151,900)
Purchases of noncontrolling interests	(1,068)	(4,763)	(2,008)	(7,839)
Sales of noncontrolling interests	26,238	3,268	921	30,427
Cash receipts for long-term purposes	6,326	4,337	617	11,280
Annuity payments to beneficiaries	(168)	(171)	(643)	(982)
Net cash used in financing activities	(33,563)	(81,827)	(32,885)	(148,275)
Net Increase (Decrease) In Cash And Cash Equivalents	134,579	(49,350)	244,104	329,333
Cash And Cash Equivalents, beginning of year	414,575	549,154	499,804	414,575
Cash And Cash Equivalents, end of period	\$ 549,154	\$ 499,804	\$ 743,908	\$ 743,908

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Notes to Combined Financial Statements

1. ORGANIZATION

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

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

BSW Holdings has accounted for the combination as a merger of not-for-profit entities under Accounting Standards Codification (ASC) 958-805, “Not-for-Profit Entities: Business Combinations” resulting in a new reporting entity effective October 1, 2013, the merger date, with no activities before the merger. Therefore, the combined assets, liabilities and net assets of Baylor and Scott & White are included in the accompanying combined financial statements as of the merger date at their historical basis under the carryover method with adjustments to conform the individual accounting policies of Baylor and Scott & White and to eliminate intra-entity balances. The accompanying financial statements include activity of the newly combined entity after October 1, 2013.

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Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

The major classes of assets, liabilities and net assets that were combined at September 30, 2013 are as follows (in thousands):

	Baylor	Scott and White	Total
ASSETS			
Cash and investments	\$ 2,570,341	\$ 893,332	\$ 3,463,673
Property and equipment, net	2,120,999	1,098,753	3,219,752
Other assets	1,330,483	432,118	1,762,601
LIABILITIES			
Long-term and capital lease obligations	1,313,887	1,139,860	2,453,747
Other liabilities	1,008,262	437,152	1,445,414
Noncontrolling interests redeemable	246,648	-	246,648
NET ASSETS			
Unrestricted	3,086,123	711,371	3,797,494
Temporarily restricted	183,576	94,360	277,936
Permanently restricted	\$ 183,327	\$ 41,460	\$ 224,787

Transition and integration are on-going with the System incurring approximately \$9,571,000 and \$27,382,000 in costs during the year ended June 30, 2015 and the nine months ended June 30, 2014, respectively, as a result of the transaction, which are included in merger costs in the combined statements of operations and changes in net assets.

The combined financial statements include the accounts of BSW Holdings, BSW Health, BHCS, SWH, Baylor University Medical Center (BUMC), Scott & White Memorial Hospital (SWMH), Scott & White Health Plan (the "Health Plan" or "SWHP"), five foundations, nineteen community and specialty medical centers located throughout the Dallas and Fort Worth metroplex and the central Texas area, two wholly owned insurance subsidiaries, Baylor Quality Health Alliance, LLC, an accountable care organization, four physician practice organizations, HealthTexas Provider Network, Scott & White Clinic, Hillcrest Family Health Center, and Hillcrest Physician Services, and other related entities. Investments in certain related entities with 50.0% or less ownership are accounted for using the equity method. The transactions and balances for investments in certain related entities with greater than 50.0% ownership or where the System exercises board control are included in the accompanying combined financial statements with related noncontrolling interests reported in the combined financial statements. These entities include the following: Texas Health Ventures Group, LLC (THVG), providing short stay hospital and outpatient surgery services, BIR JV, LLP, providing rehabilitation services, BTDI JV, LLP, providing imaging services, EBD JV, LLP, and ESWCT, LLC providing emergency medical services and THVG Bariatric, LLC, providing bariatric services. All significant intercompany accounts and transactions among entities included in the combined financial statements have been eliminated.

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

The following summarizes significant changes in the System in 2015 and 2014:

THVG

BUMC has a majority ownership of 50.1% in THVG with USP North Texas, Inc. (USP), a Texas corporation and subsidiary of United Surgical Partners, Inc. (USPI) holding the remaining 49.9%. THVG had net patient care revenue included in the System's combined financial statements of approximately \$741,841,000 and \$501,249,000, for year ended 2015 and nine months ended 2014, respectively.

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

THVG completed the acquisition of one surgical hospital in 2015. THVG recorded goodwill and intangible net assets, net of approximately \$33,500,000, fixed assets of approximately \$4,573,000 and other net liabilities of approximately \$38,073,000 in 2015.

Baylor Scott & White Assurance SPC

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

Baylor All Saints Medical Center

In December 2014, the previously recorded asset held for sale for Baylor All Saints Medical Center relating to the Baylor All Saints Medical Center at Southwest Fort Worth was sold.

BSWH

On April 22, 2015, BSWH issued \$549,935,000 in taxable bonds. Proceeds net of underwriter's discount, totaling approximately \$546,141,000 were used to refund certain outstanding tax-exempt bonds. The remaining bond proceeds were used to pay costs of issuance and will be used in the future for any eligible corporate purpose.

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Notes to Combined Financial Statements - continued

Additionally on May 15, 2015, BSWH issued \$176,960,000 of bank direct placement tax-exempt bonds, the proceeds of which were utilized to refund certain outstanding tax-exempt bonds.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of New Accounting Pronouncements

In February 2013, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-04, "*Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date.*" The ASU requires measurement of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. Additionally, the amendment requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments are to be applied retrospectively to all prior periods presented for those obligations within the scope of the ASU that exist at the beginning of an entity's fiscal year of adoption. The System applied the provisions of ASU 2013-04 in fiscal year 2015.

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

In June 2015, FASB issued ASU 2015-10, "*Technical Corrections and Improvements.*" This ASU clarifies the Codification, corrects unlimited application of guidance, or makes minor improvements to the Codification that are not expected to have a significant effect on current accounting practice to create a significant administrative cost to most entities. The System applied the provisions of ASU 2015-10 in fiscal year 2015.

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Notes to Combined Financial Statements - continued

Other Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606)*,” which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, “Revenue Recognition.” This ASU addresses when an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The System has not evaluated all of the provisions, which are effective for annual reporting periods beginning after December 15, 2017, as amended by ASU 2015-14.

In August 2014, the FASB issued ASU 2014-15, “*Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*.” This ASU amendment requires management to assess an entity’s ability to continue as a going concern. Management should evaluate whether conditions or events, considered in the aggregate, exist that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. The System has not evaluated all of the provisions of ASU 2014-09, which are effective for fiscal years ending after December 15, 2016.

In January 2015, FASB issued ASU 2015-01, “*Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*.” The amendments in ASU 2015-1 eliminate the concept of extraordinary items in financial statements. The System has not evaluated all of the provisions of ASU 2015-01, which are effective for fiscal years beginning after December 15, 2015, and interim periods thereafter.

In February 2015, FASB issued ASU 2015-02, “*Consolidation: Amendments to the Consolidation Analysis*.” The amendments in ASU 2015-02 improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The System has not evaluated all of the provisions of ASU 2015-02, which are effective for fiscal years beginning after December 15, 2015, and interim periods within those years.

In April 2015, FASB issued ASU 2015-03, “*Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*.” The amendments in ASU 2015-03 are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The System has not evaluated all of the provisions of ASU 2015-03, which are effective for fiscal years beginning after December 15, 2015, and interim periods within those years.

In April 2015, FASB issued ASU 2015-05, “*Intangibles - Goodwill and Other - Internal-Use Software: Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*.” The amendments in ASU 2015-05 provide guidance to customers about whether a cloud

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Notes to Combined Financial Statements - continued

computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. BSWH has not evaluated all of the provisions of ASU 2015-05, which are effective for fiscal years beginning after December 15, 2015, and interim periods within those years.

In May 2015, FASB issued ASU 2015-07, *“Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).”* This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The System has not evaluated all of the provisions, which are effective for fiscal years beginning after December 15, 2015, and interim periods within those years.

In May 2015, FASB issued ASU 2015-09, *“Disclosures about Short-Duration Contracts.”* This ASU requires insurance entities to disclose for annual reporting periods information about the liability for unpaid claims and claim adjustment expenses. The amendments also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements. In addition, the amendments require insurance entities to disclose for annual and interim reporting periods a roll-forward of the liability for unpaid claims and claim adjustment expenses. For health insurance claims, the amendments require the disclosure of the total of incurred-but-not-reported liabilities and expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses. The System has not evaluated all of the provisions, which are effective for fiscal years beginning after December 15, 2015, and interim periods beginning after December 15, 2016.

In July 2015, FASB issued ASU 2015-11, *“Simplifying the Measurement of Inventory.”* This ASU requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The System has not evaluated all of the provisions, which are effective for fiscal years beginning after December 15, 2016, and interim periods within those years.

In August 2015, FASB issued ASU 2015-15, *“Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting).”* This ASU

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

requires an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The System has not evaluated all of the provisions of ASU 2015-15, which are effective for fiscal years beginning after December 15, 2015, and interim periods within those years.

In September 2015, FASB issued ASU2015-16, "*Simplifying the Accounting for Measurement-Period Adjustments.*" This ASU requires that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period and any related income effects in the reporting period in which the adjustment amounts are determined. The ASU also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The System had not evaluated all of the provisions, which are effective for fiscal years beginning after December 15, 2015, and interim periods within those years.

Cash and Cash Equivalents

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

THVG Funds Due From United Surgical Partners, Inc.

THVG participates in a shared services accounts payable program with USPI, wherein USPI has custody of substantially all of THVG's cash, paying THVG and its facilities interest income on the net balance at prevailing market rates. Amounts held by USPI on behalf of THVG totaled approximately \$58,876,000 and \$63,271,000 at June 30, 2015 and June 30, 2014, respectively. The funds due from USPI are available on demand.

Investments

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

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Notes to Combined Financial Statements - continued

Interest and dividends, realized gains and unrealized gains (losses) consisted of the following (in thousands):

	Three Months Ended June 30, 2015			
	Interest and dividends	Realized gains (losses)	Unrealized losses	Total
Nonoperating gains (losses)	\$ 10,814	\$ 10,084	\$ (5,939)	\$ 14,959
Other changes in unrestricted net assets	-	-	(897)	(897)
Changes in temporarily restricted net assets	9,803	(6,684)	(992)	2,127
Changes in permanently restricted net assets	-	89	(100)	(11)
	\$ 20,617	\$ 3,489	\$ (7,928)	\$ 16,178

	Three Months Ended March 31, 2015			
	Interest and dividends	Realized gains	Unrealized (losses) gains	Total
Nonoperating gains (losses)	\$ 8,904	\$ 115,316	\$ (64,658)	\$ 59,562
Other changes in unrestricted net assets	-	-	976	976
Changes in temporarily restricted net assets	1,430	14,529	(6,419)	9,540
Changes in permanently restricted net assets	-	33	78	111
	\$ 10,334	\$ 129,878	\$ (70,023)	\$ 70,189

	Three Months Ended December 31, 2014			
	Interest and dividends	Realized gains	Unrealized (losses) gains	Total
Nonoperating gains (losses)	\$ 10,588	\$ 22,383	\$ (35,647)	\$ (2,676)
Other changes in unrestricted net assets	-	-	5,405	5,405
Changes in temporarily restricted net assets	2,063	4,389	(10,685)	(4,233)
Changes in permanently restricted net assets	-	448	(264)	184
	\$ 12,651	\$ 27,220	\$ (41,191)	\$ (1,320)

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

Three Months Ended September 30, 2014

	Interest and dividends	Realized gains	Unrealized losses	Total
Nonoperating gains (losses)	\$ 9,548	\$ 19,039	\$ (43,661)	\$ (15,074)
Other changes in unrestricted net assets	-	-	(313)	(313)
Changes in temporarily restricted net assets	1,978	2,426	(4,878)	(474)
Changes in permanently restricted net assets	-	92	(96)	(4)
	\$ 11,526	\$ 21,557	\$ (48,948)	\$ (15,865)

Year Ended June 30, 2015

	Interest and dividends	Realized gains	Unrealized (losses) gains	Total
Nonoperating gains (losses)	\$ 39,854	\$ 166,822	\$ (149,904)	\$ 56,772
Other changes in unrestricted net assets	-	-	5,171	5,171
Changes in temporarily restricted net assets	15,274	14,660	(22,974)	6,960
Changes in permanently restricted net assets	-	662	(382)	280
	\$ 55,128	\$ 182,144	\$ (168,089)	\$ 69,183

Three Months Ended June 30, 2014

	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	\$ 15,781	\$ 26,371	\$ 47,497	\$ 89,649
Other changes in unrestricted net assets	-	-	5,686	5,686
Changes in temporarily restricted net assets	3,004	3,236	8,037	14,277
Changes in permanently restricted net assets	1	150	104	255
	\$ 18,786	\$ 29,757	\$ 61,324	\$ 109,867

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

Three Months Ended March 31, 2014

	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	\$ 8,699	\$ 35,209	\$ 12,465	\$ 56,373
Other changes in unrestricted net assets	-	-	1,468	1,468
Changes in temporarily restricted net assets	2,429	3,204	2,556	8,189
Changes in permanently restricted net assets	-	44	18	62
	\$ 11,128	\$ 38,457	\$ 16,507	\$ 66,092

Three Months Ended December 31, 2013

	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	\$ 9,431	\$ 36,831	\$ 39,931	\$ 86,193
Other changes in unrestricted net assets	-	-	940	940
Changes in temporarily restricted net assets	3,121	4,946	10,018	18,085
Changes in permanently restricted net assets	-	142	97	239
	\$ 12,552	\$ 41,919	\$ 50,986	\$ 105,457

Nine Months Ended June 30, 2014

	Interest and dividends	Realized gains	Unrealized gains	Total
Nonoperating gains	\$ 33,911	\$ 98,411	\$ 99,893	\$ 232,215
Other changes in unrestricted net assets	-	-	8,094	8,094
Changes in temporarily restricted net assets	8,554	11,386	20,611	40,551
Changes in permanently restricted net assets	1	336	219	556
	\$ 42,466	\$ 110,133	\$ 128,817	\$ 281,416

Reclassifications

Certain reclassifications were made to the first and second quarter fiscal year 2015 financial statements to conform to the third and fourth quarter fiscal year 2015 presentation.

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

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

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

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability are unobservable and developed based on the best information available in the circumstances.

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

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

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

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

Alternative Investments

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

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

Beneficial Interest

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

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

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

The following table below sets forth, by level, the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 (in thousands):

Assets:	BSWH			
	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Cash	\$ 1,142,725	\$ 1,142,725	\$ -	\$ -
Money market funds	42,560	42,560	-	-
Total Cash and Cash Equivalents	1,185,285	1,185,285	-	-
Short-Term Investments				
Mutual funds	41,605	41,605	-	-
Certificates of deposit	1,935	1,935	-	-
Fixed income securities	22,022	-	22,022	-
U.S. government securities	5,268	1,419	3,849	-
Other	1,042	1,042	-	-
Total Short-Term Investments	71,872	46,001	25,871	-
Unrestricted Long-Term Investments				
Cash	4,027	4,027	-	-
Mutual funds	3,770	3,770	-	-
Equity securities	1,037,241	429,773	607,468	-
Fixed income securities	427,643	-	427,643	-
U.S. government securities	269,095	4,680	264,415	-
Mortgage-backed securities	132,593	36,859	95,734	-
Hedge fund/diversifiers alternative investments	521,713	-	388,200	133,513
Private equity alternative investments	160,212	-	-	160,212
Real estate alternative investments	85,339	-	-	85,339
Common funds, held at Baptist Foundation of Texas (BFT)		-		
Group investment fund	221	-	221	-
Group bond fund	14	-	14	-
Group equity fund	32	-	32	-
Other funds	9	5	-	4
Other	295	8	19	268
Total Unrestricted Long-Term Investments	2,642,204	479,122	1,783,746	379,336

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

	BSWH			
	June 30, 2015			
Assets (continued):	Total	Level 1	Level 2	Level 3
Restricted Long-Term Investments				
Cash	43,544	43,544	-	-
Mutual funds	22,487	22,487	-	-
Equity securities	157,577	67,230	90,347	-
Fixed income securities	49,539	104	49,435	-
U.S. government securities	31,253	1,881	29,372	-
Mortgage-backed securitites	14,973	4,195	10,778	-
Hedge fund/diversifiers alternative investments	39,640	-	29,098	10,542
Private equity alternative investments	22,267	-	-	22,267
Real estate alternative investments	8,692	-	-	8,692
Split interest agreements	4,767	-	4,767	-
Real estate	850	-	-	850
Cash surrender value life insurance	1,258	-	-	1,258
Common funds, held at Baptist Foundation of Texas (BFT)				
Group investment fund	43,520	-	43,520	-
Group bond fund	2,816	-	2,816	-
Group equity fund	6,222	-	6,222	-
Other funds	1,839	1,040	-	799
Total Restricted Long-Term Investments	451,244	140,481	266,355	44,408
Assets Whose Use is Limited				
Cash	24,329	24,329	-	-
Mutual funds	97,188	97,188	-	-
Equity securities	31,849	22,849	9,000	-
Fixed income securities	32,844	-	32,844	-
U.S. government securities	12,614	-	12,614	-
Mortgage-backed securitites	9,742	1,303	8,439	-
Other	159	159	-	-
Total Assets Whose Use is Limited	208,725	145,828	62,897	-
Contributions Receivable, net				
Beneficial interest in split-interest agreements	22,645	-	-	22,645
Total Assets at Fair Value	\$ 4,581,975	\$ 1,996,717	\$ 2,138,869	\$ 446,389
Liabilities:				
Interest rate swap agreements, net of collateral	258,531	-	258,531	-
Total Liabilities at Fair Value	\$ 258,531	\$ -	\$ 258,531	\$ -

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

The following table is a roll forward of the combined balance sheet amounts for financial instruments classified by the System within Level 3 of the valuation hierarchy defined above for the nine months ended June 30, 2015 (in thousands):

	June 30, 2015							
	Private Equity	Real Estate	Hedge Funds/ Diversifiers	Other	Split Interest Agreements	Common Investment Funds	Total	
Balance, beginning of period	\$ 183,439	\$ 94,250	\$ 128,534	\$ 2,178	\$ 17,984	\$ 1,350	\$ 427,735	
Realized gains (losses), net	10,712	6,274	(2,463)	-	1,182	-	15,705	
Unrealized gains (losses), net	(11,947)	1,899	16,693	149	(818)	(317)	5,659	
Purchases	28,043	7,076	44,793	107	6,109	-	86,128	
Settlements	(27,768)	(15,468)	(1,207)	(58)	(1,812)	(230)	(46,543)	
Transfers out of Level 3	-	-	(77,122)	-	-	-	(77,122)	
Transfers into Level 3	-	-	34,827	-	-	-	34,827	
Balance, end of period	\$ 182,479	\$ 94,031	\$ 144,055	\$ 2,376	\$ 22,645	\$ 803	\$ 446,389	

