

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidated Balance Sheets
For the Periods Ended September 30, 2009 and June 30, 2009

	September 30, 2009	June 30, 2009
Current Assets:		
Cash	\$111,326,116	\$213,940,739
Marketable securities	275,288,183	173,049,265
Patient accounts receivable, net of estimated uncollectibles	192,835,586	168,449,827
Prepaid expenses and other current assets	72,621,201	50,865,983
Assets limited as to use	34,133,777	50,711,619
Total current assets	686,204,863	657,017,433
Assets limited as to use:		
Held by trustees	41,104,640	35,242,560
Internally designated funds	65,511,739	96,491,947
	106,616,379	131,734,507
Less amount required to meet current obligations	(34,133,777)	(50,711,619)
Non-current assets limited as to use	72,482,602	81,022,888
Property and Equipment, net	928,818,472	904,573,504
Other assets	42,390,165	39,827,393
Total assets	<u>\$ 1,729,896,102</u>	<u>\$ 1,682,441,218</u>
Current Liabilities:		
Long-term debt, current portion	\$20,777,247	\$20,773,256
Capital lease obligations, current portion	769,993	833,599
Accounts payable and accrued expenses	183,957,217	194,208,689
Due to Medicare, Medicaid, and other third-party programs	73,489,315	47,023,977
Total current liabilities	278,993,772	262,839,521
Long-term Liabilities:		
Long-term debt, net of current portion	607,114,838	608,240,059
Capital lease obligations, non-current portion	7,367,657	7,580,381
Other liabilities	243,484,877	235,088,681
Total long-term liabilities	857,967,372	850,909,121
Total liabilities	1,136,961,144	1,113,748,642
Net Assets:		
Net assets, unrestricted	584,442,360	560,266,199
Net assets, temporarily restricted	8,261,520	8,195,299
Net assets, permanently restricted	231,078	231,078
Total net assets	592,934,958	568,692,576
Total liabilities and net assets	<u>\$ 1,729,896,102</u>	<u>\$ 1,682,441,218</u>

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
For the Three Months Ended September 30, 2009 and 2008

	September 30,	
	2009	2008
Unrestricted revenue and other support:		
Net patient service revenue	\$ 376,945,543	\$ 368,543,982
Capitation revenues	38,482	17,615,812
Investment income	2,112,611	3,604,706
Other revenue	37,461,094	36,920,521
Total unrestricted revenue and other support	<u>416,557,730</u>	<u>426,685,021</u>
Expenses:		
Salaries, wages and benefits	181,371,573	179,283,135
Supplies and other	163,614,728	166,492,033
Interest	2,654,662	4,228,360
Depreciation and amortization	17,828,856	19,767,422
Provision for bad debts	29,952,647	39,431,809
Total expenses	<u>395,422,466</u>	<u>409,202,759</u>
Operating income	21,135,264	17,482,262
Expenditures in support of the University of Florida and its medical programs	(15,960,930)	(15,688,745)
Change in fair value of derivative instruments	(1,249,843)	(4,516,746)
Nonoperating gains (losses) and contributions, net	312,390	20,925
Gains from early extinguishment of long-term debt, net	-	7,241,197
Excess (deficit) of revenue over expenses	<u>4,236,881</u>	<u>4,538,893</u>
Change in net unrealized gains on other than trading securities	24,550,185	(26,093,304)
Change in fair value of derivative instruments designated as cash flow hedges	(5,193,585)	(6,957,853)
Donor restricted funds received for equipment purchases and other		
changes in unrestricted net assets	582,680	366,609
Change in unrestricted net assets	24,176,161	(28,145,655)
Change in temporarily restricted net assets	66,221	(34,265)
Change in permanently restricted net assets	-	-
Change in net assets	<u>\$ 24,242,382</u>	<u>\$ (28,179,920)</u>

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Year Ended September 30, 2009 and June 30, 2009

