BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Financial Statements and Schedules

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

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Independent Auditors' Report

The Board of Trustees
BayCare Health System, Inc. and Affiliates:

We have audited the accompanying combined balance sheets of BayCare Health System, Inc. and Affiliates (the Organization) as of December 31, 2011 and 2010, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of BayCare Health System, Inc. and Affiliates as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

March 9, 2012
Certified Public Accountants

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets		2011	2010
Current assets:			
Cash and cash equivalents	$	37,387	62,424
Collateral received for securities lending transactions		132,161	142,612
Investments held on behalf of others		20,591	20,740
Assets limited as to use		2,635	2,331
Accounts receivable, less allowance for uncollectible accounts of approximately $187,575 and $131,287, respectively		264,248	259,302
Inventories		48,918	46,452
Prepaid and other current assets		46,077	40,364
Total current assets		552,017	574,225
Investments		1,630,417	1,550,716
Assets limited as to use		197,452	207,885
Property and equipment, net		1,437,362	1,357,836
Beneficial interest in net assets of foundations		113,875	114,136
Other assets		83,000	79,170
Total assets	$	4,014,123	3,883,968
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	126,444	178,061
Employee compensation and benefits		147,699	130,698
Estimated third-party settlements		99,043	84,786
Current portion of long-term debt		55,534	75,282
Liabilities for investments held on behalf of others		20,591	20,740
Liabilities under securities lending transactions		132,161	142,612
Total current liabilities		581,472	632,179
Long-term debt, less current portion		700,041	704,400
Other liabilities		315,739	263,848
Total liabilities		1,597,252	1,600,427
Net assets:			
Unrestricted		2,317,546	2,185,331
Temporarily restricted		74,095	74,087
Permanently restricted		25,230	24,123
Total net assets		2,416,871	2,283,541
Total liabilities and net assets	$	4,014,123	3,883,968

See accompanying notes to combined financial statements.

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	2011	2010
Operating revenues:		
Net patient service revenue	$ 2,353,981	2,215,327
Other revenues	72,295	68,939
Total operating revenues	2,426,276	2,284,266
Operating expenses:		
Salaries and benefits	1,192,815	1,112,656
Supplies	388,335	373,748
Other expenses	350,334	361,435
Depreciation and amortization	158,918	148,991
Provision for bad debts	142,874	128,075
Interest	27,814	29,190
Total operating expenses	2,261,090	2,154,095
Operating income	165,186	130,171
Nonoperating (losses) gains, net:		
Investment income, net	31,930	185,727
Loss on interest rate swaps	(55,547)	(14,410)
Other nonoperating gains (losses), net	7,653	(1,993)
Total nonoperating (losses) gains, net	(15,964)	169,324
Excess of revenues and gains over expenses	149,222	299,495

(Continued)

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

		2011	2010
Unrestricted net assets:			
Excess of revenues and gains over expenses	$	149,222	299,495
Net unrealized gains (losses) on other-than-trading securities		37	(14)
Contributions for capital equipment		992	643
Net assets released from restrictions for purchase of property and equipment		271	182
Amortization of accumulated hedge accounting losses		458	458
Pension-related changes other than net periodic pension cost		(16,503)	(590)
Other		(2,262)	(967)
Increase in unrestricted net assets		132,215	299,207
Temporarily restricted net assets:			
Contributions		2,173	785
Change in beneficial interest in net assets of foundations		(929)	5,156
Net assets released from restrictions for purchase of property and equipment		(271)	(182)
Net assets released from restrictions for operations		(966)	(550)
Other		1	(123)
Increase in temporarily restricted net assets		8	5,086
Permanently restricted net assets:			
Change in beneficial interest of net assets of foundations		1,107	1,134
Increase in permanently restricted net assets		1,107	1,134
Increase in net assets		133,330	305,427
Net assets at beginning of year		2,283,541	1,978,114
Net assets at end of year	$	2,416,871	2,283,541

See accompanying notes to combined financial statements.

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands)

		2011	2010
Cash flows from operating activities:			
Increase in net assets	$	133,330	305,427
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		158,918	148,991
Amortization of bond premiums and discounts, net		(1,971)	(1,086)
Amortization of bond issue costs		1,270	1,927
Loss on impairment of goodwill		—	4,054
Loss on extinguishment of debt		—	5,072
Loss on sale of business and other property and equipment		1,186	458
Change in net unrealized losses (gains) on investments		58,988	(110,254)
Change in realized gains on investments		(50,570)	(39,343)
Change in fair value of interest rate swaps		55,089	13,952
Change in beneficial interest in net assets of foundations		261	(9,840)
Restricted contributions		(2,173)	(785)
Pension-related changes other than net periodic pension cost		16,503	590
Changes in:			
Accounts receivable, net		(4,946)	(14,279)
Inventories		(1,546)	(6,325)
Prepaid expenses and other current assets		(5,713)	16,652
Accounts payable and accrued expenses		(54,622)	41,404
Employee compensation and benefits		17,001	3,641
Estimated third-party settlements		14,257	8,116
Other liabilities		(6,219)	(11,076)
Net cash provided by operating activities		329,043	357,296
Cash flows from investing activities:			
Purchases of property and equipment, net		(229,327)	(189,364)
Proceeds from sales of property and equipment		701	125
Payment for acquired businesses		(21,852)	—
Purchases of assets limited as to use and investments		(2,870,792)	(2,280,232)
Proceeds from sales of assets limited as to use and investments		2,792,802	2,175,717
(Decrease) increase in other assets		(2,773)	2,722
Net cash used in investing activities		(331,241)	(291,032)
Cash flow from financing activities:			
Restricted contributions		2,173	785
Cash received to terminate interest rate swap agreement		—	486
Payment of call premium		—	(969)
Payment of debt issue costs		—	(2,308)
Proceeds from the issuance of debt		539	210,213
Repayments of long-term debt		(25,551)	(232,470)
Net cash used in financing activities		(22,839)	(24,263)
(Decrease) increase in cash and cash equivalents		(25,037)	42,001
Cash and cash equivalents at beginning of year		62,424	20,423
Cash and cash equivalents at end of year	$	37,387	62,424
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	31,637	30,967
Purchase of equipment under capital lease obligation		2,876	809

See accompanying notes to combined financial statements.

(1) Organization

BayCare Health System, Inc. (BayCare), a not-for-profit corporation exempt from state and federal income taxes, was formed effective July 1, 1997, pursuant to a joint operating agreement (JOA) among Catholic Health East, Morton Plant Mease Health Care, Inc., South Florida Baptist Hospital, Inc. (collectively, the Members), and BayCare.