At June 30, 2015, alternative investments recorded at net asset value consisted of the following (in thousands):

	June 30, 2015			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Equity long/short hedge funds ^a	\$ 17,803	\$ -	quarterly, annually	60-90 days
Event driven investments ^b	108,853	-	quarterly, annually	30-90 days
Relative value investments ^c	88,684	-	monthly, quarterly	30-90 days
Tactical trading investments ^d	151,287	-	daily, monthly	2-90 days
Risk parity ^e	194,726	-	monthly	5-30 days
Real Estate funds - open ended ^f	61,760	-	quarterly	90 days
Real Estate funds - close ended ^g	32,271	1,078		
Group Mortgage Loan and Real Estate Fund ^h	368	-		
Oil and Gas funds ⁱ	381	-		
Private Equity funds ^j	182,479	94,668		
Total	\$ 838,612	\$ 95,746		

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

- a) Equity long/short strategy involves managers buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value. Typically, equity long/short investing is based on stock by stock fundamental analysis of the individual companies, in which investments are made. There may also be an overall analysis of the risks and opportunities offered by industries, sectors, countries, and the macroeconomic situation. Long/short covers a wide variety of strategies. There are generalists, and managers who focus on certain industries and sectors or certain regions. Managers may specialize in a category — for example, large cap or small cap, value or growth. There are many trading styles, with frequent or dynamic traders and some longer-term investors. Returns are generally more correlated with the direction of the equity markets, although reduction in market risk exposure through shorting is expected to enhance the absolute and risk-adjusted returns relative to the overall performance of the asset class. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- b) Event-driven investing is a strategy which seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as an earnings call, bankruptcy, merger, acquisition, or spinoff. Returns are less correlated with the general direction of market movements primarily due to the idiosyncratic nature of individual events. Several investment managers include quarterly percentage redemption limits. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- c) Relative value strategies are designed to focus on large, long-term mispricing in the global fixed-income, equity and credit markets, capturing relative-value anomalies via multi-product trades. Returns are relatively uncorrelated with the general direction of market movements since they avoid taking a directional bias with regards to the price movement of a specific stock or market. Several investment managers include quarterly percentage redemption limits and/or early redemption penalties. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- d) Tactical trading strategies generally invest on a large scale around the world using economic theory to justify the decision making process on either a discretionary or systematic basis. Strategies are typically based on forecasts and analysis about interest rates trends, the general flow of funds, political changes, government policies, inter-government relations, and other broad systemic and technical factors. Returns are relatively uncorrelated with the general direction of market movements. Several investment managers include quarterly percentage redemption limits. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- e) The risk parity class strategy invests across global markets including equities, nominal government bonds, inflation linked bonds, commodities, and emerging markets on a risk balanced framework. Typically these strategies incorporate leverage to increase the risk contribution from low volatility asset classes (e.g., inflation linked bonds and nominal government bonds). The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- f) The real estate funds – open ended class includes a real estate fund that invests in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of the partners' capital. Redemptions are available on a quarterly basis, subject to the discretion of the General Partners. The General Partners may elect to establish a redemption queue should the level of redemptions for a given quarter be detrimental to the fund's overall performance.
- g) The real estate funds – close ended class includes several real estate funds that invest primarily in U.S. commercial real estate and industries related to real estate, with some having minimal exposure outside of the U.S. The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of partners' capital. These partnerships are illiquid and therefore do not have a redemption feature. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of these funds will be liquidated over the next six years with the value of those underlying assets being replaced by investments in new real estate funds.

Annual Disclosure Report for June 30, 2015

Notes to Combined Financial Statements - continued

- h) The group mortgage loan and real estate class is primarily invested in real estate and loans secured by real estate located in the Dallas/Fort Worth area. The fair value of the investments have been estimated based on internal appraisals using the fund management's knowledge of the properties, current real estate market for similar properties and recent sales of comparative properties. This fund is illiquid and redemption is subject to fund management approval. Distributions from the fund will be received as the underlying investments are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 2 to 10 years. This fund is closed to new investors.
- i) The oil and gas class is primarily invested in mineral properties located in Texas and Wyoming. The fair value of the mineral properties have been estimated by multiplying the most recent twelve months of royalty income, excluding lease bonus income, times a factor of four. The fund's management used a multiple of four for the valuation based on current industry methodology, recent market transactions, and the fund's extensive experience in mineral properties. This fund is illiquid and redemption is subject to fund management approval. Royalty income is distributed quarterly subject to fund management approval (\$0.825 per unit per quarter in 2014 and 2015). Distributions from the fund will be received as the underlying investments are depleted. This fund is closed to new investors.
- j) The private equity class currently includes 34 unique private equity limited partnerships that each invest in a variety of mostly private companies. These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 3-6 years of the partnership's life. It is expected that most of the unfunded commitments should be called within the next 6 years. These partnerships are illiquid and therefore do not have a redemption feature. Instead, the nature of the investments in this class is that distributions are received as the investment in the underlying companies are sold. It is estimated that the current underlying assets of these partnerships should be liquidated within the next 10 years. The investments are valued based on each partnership's valuation policy which is then subject to annual third party financial audits. Financial audits are available approximately 90 days following year end. Therefore, the valuation at year end reflects the latest reported manager valuation with adjustments for new capital calls and distributions.

4. ENDOWMENTS

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

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

In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate endowment funds:

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Notes to Combined Financial Statements - continued

- 1) The duration and preservation of the fund
- 2) The purposes of the System 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 System
- 7) The investment policies of the System

Endowment Return Objectives and Risk Parameters

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

Relationship of Endowment Spending Practices to Investment Objectives

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

5. RETIREMENT BENEFITS

The System provides defined contribution plans for eligible employees. There are three types of primary contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions.

BHCS and six of its affiliated hospitals provided a defined benefit plan, the Baylor Health Care System Retirement Security Plan, for employees, which was discontinued on January 1, 1984.

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Notes to Combined Financial Statements - continued

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

King’s Daughters Hospital provided a defined benefit plan, the Texas Hospital Association Retirement Plan for King’s Daughters Hospital (the “King’s Daughters Plan”), for employees of King’s Daughters, which was frozen to future benefit accruals as of May 31, 2009, with the King’s Daughters Hospital (now known as McLane Children’s Hospital Scott & White) purchase by SWH.

Scott & White Hospital - Brenham provided a defined benefit plan, the Texas Hospital Association Defined Benefit Retirement Plan for Scott & White Hospital – Brenham (the “Brenham Plan”), for employees of Scott & White Hospital - Brenham, which was frozen to future benefit accruals as of June 30, 2010, with the Scott & White Hospital – Brenham (formerly Trinity Medical Center) purchase by SWH.

6. CONTINGENCIES

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, physician ownership and self-referral, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with applicable fraud and abuse laws and regulations as well as other applicable federal and state laws and regulations.

7. SUBSEQUENT EVENTS

Baylor Scott & White Assurance SPC - Loss Portfolio Transfer

Effective July 1, 2015, the primary healthcare professional and general liability, physician professional liability, workers compensation and directors’ and officers’ coverage provided by SIRT was transferred to BSWA by means of a loss portfolio transfer (LPT). This loss portfolio transfer was for all claims and incidents that had been reported to SIRT up to June 30, 2015. Assets have been transferred to BSWA in an amount equal to the actuarially determined expected value of the liabilities, and those assets have been separately invested, as described in the investment policy. The BHCS LPT be retrospectively rated, such that BHCS will be required to contribute additional funds should they be needed to cover claims under the BHCS LPT, and any surplus funds from the BHCS LPT will eventually be returned to BHCS.

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Notes to Combined Financial Statements - continued

Baylor Scott & White Medical Center - Marble Falls

In August 2015, the system opened Baylor Scott & White Medical Center – Marble Falls, a 46 bed full-service medical center dedicated to serving the residents of Marble Falls.

Tenet Transaction

The System and Tenet Healthcare Corporation (“Tenet) announced on March 23, 2015 a definitive agreement to partner on providing care through five North Texas hospitals. The partnership will focus on delivering integrated, value-based care to communities in Rockwall, Collin and Dallas counties. Through this new partnership, the two organizations will jointly own Centennial Medical Center, Doctors Hospital at White Rock Lake, Lake Pointe Medical Center, and Texas Regional Medical Center at Sunnyvale – currently owned and operated by subsidiaries of Tenet – and Baylor Medical Center at Garland. The System will hold a majority ownership interest in the five hospitals, and all five will operate under the Baylor Scott & White Health brand. The transaction is subject to regulatory review and customary closing conditions.

The System has performed an evaluation of subsequent events and transactions through November 13, 2015, the date the financial statements were issued and none were noted.

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Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Balance Sheets					
June 30, 2015					
(\$ Thousands)					
<u>ASSETS</u>	<u>Obligated Affiliates *</u>	<u>Consolidated SWHP[†]</u>	<u>Other System Entities</u>	<u>Reclassifications and Eliminations</u>	<u>Total Financials</u>
CURRENT ASSETS:					
Cash and cash equivalents	\$ 767,172	\$ 84,795	\$ 333,318	\$ -	\$ 1,185,285
Short-term investments	37,913	13,625	20,334	-	71,872
THVG funds due from United Surgical Partners, Inc.	-	-	58,876	-	58,876
Accounts receivable:					
Patient, net	386,145	-	305,501	(54,009)	637,637
Premium	-	41,161	-	-	41,161
Affiliates, net	-	-	205,392	(205,392)	-
Other	154,547	13,009	74,471	(1,269)	240,758
Other current assets	113,913	6,767	80,517	18	201,215
Total current assets	<u>1,459,690</u>	<u>159,357</u>	<u>1,078,409</u>	<u>(260,652)</u>	<u>2,436,804</u>
LONG-TERM INVESTMENTS:					
Unrestricted	2,221,191	35,994	385,019	-	2,642,204
Restricted	-	-	451,244	-	451,244
Total long-term investments	<u>2,221,191</u>	<u>35,994</u>	<u>836,263</u>	<u>-</u>	<u>3,093,448</u>
ASSETS WHOSE USE IS LIMITED:					
Other designated assets	73,501	2,200	2,622	-	78,323
Self insurance reserves	47,554	-	34,714	-	82,268
Funds held by bond trustee	48,134	-	-	-	48,134
Total assets whose use is limited	<u>169,189</u>	<u>2,200</u>	<u>37,336</u>	<u>-</u>	<u>208,725</u>
ASSETS HELD FOR SALE	-	-	9,157	-	9,157
PROPERTY AND EQUIPMENT, net	2,130,318	16,870	1,245,754	(21,132)	3,371,810
CONTRIBUTIONS RECEIVABLE, net	3,085	-	67,345	(65)	70,365
DUE FROM AFFILIATES	407,528	-	3,190	(410,718)	-
INTEREST IN NET ASSETS OF RELATED FOUNDATION	454,817	-	103,167	(553,949)	4,035
INVESTMENTS IN SUBSIDIARIES AND AFFILIATES	899,203	-	4,574	(903,777)	-
OTHER LONG-TERM ASSETS:					
Equity investment in unconsolidated entities	71,063	181	32,279	(33,049)	70,474
Goodwill and intangible assets, net	20,164	-	396,175	(25,596)	390,743
Other	26,369	1,517	6,822	(2,852)	31,856
Total other long-term assets	<u>117,596</u>	<u>1,698</u>	<u>435,276</u>	<u>(61,497)</u>	<u>493,073</u>
Total assets	<u>\$ 7,862,617</u>	<u>\$ 216,119</u>	<u>\$ 3,820,471</u>	<u>\$ (2,211,790)</u>	<u>\$ 9,687,417</u>

* Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Regional Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White and Scott & White Center for Rehabilitative Medicine); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; and Baylor Scott & White Holdings.

[†] Consolidated SWHP includes Scott & White Health Plan and Insurance Company of Scott & White.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Balance Sheets - continued					
June 30, 2015					
(\$ Thousands)					
<u>LIABILITIES AND NET ASSETS</u>	<u>Obligated Affiliates *</u>	<u>Consolidated SWHP[†]</u>	<u>Other System Entities</u>	<u>Reclassifications and Eliminations</u>	<u>Total Financials</u>
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital lease obligations	\$ 33,925	\$ -	\$ 27,539	\$ -	\$ 61,464
Long-term debt subject to short-term remarketing arrangements	95,000	-	-	-	95,000
Accounts payable:					
Trade accounts payable	149,026	5,933	129,154	(5,460)	278,653
Affiliates, net	210,384	814	-	(211,198)	-
Accrued liabilities:					
Payroll related	283,767	3,570	101,246	-	388,583
Third-party programs	38,008	-	19,023	-	57,031
Other	153,240	113,494	85,805	(59,126)	293,413
Total current liabilities	963,350	123,811	362,767	(275,784)	1,174,144
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	2,244,840	-	397,837	-	2,642,677
OTHER LONG-TERM LIABILITIES:					
Self insurance and other insurance liabilities	48,179	-	31,925	-	80,104
Interest rate swap liability, net	258,531	-	-	-	258,531
Other	116,236	8,762	100,140	(5,819)	219,319
Total other long-term liabilities	422,946	8,762	132,065	(5,819)	557,954
DUE TO AFFILIATES	-	-	410,751	(410,751)	-
Total liabilities	3,631,136	132,573	1,303,420	(692,354)	4,374,775
COMMITMENTS AND CONTINGENCIES					
NONCONTROLLING INTERESTS - REDEEMABLE	-	-	231,499	81,506	313,005
NET ASSETS:					
Unrestricted - attributable to BSWH	3,769,599	83,546	1,520,484	(1,047,562)	4,326,067
Unrestricted - noncontrolling interests nonredeemable	3,947	-	137,346	334	141,627
Total unrestricted net assets	3,773,546	83,546	1,657,830	(1,047,228)	4,467,694
Temporarily restricted	294,027	-	339,614	(340,997)	292,644
Permanently restricted	163,908	-	288,108	(212,717)	239,299
Total net assets	4,231,481	83,546	2,285,552	(1,600,942)	4,999,637
Total liabilities and net assets	\$ 7,862,617	\$ 216,119	\$ 3,820,471	\$ (2,211,790)	\$ 9,687,417

* Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Regional Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White and Scott & White Center for Rehabilitative Medicine); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; and Baylor Scott & White Holdings.

† Consolidated SWHP includes Scott & White Health Plan and Insurance Company of Scott & White.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Statements of Operations and Changes in Net Assets					
For Twelve Months Ended June 30, 2015					
(\$ Thousands)					
	Obligated Affiliates *	Consolidated SWHP [†]	Other System Entities	Reclassifications and Eliminations	Total Financials
OPERATING REVENUE:					
Net patient care revenue	\$ 4,168,764	\$ -	\$ 3,167,649	\$ (361,027)	\$ 6,975,386
Less patient related bad debt expense	377,648	-	203,612	-	581,260
Net patient care revenue, less patient related bad debt expense	3,791,116	-	2,964,037	(361,027)	6,394,126
Premium revenue	-	695,853	-	-	695,853
Other operating revenue	219,019	32,304	1,002,734	(877,321)	376,736
Net assets released from restrictions for operations	8,723	-	70,497	(10,009)	69,211
Total operating revenue	4,018,858	728,157	4,037,268	(1,248,357)	7,535,926
OPERATING EXPENSES:					
Salaries, wages, and employee benefits	1,684,768	35,355	1,849,463	(38,667)	3,530,919
Supplies	618,503	35,730	617,204	-	1,271,437
Other operating expenses	1,132,740	68,907	1,043,401	(900,712)	1,344,336
Medical claims	-	593,555	-	(322,682)	270,873
(Gains) losses on fixed asset disposals, net	(2,858)	-	2,018	-	(840)
Depreciation and amortization	150,693	512	194,279	(1,748)	343,736
Interest	62,605	18	42,170	(11,230)	93,563
Total operating expenses	3,646,451	734,077	3,748,535	(1,275,039)	6,854,024
INCOME (LOSS) FROM OPERATIONS BEFORE MERGER COSTS					
	372,407	(5,920)	288,733	26,682	681,902
MERGER COSTS					
	9,571	-	-	-	9,571
Income (loss) from operations	362,836	(5,920)	288,733	26,682	672,331
NONOPERATING GAINS (LOSSES):					
Gains (losses) on investments, net	52,083	1,395	14,524	(11,230)	56,772
Interest rate swap activity	(69,244)	-	-	-	(69,244)
Contributions	10,502	-	2,299	(11,009)	1,792
Equity in earnings (losses) of unconsolidated entities	2,049	-	(6,023)	16	(3,958)
Loss on extinguishment of debt	(71,379)	-	-	-	(71,379)
Other	122,433	(8)	11,014	(131,831)	1,608
Total nonoperating gains (losses)	46,444	1,387	21,814	(154,054)	(84,409)
REVENUE AND GAINS IN EXCESS (DEFICIT) OF EXPENSES AND LOSSES BEFORE TAXES					
	409,280	(4,533)	310,547	(127,372)	587,922
INCOME TAX EXPENSE					
	71	-	8,304	-	8,375
REVENUE AND GAINS IN EXCESS (DEFICIT) OF EXPENSES AND LOSSES					
	409,209	(4,533)	302,243	(127,372)	579,547
* Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Regional Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White and Scott & White Center for Rehabilitative Medicine); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; and Baylor Scott & White Holdings.					
† Consolidated SWHP includes Scott & White Health Plan and Insurance Company of Scott & White.					