	September 30, 2009	June 30, 2009
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 24,242,382	\$ (183,479,794)
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:		
Provision for bad debt	29,952,647	173,395,453
Depreciation and amortization	17,828,856	76,772,598
Loss on disposal of PP&E	111	274,998
(Gain) Loss from early extinguishment of long-term debt	0	(27,246,814)
Impairment and restructuring charges	0	71,921,986
Contributions received for equipment purchases and other changes	5,169,373	(3,333,633)
Minimum pension liability adjustment	0	103,156,525
Change in net unrealized gains on other than trading securities	(24,550,185)	51,372,720
Change in Swap Valuation	5,193,585	10,310,298
Temporarily and permanently restricted contributions, net	(6,106,944)	(6,751,145)
(Increase) decrease in assets:		
Patient accounts receivable	(54,338,406)	(153,042,460)
Prepaid expenses and other current assets	(21,755,218)	(846,550)
Due from city and state agencies		
Accounts payable and accrued expenses	(5,264,848)	11,730,232
Due from Medicare, Medicaid and other third-party programs	26,465,338	(25,365,675)
Other liabilities	8,396,198	18,037,315
Net Cash Provided By Operating Activities and Gains and Losses	\$ 5,232,890	\$ 116,906,055
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sales (purchases) of investments	(52,570,606)	84,150,742
Purchase of property and equipment, including capitalized interest	(46,891,869)	(188,069,790)
Other investing activities	(8,072,359)	(11,356,902)
Net cash used in investing activities	(107,534,834)	(115,275,950)
<u>Cash Flows From Financing Activities:</u>		
Proceeds from issuance of debt	0	119,340,000
Payments of long-term debt and capital lease obligations	(1,250,251)	(173,400,685)
Payment of bond issuance costs	0	(725,278)
(Gain) Loss from early extinguishment of long-term debt	0	27,246,814
Restricted contributions received, net	6,106,944	6,751,145
Contributions received for equipment purchases and other changes	(5,169,373)	3,333,633
Net cash provided by (used in) financing activities	(312,679)	(17,454,371)
Net (Decrease) Increase in Cash and Cash Equivalents	(102,614,623)	(15,824,265)
Cash and Cash Equivalents at Beginning of Year	213,940,739	229,765,004
Cash and Cash Equivalents at End of Period	\$ 111,326,116	\$ 213,940,739

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Total Shands at the Univ. of Florida	Shands at AGH	Shands at Vista	Shands Rehab Hospital
Current Assets:				
Cash	\$ 32,719,342	\$ 3,828	\$ 500	\$ 325
Marketable equity securities	273,584,087	0	0	0
Patient accounts receivable, net of estimated uncollectibles	101,297,503	7,592,929	3,254,002	2,785,956
Inventories	2,501,391	300,912	0	0
Due from Medicare, Medicaid, and other third-party programs , net	0	0	0	372,736
Due from city and state agencies	0	0	0	0
Due from non-patient accounts	19,341,178	594,281	398,390	0
Prepaid expenses and other assets	8,695,339	169,608	162,200	117,059
Designated assets required for current liabilities	34,133,631	0	0	0
Total current assets	472,272,472	8,661,558	3,815,093	3,276,077
Land	34,568,615	2,340,000	700,000	400,000
Buildings and leasehold improvements	411,623,376	69,786,509	12,286,815	2,900,078
Furniture and equipment	279,387,059	38,677,461	1,794,480	2,787,832
	725,579,050	110,803,970	14,781,294	6,087,910
Less accumulated depreciation and amortization	(389,683,787)	(101,621,247)	(5,842,675)	(3,520,604)
	335,895,263	9,182,723	8,938,619	2,567,305
Construction in progress	333,599,247	0	5,786	0
Net buildings, furniture, equipment and construction in progress	669,494,511	9,182,723	8,944,406	2,567,305
Goodwill	2,703,310	44,605,805	3,408,410	4,487,214
Less goodwill amortization	(1,827,230)	(44,605,805)	(2,326,858)	(3,064,093)
Net goodwill	876,080	0	1,081,552	1,423,122
Assets whose use is limited:				
Invested cash:				
Held in trust	41,104,494	0	0	0
Board Designated Funds - Strategic Capital	39,909,063	0	0	0
Board Designated Funds - Post Retirement Benefits	2,047,107	0	0	0
Board Designated Funds - Other Health Programs	5,305,569	0	0	0
Strategic Capital - Jacksonville	0	0	0	0
Total assets whose use is limited	88,366,233	0	0	0
Less assets whose use is limited and that are required for current liabilities	(34,133,631)	0	0	0
Non-current assets whose use is limited	54,232,602	0	0	0
Other assets:				
Due from affiliates	6,403,485	0	36,895,121	29,100,270
Notes receivable, non-current portion	1,174,018	0	0	0
Unamortized bond issuance costs	2,645,817	0	0	0
Deferred charges and other assets	26,454,923	36,664	2,890	0
Total other assets	36,678,242	36,664	36,898,011	29,100,270
Total Assets	\$ 1,233,553,906	\$ 17,880,945	\$ 50,739,062	\$ 36,366,774