The Members executed the JOA to develop a regional healthcare network providing for a collaborative effort in the areas of community healthcare delivery, enhanced access to healthcare services for the poor, and the sharing of other common goals. The JOA is effective for a period of 50 years.

The JOA provides for the Members to maintain ownership of their assets while agreeing to operate as one organization with common governance and management. All entities managed by BayCare are included in these combined financial statements for both years presented. Terms of the JOA provide that residual free cash flow, as defined, and funding for capital expenditures are allocated among the Members based on predetermined percentages. Such allocations are eliminated in combination.

The Members' entities operate a number of acute care hospital facilities in the Tampa Bay, Florida area, as well as a rehabilitation facility, a life care facility, home health agency, ambulatory care sites, and physician practices. The accompanying combined financial statements include the Members and various entities controlled by the Members, a wholly owned insurance company and other related entities, hereafter referred to as the Organization.

All significant intercompany transactions among these entities and other wholly owned subsidiaries have been eliminated from the combined financial statements.

The following summarizes significant changes in the Organization in 2011 and 2010:

St. Joseph's Hospital – North (SJH-North) opened February 15, 2010 and is located north of St. Joseph's Hospital in Lutz, Florida. SJH-North is a 76-bed general acute care hospital, which provides a full range of inpatient and outpatient healthcare services, including emergency room, labor and delivery, and surgical services.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with a maturity of three months or less when purchased, except those classified as assets limited as to use and as investments that are held in the Organization's investment management program (Investment Pool).

(c) Securities Lending Transactions

The Organization participates in securities lending transactions whereby a portion of investments and assets limited as to use are loaned to various brokers in return for cash and securities from the brokers as collateral for the securities loaned. Pursuant to these arrangements, the collateral received must always equal at least 102% of the market value of the securities loaned, which is determined at the end of each business day. Collateral received for securities lending transactions and the related liabilities are considered Level 1 investments (see note 2(o) for discussion of Level 1, Level 2, and Level 3 valuation methods). The collateral held for the securities loaned and related payable of equal value at December 31, 2011 and 2010 have been reflected in the accompanying combined balance sheets.

The securities on loan are included in the following classifications (in thousands):

	December 31	
	2011	**2010**
Equity securities:		
U.S.	$ 28,925	40,406
International	14,295	9,371
Fixed income securities	85,720	89,724
Total	$ 128,940	139,501

The Organization recorded net investment income of approximately $415,000 and $340,000 on these transactions for the years ended December 31, 2011 and 2010, respectively. Net investment income represents the amount received as investment income on the securities received as collateral, offset by the fees paid to the various brokers, and the investment earnings on the securities loaned to the brokers.

(d) Investments and Investment Income

The Organization has designated substantially all of its investments as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices. Investments in limited partnerships that invest in marketable securities and derivative products (hedge funds) are reported using the equity method of accounting based on information provided by the respective partnership. Investments in private equity limited partnerships are recorded using the cost method of accounting, as the Organization's ownership is less than 5% and the Organization has no significant influence over the partnerships.

Investment income (including realized gains and losses, unrealized gains and losses on trading securities, interest, and dividends) is included in excess of revenues and gains over expenses unless such earnings are subject to donor-imposed restrictions. Investment income restricted by donor stipulations is reported as an increase-in-temporarily restricted net assets. Unrealized gains and losses on investments classified as other than trading are reported as a change in unrestricted net assets.

The Organization holds certain investments on behalf of others in the Investment Pool. Certain affiliated, uncombined not-for-profit organizations, which are not members of the JOA, are participants in the Investment Pool. The combined financial statements present investments held on behalf of others, at fair value, as a current asset with a corresponding current liability representing the obligation to return the investments to the non-JOA participants in the Investment Pool. The investments held and related liability of equal value at December 31, 2011 and 2010 have been reflected in the accompanying combined balance sheets.

(e) Assets Limited as to Use

Assets limited as to use include investments held by BCHS Insurance, Ltd. (Captive), a wholly owned insurance captive, as well as assets held by the life care facility as required under Florida Statutes, contractual obligation, or donor restrictions. Amounts required to meet current liabilities of the Organization have been classified as current assets in the combined balance sheets.

Assets limited as to use are set aside and designated as follows (in thousands):

	December 31	
	2011	**2010**
BCHS Insurance captive fund	$ 191,276	201,508
Other	8,811	8,708
	200,087	210,216
Less amount included in current assets	2,635	2,331
	$ 197,452	207,885

(f) Inventories

Inventories consist primarily of medical and surgical supplies and pharmaceuticals and are valued at lower of cost (first-in, first-out method) or market.

(g) Property and Equipment

Property and equipment are recorded at historical cost at the date of acquisition or fair value at the date of donation.

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase capacities or extend useful lives are capitalized. Interest cost on borrowed funds during the construction period is capitalized as a component of the cost of the assets.

Property and equipment consist of the following (in thousands):

	December 31	
	2011	**2010**
Land	$ 119,816	119,768
Land improvements	46,532	45,503
Buildings and improvements	1,590,810	1,467,053
Equipment	1,130,151	1,056,251
	2,887,309	2,688,575
Less accumulated depreciation and amortization	1,574,699	1,438,621
	1,312,610	1,249,954
Construction in progress	124,752	107,882
Property and equipment, net	$ 1,437,362	1,357,836

Interest costs of approximately $2,893,000 and $2,212,000 were capitalized during the years ended December 31, 2011 and 2010, respectively. Included in buildings and equipment are assets leased under capital leases of approximately $11,758,000 and $12,446,000, net of accumulated amortization of approximately $9,529,000 and $8,490,000, at December 31, 2011 and 2010, respectively.

The Organization reviews whether events and circumstances have occurred to indicate if the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. If such an event occurs, an assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted cash flows expected to result from the use of the assets and their eventual disposition. No impairments were recorded in 2011 and 2010.

The Organization had construction and information technology commitments of approximately $56,911,000 relating to various projects as of December 31, 2011.

(h) Beneficial Interest in Net Assets of Foundations

Beneficial interest in net assets of foundations primarily represents contributions received by affiliated fund-raising foundations on behalf of the Organization, net of expenses incurred by the foundations.

(i) Self-Insurance

The Organization is self-insured for professional liability, automobile insurance, workers' compensation, and employee health benefits. The provisions for estimated self-insured claims include estimates of the ultimate costs for both reported claims and claims incurred, but not reported based on an evaluation of pending claims and past experience.

(j) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are maintained primarily for the purposes of patient care related services, capital improvements, and research and education. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity, the income from which is expendable to support the Organization's operations.