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Statements of Operations and Changes in Net Assets - continued					
For Twelve Months Ended June 30, 2015					
(\$ Thousands)					
	Obligated Affiliates *	Consolidated SWHP [†]	Other System Entities	Reclassifications and Eliminations	Total Financials
OTHER CHANGES IN UNRESTRICTED NET ASSETS:					
Unrealized (losses) gains on investments, net	\$ -	\$ (5)	\$ 5,176	\$ -	\$ 5,171
Net assets released from restrictions for capital expenditures	910	-	7,012	(910)	7,012
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(833)	-	(180,386)	145,445	(35,774)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	-	-	(150,830)	(46,134)	(196,964)
Transfers between entities under common control	(303,885)	4,729	399,970	(100,814)	-
Other	(11,236)	-	(3,917)	-	(15,153)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	94,165	191	379,268	(129,785)	343,839
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Contributions	6,205	-	80,074	(10,919)	75,360
Realized investment income	36	-	29,898	-	29,934
Unrealized losses on investments	-	-	(22,974)	-	(22,974)
Change in value of split-interest agreements	9	-	(12)	-	(3)
Net assets released from restrictions for operations	(8,723)	-	(70,497)	10,009	(69,211)
Net assets released from restrictions for capital expenditures	(910)	-	(7,012)	910	(7,012)
Transfers between entities under common control	(1,460)	-	1,460	-	-
Changes in net assets of related foundation	13,207	-	(794)	(12,623)	(210)
Other	(2,607)	-	588	-	(2,019)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	5,757	-	10,731	(12,623)	3,865
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Contributions	-	-	5,931	-	5,931
Realized investment income	-	-	662	-	662
Unrealized losses on investments	-	-	(382)	-	(382)
Change in value of split-interest agreements	(549)	-	900	-	351
Changes in net assets of related foundation	11,320	-	513	(11,805)	28
Other	325	-	1,750	-	2,075
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	11,096	-	9,374	(11,805)	8,665
INCREASE (DECREASE) IN NET ASSETS	111,018	191	399,373	(154,213)	356,369
NET ASSETS, beginning of period	4,120,463	83,355	1,886,179	(1,446,729)	4,643,268
NET ASSETS, end of period	<u>\$ 4,231,481</u>	<u>\$ 83,546</u>	<u>\$ 2,285,552</u>	<u>\$ (1,600,942)</u>	<u>\$ 4,999,637</u>

* Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Regional Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White and Scott & White Center for Rehabilitative Medicine); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; and Baylor Scott & White Holdings.

[†]Consolidated SWHP includes Scott & White Health Plan and Insurance Company of Scott & White.

Annual Disclosure Report for June 30, 2015

Baylor Scott & White Health Obligated Affiliates - Combined Statement of Cash Flows (\$ Thousands)	Twelve Months Ended June 30, 2015
Cash Flows from Operating Activities:	
Increase in net assets	\$ 111,018
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Loss on extinguishment of debt	5,999
Unrealized losses on investments, net	119,307
Realized gains on sales of investments, net	(149,643)
Losses on interest rate swap, net	55,219
Patient related bad debt expense	377,648
Depreciation and amortization	150,693
Gains on sale or disposal of assets, net	(2,858)
Change in value of split-interest agreements	540
Transfers between entities under common control	303,885
Other changes attributable to noncontrolling interests	(833)
Changes in operating assets and liabilities (net of acquisition):	
Increase in net patient accounts receivable	(391,402)
Increase in other accounts receivable	(23,017)
Increase in other assets	(1,488)
Increase in due to affiliates, net	237,614
Increase in trade accounts payable and accrued liabilities	47,720
Increase in other liabilities	36,200
Net cash provided by operating activities	876,602
Cash Flows from Investing Activities:	
Purchases of property and equipment, net	(96,468)
Cash proceeds from sales of assets	17,563
Increase in investments, net	(313,919)
Payments on interest rate swap	(14,025)
Increase in investments of subsidiaries	(150,620)
Decrease in invested collateral-securities lending program	180,833
Decrease in assets whose use is limited	72,608
Net cash used in investing activities	(304,028)
Cash Flows from Financing Activities:	
Principal payments on long-term debt	(485,004)
Proceeds from issuance of long-term debt	756,895
Decrease in payable under securities lending program	(180,833)
Transfers between entities under common control	(303,885)
Sales of noncontrolling interests	833
Net cash used in financing activities	(211,994)
Net Increase In Cash And Cash Equivalents	360,580
Cash And Cash Equivalents, beginning of year	406,592
Cash And Cash Equivalents, end of period	\$ 767,172

* Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Regional Medical Center at Plano; Scott & White Healthcare; Scott & Memorial Hospital (inclusive of McLane Children's Hospital Scott & White and Scott & White Center for Rehabilitative Medicine); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; and Baylor Scott & White Holdings.

Quarterly Disclosure Report
For the Six Months Ended December 31, 2017
(Unaudited)

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Quarterly Disclosure Report for December 31, 2017

BAYLOR SCOTT & WHITE HEALTH

NOTICE
relating to:

**BAYLOR HEALTH CARE SYSTEM
TAXABLE NOTES
SERIES 2000**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2011A**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2011C**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2013B
7 MONTH WINDOW VRDB**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2013A**

**BAYLOR SCOTT & WHITE HOLDINGS
TAXABLE BONDS
SERIES 2015**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2016A**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2011B
7 MONTH WINDOW VRDB**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2013A**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
TAXABLE HOSPITAL REVENUE BONDS
(BAYLOR HEALTH CARE SYSTEM PROJECT)
SERIES 2013C**

**TARRANT COUNTY CULTURAL EDUCATION
FACILITIES FINANCE CORPORATION
HOSPITAL REVENUE BONDS
(SCOTT & WHITE HEALTHCARE PROJECT)
SERIES 2013C**

**BAYLOR SCOTT & WHITE HOLDINGS
TAXABLE BONDS
SERIES 2016**

**BAYLOR SCOTT & WHITE HOLDINGS
TAXABLE COMMERCIAL PAPER NOTES
SERIES A**

Quarterly Disclosure Report for December 31, 2017

CUSIP Nos:

072865AA6,	87638QFN4,	87638QFP9,	87638QFK0,	87638QFL8,	87638QFQ7,	87638QFR5,
87638QFS3,	87638QFM6,	87638QFT1,	87638QFX2,	87638QEW5,	87638QHA0,	87638QGV5,
87638QGU7,	87638QGW3,	87638QGX1,	87638QGY9,	87638QGZ6,	87638QGT0,	87638QHB8,
072863AA1,	072863AB9,	072863AC7,	072863AD5,	072863AE3,	072863AF0,	87638QNX3,
87638QNY1,	87638QNZ8,	87638QPA1,	87638QPB9,	87638QPC7,	87638QPD5,	87638QPM5,
87638QNU9,	87638QNV7,	87638QNW5,	87638QPG8,	87638QPH6,	87638QPJ2,	87638QPR4,
87638QPN3,	87638QPQ6,	87638QPL7,	87638QPK9,	87638QPE3,	87638QPF0,	87638QGG8,
87638QPP8,	87638QGB9,	87638QGC7,	87638QGD5,	87638QGE3,	87638QGF0,	87638QGP8,
87638QGH6,	87638QGJ2,	87638QGK9,	87638QGL7,	87638QGM5,	87638QGQ6,	87638QGN3,
87638QGR4,	07287DB25,	07287DBE9,	07287DA42,	07287DAH3		

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Quarterly Disclosure Report for December 31, 2017

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Quarterly Disclosure Report for December 31, 2017

ATTENTION

This document is marked with a dated date of December 31, 2017 and reflects information only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the document that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the document. Any information contained in the portion of the document indicated to concern recent events speaks only as of its date. We expressly disclaim any duty to provide an update of any information contained in this document.

The information contained in this document may include “forward looking statements” by using forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, receipt of funding grants, and various other factors which are beyond our control.

Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

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Quarterly Disclosure Report for December 31, 2017

ORGANIZATION

Baylor Scott & White Health System

Baylor Scott & White Holdings (BSW Holdings), a Texas nonprofit corporation, and its controlled affiliates (collectively, the “System” or “BSWH”) were created from the combination of two Texas health care systems, Baylor Health Care System (BHCS) and its affiliates (the “North Texas Division”) and Scott & White Healthcare (S&W) and its affiliates (the “Central Texas Division”). BSW Holdings and Baylor Scott & White Health (BSW Health), a Texas nonprofit corporation, were created by BHCS and S&W in connection with their combination. BSW Holdings is the sole member of BHCS, S&W, and BSW Health and has control and substantial reserved powers over all BHCS and S&W material affiliates.

The System includes two flagship hospitals, Baylor University Medical Center (BUMC) and Scott & White Memorial Hospital, now doing business as Scott & White Medical Center - Temple (“Memorial” or “SWMH”) along with twenty other hospitals (see “BSWH Adult and Pediatric Licensed Beds” table) located in north and central Texas, excluding joint venture hospitals noted below.

The System includes five foundations and one research institute which are the Baylor Health Care System Foundation, Scott & White Healthcare Foundation, Irving Healthcare Foundation, All Saints Health Foundation, Scott & White Healthcare Foundation Brenham, and Baylor Scott & White Health Research Institute.

The System also includes Baylor Scott & White Quality Alliance (BSWQA). BSWQA is an accountable care organization functioning as a clinically integrated health network of employed physicians, independent physicians, hospitals, and other providers of care who are committed to delivering high quality, cost-effective, value-based care.

The System also includes Scott & White Clinic (the “Clinic”), HealthTexas Provider Network (HTPN), Hillcrest Family Health Center, and Hillcrest Physician Services. The Clinic, a Texas nonprofit corporation, operates clinics located throughout the central Texas area, in addition to the main campus in Temple, Texas. HTPN is a Texas nonprofit corporation that owns and operates primary care and specialty practices in the Dallas-Fort Worth metroplex and north Texas. Hillcrest Family Health Center and Hillcrest Physician Services operate clinics in the greater Waco area.

The System operates Scott and White Health Plan and its subsidiary, Insurance Company of Scott and White (collectively referred to as the “Health Plan” or “SWHP”), which provides health insurance benefits to approximately 239,000 members through a variety of commercial, Medicaid, Medicare, Part D, Pharmacy Benefits Management, and Administrative Services Only products and services.

Quarterly Disclosure Report for December 31, 2017

The System's combined financial statements also include partnerships through Texas Health Ventures Group, LLC (THVG JV) with nine short-stay surgery hospitals and twenty-six ambulatory surgery centers, BIR JV, LLP (BIR JV) with three rehabilitation hospitals and sixty-five clinics, EBD JV, LLP (EBD JV) with eight emergency medical centers, ESWCT, LLC that operates one emergency medical center, BTDI JV, LLP (BTDI JV) with thirty-five imaging centers, THVG Bariatric, LLC (THVGB), which has provided bariatric services, and BT East Dallas JV, LLP and BT Garland JV, LLP with five hospitals.

The System is committed to medical education in support of its mission of exemplary care, education, and research. The Texas A&M College of Medicine and the System have established Clinical Training Programs, for which medical students complete clinical rotations at BUMC and Memorial. Central Texas Veterans Health Care System is a major clinical partner in Temple and helps to train the System's residents and medical students. Because of this affiliation, the System's trainees are able to better identify the needs of veterans and their families. Nursing education is conducted through programs and affiliations with numerous schools of nursing including Baylor University School of Nursing, Dallas County Community College District, Texas A&M University-Corpus Christi, Texas Woman's University, University of Mary Hardin-Baylor, and the University of Texas at Arlington. A number of these students remain with the System as employees following their training and education.

Obligated Group

BSW Holdings and certain of its affiliates issue and secure debt ("Master Debt") under a Master Indenture of Trust and Security Agreement, dated as of February 1, 2014, as supplemented and amended (the "Master Indenture"), among BSW Holdings, the affiliates from time to time obligated thereunder (the "Obligated Affiliates"), and The Bank of New York Mellon Trust Company, National Association, as trustee. The following entities are currently Obligated Affiliates:

- BSW Holdings
- BSW Health
- BHCS, a Texas nonprofit corporation
- S&W, a Texas nonprofit corporation
- BUMC, a Texas nonprofit corporation
- Baylor All Saints Medical Center, a Texas nonprofit corporation, doing business as Baylor Scott & White All Saints Medical Center – Fort Worth
- Baylor Regional Medical Center at Grapevine, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – Grapevine
- Baylor Medical Center at Waxahachie, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – Waxahachie
- Baylor Regional Medical Center at Plano, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – Plano
- Memorial, a Texas nonprofit corporation, also doing business as Baylor Scott & White McLane Children's Medical Center

Quarterly Disclosure Report for December 31, 2017

- Scott & White Clinic, a Texas nonprofit corporation
- Scott & White Hospital – Round Rock, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – Round Rock and Baylor Scott & White Medical Center – Lakeway
- Scott & White Continuing Care Hospital, a Texas nonprofit corporation, doing business as Baylor Scott & White Continuing Care Hospital
- Hillcrest Baptist Medical Center, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – Hillcrest
- Baylor Medical Centers at Garland and McKinney, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – McKinney
- Scott & White Hospital – College Station, a Texas nonprofit corporation, doing business as Baylor Scott & White Medical Center – College Station

BSW Holdings is currently the Combined Group Representative under the Master Indenture. There are currently no Designated Affiliates under the Master Indenture.

The combined System's credit ratings are Aa3 (Stable Outlook) by Moody's Investors Service and AA- (Stable Outlook) by S&P Global Ratings.

Awards and Distinctions

The System is recognized as one of the leading health care delivery systems across the United States, having received the following recognitions, among others:

- *U.S. News & World Report* – According to U.S. News & World Report's "Best Hospitals" and "Best Hospitals for Common Care" 2016-2017 ratings, 13 Baylor Scott & White Health hospitals received recognition, the most of any health system in Texas.
- Six hospitals with Magnet® designation for nursing excellence by the American Nurses Credentialing Center (achieved by less than 7% of hospitals nationwide).
- Eighty-four HTPN practices and fifty-two S&W clinics have received the National Committee for Quality Assurance ("NCQA") Patient-Centered Medical Home Recognition for using evidence-based, patient-centered processes that focus on highly coordinated care and long-term, participative relationships.
- *Healthiest Employers* - Ranked #10 in the top 100 Healthiest Employers in America.

BUMC

- *U.S. News & World Report* – BUMC is ranked as the No. 2 hospital in the Dallas Metro Area, as well as No. 3 in Texas, and was nationally recognized for the 25th consecutive year.
- *U.S. News & World Report* – Named as one of the top 50 hospitals nationally in two medical specialties: Ear, Nose & Throat and Gastroenterology & GI Surgery, and high

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performing in Cancer, Diabetes & Endocrinology, Geriatrics, Neurology and Neurosurgery, Nephrology, Orthopedics, and Pulmonology.

- *The Joint Commission* – Reaccredited with a Gold Seal of Approval™ for the Ventricular Assist Device Program, the nation's first such accredited program.
- *National Research Corporation* – For the 22nd consecutive year, awarded the Consumer Choice Award for Best Overall Quality, Best Doctors, Best Nurses, and Best Image/Reputation among hospitals in North Texas.

SWMH

- *U.S. News & World Report* – Ranked among top 10 hospitals in Texas; nationally ranked in Ear, Nose and Throat care; high performing in two specialties – Gastroenterology & GI Surgery, and Pulmonology; high performing in four common procedures or conditions – heart failure, colon cancer surgery, COPD (chronic obstructive pulmonary disease), and knee replacement.
- *Becker's Hospital Review* – 100 Hospitals and Health Systems with Great Oncology Programs in U.S. for Glenda Tanner Vasicek Cancer Center.
- *American Heart Association/American Stroke Association* – Get with the Guidelines®– Stroke GOLD PLUS Target; Stroke Elite Plus Quality Achievement Award.
- *American Heart Association* – Mission: Lifeline® STEMI Receiving Center – GOLD Plus Achievement Award Hospital.
- *American Heart Association* – Mission: Lifeline® NSTEMI – Bronze Achievement Award.
- *The Joint Commission* – The Gold Seal of Approval; Accredited Programs in Hospital, Nursing Care Center, Home Care; Advanced Certification in Stroke (Primary Stroke Center) and Ventricular Assist Device.

BSWQA

- *NCQA ACO Accreditation: Level 2* – First ACO to be NCQA accredited in North Texas and the second in the state.
- *NCQA Patient-Centered Medical Home Recognition* – 146 practices representing 655 providers.
- *Becker's Hospital Review* – Named to Becker's Top 110 ACOs to Know in 2017.

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SWHP

- Scott and White Health Plan was rated number 1 in Texas by NCQA for both its commercial HMO and Medicare products for the 2017 – 2018 review. The commercial HMO received a rating of 4 out of 5 in NCQA’s Private Health Insurance Plan ratings, while the Medicare plan was rated 4.5 out of 5 in NCQA’s Medicare Health Insurance Plan Ratings.
- Scott and White Health Plan’s SeniorCare (Cost) HMO received an overall 4.5 out of 5 stars from the Centers for Medicare & Medicaid Services for 2018. The Vital Traditions Medicare Advantage HMO received an overall 3.5 out of 5 stars. Medicare evaluates plans based on a 5-star rating system. Star ratings are calculated each year and may change from one year to the next.

KEY OPERATING AND FINANCIAL INDICATORS

The information contained in this document represents the financial condition and results of operations of BSWH for fiscal years ending June 30, 2017 and 2016, and the six months ended December 31, 2017 and 2016.

BSWH Key Operating and Financial Indicators					
(\$ Thousands)					
	Year Ended June 30,		Six Months Ended December 31,		
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	
Total Operating Revenue	\$ 8,366,215	\$ 9,084,476	\$ 4,489,070	\$	4,813,562
Operating Margin	5.9%	3.2%	4.7%	\$	8.0%
Adjusted EBITDA ⁽¹⁾	\$ 978,920	\$ 888,767	\$ 489,961	\$	730,496
Cash and Investments	\$ 5,074,653	\$ 5,268,661	\$ 4,917,618	\$	5,566,737
Days in Patient Accounts Receivable ⁽²⁾	40.7	38.5	42.0	\$	39.1

(1) Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is defined as revenue in excess of expenses plus depreciation, amortization, taxes, interest, excluding unrealized gains/losses on investments, unrealized gains/losses on interest rate swaps, and loss on extinguishment of debt.

(2) Days in Patient Accounts Receivable is defined as net patient receivables divided by average daily net patient care revenue. Average daily net patient revenue is defined as net patient care revenue (less patient related bad debt) divided by the number of days in the period.