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Total Shands at the Univ. of Florida	Shands at AGH	Shands at Vista	Shands Rehab Hospital
Current Liabilities:				
Long-term debt, current portion	\$ 13,967,247	\$ 0	\$ 0	\$ 0
Capital lease obligation, current portion	0	0	0	0
Accounts payable	40,184,039	3,890,394	450,472	277,631
Accrued expenses				
Salaries payable	16,909,087	3,294,780	36,862	36,024
Leave payable	30,647,490	0	0	0
Interest payable	2,989,001	0	0	0
Retainage and construction accounts payable	16,823,427	0	0	0
Funding agreement payable, current portion	0	0	0	0
Patient credit balances	3,190,121	440,211	426,526	45,311
Due to Medicare, Medicaid, and other third-party programs , net	58,920,482	1,172,610	59,093	0
Total current liabilities	183,630,894	8,797,995	972,952	358,966
Long-term Liabilities:				
Long-term debt, non-current portion	508,549,180	0	0	0
Capital lease obligation, non-current portion	0	0	0	0
Due to affiliates	0	25,515,941	0	0
Other long-term liabilities	156,286,122	33,168,323	1,787,015	3,384,995
Total long-term liabilities	664,835,302	58,684,264	1,787,015	3,384,995
Total liabilities	848,466,196	67,482,259	2,759,967	3,743,960
Net assets:				
Net assets, unrestricted	378,982,372	(49,636,130)	47,979,095	32,622,813
Net assets, temporarily restricted	6,008,154	0	0	0
Net assets, permanently restricted	97,183	34,816	0	0
Total net assets	385,087,709	(49,601,313)	47,979,095	32,622,813
Total Liabilities and Net Assets	\$ 1,233,553,906	\$ 17,880,945	\$ 50,739,062	\$ 36,366,774

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Eliminations	Total Alachua County Hospital Group	Shands Homecare	Property Management
Current Assets:				
Cash	\$ 0	\$ 32,723,995	\$ 250	\$ 0
Marketable equity securities	0	273,584,087	0	0
Patient accounts receivable, net of estimated uncollectibles	0	114,930,391	1,230,214	0
Inventories	0	2,802,304	0	0
Due from Medicare, Medicaid, and other third-party programs , net	(372,736)	0	0	0
Due from city and state agencies	0	0	0	0
Due from non-patient accounts	0	20,333,849	0	11,211
Prepaid expenses and other assets	0	9,144,206	55,674	0
Designated assets required for current liabilities	0	34,133,631	0	0
Total current assets	(372,736)	487,652,463	1,286,139	11,211
Land	0	38,008,615	0	4,967,797
Buildings and leasehold improvements	0	496,596,778	947,696	16,598,190
Furniture and equipment	0	322,646,831	1,420,821	22,387
	0	857,252,224	2,368,517	21,588,373
Less accumulated depreciation and amortization	0	(500,668,313)	(2,033,819)	(6,589,379)
	0	356,583,911	334,698	14,998,994
Construction in progress	0	333,605,034	0	0
Net buildings, furniture, equipment and construction in progress	0	690,188,945	334,698	14,998,994
Goodwill	0	55,204,739	0	0
Less goodwill amortization	0	(51,823,986)	0	0
Net goodwill	0	3,380,753	0	0
Assets whose use is limited:				
Invested cash:				
Held in trust	0	41,104,494	0	0
Board Designated Funds - Strategic Capital	0	39,909,063	0	0
Board Designated Funds - Post Retirement Benefits	0	2,047,107	0	0
Board Designated Funds - Other Health Programs	0	5,305,569	0	0
Strategic Capital - Jacksonville	0	0	0	0
Total assets whose use is limited	0	88,366,233	0	0
Less assets whose use is limited and that are required for current liabilities	0	(34,133,631)	0	0
Non-current assets whose use is limited	0	54,232,602	0	0
Other assets:				
Due from affiliates	(25,515,941)	46,882,936	0	0
Notes receivable, non-current portion	0	1,174,018	0	0
Unamortized bond issuance costs	0	2,645,817	0	0
Deferred charges and other assets	0	26,494,477	0	0
Total other assets	(25,515,941)	77,197,247	0	0
Total Assets	\$ (25,888,677)	\$ 1,312,652,010	\$ 1,620,837	\$ 15,010,206