(k) Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. The Organization provides discounts to uninsured patients who do not qualify for Medicaid, charity care, or county funding. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the periods the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. The 2011 and 2010 net patient service revenue increased approximately $18,845,000 and $13,475,000, respectively, due to final settlements on open cost report filings, specific settlement of certain appeal issues, and changes in recorded estimates for retroactive adjustments.

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 10% and 35% and 9%, respectively, of the Organization's net patient service revenue for the years ended December 31, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Net patient accounts receivable included approximately $66,500,000 or 25% and $65,911,000 or 25% due from the Medicare program and approximately $32,980,000 or 13% and $20,755,000 or 8% due from the Medicaid program as of December 31, 2011 and 2010, respectively. The credit risk for other concentrations of receivables is limited due to the large number of insurance companies and other payors that provide payments for services.

(l) Community Commitment

The Organization exists to meet the healthcare needs of the community. Patients who are uninsured or underinsured and cannot pay for hospital services are eligible for either traditional or hardship charity consideration.

The Agency for Health Care Administration (AHCA) defines traditional charity care eligibility at 200% of the federal poverty guidelines, unless the amount due from the patient exceeds 25% of annual family income limited to four times the poverty level. In an effort to meet its mission, the Organization affords its patients a hardship charity, which is defined as 250% of the federal poverty guidelines. Accordingly, services are being provided to the community at no charge or for which costs exceed the payments received. Because payment is not pursued from patients meeting these guidelines, such amounts are not reported as net patient service revenue.

Payments received from Medicaid and other means-tested (based on patients' income level) programs are significantly less than established patient charges and are less than management's estimate of the costs of providing those services. These payments reduce the community commitment costs. An assessment of 1.0% to 1.5% of certain operating revenue earned and recorded is paid by several of the Organization's Hospitals to help fund the Florida Medicaid and indigent care program. The assessment has been included in the Medicaid and other means-tested program amounts below. Reimbursement received under the uncompensated and indigent care programs are included as subsidized costs. Unbilled community services represent management's estimate of the cost of providing various programs to the community at no or little charge. These programs include health screenings, educational programs, sponsorships, and research.

The tables below summarize the Organization's community commitment as measured by unreimbursed costs (estimated by the Organization's cost accounting system) (in thousands):

	December 31, 2011			
	Charity care	**Medicaid and other means-tested programs**	**Unbilled community services**	**Total**
Community commitment	$ 81,781	79,552	11,938	173,271
Subsidized costs	(3,885)	(1,912)	(100)	(5,897)
Net community commitment	$ 77,896	77,640	11,838	167,374

	December 31, 2010			
	Charity care	**Medicaid and other means-tested programs**	**Unbilled community services**	**Total**
Community commitment	$ 88,683	95,045	11,515	195,243
Subsidized costs	(8,405)	(2,152)	(101)	(10,658)
Net community commitment	$ 80,278	92,893	11,414	184,585

(m) Excess of Revenues and Gains over Expenses and Changes in Unrestricted Net Assets

Activities deemed by the Organization to be a provision of healthcare services are reported as operating revenues and expenses. Other activities that are peripheral to providing healthcare services are reported as nonoperating gains and losses. Consistent with industry practice, other changes in unrestricted net assets are excluded from excess of revenues and gains over expenses.

(n) Income Taxes

The majority of the affiliates within the Organization are not-for-profit organizations described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code, and are also exempt from state income taxes. Management believes that the unrelated business income generated by the Organization and its exempt affiliates is not material to the combined financial statements.

(o) Fair Value Measurements

Fair value guidance defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability under current market conditions, in the principal or most advantageous market to the asset or liability, in an orderly transaction between market participants on the measurement date. It requires assets and liabilities to be grouped into three categories based on certain criteria as noted below:

- Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.

  The Organization's Level 1 assets and liabilities include cash, trading and other-than-trading investments in U.S. and international equities, mutual funds and exchange-traded notes are valued at the quoted market prices.

- Level 2: Fair value is determined by using quoted prices for identical assets or liabilities in inactive markets, quoted prices for similar assets or liabilities in active markets, observable inputs other-than-quoted prices, and market corroborated inputs.

  The Organization's Level 2 assets and liabilities include trading and other-than-trading investments in commingled trust funds, hedge funds, U.S. Treasuries, treasury inflation-protected securities, other government securities, corporate debt securities, derivatives, and asset-backed securities with fair values modeled by external pricing vendors. Level 2 assets and liabilities also include the Organization's interest rate swaps valued using widely accepted models that incorporate readily observable inputs in active markets (see note 5).

- Level 3: Fair value is determined by using inputs based on management assumptions that are not directly observable.

  The Organization's Level 3 assets include fixed income investments and other sundry assets.

(p) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 combined financial statement presentation, including a reclassification of realized gains on investments, net in the combined statements of cash flows that decreases net cash provided by operating activities, and increases net cash used in investing activities by approximately $39,400,000.

(3) Assets Limited as to Use, Investments, and Investments Held on Behalf of Others

The table below summarizes the fair values of assets limited as to use, investments and investments held on behalf of others as of December 31, 2011 (in thousands). See note 2(o) for a discussion of valuation methodologies.

	December 31, 2011	Fair value measurements at reporting date		
		Level 1	Level 2	Level 3
Asset class:				
Cash	$ 50,915	50,915	—	—
Equity securities:				
U.S.	411,102	242,678	168,424	—
International	284,872	138,500	146,358	14
Fixed income securities	842,953	8,163	833,649	1,141
Other types of investments:				
Hedge funds	106,065	—	106,065	—
Real assets	95,634	35,629	60,005	—
	1,791,541	$ 475,885	1,314,501	1,155
Accrued income	7,100			
Recorded at cost basis	52,454			
	1,851,095			
Less amount included in current assets	23,226			
	$ 1,827,869			

The table below summarizes the changes in Level 3 assets for the year ended December 31, 2011 (in thousands):

		Fair value measurements using significant unobservable inputs (Level 3)		
		Fixed income securities	**Other**	**Total**
Beginning balance	$	41,401	634	42,035
Total losses (realized/unrealized) included in excess of revenues and gains over expenses		(1,448)	(32)	(1,480)
Purchases		171,345	1,059	172,404
Sales		(180,719)	(704)	(181,423)
Settlements		(770)	—	(770)
Transfers out of Level 3		(28,668)	(943)	(29,611)
Ending balance	$	1,141	14	1,155

The table below summarizes the fair values of assets limited as to use, investments and investments held on behalf of others as of December 31, 2010 (in thousands). See note 2(o) for a discussion of valuation methodologies.