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FINANCIAL OPERATIONS SUMMARY

BSWH Summary Combined Balance Sheets				
(\$ Thousands)				
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
ASSETS				
Current assets	\$ 2,968,997	\$ 2,840,871	\$ 2,804,404	\$ 3,041,856
Long-term investments	3,169,764	3,562,260	3,319,866	3,785,973
Assets whose use is limited	275,970	324,526	272,496	340,982
Property and equipment, net	3,555,627	3,525,384	3,554,126	3,577,277
Other assets	818,528	893,565	864,519	1,130,581
Total assets	<u>\$ 10,788,886</u>	<u>\$ 11,146,606</u>	<u>\$ 10,815,411</u>	<u>\$ 11,876,669</u>
LIABILITIES AND NET ASSETS				
Current liabilities	\$ 1,346,930	\$ 1,422,380	\$ 1,218,985	\$ 1,573,148
Long-term debt and capital lease obligations, less current maturities	3,219,130	3,171,837	3,179,366	3,062,642
Other long-term liabilities	721,229	670,301	644,659	674,562
Total liabilities	5,287,289	5,264,518	5,043,010	5,310,352
Noncontrolling interests - redeemable	471,566	443,128	508,516	510,049
Net assets	5,030,031	5,438,960	5,263,885	6,056,268
Total liabilities and net assets	<u>\$ 10,788,886</u>	<u>\$ 11,146,606</u>	<u>\$ 10,815,411</u>	<u>\$ 11,876,669</u>

BSWH Summary Combined Statements of Operations				
(\$ Thousands)				
	Year Ended		Six Months Ended	
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Total operating revenue	\$ 8,366,215	\$ 9,084,476	\$ 4,489,070	\$ 4,813,562
Total operating expenses	7,872,067	8,792,603	4,276,537	4,430,190
Income from operations	494,148	291,873	212,533	383,372
Non-operating (losses) gains and income tax expense	(241,066)	338,582	176,905	212,124
Excess of revenues over expenses	\$ 253,082	\$ 630,455	\$ 389,438	\$ 595,496

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BSWH Summary Financial Information				
(\$ Thousands)				
	Year Ended		Six Months Ended	
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
CASH FLOW				
Cash flow from operating activities	\$ 987,167	\$ 750,189	\$ 171,412	\$ 542,413
Adjusted operating cash flow ⁽¹⁾	\$ 958,074	\$ 793,144	\$ 458,565	\$ 631,785
Adjusted EBITDA ⁽²⁾	\$ 978,920	\$ 888,767	\$ 489,961	\$ 730,496
Capital expenditures for property and equipment	\$ 354,855	\$ 406,207	\$ 172,330	\$ 218,553
Total capitalization ⁽³⁾	\$ 7,820,986	\$ 8,164,839	\$ 8,013,618	\$ 8,705,823
FINANCIAL RATIOS				
Operating margin	5.9%	3.2%	4.7%	8.0%
Adjusted operating cash flow as a percentage of total revenue ⁽¹⁾	11.5%	8.7%	10.2%	13.1%
Adjusted EBITDA margin ⁽⁴⁾	11.7%	9.8%	10.9%	15.2%
Debt to capitalization ⁽⁵⁾	42.4%	40.0%	40.9%	38.4%
Debt to cash flow ⁽⁶⁾	4.1x	4.4x	3.9x	2.6x
<p>(1) Adjusted operating cash flow is defined as income from operations plus depreciation and amortization plus interest expense. Adjusted operating cash flow as a percentage of total revenue is calculated by dividing the adjusted operating cash flow by total operating revenue.</p> <p>(2) Adjusted EBITDA is defined as revenue in excess of expenses plus depreciation, amortization, taxes, interest, excluding unrealized gains/losses on investments, unrealized gains/losses on interest rate swaps and loss on extinguishment of debt.</p> <p>(3) Total capitalization is defined as long-term debt (including long-term debt subject to remarketing arrangements and commercial paper) net of current maturities plus unrestricted net assets.</p> <p>(4) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by total operating revenue.</p> <p>(5) Debt to capitalization is defined as long-term debt (including long-term debt subject to remarketing arrangements and commercial paper net of current maturities) divided by total capitalization.</p> <p>(6) Debt to cash flow is defined as long-term debt (including long-term debt subject to remarketing arrangements and commercial paper plus current maturities) divided by (excess of revenues over expenses, plus depreciation and amortization, excluding unrealized gains/losses on investments, and unrealized gains/losses on interest rate swaps divided by number of days in the period times 365).</p>				

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MANAGEMENT DISCUSSION AND ANALYSIS

Net Operating Income

The System's operating margin for the first six months of fiscal year 2018 was \$383.4 million or 8.0% of total operating revenue, compared to \$212.5 million or 4.7% for the first six months of fiscal year 2017. Adjusted EBITDA was \$730.5 million or 15.2% of total operating revenue for the first six months of fiscal year 2018 versus \$490.0 million or 10.9% for the first six months of fiscal year 2017.

Net Operating Revenue

The combined total operating revenue increased \$324.5 million or 7.2% to \$4,813.6 million for the first six months of fiscal year 2018 compared to \$4,489.1 million for the first six months of fiscal year 2017.

Net patient care revenue, net of patient related bad debt expense, increased \$301.0 million or 7.8% to \$4,140.4 million for the first six months of fiscal year 2018 compared to \$3,839.4 million for the first six months of fiscal year 2017. The increase in net patient care revenue reflects higher volumes for fiscal year 2018.

Premium revenue decreased \$64.6 million or -13.5% to \$412.3 million for the first six months of fiscal year 2018 compared to \$476.9 million for the first six months of fiscal year 2017. Premium revenue decreased for fiscal year 2018 due to the decision to exit the Individual ACA public exchange market and losing approximately 42,500 members related to this product on January 1, 2017.

Net assets released from restrictions for operations increased \$1.7 million or 5.6% to \$32.0 million for the first six months of fiscal year 2018 compared to \$30.3 million for the first six months of fiscal year 2017.

Operating Expenses

Combined operating expenses for the first six months of fiscal year 2018 were \$4,430.2 million, an increase of \$153.7 million or 3.6% compared to \$4,276.5 million for the first six months of fiscal year 2017.

Salaries, wages, and employee benefits increased \$88.5 million or 4.1% to \$2,222.2 million for the first six months of fiscal year 2018 compared to \$2,133.7 million for the first six months of fiscal year 2017, representing approximately 46.2% and 47.5% of total operating revenue for the first six months of fiscal year 2018 and 2017, respectively. Salaries, wages, and employee benefits represented approximately 50.2% and 49.9% of total operating expenses for the first six months of fiscal year 2018 and 2017, respectively.

Supplies and other operating expenses increased \$118.1 million or 6.9% for the first six months of fiscal year 2018 to \$1,818.7 million compared to \$1,700.6 million for the first six months of

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fiscal year 2017, and represented approximately 37.8% and 37.9% of total operating revenue for the first six months of fiscal year 2018 and 2017, respectively. Supplies and other operating expenses represented approximately 41.1% and 39.8% of total operating expenses for the first six months of fiscal year 2018 and 2017, respectively.

Medical claims decreased \$44.6 million or -23.0% for the first six months of fiscal year 2018 to \$149.4 million compared to \$194.0 million for the first six months of fiscal year 2017. Medical claims decreased when compared to fiscal year 2017 as a result of exiting the Individual ACA public exchange market and losing approximately 42,500 members related to this product on January 1, 2017.

Depreciation and amortization decreased \$2.1 million or -1.1% to \$188.3 for the first six months of fiscal year 2018 compared to \$190.4 million for the first six months of fiscal year 2017.

Interest expense increased \$4.5 million or 8.1% to \$60.1 million for the first six months of fiscal year 2018 compared to \$55.6 million for the first six months of fiscal year 2017.

BSWH Operating Expenses (\$ Thousands)	Year Ended		Six Months Ended	
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Salaries, wages, and employee benefits	\$ 4,028,300	\$ 4,367,194	\$ 2,133,715	\$ 2,222,151
Supplies	1,442,096	1,582,408	794,887	806,004
Other operating expenses	1,636,765	1,893,278	905,723	1,012,681
Medical claims	303,670	357,860	193,963	149,376
(Gains) losses on fixed asset sales and disposals, net	(2,690)	2,649	2,217	(8,435)
Impairment losses	-	87,943	-	-
Depreciation and amortization	365,738	385,528	190,443	188,303
Interest expense	98,188	115,743	55,589	60,110
Total operating expenses	<u>\$ 7,872,067</u>	<u>\$ 8,792,603</u>	<u>\$ 4,276,537</u>	<u>\$ 4,430,190</u>

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Full-Time Equivalents

Full-time equivalents (FTEs) are the number of total hours worked in a given period divided by the maximum number of compensable hours in a period as defined by law. The following table displays FTEs for employees of BSWH, which include physicians, advanced practice providers, and other employees.

BSWH Employees	Obligated Affiliates	SWHP	Other Entities	December 31, 2017 Total
Physician FTEs	996	-	859	1,855
Advanced practice provider FTEs	430	-	291	721
Joint venture FTEs ⁽¹⁾	-	-	6,931	6,931
Other employee FTEs	25,740	480	9,847	36,067
Total FTEs	27,166	480	17,928	45,574

⁽¹⁾ Joint venture FTEs above include THVG JV, BIR JV, BTDI JV, EBD JV and BT East Dallas JV. ESWCT, LLC FTEs are not included in the table.

Nonoperating Gains (Losses)

The System recorded unrestricted unrealized gains on investments of \$111.8 million for the first six months of fiscal year 2018 compared to unrestricted unrealized gains on investments of \$48.4 million for the first six months of fiscal year 2017. Unrestricted investment income and realized gains on investments were \$73.5 million for the first six months of fiscal year 2018 compared to unrestricted investment income and realized gains on investments of \$49.9 million for the first six months of fiscal year 2017, representing an increase of \$23.6 million or 47.3%. The System recorded unrealized gains in its interest rate swap portfolio of \$9.0 million for the first six months of fiscal year 2018 compared to unrealized gains in its interest rate swap portfolio of \$108.7 million for the first six months of fiscal year 2017 due to interest rate fluctuations.

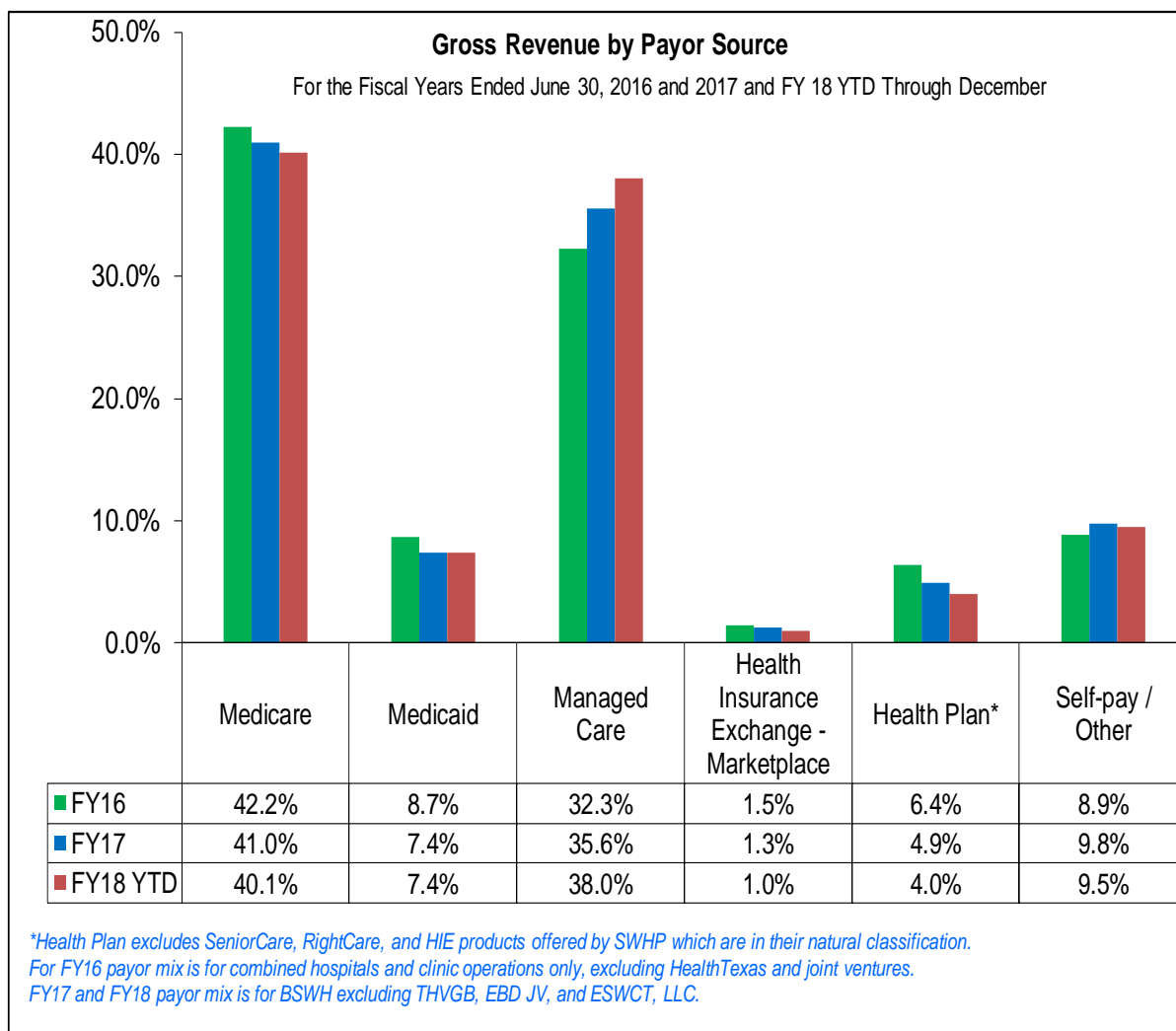
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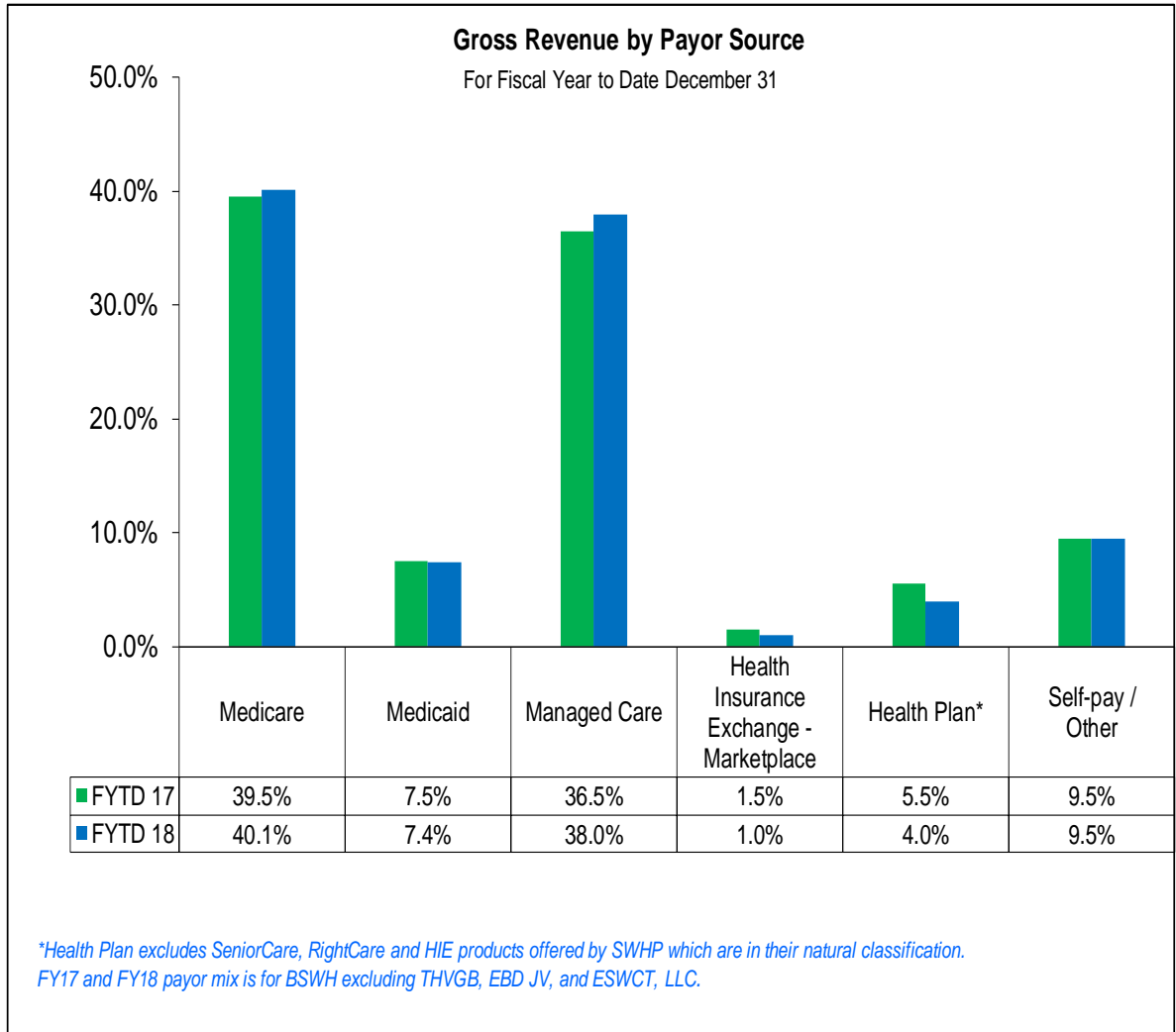
Utilization Statistics

BSWH derives its patient revenue from managed care companies, Medicare, Medicaid, commercial insurers, self paying patients, and other sources.

The following graph approximates the percentages of gross patient revenue by payor which includes intercompany activity related to the insured patients of the Health Plan.



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Operating Data - BSWH Total

	Year Ended		Six Months Ended	
	June 30,		December 31,	
	2016	2017	2016	2017
Licensed Beds	5,676	5,371	5,439	5,397
Inpatient Admissions ⁽¹⁾	208,789	235,112	117,200	120,057
Patient Days	1,041,162	1,127,959	564,883	548,582
Occupancy	69.3%	74.1%	67.3%	69.1%
Average Length of Stay (Days)	5.0	4.8	4.8	4.6
Average Daily Census	2,845	3,090	3,070	2,981
Discharges	208,624	235,103	117,131	120,116
Emergency Room Visits	805,270	857,198	424,745	437,262
Inpatient Surgical Cases	58,513	65,310	33,012	33,460
Outpatient Surgical Cases	197,003	191,865	99,641	102,816
Outpatient Registrations	3,596,884	3,851,015	1,901,879	1,979,688
Clinic Visits (IP & OP)	2,953,076	3,072,119	1,490,273	1,573,449
Patient Encounters	2,912,997	3,603,664	1,709,170	1,840,623
Relative Value Units ⁽²⁾	13,280,343	15,563,238	7,511,178	7,985,422
Deliveries	31,368	31,781	16,688	16,624
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenues	60.1%	59.4%	59.4%	61.0%

(1) Admissions include adult, pediatric, and special care nursery.