			Fair value measurements at reporting date		
		December 31, 2010	**Level 1**	**Level 2**	**Level 3**
Asset class:					
Cash	$	17,627	17,627	—	—
Equity securities:					
U.S.		455,699	253,535	202,055	109
International		344,141	161,149	182,467	525
Fixed income securities		790,853	16,819	732,633	41,401
Other types of investments:					
Hedge funds		69,735	—	69,735	—
Real assets		51,624	24,011	27,613	—
		1,729,679	$ 473,141	1,214,503	42,035
Accrued income		6,836			
Recorded at cost basis		45,157			
		1,781,672			
Less amount included in current assets		23,071			
	$	1,758,601			

The table below summarizes the changes in Level 3 assets for the year ended December 31, 2010 (in thousands):

		Fair value measurements using significant unobservable inputs (Level 3)		
		Fixed income securities	**Other**	**Total**
Beginning balance	$	23,654	884	24,538
Total gains (losses) (realized/unrealized) included in excess of revenues and gains over expenses		1,002	(63)	939
Purchases		90,800	140	90,940
Sales		(68,460)	(111)	(68,571)
Settlements		(1,879)	(27)	(1,906)
Transfers out of Level 3		(3,716)	(189)	(3,905)
Ending balance	$	41,401	634	42,035

The fair values of the following investments have been estimated using the net asset value per share of the investments as of December 31, 2011 and 2010 (in thousands). There are no unfunded commitments on any of these funds at December 31, 2011 and 2010.

		December 31		Redemption frequency	Redemption notice period
		2011	**2010**		
Asset category:					
U.S. equity index funds (a)	$	168,424	202,053	Daily	None
International small cap equity partnership (b)		64,874	77,054	Monthly	15 days
International emerging markets equity partnership (c)		56,999	78,830	Monthly	10 days
International equity commingled funds (d)		23,667	26,587	Daily	None
Fixed income high yield bond partnership (e)		79,027	65,637	Monthly	10 days
Fixed income bond index fund (f)		110,316	110,099	Daily	None
Hedge fund of funds (g)		106,065	69,735	Semiannually	95 days
Real asset partnership (h)		19,292	11,613	Monthly	30 days
Global fixed income partnership (i)		71,627	—	Monthly	15 days
Private real estate investment trust (j)		40,952	16,000	Quarterly	90 days
	$	741,243	657,608		

(Continued)

(a) The primary objective of the U.S. equity index funds is to match the risk and return characteristics of the S&P 500 Index. Funds that participate in the securities lending program have a twice per month redemption restriction, and a total redemption would require the Organization to fund its portion of any collateral shortfall.

(b) The international small cap equity partnership's investment objective is to outperform the MSCI EAFE Small Cap Market Index by investing in a portfolio of non-U.S. small cap equities. Full redemptions from these funds may be paid out over the course of time to prevent large withdrawals from having adverse impacts on the partnership.

(c) The investment objective of the international emerging markets equity partnership is to outperform the MSCI Emerging Markets Index, net of dividend withholding taxes, by investing in a portfolio of non-U.S., emerging market equities. Full redemptions from these funds may be paid out over the course of time to prevent large withdrawals from having adverse impacts on the partnership.

(d) The primary objective of the international equity commingled funds is to provide a rate of return prudently achievable from investments in common stocks and other equity-related investments in common stocks and other equity-related markets.

(e) The fixed income high yield bond partnership's primary investment objective is to achieve a high total return as compared to both the relevant high yield bond indices and the investment grade bond market by investing in high yield fixed income securities and/or debt of issuers who are organized or have a substantial portion of their assets or business located in the United States and Canada. As a secondary objective, the fund seeks to provide high current income consistent with moderate risk. Minimum redemptions from this fund are $100,000. In the case of a redemption of 90% or more of the net asset value of a partner's units as determined by the General Partner, the Partnership will distribute 90% of the estimated net asset value within two business days following the valuation date on which such withdrawal was made and the balance on or before 10 business days following such withdrawal.

(f) The primary objective of the fixed income bond index fund is to hold a portfolio representative of the overall U.S. bond and debt market, as characterized by the Barclays Aggregate Bond Index. Funds that participate in the securities lending program have a twice per month redemption restriction, and a total redemption would require the Organization to fund its portion of any collateral shortfall.

(g) The hedge fund of funds's objective is to develop and actively maintain an investment portfolio of long-term returns, with low volatility and downside protection qualities.

(h) The real asset partnership seeks to generate a total return in the long-term through investments in commodity-related instruments globally.

(i) The investment objective of the global fixed income partnership is to outperform the Barclays Capital Multiverse Index by including exposure to the emerging market debt plus the ability to invest in other markets.

(j) The private real estate investment trust's primary objective is to invest in established core real estate with a diversified portfolio of high quality buildings in the most liquid markets in the United States.

Investment income and gains and losses on assets limited as to use and investments comprise the following (in thousands):

		Year ended December 31	
		2011	**2010**
Investment income (loss):			
Interest and dividends	$	40,331	36,093
Realized gains, net		50,624	39,352
Change in unrealized gains (losses) on trading investments		(59,025)	110,282
		31,930	185,727
Other changes in net assets:			
Changes in net unrealized gains (losses) on other-than-trading securities		37	(14)
		37	(14)
Total investment return	$	31,967	185,713

Investment income is recorded net of investment expense, which was approximately $5,744,000 and $5,386,000 during the years ended December 31, 2011 and 2010, respectively.

(4) Long-Term Debt and Capital Leases

The Organization is obligated under long-term debt as follows (in thousands):

	December 31	
	2011	**2010**
Pinellas County Health Facilities Authority Revenue Bonds, Series 2009A, interest rate determined on a weekly basis (approximately 0.08% at December 31, 2011) payable through 2038	$ 200,000	200,000
City of Tampa, Florida, Health System Revenue Bonds, Series 2010, at rates from 3.25% to 5.00%, payable through 2023 (net of unamortized premium)	181,482	196,386
Pinellas County Health Facilities Authority Revenue Bonds, Series 2006B, interest rate determined on a weekly basis (approximately 0.15% at December 31, 2011) payable through 2033	154,430	154,430
Pinellas County Health Facilities Authority Revenue Bonds, Series 2000, interest at 5.00%, payable through 2030 (net of unamortized discount)	94,793	94,700
Pinellas County Health Facilities Authority Revenue Bonds, Series 2003A, at rates from 0.30% to 5.00%, payable through 2033 (net of unamortized premium)	64,791	72,534
City of Tampa, Florida, Health System Revenue Bonds, Series 1998A-1, interest at 5.50%, payable through 2014 (net of unamortized premium)	44,925	45,193
Mease Countryside medical office building capital lease, interest at 8.24%, payable through 2022	4,928	5,188
Orthopedic Pavilion office building capital lease, interest at 9.13%, payable through 2024	3,767	3,861
Other	6,459	7,390
	755,575	779,682
Less current portion of long-term debt	(55,534)	(75,282)
Long-term debt, less current portion	$ 700,041	704,400

Aggregate maturities of long-term debt and capital lease obligations as of December 31, 2011 follow (in thousands):

2012	$	55,534
2013		97,393
2014		98,409
2015		93,978
2016		94,204
Thereafter		309,000
		748,519
Unamortized premium, net		7,056
	$	755,575

The Organization has a BayCare Obligated Group, which consists of certain members of the Organization (collectively, the Obligated Entities). The BayCare Obligated Group includes BayCare; St. Joseph's Health Care Center, Inc.; St. Joseph's Hospital, Inc.; St. Anthony's Hospital, Inc.; Morton Plant Mease Health Care, Inc.; Morton Plant Hospital Association, Inc.; Trustees of Mease Hospital, Inc.; and South Florida Baptist Hospital, Inc. All of the outstanding bonds of the Obligated Entities are subject to the Master Trust Indenture and constitute BayCare Obligated Group indebtedness. The covenants in connection with the long-term debt agreements described above provide for the maintenance of certain levels of debt coverage and working capital, certain restrictions on additional indebtedness, and certain types and amounts of insurance protection.

In May 2010, the Organization issued $199,455,000 of City of Tampa, Florida Health System Revenue Bonds (the Series 2010 Bonds). The proceeds were used to refund a portion of the Series 1998 bonds. A loss on early extinguishment of debt of approximately $5,072,000 was recorded during 2010, and is included in other nonoperating gains (losses), net in the accompanying combined statements of operations and changes in net assets.

The principal and interest payments on the Series 2009A Bonds are secured by credit facilities with "banks," which expire in 2014 and 2015, unless extended by agreement between the banks and the Organization. Amounts drawn on the 2009A1 credit facility agreement are payable by the Organization in 8 equal quarterly installments commencing on the three hundred sixty-seventh (367th) day following the date on which amounts are drawn. Amounts drawn on the 2009A2 and 2009A3 credit facility agreements are payable by the Organization in 12 equal quarterly installments commencing on the first day of the fourth month following the date on which amounts are drawn.

The principal and interest payments on the Series 2006B Bonds are secured by a standby bond purchase agreement (SBPA) with a "bank," which expires in 2013, unless extended by agreement between the bank and the Organization. Amounts drawn on the SBPA are payable by the Organization in 48 equal monthly installments commencing on the three hundred sixty-sixth (366th) day after the date on which amounts are drawn.

The table below summarizes the carrying amount and fair value of the Organization's debt as of December 31, 2011 and 2010 (in thousands):

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	$ 755,575	771,209	779,682	785,375

Fair values of the Organization's debt are based upon the quoted market prices for the same or similar issues or on the current rates offered to the Organization for debt and capital lease obligations of the same remaining maturities.

Debt issue costs, net of accumulated amortization, are included in other assets and are being amortized utilizing methods that approximate the effective interest method over the life of the debt. Amortization of debt issuance costs is included in interest expense.

Bond discounts and premiums are being amortized using the effective interest method over the life of the related debt. Amortization of bond discounts and premiums is included in interest expense. Unamortized bond discounts and unamortized bond premiums are included with the related debt in the combined balance sheets.

(5) Interest Rate Swap Agreements

The Organization uses interest rate swaps to manage net exposure to interest rate changes related to its borrowings and to manage its overall borrowing costs. These swaps are recorded as either other assets or other liabilities at fair value.

BayCare's interest rate swap contracts are as follows (in thousands):

Expiration date	BayCare pays fixed payor rate	BayCare receives	Notional amount	
			2011	2011
November 2033	3.669%	67% of 3-month USD-LIBOR	$ 77,215,000	77,215,000
November 2033	3.669	67% of 3-month USD-LIBOR	77,215,000	77,215,000
November 2038	2.222	67% of 3-month USD-LIBOR	75,000,000	75,000,000
November 2038	2.222	67% of 3-month USD-LIBOR	75,000,000	75,000,000
November 2038	2.222	67% of 3-month USD-LIBOR	50,000,000	50,000,000
			$ 354,430,000	354,430,000

An interest rate swap is an agreement in which two parties agree to exchange, at specified intervals, interest payment streams calculated on an agreed upon notional principal amount with at least one stream based upon a specified floating rate index. The differential to be paid or received as interest rates change is

recognized as an adjustment to interest expense, which amounted to an increase of approximately $9,327,000 and $7,303,000 for the years ended December 31, 2011 and 2010, respectively.

The fair value of the interest rate swap agreements at December 31 is as follows:

Derivatives not designated as hedging instruments	Balance sheet location	2011	2010
Interest rate swap contracts	Other Assets	$ —	13,482,000
Interest rate swap contracts	Other Liabilities	60,440,000	18,833,000

During 2008, the Organization discontinued hedge accounting for all swaps previously designated as hedges as the swaps were no longer considered to be highly effective. The Organization continues to carry the swaps at fair value with the subsequent changes in fair value included in nonoperating gains (losses), net. Losses of approximately $9,963,000 and $10,421,000 at December 31, 2011 and 2010, respectively, that were accumulated in unrestricted net assets prior to the discontinuance of hedge accounting are being amortized in nonoperating gains (losses), net using the straight-line method over the remaining life of the swaps.

The change in fair value of the interest rate swaps resulted in a loss of approximately $55,089,000 and a loss of approximately $13,952,000 for the years ended December 31, 2011 and 2010, respectively, included in nonoperating gains (losses), net.

(6) Goodwill

Goodwill of approximately $22,234,000 and $14,129,000 for the years ended December 31, 2011 and 2010, respectively, included in other assets, results from the excess of the amount paid over the fair value of tangible assets and liabilities of acquired healthcare businesses. The Organization reviews goodwill for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable in accordance with the provisions of ASC Topic 350 *Accounting for Intangibles - Goodwill and Other*, which was adopted on January 1, 2010.

Upon adopting ASC Topic 350, the Organization completed the required transitional impairment testing and recorded impairment losses of approximately $4,054,000, which is recorded in nonoperating gains (losses), net for the year ended December 31, 2010.

The annual impairment test was completed for the year ended December 31, 2011 and it was determined that no impairment existed. No recent events or circumstances have occurred to indicate that impairment may exist.