(2) Relative value units represent amounts for BSWH.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

Operating Data - Obligated Affiliates Subtotal

	Year Ended		Six Months Ended	
	June 30,		December 31,	
	2016	2017	2016	2017
Licensed Beds	3,707	3,413	3,474	3,411
Inpatient Admissions ⁽¹⁾	150,002	156,579	77,810	80,377
Patient Days	767,866	786,564	395,232	386,515
Occupancy	73.0%	73.1%	72.6%	70.1%
Average Length of Stay (Days)	5.1	5.0	5.1	4.8
Average Daily Census	2,098	2,155	2,148	2,101
Discharges	149,886	156,669	77,774	80,120
Emergency Room Visits	477,537	452,124	223,602	232,231
Inpatient Surgical Cases	37,797	39,732	19,813	19,651
Outpatient Surgical Cases	62,875	63,913	32,392	33,398
Outpatient Registrations	2,747,436	2,837,938	1,394,878	1,449,099
Clinic Visits (IP & OP)	2,650,531	2,755,984	1,336,305	1,417,323
Relative Value Units ⁽²⁾	6,429,132	6,857,230	3,320,916	3,543,944
Deliveries	22,865	22,419	11,765	11,876
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenues	53.7%	53.8%	53.6%	55.1%

(1) Admissions include adult, pediatric, and special care nursery.

(2) Relative value units represent amounts for BSWH.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

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Operating Data - Non-Obligated Affiliates Subtotal	Year Ended		Six Months Ended	
	June 30,		December 31,	
	2016	2017	2016	2017
Licensed Beds	1,969	1,958	1,965	1,986
Inpatient Admissions ⁽¹⁾	58,787	78,533	39,390	39,680
Patient Days	273,296	341,395	169,651	162,067
Occupancy	60.8%	76.5%	57.6%	66.8%
Average Length of Stay (Days)	4.7	4.4	4.3	4.1
Average Daily Census	747	935	922	880
Discharges	58,738	78,434	39,357	39,996
Emergency Room Visits	327,733	405,074	201,143	205,031
Inpatient Surgical Cases	20,716	25,578	13,199	13,809
Outpatient Surgical Cases	134,128	127,952	67,249	69,418
Outpatient Registrations	849,448	1,013,077	507,001	530,589
Clinic Visits (IP & OP)	302,545	316,135	153,968	156,126
Patient Encounters	2,912,997	3,603,664	1,709,170	1,840,623
Relative Value Units ⁽²⁾	6,851,211	8,706,008	4,190,262	4,441,478
Deliveries	8,503	9,362	4,923	4,748
Gross Outpatient Revenue as a Percent of Total Gross Patient Revenues	70.0%	66.7%	66.8%	68.6%

(1) Admissions include adult, pediatric, and special care nursery.

(2) Relative value units represent amounts for BSWH.

As statistical definitions are redefined and aligned related to the merger, prior quarter statistics may be updated accordingly for comparative purposes.

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BSWH Adult and Pediatric Licensed Beds - December 31, 2017	
	Licensed Beds
Baylor University Medical Center	914
Scott & White Medical Center - Temple	574
Baylor Scott & White All Saints Medical Center - Fort Worth	538
Baylor Scott & White Medical Center - Grapevine	302
Baylor Scott & White Medical Center - Hillcrest	236
Baylor Scott & White Medical Center - Plano	160
Baylor Scott & White Medical Center - McKinney	143
Baylor Scott & White Medical Center - College Station	119
Baylor Scott & White Medical Center - Lakeway ⁽²⁾	106
Baylor Scott & White Medical Center - Waxahachie	104
Baylor Scott & White Medical Center - Round Rock	101
Baylor Scott & White McLane Children's Medical Center ⁽¹⁾	64
Baylor Scott & White Continuing Care Hospital	50
Obligated Affiliates Subtotal	3,411
BT East Dallas JV, LLP (4 hospitals)	518
Baylor Scott & White Medical Center - Irving	293
Texas Health Ventures Group (9 hospitals)	240
Baylor Scott & White Medical Center - Carrollton	216
BIR JV, LLP (3 hospitals)	178
The Heart Hospital Baylor Plano	116
BT Garland JV, LLP (1 hospital)	113
Baylor Jack and Jane Hamilton Heart and Vascular Hospital	60
Baylor Scott & White Medical Center - Brenham	60
EBD JV, LLP (8 emergency medical centers)	64
Baylor Scott & White Medical Center - Marble Falls	46
Baylor Scott & White Medical Center - Llano	27
Baylor Scott & White Medical Center - Taylor	25
The Heart Hospital Baylor Denton	22
ESWCT, LLC (1 emergency medical center)	8
Non-Obligated Alliliates Subtotal	1,986
Total	5,397
⁽¹⁾ Baylor Scott & White McLane Children's Medical Center is operated as part of Scott & White Medical Center - Temple.	
⁽²⁾ Baylor Scott & White Medical Center - Lakeway is operated as part of Baylor Scott & White Medical Center - Round Rock.	
Source: Texas Department of Health, December 19, 2017	

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Liquidity

Unrestricted cash and investments of \$4.7 billion at December 31, 2017 increased \$246.4 million as compared to unrestricted cash and investments of \$4.5 billion at June 30, 2017 after capital expenditures of \$218.6 million and net gains on trading investments of \$187.6 million. Unrestricted days cash on hand increased to 204.7 days at December 31, 2017 from 194.2 days at June 30, 2017. Including restricted funds, days cash on hand totaled 241.5 days at December 31, 2017 compared to 228.7 days at June 30, 2017. The debt to capitalization ratio decreased to 38.4% at December 31, 2017 from 40.0% at June 30, 2017 and total assets increased 6.5% to \$11.9 billion at December 31, 2017 from \$11.1 billion at June 30, 2017.

BSWH Cash and Investments				
(\$ Thousands)				
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Cash and cash equivalents ⁽¹⁾	\$ 1,527,749	\$ 1,189,606	\$ 1,146,700	\$ 1,255,680
Short-term investments ⁽²⁾	101,170	192,269	178,556	184,102
Long-term investments ⁽³⁾	<u>3,445,734</u>	<u>3,886,786</u>	<u>3,592,362</u>	<u>4,126,955</u>
Total cash and investments	5,074,653	5,268,661	4,917,618	5,566,737
Less: restricted cash and investments ⁽⁴⁾	<u>731,111</u>	<u>795,601</u>	<u>732,077</u>	<u>847,285</u>
Total unrestricted cash and investments	<u>\$ 4,343,542</u>	<u>\$ 4,473,060</u>	<u>\$ 4,185,541</u>	<u>\$ 4,719,452</u>
Average daily operating expenses (less depreciation and impairment losses)	\$ 20,509	\$ 22,792	\$ 22,207	\$ 23,054
Average daily operating expenses (less depreciation)	\$ 20,509	\$ 23,033	\$ 22,207	\$ 23,054
Unrestricted days cash on hand (excluding impairment losses) ⁽⁵⁾	211.8	196.3	188.5	204.7
Unrestricted days cash on hand ⁽⁶⁾	211.8	194.2	188.5	204.7
Days cash on hand ⁽⁷⁾	247.4	228.7	221.4	241.5

(1) Cash and cash equivalents are composed of assets that may be immediately converted to cash.

(2) Short-term investments are assets that are convertible to cash in one year or less.

(3) Long-term investments are comprised of U.S. small, mid and large capitalization stocks, international stocks, intermediate term fixed income securities, hedge funds, real estate, and private equity.

(4) Restricted cash and investments is the sum of the restricted long-term investments, assets restricted by donors, assets held by bond trustees, and assets required to meet self-insurance obligations.

(5) Unrestricted days cash on hand (excluding impairment losses) is calculated as unrestricted cash and investments divided by average daily operating expense (less depreciation and impairment losses).

(6) Unrestricted days cash on hand is calculated as unrestricted cash and investments divided by average daily operating expenses (less depreciation).

(7) Days cash on hand includes restricted funds.

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Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health Self Liquidity Report (\$ Thousands)		December 31, 2017
Daily Liquidity		
Money Market Funds - Aaa-rated		\$ 34,681
Checking and deposit accounts at P-1 rated bank		701,391
Short-term investment funds at P-1 rated bank		9,037
Subtotal Daily Liquidity (Cash & Securities)		745,109
\$400 Million General Purpose LOC (undrawn amount) ⁽¹⁾		376,000
Subtotal Daily Liquidity		\$ 1,121,109
Weekly Liquidity		
Fixed Income: Publicly Traded Fixed Income Securities rated at least Aa3		274,692
Fixed Income: Publicly Traded Fixed Income Securities rate below Aa3		698,082
Fixed Income: Other Cash & Cash Equivalents		100,883
Equities: Exchange Traded Equity (ownership of shares of stock)		161,863
Equities: Equity Funds		637,347
Subtotal Weekly Liquidity		1,872,867
Total Daily and Weekly Liquidity		\$ 2,993,976
Longer Term Liquidity		
Funds, vehicles, investments that allow withdrawals with one month notice or longer		\$ 1,128,842
<p>⁽¹⁾ Baylor Scott & White Holdings \$400MM line of credit expires January 14, 2019.</p> <p>The table above sets forth those assets that would reasonably be available to BSWH to satisfy a liquidity event. The table does not include assets held by affiliates of BSWH that would not be reasonably available to BSWH to satisfy a liquidity event, including assets held by the five foundations as described further in this report, THVG, Texas Heart Hospital of the Southwest, LLP (THHSW) and Baylor Heart and Vascular Center, LLP (BHVC), among others.</p>		

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Quarterly Disclosure Report for December 31, 2017

NET ASSETS OF THE FOUNDATIONS

The System operates five philanthropic foundations which include Baylor Health Care System Foundation, Scott & White Healthcare Foundation, All Saints Health Foundation, Irving Healthcare Foundation, and Scott & White Healthcare Foundation Brenham. The cumulative net assets of these five entities are as follows:

Net Assets of the Foundations (\$ Thousands)	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	Unrestricted	\$ 128,727	\$ 147,833	\$ 129,786
Temporarily restricted	254,828	269,588	255,541	288,387
Permanently restricted	258,394	260,838	259,343	273,236
Total	<u>\$ 641,949</u>	<u>\$ 678,259</u>	<u>\$ 644,670</u>	<u>\$ 710,968</u>

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Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health				
Combined Balance Sheets				
(\$ Thousands)				
ASSETS	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,527,749	\$ 1,189,606	\$ 1,146,700	\$ 1,255,680
Short-term investments	101,170	192,269	178,556	184,102
THVG funds due from United Surgical Partners, Inc.	70,264	85,888	85,792	98,938
Accounts receivables:				
Patient, net	793,910	816,598	875,925	880,785
Premium	59,871	116,182	54,444	79,040
Other	190,389	185,862	249,094	242,864
Other current assets	225,644	254,466	213,893	300,447
Total current assets	<u>2,968,997</u>	<u>2,840,871</u>	<u>2,804,404</u>	<u>3,041,856</u>
LONG-TERM INVESTMENTS:				
Unrestricted	2,714,623	3,091,185	2,860,285	3,279,670
Restricted	455,141	471,075	459,581	506,303
Total long-term investments	<u>3,169,764</u>	<u>3,562,260</u>	<u>3,319,866</u>	<u>3,785,973</u>
ASSETS WHOSE USE IS LIMITED:				
Other designated assets	83,396	165,128	89,343	175,719
Self insurance reserves	94,125	98,272	98,401	114,255
Funds held by bond trustee	98,449	61,126	84,752	51,008
Total assets whose use is limited	<u>275,970</u>	<u>324,526</u>	<u>272,496</u>	<u>340,982</u>
ASSETS HELD FOR SALE	-	16,354	-	16,324
PROPERTY AND EQUIPMENT, net	3,555,627	3,525,384	3,554,126	3,577,277
CONTRIBUTIONS RECEIVABLE, net	60,211	61,014	54,409	176,951
INTEREST IN NET ASSETS OF RELATED FOUNDATION	3,740	4,048	3,740	4,220
OTHER LONG-TERM ASSETS:				
Equity investment in unconsolidated entities	65,582	57,548	64,891	64,243
Goodwill and intangible assets, net	673,525	734,291	727,218	848,433
Other	15,470	20,310	14,261	20,410
Total other long-term assets	<u>754,577</u>	<u>812,149</u>	<u>806,370</u>	<u>933,086</u>
Total assets	<u>\$ 10,788,886</u>	<u>\$ 11,146,606</u>	<u>\$ 10,815,411</u>	<u>\$ 11,876,669</u>

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health				
Combined Balance Sheets - continued				
(\$ Thousands)				
LIABILITIES AND NET ASSETS	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
CURRENT LIABILITIES:				
Current maturities of long-term debt and capital lease obligations	\$ 63,416	\$ 126,644	\$ 67,099	\$ 52,754
Long-term debt subject to short-term remarketing arrangements	95,000	95,000	95,000	95,000
Commercial paper	-	-	-	187,967
Trade accounts payable	266,636	303,893	235,302	294,075
Accrued liabilities:				
Payroll related	466,195	373,398	339,375	354,460
Third-party programs	87,865	87,195	78,370	88,449
Medical claims payable	34,950	37,354	42,306	32,788
Other	332,868	398,896	361,533	467,655
Total current liabilities	<u>1,346,930</u>	<u>1,422,380</u>	<u>1,218,985</u>	<u>1,573,148</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS,				
less current maturities	3,219,130	3,171,837	3,179,366	3,062,642
OTHER LONG-TERM LIABILITIES:				
Self insurance and other insurance liabilities	96,549	99,208	97,542	113,993
Interest rate swap liabilities, net	357,006	265,129	275,686	260,883
Other	267,674	305,964	271,431	299,686
Total other long-term liabilities	<u>721,229</u>	<u>670,301</u>	<u>644,659</u>	<u>674,562</u>
Total liabilities	<u>5,287,289</u>	<u>5,264,518</u>	<u>5,043,010</u>	<u>5,310,352</u>
COMMITMENTS AND CONTINGENCIES				
NONCONTROLLING INTERESTS - REDEEMABLE	471,566	443,128	508,516	510,049
NET ASSETS:				
Unrestricted - attributable to BSWH	4,311,163	4,695,399	4,536,405	5,093,091
Unrestricted - noncontrolling interests - nonredeemable	195,693	202,603	202,847	267,123
Total unrestricted net assets	<u>4,506,856</u>	<u>4,898,002</u>	<u>4,739,252</u>	<u>5,360,214</u>
Temporarily restricted	261,321	276,585	261,813	419,197
Permanently restricted	261,854	264,373	262,820	276,857
Total net assets	<u>5,030,031</u>	<u>5,438,960</u>	<u>5,263,885</u>	<u>6,056,268</u>
Total liabilities and net assets	<u>\$ 10,788,886</u>	<u>\$ 11,146,606</u>	<u>\$ 10,815,411</u>	<u>\$ 11,876,669</u>

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health				
Combined Statements of Operations and Change in Net Assets				
(\$ Thousands)				
	Year Ended		Six Months Ended	
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
OPERATING REVENUE:				
Net patient care revenue	\$ 7,907,699	\$ 8,664,811	\$ 4,265,960	\$ 4,532,159
Less patient related bad debt expense	773,501	927,168	426,558	391,763
Net patient care revenue, net of patient related bad debt expense	7,134,198	7,737,643	3,839,402	4,140,396
Premium revenue	867,510	903,261	476,872	412,282
Other operating revenue	303,167	378,332	142,461	228,843
Net assets released from restrictions for operations	61,340	65,240	30,335	32,041
Total operating revenue	8,366,215	9,084,476	4,489,070	4,813,562
OPERATING EXPENSES:				
Salaries, wages, and employee benefits	4,028,300	4,367,194	2,133,715	2,222,151
Supplies	1,442,096	1,582,408	794,887	806,004
Other operating expenses	1,636,765	1,893,278	905,723	1,012,681
Medical claims	303,670	357,860	193,963	149,376
(Gains) losses on fixed asset sales and disposals, net	(2,690)	2,649	2,217	(8,435)
Impairment losses	-	87,943	-	-
Depreciation and amortization	365,738	385,528	190,443	188,303
Interest	98,188	115,743	55,589	60,110
Total operating expenses	7,872,067	8,792,603	4,276,537	4,430,190
Income from operations	494,148	291,873	212,533	383,372
NONOPERATING GAINS (LOSSES):				
(Losses) gains on investments, net	(7,106)	271,331	95,318	187,554
Interest rate swap activity	(167,386)	82,624	92,623	(2,962)
Contributions	1,012	779	214	99
Equity in (losses) gains of unconsolidated entities	(2,365)	(9,515)	(3,037)	36,805
Loss from extinguishment of debt	(53,253)	-	-	(721)
Other	(348)	378	346	272
Total nonoperating (losses) gains	(229,446)	345,597	185,464	221,047
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES	264,702	637,470	397,997	604,419
LESS INCOME TAX EXPENSE	11,620	7,015	8,559	8,923
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	253,082	630,455	389,438	595,496

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health				
Combined Statements of Operations and Changes in Net Assets - continued				
(\$ Thousands)				
	Year Ended June 30,		Six Months Ended December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS:				
Unrealized (losses) gains on investments, net	\$ (1,390)	\$ (1,786)	\$ 3,034	\$ (2,344)
Net assets released from restrictions for capital expenditures	24,053	25,584	10,835	3,972
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(9,759)	(65,871)	(36,020)	9,146
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests- redeemable	(222,826)	(206,727)	(135,066)	(143,748)
Net assets acquired	13,001	185	-	-
Other	(16,999)	9,306	175	(310)
INCREASE IN UNRESTRICTED NET ASSETS	<u>39,162</u>	<u>391,146</u>	<u>232,396</u>	<u>462,212</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	64,245	69,369	31,350	152,385
Realized gains and investment income, net	8,150	17,369	6,893	13,467
Unrealized (losses) gains on investments, net	(13,303)	18,562	4,634	12,797
Changes in value of split-interest agreements	(1,162)	386	14	297
Net assets released from restrictions for operations	(61,340)	(65,240)	(30,335)	(32,041)
Net assets released from restrictions for capital expenditures	(24,053)	(25,584)	(10,835)	(3,972)
Changes in net assets of related foundation	(297)	281	-	170
Other	(3,563)	121	(1,229)	(491)
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(31,323)</u>	<u>15,264</u>	<u>492</u>	<u>142,612</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Contributions	22,070	918	504	11,459
Realized gains and investment income, net	409	175	36	542
Unrealized (losses) gains on investments, net	(313)	370	130	(83)
Changes in value of split-interest agreements	(1,557)	918	300	224
Changes in net assets of related foundation	2	27	-	2
Other	1,944	111	(4)	340
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>22,555</u>	<u>2,519</u>	<u>966</u>	<u>12,484</u>
INCREASE IN NET ASSETS	<u>30,394</u>	<u>408,929</u>	<u>233,854</u>	<u>617,308</u>
NET ASSETS, beginning of year	<u>4,999,637</u>	<u>5,030,031</u>	<u>5,030,031</u>	<u>5,438,960</u>
NET ASSETS, end of year	<u>\$ 5,030,031</u>	<u>\$ 5,438,960</u>	<u>\$ 5,263,885</u>	<u>\$ 6,056,268</u>

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health				
Combined Statements of Cash Flows				
(\$ Thousands)				
	June 30,		December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Cash Flows From Operating Activities:				
Increase in net assets	\$ 30,394	\$ 408,929	\$ 233,854	\$ 617,308
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Loss from extinguishment of debt	3,462	-	-	721
Unrealized losses (gains) on investments, net	75,109	(155,813)	(53,206)	(124,471)
Realized gains on investments, net	(19,634)	(105,222)	(33,073)	(54,149)
Unrealized losses (gains) on interest rate swap, net	136,936	(111,307)	(108,660)	(8,956)
Contributions restricted for long-term purposes	(22,070)	(918)	(504)	(11,459)
Patient related bad debt expense	773,501	927,168	426,558	391,763
Depreciation and amortization	365,738	385,528	190,443	188,303
Impairment losses	-	87,943	-	-
(Gains) losses on fixed asset sales and disposal, net	(2,690)	2,649	2,217	(8,435)
Equity in losses (gains) of unconsolidated entities	2,365	9,515	3,037	(36,805)
Change in value of split-interest agreements	2,719	(1,304)	(314)	(521)
Deferred rent	(3,698)	3,444	4,069	(790)
Other changes attributable to noncontrolling interests	232,585	272,598	171,086	134,602
Net assets acquired	(13,001)	(185)	-	-
Changes in operating assets and liabilities (net of acquisitions):				
Increase in net patient accounts receivable	(862,121)	(956,746)	(508,573)	(441,153)
Decrease (increase) in other accounts receivable	32,695	(43,212)	(51,434)	(19,835)
Decrease (increase) in other assets	15,608	(35,497)	16,139	(132,662)
Increase (decrease) in trade accounts payable and accrued liabilities	142,075	8,786	(133,648)	27,205
Increase in other liabilities	97,194	53,833	13,421	21,747
Net cash provided by operating activities	<u>987,167</u>	<u>750,189</u>	<u>171,412</u>	<u>542,413</u>
Cash Flows From Investing Activities:				
Purchases of property and equipment, net	(354,855)	(406,207)	(172,330)	(218,553)
Cash proceeds from sales of assets	18,397	3,088	1,708	9,782
Cash paid for acquisitions, net of cash received	(300,472)	(83,875)	(71,763)	(42,317)
Increase in THVG funds due from United Surgical Partners, Inc.	(11,388)	(15,624)	(15,528)	(13,050)
Increase in trading investments	(155,205)	(226,306)	(139,812)	(33,225)
(Payments) receipts on interest rate swap	(68,911)	(6,352)	14,438	(7,259)
(Increase) decrease in other than trading investments	(2,457)	7,279	(574)	(2,961)
(Increase) decrease in assets whose use is limited	(67,245)	(48,556)	3,474	(16,456)
Net cash used in investing activities	<u>(942,136)</u>	<u>(776,553)</u>	<u>(380,387)</u>	<u>(324,039)</u>
Cash Flows From Financing Activities:				
Principal payments on long-term debt	(1,045,817)	(75,424)	(52,906)	(421,468)
Proceeds from issuance of long-term debt	1,599,512	75,443	13,834	416,655
Distributions to noncontrolling interest owners	(287,041)	(320,346)	(143,854)	(165,944)
Purchases of noncontrolling interests	(20,323)	(18,565)	(10,082)	(19,805)
Sales of noncontrolling interests	38,436	25,956	19,800	26,730
Cash receipts for long-term purposes	13,616	2,045	1,603	11,968
Annuity payments to beneficiaries	(950)	(888)	(469)	(436)
Net cash provided by (used in) financing activities	<u>297,433</u>	<u>(311,779)</u>	<u>(172,074)</u>	<u>(152,300)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	342,464	(338,143)	(381,049)	66,074
Cash and Cash Equivalents, beginning of period	<u>1,185,285</u>	<u>1,527,749</u>	<u>1,527,749</u>	<u>1,189,606</u>
Cash and Cash Equivalents, end of period	<u>\$ 1,527,749</u>	<u>\$ 1,189,606</u>	<u>\$ 1,146,700</u>	<u>\$ 1,255,680</u>

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements

1. ORGANIZATION

Baylor Scott & White Holdings (BSW Holdings), a Texas nonprofit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and its controlled affiliates were created from the combination of two Texas healthcare systems, Baylor Health Care System (BHCS) and its affiliates, and Scott & White Healthcare (SWH) and its affiliates. BSW Holdings and Baylor Scott & White Health (BSW Health), a Texas nonprofit corporation, were created by BHCS and SWH in connection with their combination. BSW Holdings is the sole member of BHCS, SWH, and BSW Health and has control and substantial reserved powers over all BHCS and SWH material affiliates. BHCS and its material affiliates are collectively referred to as “Baylor”. SWH and its material affiliates are collectively referred to as “Scott & White”. BSW Holdings and its controlled affiliates are collectively referred to as the “System” or “BSWH”.

The combined financial statements include the accounts of BSW Holdings, BSW Health, BHCS, SWH, Baylor University Medical Center (BUMC), Scott & White Memorial Hospital (“SWMH”), Scott & White Health Plan (the “Health Plan” or “SWHP”), five foundations, twenty-five community and specialty hospitals located throughout the Dallas and Fort Worth metroplex and the central Texas area, one wholly owned insurance subsidiary, Baylor Quality Health Alliance, LLC, an accountable care organization, four physician practice organizations (HealthTexas Provider Network, Scott & White Clinic, Hillcrest Family Health Center, and Hillcrest Physician Services), and other related entities. Investments in certain related entities with 50.0% or less ownership are accounted for using the equity method. The transactions and balances for investments in certain related entities with greater than 50.0% ownership, or where the System exercises board control, are included in the accompanying combined financial statements with related noncontrolling interests reported in the combined financial statements. These entities include nine acute and specialty hospitals referenced above, along with partnerships in: Texas Health Ventures Group, LLC (THVG), providing short-stay hospital and outpatient surgery services, BIR JV, LLP, providing rehabilitation services, BTDI JV, LLP, providing imaging services, EBD JV, LLP and ESWCT, LLC, providing emergency medical services, THVG Bariatric, LLC, providing bariatric services, and HTPN Gastroenterology Services, LLP, providing endoscopic services. All significant intercompany accounts and transactions among entities included in the combined financial statements have been eliminated.

The following summarizes significant changes in the System in 2016 - 2018:

THVG

BUMC has a majority ownership of 50.1% in THVG with USP North Texas, Inc. (USP), a Texas corporation and subsidiary of United Surgical Partners, Inc. (USPI) holding the

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

remaining 49.9%. THVG had net patient care revenue included in the System's combined financial statements of approximately \$578,511,000 and \$511,231,000 in the first six months of fiscal years 2018 and 2017, respectively.

THVG completed the acquisition of one outpatient center in fiscal year 2016. THVG recorded goodwill and intangible assets, net, of approximately \$12,005,000, fixed assets of approximately \$128,000, redeemable noncontrolling interests of approximately \$3,862,000, and other net liabilities of approximately \$8,271,000.

THVG completed the acquisition of one surgical hospital in fiscal year 2017. THVG recorded goodwill and intangible assets, net, of approximately, \$19,852,000, fixed assets of approximately \$517,000, noncontrolling interests of approximately \$16,674,000, and other net liabilities of approximately \$3,695,000 in 2017.

BT East Dallas JV, LLP and BT Garland JV, LLP

Effective January 1, 2016, two Texas limited liability partnerships were formed between the System and Healthcare Network Texas, Inc., a Delaware corporation and subsidiary of Tenet Healthcare Corporation (Tenet). BUMC has a majority ownership of 75% of BT East Dallas JV, LLP (BT East Dallas), with Tenet holding the remaining 25%. Baylor Medical Centers at Garland and McKinney (Garland), a Texas nonprofit corporation wholly owned by BHCS, has a majority ownership of 50.1% of BT Garland JV, LLP (Garland JV) with Tenet holding the remaining 49.9%. The purpose of these partnerships is to own, operate, and manage five community hospitals focused on delivering integrated, value-based care to communities in Rockwall, Collin, and Dallas counties. The System recorded goodwill and intangible assets, net, of approximately \$256,957,000, fixed assets of approximately \$186,930,000, redeemable noncontrolling interests of approximately \$151,286,000, and other net liabilities of approximately \$292,601,000 in 2016.

Effective June 9, 2017, BSW Holdings approved the proposed divestiture of Baylor Scott & White Medical Center – Garland (BSWMC – Garland), a hospital operated by BT Garland JV, LLP, and Baylor Scott & White Medical Center – White Rock (White Rock), a hospital operated by BT East Dallas JV, LLP, and classification as assets held for sale. Due to the proposed divestiture and their classification as held for sale, an impairment assessment was required for the long-lived assets of BSWMC – Garland and White Rock under the assets to be disposed of by sale model. The assessment resulted in an adjustment for impairment of approximately \$70,624,000, recorded in the accompanying combined statements of operations for the year ended June 30, 2017. The remaining book value of BSWMC – Garland and White Rock is reported in assets held for sale in the accompanying combined balance sheets, as of June 30, 2017. After impairments, the remaining net book value of land, building and

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

improvements, and major movable equipment and other was approximately \$3,900,000, \$5,427,000, and \$7,027,000, respectively, as of June 30, 2017. The transactions are expected to close in fiscal year 2018.

On December 14, 2017, BSWH announced that a decision was made to close BSWMC – Garland, a 113 bed hospital. The last day of operations is currently projected for February 28, 2018. On December 22, 2017, BSWH and Tenet signed a definitive agreement for the sale of White Rock to Pipeline Health, a California-based hospital management company. The transaction is expected to be completed in the spring of 2018 after all regulatory approvals have been finalized.

On December 31, 2017, BSWH and Tenet signed a definitive agreement to restructure ownership of three North Texas hospitals: Baylor Scott & White Medical Center – Centennial, Baylor Scott & White Medical Center – Lake Pointe, and Baylor Scott & White Medical Center – Sunnyvale. BSWH and Tenet have owned the three hospitals through the BT East Dallas partnership since January 2016. Under the definitive agreement, BSWH will acquire Tenet's interest in Baylor Scott & White Medical Center – Centennial and Baylor Scott & White Medical Center – Lake Pointe, and take over as manager and operator. Baylor Scott & White Medical Center – Sunnyvale will become part of the existing THVG joint venture between Tenet's subsidiary USPI and BSWH. BSWH will continue to be majority owner in the facility, while USPI will take over its operation. These transactions are expected to be completed in the spring of 2018, pending all regulatory and customary approvals.

Blue Star Sports Medicine and Performance Facility

In June 2016, BSWH executed lease agreements for space in the Blue Star Sports Medicine and Performance Facility to be constructed in Frisco, Texas, with an estimated completion date of February 2018. The lease agreements will be recorded as a capital lease after commencement of the agreements.

Lakeway

In September 2016, the System purchased Lakeway Regional Medical Center, a 106 bed multispecialty hospital now called Baylor Scott & White Medical Center - Lakeway, operated as a part of Scott & White Hospital - Round Rock.

Interest Rate Swaps

Effective November 15, 2016, BSW Holdings, BHCS, and SWH entered into a swap novation transaction that novated two swaps previously between BHCS and Deutsche Bank, NA and two swaps previously between SWH and Deutsche Bank, NA so that all four swaps are now between BSW Holdings and Citibank, NA.

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

Sale of Equity Method Investment

In July 2017, BSWH sold its equity investment in Med Fusion and ClearPoint Diagnostic Labs to Quest Diagnostics. The gain on sale of approximately \$37,322,000 was recorded in nonoperating gains (losses).

Line of Credit

In July 2017, BSW Holdings drew approximately \$24,000,000 on its revolving line of credit to purchase a building in Waco, Texas that was previously recorded as an operating lease to Hillcrest Baptist Medical Center, an affiliate of BSWH.

Texas Spine & Joint Hospital

In August 2017, THVG purchased a controlling interest in Texas Spine & Joint Hospital in Tyler, Texas, a 20 bed orthopedic hospital and related outpatient facilities.

Irving Hospital Authority Contribution to Irving

In the six months ended December 2017, Irving executed lease amendments in which the Authority agreed to fund the majority of the cost to renovate a portion of the existing leased premises from the Authority and construct a new patient tower and central utility plant under the payment terms of the existing lease agreement. Estimated completion date is mid 2020 for the renovation and new construction project. These transactions were recorded as a temporarily restricted contribution receivable of approximately \$125,720,000.

Debt Portfolio Refinancing

On September 1, 2017, BSW Holdings placed its Series 2017A, 2017B, and 2017C revenue bonds (the "BSW Holdings Series 2017A, B and C") with various banks. Proceeds from the BSW Holdings Series 2017A, B and C revenue bonds were used to refinance the following revenue bonds via the TCCEFC conduit issuer: Hospital Revenue Bonds (Scott & White Healthcare Project) Series 2013B, Hospital Revenue Bonds (Baylor Health Care System Project) Series 2011F, Hospital Revenue Bonds (Baylor Health Care System Project) Series 2011G, and Hospital Revenue Refunding Bonds (Baylor Scott & White Health Project) Series 2015D with an aggregate outstanding balance of \$195,700,000. A loss on extinguishment of debt of approximately \$307,000 was recorded related to this transaction in September 2017.

On September 6, 2017, BSW Holdings created its Series 2017A commercial paper program (the "BSW Holdings Series 2017A CP Program"). Under the BSW Holdings Series 2017A CP

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

Program, BSWH may issue up to \$400,000,000 of commercial paper notes of which \$188,162,000 was issued on September 6, 2017 at a discount of approximately \$282,000. Proceeds from the issuances under the BSW Holdings Series 2017A CP Program were used to refinance various outstanding debt, with an aggregate outstanding balance of \$187,880,000. A loss on extinguishment of debt of approximately \$414,000 was recorded related to this transaction in September 2017.

On September 6, 2017, BHCS substituted its irrevocable direct-pay letter of credit supporting its Series 2011C Revenue Bonds with a new irrevocable direct-pay letter by a different issuer. Additionally, BHCS converted the Series 2011C Revenue Bonds from a weekly interest rate period to a daily interest rate period.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of New Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, “*Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.*” This ASU amendment requires management to assess an entity’s ability to continue as a going concern. Management should evaluate whether conditions or events, considered in the aggregate, exist that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. The System applied the provisions of ASU 2014-15 in fiscal year 2017, which did not have a material impact on the combined financial statements.

In January 2015, FASB issued ASU 2015-01, “*Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.*” The amendments in ASU 2015-01 eliminate the concept of extraordinary items in financial statements. The System applied the provisions of ASU 2015-01 in fiscal year 2017, which did not have a material impact on the combined financial statements.

In April 2015, FASB issued ASU 2015-03, “*Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.*” The amendments in ASU 2015-03 are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The System applied the provisions of ASU 2015-03 in fiscal year 2017.

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Notes to Combined Financial Statements - continued

In April 2015, FASB issued ASU 2015-05, *“Intangibles - Goodwill and Other - Internal-Use Software: Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.”* The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The System applied the provisions of ASU 2015-05 in fiscal year 2017, which did not have a material impact on the combined financial statements.

In May 2015, FASB issued ASU 2015-07, *“Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).”* This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The System applied the provisions of ASU 2015-07 in fiscal year 2018, which did not have a material impact on the combined financial statements.

In August 2015, FASB issued ASU 2015-15, *“Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting).”* This ASU requires an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The System applied the provisions of ASU 2015-15 in fiscal year 2017, which did not have a material impact on the combined financial statements.

In March 2016, FASB issued ASU 2016-07, *“Simplifying the Transition to the Equity Method of Accounting.”* This ASU eliminates the requirement that when an investment qualifies for use of the equity method, as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Retroactive adjustment of the investment is no longer required. The System applied the provisions of ASU 2016-07 in fiscal year 2018, which did not have a material impact on the combined financial statements.

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

Other Accounting Pronouncements

In May 2014, April 2016, May 2016, December 2016, and February 2017, FASB issued ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”; ASU 2016-10, “*Identifying Performance Obligations and Licensing*”; ASU 2016-12, “*Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*”; ASU 2016-20, “*Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*”; and ASU 2017-05, “*Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*”, respectively, which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, “*Revenue Recognition*.” These ASU’s address when an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These ASU’s are effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years for public business entities and not-for-profit entities that have issued publicly traded debt, and December 15, 2018 for all other entities as amended by ASU 2015-14. The System is currently evaluating the impact of the ASU’s and believes they will not have a material impact on total operating revenue.

In February 2015, FASB issued ASU 2015-02, “*Consolidation: Amendments to the Consolidation Analysis*.” The amendments in ASU 2015-02 improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The provisions of ASU 2015-02 are effective for fiscal years beginning after December 15, 2015, and interim periods within those years for public business entities, and December 15, 2016, and interim periods thereafter for all other entities. This ASU is not expected to have a material impact on the combined financial statements.