(7) Commitments and Contingencies

(a) Professional Liability

The nature of the Organization's business inherently subjects the Organization to the risks of professional liability litigation. Estimated losses arising from events identified under the Organization's incident reporting system have been recorded in the accompanying combined financial statements. In addition, an accrual for possible losses attributable to incidents that may have

occurred, but that have not been identified under the incident reporting system has been estimated. The estimate is valued at the present value of discounted future cash flows based on historical experience, relevant trend factors, and advice from consulting actuaries. The Organization is presently a defendant in various professional liability related legal actions. The Organization may be liable for losses in excess of the amount recorded at December 31, 2011; however, in the opinion of management, adequate provision has been made for estimated losses from asserted and unasserted claims.

The Organization's entities are insured through a retrospectively rated insurance agreement with the Captive. The Captive also provides professional liability insurance for Florida-licensed, practicing physicians and allied healthcare professionals who meet the company's underwriting requirements and have privileges to treat patients at the Organization's affiliated facilities.

Claims of approximately $137,685,000 and $151,443,000 at December 31, 2011 and 2010, respectively, are accrued based upon the expected ultimate costs of the experience to date of the captive (including a provision for unknown incidents) discounted using a rate of 1.5% and 2.0% at December 31, 2011 and 2010, respectively, and are included in other long-term liabilities.

(b) Litigation and Investigations

Certain of the Organization's affiliated entities currently are the subject of litigation other than professional liability litigation, as well as inquiries by federal agencies. The litigation generally involves matters of healthcare and employment law, as well as certain matters that arise in the ordinary course of business. The inquiries generally involve the application of complex healthcare regulations. The Organization is fully cooperating with the federal agencies in connection with their inquiries. Based on current information, management believes at this time that the results of the litigation and inquiries are not likely to have a material adverse effect on the combined financial position and results of the Organization.

The Organization has received two Subpoenas Duces Tecum from the Department of Health and Human Services Office of Inspector General (OIG) relative to one of its hospitals. The Organization has cooperated fully with the OIG and has produced considerable documentation in response to the subpoenas. Through discussions with the government, the Organization has determined that the OIG investigation relates to the appropriateness of the statusing of certain Medicare patients who were billed as inpatients from 2006 - 2008 primarily with respect to cardiac procedures. The Organization has also learned that the OIG intends to expand the investigation to include other BayCare hospitals. No monetary demand has been made with respect to the investigation and BayCare is unable to determine whether it will incur a material liability with respect to the investigation, or the range of any such exposure as of December 31, 2011.

(c) Operating Leases

The Organization has entered into noncancelable operating lease agreements for the rental of building space, computer software, and equipment. Future minimum lease payments associated with these lease agreements (with initial or remaining lease terms in excess of one year) for each of the five years subsequent to December 31, 2011 are (in thousands) as follows:

2012	$	14,893
2013		13,184
2014		10,091
2015		8,694
2016		6,438
Thereafter		20,286
Total	$	73,586

Rental expense for operating leases totaled approximately $26,507,000 and $25,076,000 for the years ended December 31, 2011 and 2010, respectively.

(d) Minimum Revenue Guarantees

In order to recruit and retain physicians to meet community needs and to provide specialty coverage necessary for full service hospitals, the Organization has committed to certain arrangements in the form of minimum revenue guarantees with various physicians. Amounts advanced under recruiting agreements are generally forgiven pro rata over a period of 12 to 48 months, after one to two years of completed service. Forgiveness of these advances is contingent upon the physician continuing to practice in the respective community. In the event the physician does not fulfill his or her responsibility to maintain a practice in the respective community during the contract period, the physician agrees to repay all outstanding amounts advanced during the guarantee period.

The Organization records an asset for the estimated value of the minimum revenue guarantees, which amounted to approximately $4,333,000 and $5,460,000 as of December 31, 2011 and 2010, respectively, and amortizes the asset from the beginning of the guarantee payment period through the end of the agreement. The Organization had liabilities for the minimum revenue guarantees of approximately $2,467,000 and $3,469,000 at December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the maximum amount of all minimum revenue guarantees that could be paid prospectively was approximately $5,123,000 and $8,642,000, respectively.

(8) Retirement Plans

Effective October 1, 2001, the Organization's board of trustees approved a systemwide BayCare Health System Retirement Plan (Plan), a defined contribution plan that covers substantially all employees who meet certain service requirements. For these employees, the Plan provides that the Organization will contribute 2% of wages and also match 50% of the employee's contributions up to 6% of the contributing employee's wages. Prior existing defined contribution plans were rolled into the Plan. Contribution expense attributable to the defined contribution plan was approximately $30,550,000 and $28,589,000 for the years ended December 31, 2011 and 2010, respectively.

Employees who were participants in the Organization's defined benefit pension plan were given a one-time option to remain in the plan or participate in the BayCare Health System Retirement Plan. For participants who elected to participate in the BayCare Health System Retirement Plan, the Organization froze their benefits under the defined benefit pension plan so the participants no longer earn additional benefits for future services in the defined benefit plan.

The authoritative guidance for the accounting of defined benefit pension and other postretirement plans requires recognition in the combined balance sheets of the funded status of defined benefit pension plans and the recognition in unrestricted net assets of unrecognized gains or losses, prior service costs or credits, and transition assets or obligations existing at the time of adoption. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation of the plan. The valuation of plan assets and the calculation of benefit obligations and funded status utilized a measurement date of December 31, 2011.

The following are deferred pension costs, which have not yet been recognized in periodic pension expense, but instead are accrued in unrestricted net assets as of December 31, 2011 (in thousands):

	Amounts recognized in unrestricted net assets at December 31, 2011	Amounts in unrestricted net assets to be recognized during the next fiscal year
Net actuarial loss	$ 31,386	3,621

Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

The following sets forth changes to the defined benefit pension plan's funded status and amounts recognized in the accompanying combined financial statements calculated as using a measurement date of December 31, 2011 and 2010 (in thousands):

		Year ended December 31	
		2011	**2010**
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	148,255	139,083
Service cost		1,831	1,924
Interest cost		7,810	8,019
Actuarial loss		10,817	6,036
Benefits paid		(7,098)	(6,807)
Projected benefit obligation at end of year		161,615	148,255
Change in plan assets:			
Fair value of plan assets at beginning of year		106,467	95,805
Actual return on plan assets		1,848	12,181
Contributions made		4,826	5,288
Benefits paid		(7,098)	(6,807)
Fair value of plan assets at end of year		106,043	106,467
Net amount recognized as accrued pension cost included in other noncurrent liabilities	$	(55,572)	(41,788)

The accumulated benefit obligation for the pension plan was approximately $159,290,000 and $146,283,000 at December 31, 2011 and 2010, respectively.