In May 2015, FASB issued ASU 2015-09, “*Disclosures about Short-Duration Contracts*.” This ASU requires insurance entities to disclose, for annual reporting periods, information about the liability for unpaid claims and claim adjustment expenses. The amendments also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change, and the effects on the financial statements. In addition, the amendments require insurance entities to disclose, for annual and interim reporting periods, a roll-forward of the liability for unpaid claims and claim adjustment expenses. For health insurance claims, the amendments require the disclosure of the total of incurred-but-not-reported liabilities, and expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses. The provisions of ASU 2015-09 are effective

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for fiscal years beginning after December 15, 2015, and interim periods thereafter for public business entities, and December 15, 2016, and interim periods thereafter for all other entities. This ASU is not expected to have a material impact on the combined financial statements.

In July 2015, FASB issued ASU 2015-11, “*Simplifying the Measurement of Inventory.*” This ASU requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using last-in, first-out (LIFO) or the retail inventory method. The amendments do not apply to inventory that is measured using LIFO or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The provisions of ASU 2015-11 are effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public business entities, and December 15, 2016, and interim periods thereafter for all other entities. This ASU is not expected to have a material impact on the combined financial statements.

In September 2015, FASB issued ASU 2015-16, “*Simplifying the Accounting for Measurement-Period Adjustments.*” This ASU requires that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period and any related income effects in the reporting period in which the adjustment amounts are determined. The ASU also requires an entity to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The provisions of ASU 2015-16 are effective for fiscal years beginning after December 15, 2015, and interim periods within those years for public business entities, and December 15, 2016, and interim periods thereafter for all other entities. This ASU is not expected to have a material impact on the combined financial statements.

In November 2015, FASB issued ASU 2015-17, “*Balance Sheet Classification of Deferred Taxes.*” This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The provisions of ASU 2015-17 are effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public business entities, and December 15, 2017, and interim periods thereafter for all other entities. This ASU is not expected to have a material impact on the combined financial statements.

In January 2016, FASB issued ASU 2016-01, “*Recognition and Measurement of Financial Assets and Financial Liabilities.*” This ASU requires equity investments to be measured at fair

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Notes to Combined Financial Statements - continued

value with changes in fair value recognized in net income. This ASU also requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes. A reporting organization must present separately, in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk. The provisions of ASU 2016-01, are effective for fiscal years beginning after December 15, 2017, and interim periods within those years for public business entities, and December 15, 2018 for all other entities. The System is currently evaluating the impact of this ASU.

In February 2016 and January 2019, FASB issued ASU 2016-02, "*Leases*" and ASU 2018-01, "*Land Easement Practical Expedient*." These ASU's require lessees to record a lease liability that represents the lessee's future lease obligation payments and a right-of-use asset that represents the lessee's right to use or control of a specified asset for the lease term. The main difference with current practice being that lessees will be required to record an asset and liability for what is now considered an operating lease. These ASU's are effective for fiscal years beginning after December 15, 2018, and interim periods within those years for public business entities and not-for-profit entities that have issued publicly traded debt, and December 15, 2019 for all other entities. The System is currently evaluating the impact of these ASU's and believes it will have a material impact on the combined financial statements.

In March 2016, FASB issued ASU 2016-05, "*Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*." This ASU clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria remain intact. The provisions of ASU 2016-05 are effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public business entities, and December 15, 2017 for all other entities. The System is currently evaluating the impact of this ASU.

In March 2016, FASB issued ASU 2016-06, "*Contingent Put and Call Options in Debt Instruments*." This ASU clarifies what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. The provisions of ASU 2016-06 are effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public business entities, and December 15, 2017 for all other entities. The System is currently evaluating the impact of this ASU.

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Notes to Combined Financial Statements - continued

In August 2016, FASB issued ASU 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities.*” This ASU requires not-for-profit entities to report two classes of net assets, as well as enhances disclosures on board designated funds, liquidity, and functional expenses. The provisions of ASU 2016-14 are effective for fiscal years beginning after December 15, 2017, and interim periods thereafter. The System is currently evaluating the impact of this ASU.

In August 2016, FASB issued ASU 2016-15, “*Classification of Certain Cash Receipts and Cash Payments.*” This ASU provides cash flow statement classification guidance related to debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions made from equity method investees, separately identifiable cash flows, and application of the predominance principle. The provisions of ASU 2016-15 are effective for fiscal years beginning after December 15, 2017, and interim periods within those years for public business entities, and December 15, 2018, and interim periods thereafter for all other entities. The System is currently evaluating the impact of this ASU.

In October 2016, FASB issued ASU 2016-16, “*Intra-Entity Transfers of Assets Other Than Inventory.*” This ASU requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The provisions of ASU 2016-16 are effective for fiscal years beginning after December 15, 2017, and interim periods within those years for public business entities, and December 15, 2018, and interim periods thereafter for all other entities. The System is currently evaluating the impact of this ASU.

In November 2016, FASB issued ASU 2016-18, “*Restricted Cash: a Consensus of the FASB Emerging Issues Task Force.*” This ASU requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The provisions of ASU 2016-18 are effective for fiscal years beginning after December 15, 2017, and interim periods within those years for public business entities, and December 15, 2018, and interim periods thereafter for all other entities. The System is currently evaluating the impact of this ASU.

In January 2017, FASB issued ASU 2017-01, “*Clarifying the Definition of a Business.*” By clarifying the definition of a business, the amendments of this ASU affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The provisions of ASU 2017-01 are effective for fiscal years beginning after December 15, 2017, and interim periods within those years for public business entities, and December 15, 2018, and interim periods within those years for all other entities. The System is currently evaluating the impact of this ASU.

In January 2017, FASB issued ASU 2017-02, “*Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership*”

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Notes to Combined Financial Statements - continued

or Similar Entity.” This ASU retains the consolidation guidance that was in Subtopic 810-20. Not-for-Profits that are general partners should continue to be presumed to control a for-profit limited partnership, regardless of the extent of their ownership interest, unless that presumption is overcome. The provisions of ASU 2017-02 are effective for fiscal years beginning after December 15, 2016, and interim periods thereafter. This ASU is not expected to have a material impact on the combined financial statements.

In January 2017, FASB issued ASU 2017-04, “*Simplifying the Test for Goodwill Impairment.*” This ASU eliminates Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The provisions of ASU 2017-04 are effective for fiscal years beginning after December 15, 2019, and interim periods within those years for public business entities, and December 15, 2021, and interim periods within those years for all other entities. The System is currently evaluating the impact of this ASU.

In March 2017, FASB issued ASU 2017-07, “*Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*” This ASU requires that an employer report the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The provisions of ASU 2017-07 are effective for fiscal years beginning after December 15, 2017, and interim periods within those years for public business entities, and December 15, 2018, and interim periods thereafter for all other entities. The System is currently evaluating the impact of this ASU.

In March 2017, FASB issued ASU 2017-08, “*Premium Amortization on Purchased Callable Debt Securities.*” This shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The System has not evaluated all of the provisions of ASU 2017-08, which are effective for fiscal years beginning after December 15, 2018, and interim periods within those years for public business entities, and December 15, 2019, and interim periods thereafter for all other entities. The System is currently evaluating the impact of this ASU.

Cash and Cash Equivalents

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

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Notes to Combined Financial Statements - continued

THVG Funds Due From United Surgical Partners, Inc.

THVG participates in a shared services accounts payable program with USPI, wherein USPI has custody of substantially all of THVG's cash, paying THVG and its facilities interest income on the net balance at prevailing market rates. Amounts held by USPI on behalf of THVG totaled approximately \$98,938,000 and \$85,888,000, at December 31, 2017 and June 30, 2017, respectively. The funds due from USPI are available on demand.

Investments

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

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Notes to Combined Financial Statements - continued

Interest and dividends, realized gains (losses), and unrealized gains (losses) consisted of the following (in thousands):

	Six months ended December 31, 2017			
	Interest and Dividends	Realized Gains	Unrealized Gains (Losses)	Total
Nonoperating gains	\$ 28,610	\$ 44,843	\$ 114,101	\$ 187,554
Other changes in unrestricted net assets	-	-	(2,344)	(2,344)
Changes in temporarily restricted net assets	4,703	8,764	12,797	26,264
Changes in permanently restricted net assets	-	542	(83)	459
	\$ 33,313	\$ 54,149	\$ 124,471	\$ 211,933

	Six months ended December 31, 2016			
	Interest and Dividends	Realized Gains	Unrealized Gains	Total
Nonoperating gains	\$ 20,025	\$ 29,885	\$ 45,408	\$ 95,318
Other changes in unrestricted net assets	-	-	3,034	3,034
Changes in temporarily restricted net assets	3,741	3,152	4,634	11,527
Changes in permanently restricted net assets	-	36	130	166
	\$ 23,766	\$ 33,073	\$ 53,206	\$ 110,045

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Notes to Combined Financial Statements - continued

	Year ended June 30, 2017			
	Interest and Dividends	Realized Gains	Unrealized Gains (Losses)	Total
Nonoperating gains	\$ 37,371	\$ 95,293	\$ 138,667	\$ 271,331
Other changes in unrestricted net assets	-	-	(1,786)	(1,786)
Changes in temporarily restricted net assets	7,615	9,754	18,562	35,931
Changes in permanently restricted net assets	-	175	370	545
	\$ 44,986	\$ 105,222	\$ 155,813	\$ 306,021

	Year ended June 30, 2016			
	Interest and Dividends	Realized Gains	Unrealized Losses	Total
Nonoperating gains (losses)	\$ 36,003	\$ 16,994	\$ (60,103)	\$ (7,106)
Other changes in unrestricted net assets	-	-	(1,390)	(1,390)
Changes in temporarily restricted net assets	5,919	2,231	(13,303)	(5,153)
Changes in permanently restricted net assets	-	409	(313)	96
	\$ 41,922	\$ 19,634	\$ (75,109)	\$ (13,553)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

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

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

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for

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Notes to Combined Financial Statements - continued

the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

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

The carrying values of cash and cash equivalents, THVG funds due from USPI, patient accounts receivable, other receivables, investments of insurance subsidiaries, accounts payable, accrued liabilities, and estimated third-party payor settlements payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

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

Alternative Investments

Investments held consist of marketable securities as well as securities that do not have readily determinable fair values. Private equity investments, real estate investments, and hedge funds are collectively referred to as "alternative investments". These are included in unrestricted long-term investments in the accompanying combined balance sheets, other than those held at HA. The investments in alternative investments are valued by management at fair value utilizing the net asset value (NAV) provided by the underlying investment companies unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties as the System does not intend to sell such investments before the expiration of the early redemption periods. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and

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Notes to Combined Financial Statements - continued

subsequent developments concerning the companies to which the securities relate. As this valuation methodology is based primarily on unobservable inputs, these investments represent Level 3 assets. Any hedge funds valued at NAV which are redeemable by the System at NAV per share (or its equivalent) at the measurement date are transferred from Level 3 assets to Level 2 assets. Any hedge funds valued at NAV that were classified in prior year as Level 2 assets that are not redeemable by the System at NAV per share (or its equivalent) at the measurement date are transferred from Level 2 assets to Level 3 assets.

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

Beneficial Interest

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

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

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Notes to Combined Financial Statements - continued

The following table below sets forth, by level, the financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 (in thousands):

Assets:	BSWH			
	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Cash	\$ 1,213,476	\$ 1,213,476	\$ -	\$ -
Money market funds	42,204	42,204	-	-
Total Cash and Cash Equivalents	1,255,680	1,255,680	-	-
Short-Term Investments				
Mutual funds	67,413	67,413	-	-
Certificates of deposit	101,183	101,183	-	-
Fixed income securities	14,358	17	14,341	-
Other	1,148	1,052	96	-
Total Short-Term Investments	184,102	169,665	14,437	-
Unrestricted Long-Term Investments				
Cash	4,695	4,695	-	-
Mutual funds	24,301	24,301	-	-
Equity securities	1,191,422	283,910	907,512	-
Fixed income securities	428,479	26	428,453	-
U.S. government securities	226,604	-	226,604	-
Mortgage-backed securities	369,538	69,209	300,329	-
Common funds, held at HA				
Group investment fund	615	-	615	-
Group bond fund	32	-	32	-
Group equity fund	80	-	80	-
Other funds	23	22	-	1
Other	692	-	-	692
Assets held at NAV practical expedient ⁽¹⁾				
Hedge fund/diversifiers alternative investments	582,679			
Private equity alternative investments	193,351			
Real estate alternative investments	127,159			
Other funds	3			
Total Unrestricted Long-Term Investments	3,149,673	382,163	1,863,625	693

(1) Hedge fund/diversifiers alternative investments, private equity alternative investments, real estate alternative investments, and other investments for which fair value is measured using the NAV per share as a practical expedient are not leveled within the fair value hierarchy and are included as a reconciling item to total investments.

In the accompanying combined balance sheets, unrestricted long-term investments at December 31, 2017 includes an investment of approximately \$129,997,000 accounted for under the cost method.

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Notes to Combined Financial Statements - continued

Assets (continued):	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Restricted Long-Term Investments				
Cash	\$ 8,042	\$ 8,042	\$ -	\$ -
Mutual funds	50,342	50,342	-	-
Equity securities	182,230	44,929	137,301	-
Fixed income securities	32,128	78	32,050	-
U.S. government securities	17,930	-	17,930	-
Mortgage-backed securities	28,495	5,350	23,145	-
Split-interest agreements	7,385	-	7,385	-
Real estate	1,094	-	-	1,094
Cash surrender value life insurance	1,262	-	-	1,262
Other	311	1	-	310
Common funds, held at HA				
Group investment fund	46,112	-	46,112	-
Group bond fund	2,431	-	2,431	-
Group equity fund	6,014	-	6,014	-
Other funds	1,697	1,640	-	57
Assets held at NAV practical expedient ⁽¹⁾				
Hedge fund/diversifiers alternative investments	69,640			
Private equity alternative investments	38,766			
Real estate alternative investments	12,161			
Other funds	263			
Total Restricted Long-Term Investments	506,303	110,382	272,368	2,723
Assets Whose Use is Limited				
Cash	91,640	91,640	-	-
Money market funds	13,619	13,619	-	-
Mutual funds	171,767	171,767	-	-
Equity securities	1,703	1,703	-	-
Fixed income securities	26,388	-	26,388	-
U.S. government securities	35,701	-	35,701	-
Other	164	-	164	-
Total Assets Whose Use is Limited	340,982	278,729	62,253	-
Contributions Receivable, net				
Beneficial interest in split-interest agreements	21,800	-	-	21,800
Total Assets at Fair Value	\$ 5,458,540	\$ 2,196,619	\$ 2,212,683	\$ 25,216
Liabilities:				
Interest rate swap agreements, net of collateral	260,883	-	260,883	-
Total Liabilities at Fair Value	\$ 260,883	\$ -	\$ 260,883	\$ -

(1) Hedge fund/diversifiers alternative investments, private equity alternative investments, real estate alternative investments, and other investments for which fair value is measured using the NAV per share as a practical expedient are not leveled within the fair value hierarchy and are included as a reconciling item to total investments.

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

The following table is a roll forward of the combined balance sheet amounts for financial instruments classified by the System within Level 3 of the valuation hierarchy defined above for the six months ended December 31, 2017 (in thousands):

	December 31, 2017			
	Split-Interest	Common		Total
	Agreements	Investment Funds	Other	
Balance, beginning of period	\$ 21,596	\$ 55	\$ 2,330	\$ 23,981
Realized (losses), net	170	-	-	170
Unrealized gains, net	34	3	272	309
Purchases	-	-	756	756
Settlements	-	-	-	-
Balance, end of period	\$ 21,800	\$ 58	\$ 3,358	\$ 25,216

At December 31, 2017, alternative investments recorded at NAV consisted of the following (in thousands):

	December 31, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Equity-linked investments ^a	\$ 76,118	\$ -	quarterly, annually	60-90 days
Event-driven investments ^b	65,058	-	quarterly, annually	30-90 days
Credit-linked investments ^c	81,377	-		
Multi-strategy investments ^d	3,242	-	monthly, quarterly	30-90 days
Tactical trading investments ^e	201,912	-	daily, monthly	2-90 days
Risk parity and global asset allocation fund ^f	224,612	-	monthly	5-30 days
Real estate funds - open ended ^g	74,871	-	quarterly	90 days
Real estate funds - closed ended ^h	64,449	27,299		
Oil and gas funds ⁱ	266	-		
Private equity funds ^j	174,705	125,382		
Private debt funds ^k	57,412	20,397		
Non-agency asset backed security ^l	-	-		
Total	\$ 1,024,022	\$ 173,078		

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

- a) Equity-linked fund managers buy equities that are expected to increase in value and sell short equities that are expected to decrease in value. Portfolios range from net short to net long, depending on market conditions. Aggressive funds may capture returns by exceeding 100% exposure while conservative funds mitigate market risk by maintaining net exposures of between 0-50%. Typically, equity-linked strategies are based on "bottom up" fundamental analysis of the individual companies, in which investments are made. There may also be "top down" analysis of the risks and opportunities offered by industries, sectors, countries, and the macroeconomic situation. Equity-linked managers may be generalists or focus on certain industries, sectors, regions or equity category (i.e. small or large cap and value or growth). There are many trading styles, with frequent or dynamic traders and some longer-term investors. Returns are generally more correlated with the direction of the equity markets, although reduction in market risk exposure through shorting is expected to enhance the absolute and risk-adjusted returns relative to the overall performance of the asset class. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- b) Event-driven fund managers seek to exploit pricing inefficiencies that may occur before or after corporate events such as an earnings announcement, bankruptcy, merger, acquisition, or spinoff. Returns are less correlated with the general direction of market movements primarily due to the idiosyncratic nature of individual events. Several investment managers include quarterly percentage redemption limits. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- c) Credit-linked fund managers seek to profit from the mispricing of related securities. These strategies utilize quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. Examples include convertible arbitrage, fixed arbitrage, statistical arbitrage, and select global macro strategies. Fund returns are generally not dependent on the direction of market movements. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- d) Multi-strategy fund managers focus on large, long-term mispricing in the global fixed-income, equity and credit markets, capturing relative-value anomalies via multi-product trades. Returns are relatively uncorrelated with the general direction of market movements since they avoid taking a directional bias with regards to the price movement of a specific stock or market. Several investment managers include quarterly percentage redemption limits and/or early redemption penalties. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

- e) Tactical trading fund managers generally invest on a large scale around the world using economic theory to justify the decision making process on either a discretionary or systematic basis. Strategies are typically based on forecasts and analysis about interest rates trends, the general flow of funds, political changes, government policies, inter-government relations, and other broad systemic and technical factors. Returns are relatively uncorrelated with the general direction of market movements. Several investment managers include quarterly percentage redemption limits. The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- f) Risk parity and global asset allocation fund managers invest across global markets including equities, nominal government bonds, inflation linked bonds, commodities, and emerging markets on a risk balanced framework. Typically these strategies incorporate leverage to increase the risk contribution from low volatility asset classes (e.g., inflation linked bonds and nominal government bonds). The fair values of the investments in this class have been estimated using the net asset value per share of the funds.
- g) Real estate - open end fund managers invest primarily in U.S. commercial real estate. Redemptions are available on a quarterly basis, subject to the discretion of the General Partners. The General Partners may elect to establish a redemption queue should the level of redemptions for a given quarter be detrimental to the fund's overall performance. The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of partners' capital.
- h) Real estate - closed end fund managers invest primarily in U.S. commercial real estate and industries related to real estate, with some having minimal exposure outside of the U.S. These partnerships are illiquid and therefore do not have a redemption feature. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of these funds will be liquidated over the next six years with the value of those underlying asset being replaced by investments in new real estate funds. The fair values of the investments in this class have been estimated using the net asset value, which is based on the ownership interest of partners' capital.
- i) Oil and gas fund managers invested in mineral properties located in Texas and Wyoming. The fund in this category is closed to new investors, is illiquid and redemption is subject to fund management approval. Royalty income is distributed quarterly subject to fund management approval (\$0.50 per unit per quarter in 2017 and \$0.75 per unit per quarter in 2016). Distributions from the fund will be received as the underlying investments are depleted. The fair value of the mineral properties have been

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

estimated by multiplying the most recent twelve months of royalty income, excluding lease bonus income, times a factor of five. The fund's management used a multiple of five for the valuation based on current industry methodology, recent market transactions, and the fund's extensive experience in mineral properties.