The following summarizes components of net periodic pension cost (in thousands):

		Year ended December 31	
		2011	**2010**
Service cost	$	1,831	1,924
Interest cost		7,810	8,019
Expected return on plan assets		(7,515)	(6,778)
Amortization of net actuarial loss		9	44
Net periodic pension cost	$	2,135	3,209

Weighted average assumptions used to determine net periodic pension cost follow:

	Year ended December 31	
	2011	**2010**
Discount rate	5.50%	6.00%
Projected rate of increase in future compensation levels	4.50	4.50
Expected long-term rate of return on plan assets	7.50	7.50

Weighted average assumptions used to determine benefit obligations follow:

	Year ended December 31	
	2011	**2010**
Discount rate	4.40%	5.50%
Projected rate of increase in future compensation levels	4.00	4.50

The Organization expects to contribute approximately $4,800,000 to the defined benefit pension plan prior to December 31, 2012.

The benefits expected to be paid in each year from 2012 to 2016 are approximately $12,132,000, $13,179,000, $11,792,000, $11,169,000, and $11,847,000, respectively. The aggregate benefits expected to be paid in the five years from 2017 to 2021 are approximately $59,959,000. The expected benefits to be paid are based on the same assumptions used to measure the System's benefit obligation at December 31, 2011 and include estimated future employee service.

The investment objective of the defined benefit plan is to produce a return on investment that is based upon levels of liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions, which allows for payments of benefits to participants and their beneficiaries. The investment objective also incorporates the financial condition of the plan, future growth of active and retired participants, inflation, and the rate of salary increases. The defined benefit plan's investment committee has selected market-based benchmarks to monitor the performance of the investment strategy and performs periodic reviews of investment performance.

The investment strategy has a current target asset allocation policy as follows: 30% domestic equities, 20% international equities, 35% fixed income, 10% hedge funds, and 5% Treasury Inflation Protected Securities (TIPS). The expected long-term rate of return on plan assets is based primarily on expectations of future returns for the defined benefit plan's investments, based upon the target asset allocation. Additionally, the historical returns on comparable equity and fixed income investments are considered in the estimate of the expected long-term rate of return on plan assets.

The tables below summarize the fair values of pension plan assets as of December 31, 2011 and 2010 (in thousands) (see note 2(o) for discussion of valuation methods):

	December 31, 2011	Fair value measurements at reporting date		
		Level 1	Level 2	Level 3
Asset category:				
Cash	$ 573	573	—	—
Equity securities:				
U.S.	30,851	5,805	25,046	—
International	20,951	5,296	15,655	—
Fixed income securities	43,343	24,604	18,739	—
Hedge funds	10,325	—	10,325	—
Total	$ 106,043	36,278	69,765	—

	December 31, 2010	Fair value measurements at reporting date		
		Level 1	Level 2	Level 3
Asset category:				
Cash	$ 1,168	1,168	—	—
Equity securities:				
U.S.	30,990	6,344	24,646	—
International	23,010	5,523	17,487	—
Fixed income securities	40,833	23,173	17,660	—
Hedge funds	10,466	—	10,466	—
Total	$ 106,467	36,208	70,259	—

The fair values of the following pension plan assets have been estimated using the net asset value per share of the investments as of December 31, 2011 and 2010 (in thousands). There are no unfunded commitments on any of these funds at December 31, 2011 and 2010.

	December 31		Redemption	Redemption
	2011	2010	frequency	notice period
Asset category:				
U.S. equity index fund (a)	$ 25,046	24,646	Daily	None
Int'l small cap equity partnership (b)	5,219	5,909	Monthly	15 days
Int'l emerging markets equity partnership (c)	5,243	6,021	Monthly	10 days
International equities fund (d)	5,193	5,557	Daily	None
TIPS commingled fund (e)	5,320	5,088	Daily	None
Passive core fixed income commingled fund (f)	13,419	12,572	Daily	None
Hedge fund of funds (g)	10,325	10,466	Semiannually	95 days
	$ 69,765	70,259		

(a) The primary objective of the U.S. equity index fund is to approximate the risk and return characteristics of the S&P 500 Index. This index is commonly used to represent the large-cap segment of the U.S. equity market. This fund may participate in securities lending.

(b) The international small cap equity partnership's investment objective is to outperform the MSCI EAFE Small Cap Market Index by investing in a portfolio of non-U.S. small cap equities.

(c) The investment objective of the international emerging markets equity partnership is to outperform the MSCI Emerging Markets Index, net of dividend withholding taxes, by investing in a portfolio of non-U.S. emerging market equities.

(d) The international equities fund seeks capital appreciation through investments in an international portfolio of equity securities of issuers located in countries of developed markets.

(e) The primary investment objective of the TIPS commingled fund is to match the risk and return characteristics of the Barclays Capital TIPS Index. This fund may participate in securities lending.

(f) The primary objective of the passive core fixed income commingled fund is to match the total return of the Barclays Aggregate Bond Index.

(g) The hedge fund of funds's objective is to develop and actively maintain an investment portfolio of long-term returns, with low volatility and downside protection qualities.

(9) Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2011 as of March 9, 2012, which is the date the financial statements were issued. Management believes that no material events have occurred since December 31, 2011 that requires recognition or disclosure in the combined financial statements.

COMBINING INFORMATION

Schedule 1

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combining Balance Sheet Information

December 31, 2011

(In thousands)