- j) Thirty - seven private equity fund managers invest in a variety of mostly private companies. These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 3-6 years of the partnership's life. It is expected that most of the unfunded commitments should be called within the next 6 years. These partnerships are illiquid and therefore do not have a redemption feature. Instead, the nature of the investments in this class is that distributions are received as the investment in the underlying companies are sold. It is estimated that the current underlying assets of these partnerships should be liquidated within the next 10 years. The investments are valued based on each partnership's valuation policy which is then subject to annual third party financial audits. Financial audits are available approximately 90 days following year end. Therefore, the valuation at year end reflects the latest reported manager valuation with adjustments for new capital calls and distributions.
- k) Seven private debt fund managers invest in a variety of mostly private companies. These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 1-3 years of the partnership's life. It is expected that most of the unfunded commitments should be called within the next 4 years. These partnerships are illiquid and therefore do not have a redemption feature. Instead, the nature of the investments in this class is that distributions are received as income from the debt is received and as the investment in the underlying companies are sold or the debt principal is repaid. It is estimated that the current underlying assets of these partnerships should be liquidated within the next 6 years. The investments are valued based on each partnership's valuation policy which is then subject to annual third party financial audits. Financial audits are available approximately 90 days following year end. Therefore, the valuation at year end reflects the latest reported manager valuation with adjustments for new capital calls and distributions.
- l) The non-agency asset backed security is a Term Note (the "Note") issued by Ocwen Loan Servicing LLC. The Note is secured by servicing advance receivables associated with Ocwen's servicing portfolio. The parent company Ocwen Financial Corporation is a financial services holding company which, through its subsidiaries, is engaged in the servicing and origination of mortgage loans. This security is priced using bid evaluation prices from Bloomberg.

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

4. ENDOWMENTS

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

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

- 1) The duration and preservation of the fund
- 2) The purposes of the System 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 System
- 7) The investment policies of the System

Endowment Return Objectives and Risk Parameters

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

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Endowment Spending Practices to Investment Objectives

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

5. RETIREMENT BENEFITS

The System provides defined contribution plans for eligible employees. Employees are eligible to contribute to the plans immediately with no minimum service or age requirement.

The System had four frozen defined benefit plans at the time of merger. Three of the four plans are subject to ERISA and all are being funded in accordance with regulatory requirements. Three of the four plans were merged together in fiscal year 2017.

6. CONTINGENCIES

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, physician ownership and self-referral, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with applicable fraud and abuse laws and regulations as well as other applicable federal and state laws and regulations.

Quarterly Disclosure Report for December 31, 2017

Notes to Combined Financial Statements - continued

7. SUBSEQUENT EVENTS

The System has performed an evaluation of material subsequent events and transactions from December 31, 2017 through February 14, 2018, which is the date the financial statements were issued.

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Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Balance Sheets					
December 31, 2017					
(\$ Thousands)					
	Obligated Affiliates *	Consolidated SWHP [†]	Other System Entities	Reclassifications and Eliminations	Total Financials
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 703,329	\$ 116,908	\$ 435,443	\$ -	\$ 1,255,680
Short-term investments	165,200	300	18,602	-	184,102
THVG funds due from United Surgical Partners, Inc.	-	-	98,938	-	98,938
Accounts receivable:					
Patient, net	493,169	-	421,644	(34,028)	880,785
Premium	-	79,040	-	-	79,040
Affiliates, net	101,665	-	-	(101,665)	-
Other	91,212	27,542	131,702	(7,592)	242,864
Other current assets	193,125	5,777	101,525	20	300,447
Total current assets	<u>1,747,700</u>	<u>229,567</u>	<u>1,207,854</u>	<u>(143,265)</u>	<u>3,041,856</u>
LONG-TERM INVESTMENTS:					
Unrestricted	2,743,377	54,464	481,829	-	3,279,670
Restricted	2,839	-	503,464	-	506,303
Total long-term investments	<u>2,746,216</u>	<u>54,464</u>	<u>985,293</u>	<u>-</u>	<u>3,785,973</u>
ASSETS WHOSE USE IS LIMITED:					
Other designated assets	119,016	2,200	54,503	-	175,719
Self insurance reserves	-	-	114,255	-	114,255
Funds held by bond trustee	51,008	-	-	-	51,008
Total assets whose use is limited	<u>170,024</u>	<u>2,200</u>	<u>168,758</u>	<u>-</u>	<u>340,982</u>
ASSETS HELD FOR SALE	-	-	16,324	-	16,324
PROPERTY AND EQUIPMENT, net	2,625,424	15,660	1,116,574	(180,381)	3,577,277
CONTRIBUTIONS RECEIVABLE, net	-	-	177,009	(58)	176,951
DUE FROM AFFILIATES	208,078	-	2,826	(210,904)	-
INTEREST IN NET ASSETS OF RELATED FOUNDATIONS	489,225	-	99,333	(584,338)	4,220
INVESTMENTS IN SUBSIDIARIES AND AFFILIATES	1,671,777	-	-	(1,671,777)	-
OTHER LONG-TERM ASSETS:					
Equity investment in unconsolidated entities	40,913	185	23,145	-	64,243
Goodwill and intangible assets, net	77,167	-	773,712	(2,446)	848,433
Other	8,787	1,442	17,173	(6,992)	20,410
Total other long-term assets	<u>126,867</u>	<u>1,627</u>	<u>814,030</u>	<u>(9,438)</u>	<u>933,086</u>
Total assets	<u>\$ 9,785,311</u>	<u>\$ 303,518</u>	<u>\$ 4,588,001</u>	<u>\$ (2,800,161)</u>	<u>\$ 11,876,669</u>
<p>*Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; Baylor Scott & White Holdings; Baylor Hill Scott & White Health; Baylor Medical Centers at Garland and McKinney; and Scott & White Hospital - College Station.</p> <p>[†] Consolidated SWHP includes Scott and White Health Plan and Insurance Company of Scott and White.</p>					

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Balance Sheets - continued					
December 31, 2017					
(\$ Thousands)					
	<u>Obligated Affiliates *</u>	<u>Consolidated SWHP[†]</u>	<u>Other System Entities</u>	<u>Reclassifications and Eliminations</u>	<u>Total Financials</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital lease obligations	\$ 13,258	\$ -	\$ 39,496	\$ -	\$ 52,754
Long-term debt subject to short-term remarketing arrangements	95,000	-	-	-	95,000
Commercial paper	187,967	-	-	-	187,967
Accounts payable:					
Trade accounts payable	117,520	6,583	180,821	(10,849)	294,075
Affiliates, net	-	10,587	94,333	(104,920)	-
Accrued liabilities:					
Payroll related	297,003	258	57,531	(332)	354,460
Third-party programs	43,965	4,089	11,489	28,906	88,449
Medical claims payable	-	95,389	-	(62,601)	32,788
Other	246,926	63,208	175,425	(17,904)	467,655
Total current liabilities	<u>1,001,639</u>	<u>180,114</u>	<u>559,095</u>	<u>(167,700)</u>	<u>1,573,148</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	2,632,159	-	430,483	-	3,062,642
OTHER LONG-TERM LIABILITIES:					
Self insurance and other insurance liabilities	(225)	-	114,218	-	113,993
Interest rate swap liabilities, net	260,883	-	-	-	260,883
Other	177,131	6,905	121,799	(6,149)	299,686
Total other long-term liabilities	<u>437,789</u>	<u>6,905</u>	<u>236,017</u>	<u>(6,149)</u>	<u>674,562</u>
DUE TO AFFILIATES	-	-	307,506	(307,506)	-
Total liabilities	<u>4,071,587</u>	<u>187,019</u>	<u>1,533,101</u>	<u>(481,355)</u>	<u>5,310,352</u>
COMMITMENTS AND CONTINGENCIES					
NONCONTROLLING INTERESTS - REDEEMABLE	-	-	233,384	276,665	510,049
NET ASSETS:					
Unrestricted - attributable to BSWH	5,209,187	116,499	1,967,390	(2,199,985)	5,093,091
Unrestricted - noncontrolling interests - nonredeemable	17,104	-	68,020	181,999	267,123
Total unrestricted net assets	<u>5,226,291</u>	<u>116,499</u>	<u>2,035,410</u>	<u>(2,017,986)</u>	<u>5,360,214</u>
Temporarily restricted	296,225	-	460,208	(337,236)	419,197
Permanently restricted	191,208	-	325,898	(240,249)	276,857
Total net assets	<u>5,713,724</u>	<u>116,499</u>	<u>2,821,516</u>	<u>(2,595,471)</u>	<u>6,056,268</u>
Total liabilities and net assets	<u>\$ 9,785,311</u>	<u>\$ 303,518</u>	<u>\$ 4,588,001</u>	<u>\$ (2,800,161)</u>	<u>\$ 11,876,669</u>
<p>*Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; Baylor Scott & White Holdings; Baylor Scott & White Health; Baylor Medical Centers at Garland and McKinney; and Scott & White Hospital - College Station.</p> <p>[†] Consolidated SWHP includes Scott and White Health Plan and Insurance Company of Scott and White.</p>					

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Statements of Operations and Changes in Net Assets					
For the Six Months Ended December 31, 2017					
(\$ Thousands)					
	Obligated Affiliates *	Consolidated SWHP [†]	Other System Entities	Reclassifications and Eliminations	Total Financials
OPERATING REVENUE:					
Net patient care revenue	\$ 2,511,764	\$ -	\$ 2,231,237	\$ (210,842)	\$ 4,532,159
Less patient related bad debt expense	156,296	-	235,467	-	391,763
Net patient care revenue, less patient related bad debt expense	2,355,468	-	1,995,770	(210,842)	4,140,396
Premium revenue	-	412,481	-	(199)	412,282
Other operating revenue	216,854	7,154	357,957	(353,122)	228,843
Net assets released from restrictions for operations	4,474	-	33,049	(5,482)	32,041
Total operating revenue	2,576,796	419,635	2,386,776	(569,645)	4,813,562
OPERATING EXPENSES:					
Salaries, wages, and employee benefits	1,315,510	21,858	909,569	(24,786)	2,222,151
Supplies	391,673	78	414,253	-	806,004
Other operating expenses	560,165	35,769	749,156	(332,409)	1,012,681
Medical claims	-	367,100	-	(217,724)	149,376
Gains on fixed asset sales and disposals, net	(6,006)	-	(2,429)	-	(8,435)
Depreciation and amortization	126,958	255	64,026	(2,936)	188,303
Interest	45,670	1,236	19,822	(6,618)	60,110
Total operating expenses	2,433,970	426,296	2,154,397	(584,473)	4,430,190
Income (loss) from operations	142,826	(6,661)	232,379	14,828	383,372
NONOPERATING GAINS (LOSSES):					
Gains (losses) on investments, net	152,939	2,280	36,548	(4,213)	187,554
Interest rate swap activity	(2,962)	-	-	-	(2,962)
Contributions	8,127	-	1,141	(9,169)	99
Equity in (losses) gains of unconsolidated entities	(397)	-	37,202	-	36,805
Loss from extinguishment of debt	(721)	-	-	-	(721)
Other	97,267	-	7,631	(104,626)	272
Total nonoperating gains (losses)	254,253	2,280	82,522	(118,008)	221,047
REVENUE AND GAINS IN EXCESS (DEFICIT) OF EXPENSES AND LOSSES BEFORE TAXES					
	397,079	(4,381)	314,901	(103,180)	604,419
LESS INCOME TAX EXPENSE (BENEFIT)					
	172	(513)	9,264	-	8,923
REVENUE AND GAINS IN EXCESS (DEFICIT) OF EXPENSES AND LOSSES					
	396,907	(3,868)	305,637	(103,180)	595,496
*Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; Baylor Scott & White Holdings; Baylor Scott & White Health; Baylor Medical Centers at Garland and McKinney; and Scott & White Hospital - College Station.					
† Consolidated SWHP includes Scott and White Health Plan and Insurance Company of Scott and White.					

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health					
Supplementary Combining Financial Information of the Obligated Affiliates and BSWH					
Combining Statements of Operations and Changes in Net Assets - continued					
For the Six Months Ended December 31, 2017					
(\$ Thousands)					
	Obligated Affiliates *	Consolidated SWHP [†]	Other System Entities	Reclassifications and Eliminations	Total Financials
OTHER CHANGES IN UNRESTRICTED NET ASSETS:					
Unrealized losses on investments, net	\$ -	\$ -	\$ (2,344)	\$ -	\$ (2,344)
Net assets released from restrictions for capital expenditures	-	-	3,972	-	3,972
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(3,513)	-	(90,623)	103,282	9,146
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	-	-	(95,270)	(48,478)	(143,748)
Transfers between entities under common control	19,302	-	(10,423)	(8,879)	-
Other	1	-	(311)	-	(310)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	412,697	(3,868)	110,638	(57,255)	462,212
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Contributions	4,879	-	152,988	(5,482)	152,385
Realized investment income	-	-	13,467	-	13,467
Unrealized gains on investments	-	-	12,797	-	12,797
Change in value of split-interest agreements	13	-	284	-	297
Net assets released from restrictions for operations	(4,474)	-	(33,049)	5,482	(32,041)
Net assets released from restrictions for capital expenditures	-	-	(3,972)	-	(3,972)
Changes in net assets of related foundations	170	-	-	-	170
Other	-	-	(491)	-	(491)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	588	-	142,024	-	142,612
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Contributions	-	-	11,459	-	11,459
Realized investment income	-	-	542	-	542
Unrealized losses on investments	-	-	(83)	-	(83)
Change in value of split-interest agreements	84	-	140	-	224
Changes in net assets of related foundations	2	-	-	-	2
Other	-	-	340	-	340
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	86	-	12,398	-	12,484
INCREASE (DECREASE) IN NET ASSETS	413,371	(3,868)	265,060	(57,255)	617,308
NET ASSETS, beginning of period	5,300,353	120,367	2,556,456	(2,538,216)	5,438,960
NET ASSETS, end of period	\$ 5,713,724	\$ 116,499	\$ 2,821,516	\$ (2,595,471)	\$ 6,056,268
<p>*Obligated Affiliates combines Baylor Health Care System; Baylor University Medical Center; Baylor All Saints Medical Center; Baylor Medical Center at Waxahachie; Baylor Regional Medical Center at Grapevine; Baylor Medical Center at Plano; Scott & White Healthcare; Scott & White Memorial Hospital (inclusive of McLane Children's Hospital Scott & White); Scott & White Clinic; Scott & White Hospital - Round Rock; Scott & White Continuing Care Hospital; Hillcrest Baptist Medical Center; Baylor Scott & White Holdings; Baylor Scott & White Health; Baylor Medical Centers at Garland and McKinney; and Scott & White Hospital - College Station.</p> <p>[†] Consolidated SWHP includes Scott and White Health Plan and Insurance Company of Scott and White.</p>					

Quarterly Disclosure Report for December 31, 2017

Baylor Scott & White Health

Obligated Affiliates - Combined Statement of Cash Flows

For the Six Months Ended December 31, 2017

(\$ Thousands)

Cash Flows from Operating Activities:

Increase in net assets	\$ 413,371
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Loss on extinguishment of debt	721
Unrealized gains on investments, net	(91,579)
Realized gains on sales of investments, net	(34,753)
Gains on interest rate swap, net	(8,956)
Patient related bad debt expense	156,296
Depreciation and amortization	126,958
Gains on fixed asset sales and disposals, net	(6,006)
Change in value of split-interest agreements	(97)
Transfers between entities under common control	(19,302)
Other changes attributable to noncontrolling interests	3,513
Changes in operating assets and liabilities (net of acquisitions):	
Increase in net patient accounts receivable	(182,531)
Increase in other accounts receivable	(34,281)
Increase in other assets	(46,578)
Increase in due from affiliates, net	(62,058)
Increase in trade accounts payable and accrued liabilities	1,617
Increase in other liabilities	22,760
Net cash provided by operating activities	239,095

Cash Flows from Investing Activities:

Purchases of property and equipment, net	(165,508)
Cash proceeds from sales of assets	6,024
Increase in investments, net	(40,013)
Net payments on interest rate swap	(7,259)
Increase in investments of subsidiaries	(58,676)
Increase in assets whose use is limited	(1,040)
Net cash used in investing activities	(266,472)

Cash Flows from Financing Activities:

Principal payments on long-term debt	(398,362)
Proceeds from issuance of long-term debt	407,378
Transfers between entities under common control	19,302
Purchases of noncontrolling interests	(3,513)
Net cash provided by financing activities	24,805

Net Decrease in Cash and Cash Equivalents

Cash and Cash Equivalents, beginning of period	705,901
Cash and Cash Equivalents, end of period	\$ 703,329