Assets	BayCare Health System, Inc.	Combined CHE Participants	Morton Plant Mease Health Care, Inc.	South Florida Baptist, Inc.	BCHS Insurance, Ltd.	Subtotal	Eliminations	Combined
Current assets:								
Cash and cash equivalents	$ 15,617	7,184	11,468	3,118	—	37,387	—	37,387
Collateral received for securities lending transactions	132,161	—	—	—	—	132,161	—	132,161
Investments held on behalf of others	20,591	—	—	—	—	20,591	—	20,591
Assets limited as to use	—	2,635	—	—	—	2,635	—	2,635
Accounts receivable, net	24,709	121,016	108,540	9,983	—	264,248	—	264,248
Inventories	12,644	19,274	15,194	1,806	—	48,918	—	48,918
Prepaid and other current assets	22,065	11,543	13,604	1,003	3	48,218	(2,141)	46,077
Total current assets	227,787	161,652	148,806	15,910	3	554,158	(2,141)	552,017
Investments	117,455	665,162	771,558	76,242	—	1,630,417	—	1,630,417
Assets limited as to use	—	6,176	—	—	191,276	197,452	—	197,452
Property and equipment, net	135,939	755,857	507,895	37,671	—	1,437,362	—	1,437,362
Beneficial interest in net assets of foundations	—	22,139	85,966	5,770	—	113,875	—	113,875
Due from affiliates	673,143	(339,900)	(290,173)	(37,682)	—	5,388	(5,388)	—
Other assets	27,409	23,120	28,206	1,046	8,339	88,120	(5,120)	83,000
Total assets	$ 1,181,733	1,294,206	1,252,258	98,957	199,618	4,026,772	(12,649)	4,014,123
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 47,964	43,674	31,723	3,375	1,849	128,585	(2,141)	126,444
Employee compensation and benefits	79,413	35,036	30,838	2,412	—	147,699	—	147,699
Estimated third-party settlements	—	52,907	39,729	6,407	—	99,043	—	99,043
Current portion of long-term debt	53,851	720	978	—	—	55,549	(15)	55,534
Liabilities for investments held on behalf of others	20,591	—	—	—	—	20,591	—	20,591
Liabilities under securities lending transactions	132,161	—	—	—	—	132,161	—	132,161
Total current liabilities	333,980	132,337	103,268	12,194	1,849	583,628	(2,156)	581,472
Long-term debt, less current portion	689,301	2,082	8,713	—	—	700,096	(55)	700,041
Other liabilities	56,313	73,526	1,285	463	182,684	314,271	1,468	315,739
Total liabilities	1,079,594	207,945	113,266	12,657	184,533	1,597,995	(743)	1,597,252
Net assets:								
Unrestricted	102,139	1,063,722	1,065,056	83,450	15,085	2,329,452	(11,906)	2,317,546
Temporarily restricted	—	21,454	49,791	2,850	—	74,095	—	74,095
Permanently restricted	—	1,085	24,145	—	—	25,230	—	25,230
Total net assets	102,139	1,086,261	1,138,992	86,300	15,085	2,428,777	(11,906)	2,416,871
Total liabilities and net assets	$ 1,181,733	1,294,206	1,252,258	98,957	199,618	4,026,772	(12,649)	4,014,123

See accompanying independent auditors' report.

Schedule 2

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combining Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2011

(In thousands)

	BayCare Health System, Inc.	Combined CHE Participants	Morton Plant Mease Health Care, Inc.	South Florida Baptist, Inc.	BCHS Insurance, Ltd.	Subtotal	Eliminations	Combined
Operating revenues:								
Net patient service revenues	$ 148,654	1,111,764	1,003,937	89,626	—	2,353,981	—	2,353,981
Other revenues	249,415	32,686	21,933	568	—	304,602	(232,307)	72,295
Total operating revenues	398,069	1,144,450	1,025,870	90,194	—	2,658,583	(232,307)	2,426,276
Operating expenses:								
Salaries and benefits	229,763	503,823	420,574	38,904	—	1,193,064	(249)	1,192,815
Supplies	21,431	182,011	171,717	13,176	—	388,335	—	388,335
Other expenses	77,532	224,890	205,230	20,239	—	527,891	(177,557)	350,334
Depreciation and amortization	30,149	83,425	61,797	6,342	—	181,713	(22,795)	158,918
Provision for bad debts	5,292	72,406	56,922	8,254	—	142,874	—	142,874
Interest	28,281	13,706	12,923	1,111	—	56,021	(28,207)	27,814
Total operating expenses	392,448	1,080,261	929,163	88,026	—	2,489,898	(228,808)	2,261,090
Operating income	5,621	64,189	96,707	2,168	—	168,685	(3,499)	165,186
Nonoperating gains (losses), net:								
Investment income, net	1,959	12,522	15,517	1,347	585	31,930	—	31,930
Loss on interest rate swaps	—	(28,330)	(25,029)	(2,188)	—	(55,547)	—	(55,547)
Other nonoperating gains (losses), net	1,820	354	5,817	(82)	—	7,909	(256)	7,653
Total nonoperating gains (losses), net	3,779	(15,454)	(3,695)	(923)	585	(15,708)	(256)	(15,964)
Excess of revenues and gains over expenses	9,400	48,735	93,012	1,245	585	152,977	(3,755)	149,222

(Continued)

Schedule 2

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combining Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2011

(In thousands)

	BayCare Health System, Inc.	Combined CHE Participants	Morton Plant Mease Health Care, Inc.	South Florida Baptist, Inc.	BCHS Insurance, Ltd.	Subtotal	Eliminations	Combined
Unrestricted net assets:								
Excess of revenues and gains over expenses	$ 9,400	48,735	93,012	1,245	585	152,977	(3,755)	149,222
Net unrealized gains on other-than-trading securities	—	37	—	—	—	37	—	37
Net asset transfers from joint operating agreement participants, net	(8,258)	58,378	(48,054)	(2,066)	—	—	—	—
Contributions for capital equipment	—	742	—	250	—	992	—	992
Net assets released from restrictions for purchase of property and equipment	250	6	—	15	—	271	—	271
Amortization of accumulated hedge accounting losses	458	—	—	—	—	458	—	458
Pension-related changes other than net periodic pension cost	—	(16,503)	—	—	—	(16,503)	—	(16,503)
Other	(5,552)	(50)	219	(1)	(898)	(6,282)	4,020	(2,262)
Increase (decrease) in unrestricted net assets	(3,702)	91,345	45,177	(557)	(313)	131,950	265	132,215
Temporarily restricted net assets:								
Contributions	—	1,221	915	37	—	2,173	—	2,173
Change in beneficial interest in net assets of foundations	—	1,661	(2,427)	(163)	—	(929)	—	(929)
Net assets released from restrictions for purchase of property and equipment	(250)	(6)	—	(15)	—	(271)	—	(271)
Net assets released from restrictions for operations	—	(653)	(267)	(46)	—	(966)	—	(966)
Other	1	2	(2)	—	—	1	—	1
Increase (decrease) in temporarily restricted net assets	(249)	2,225	(1,781)	(187)	—	8	—	8
Permanently restricted net assets:								
Change in beneficial interest in net assets of foundations	—	41	1,066	—	—	1,107	—	1,107
Increase in permanently restricted net assets	—	41	1,066	—	—	1,107	—	1,107
Increase (decrease) in net assets	(3,951)	93,611	44,462	(744)	(313)	133,065	265	133,330
Net assets at beginning of year	106,090	992,650	1,094,530	87,044	15,398	2,295,712	(12,171)	2,283,541
Net assets at end of year	$ 102,139	1,086,261	1,138,992	86,300	15,085	2,428,777	(11,906)	2,416,871

See accompanying independent auditors' report.