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Eliminations	Total Alachua County Hospital Group	Shands Homecare	Property Management
Current Liabilities:				
Long-term debt, current portion	\$ 0	\$ 13,967,247	\$ 0	\$ 0
Capital lease obligation, current portion	0	0	0	0
Accounts payable	0	44,802,535	488,256	270,767
Accrued expenses				
Salaries payable	0	20,276,753	11,646	0
Leave payable	0	30,647,490	0	0
Interest payable	0	2,989,001	0	0
Retainage and construction accounts payable	0	16,823,427	0	0
Funding agreement payable, current portion	0	0	0	0
Patient credit balances	0	4,102,168	0	0
Due to Medicare, Medicaid, and other third-party programs , net	(372,736)	59,779,449	0	0
Total current liabilities	(372,736)	193,388,071	499,902	270,767
Long-term Liabilities:				
Long-term debt, non-current portion	0	508,549,180	0	0
Capital lease obligation, non-current portion	0	0	0	0
Due to affiliates	(25,515,941)	0	1,997,443	8,630,690
Other long-term liabilities	0	194,626,455	(109,918)	0
Total long-term liabilities	(25,515,941)	703,175,634	1,887,525	8,630,690
Total liabilities	(25,888,677)	896,563,706	2,387,427	8,901,457
Net assets:				
Net assets, unrestricted	0	409,948,151	(766,590)	6,108,749
Net assets, temporarily restricted	0	6,008,154	0	0
Net assets, permanently restricted	0	131,999	0	0
Total net assets	0	416,088,304	(766,590)	6,108,749
Total Liabilities and Net Assets	\$ (25,888,677)	\$ 1,312,652,010	\$ 1,620,837	\$ 15,010,206

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Shands at Lake Shore	Shands at Starke	Shands at Live Oak	Eliminations
Current Assets:				
Cash	\$ 950	\$ 2,150	\$ 700	\$ 0
Marketable equity securities	0	0	0	0
Patient accounts receivable, net of estimated uncollectibles	4,892,338	3,375,953	2,137,047	0
Inventories	0	0	0	0
Due from Medicare, Medicaid, and other third-party programs , net	0	0	0	0
Due from city and state agencies	0	0	0	0
Due from non-patient accounts	1,068,478	337,343	437,241	0
Prepaid expenses and other assets	177,685	69,514	43,021	0
Designated assets required for current liabilities	0	0	0	0
Total current assets	6,139,451	3,784,960	2,618,009	0
Land	270,145	165,000	155,000	0
Buildings and leasehold improvements	14,674,782	18,411,738	6,216,505	0
Furniture and equipment	10,393,791	6,155,362	5,770,741	0
	25,338,718	24,732,100	12,142,245	0
Less accumulated depreciation and amortization	(12,420,522)	(9,117,611)	(6,354,842)	0
	12,918,196	15,614,489	5,787,403	0
Construction in progress	658,148	30,696	0	0
Net buildings, furniture, equipment and construction in progress	13,576,344	15,645,185	5,787,403	0
Goodwill	4,296,633	1,569,965	1,265,862	0
Less goodwill amortization	(4,296,633)	(1,068,495)	(861,531)	0
Net goodwill	0	501,470	404,331	0
Assets whose use is limited:				
Invested cash:				
Held in trust	0	0	0	0
Board Designated Funds - Strategic Capital	0	0	0	0
Board Designated Funds - Post Retirement Benefits	0	0	0	0
Board Designated Funds - Other Health Programs	0	0	0	0
Strategic Capital - Jacksonville	0	0	0	0
Total assets whose use is limited	0	0	0	0
Less assets whose use is limited and that are required for current liabilities	0	0	0	0
Non-current assets whose use is limited	0	0	0	0
Other assets:				
Due from affiliates	0	0	0	(46,882,936)
Notes receivable, non-current portion	0	0	0	0
Unamortized bond issuance costs	0	0	0	0
Deferred charges and other assets	3,537	94,346	0	0
Total other assets	3,537	94,346	0	(46,882,936)
Total Assets	\$ 19,719,332	\$ 20,025,961	\$ 8,809,743	\$ (46,882,936)

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Shands at Lake Shore	Shands at Starke	Shands at Live Oak	Eliminations
Current Liabilities:				
Long-term debt, current portion	\$ 0	\$ 0	\$ 0	\$ 0
Capital lease obligation, current portion	84,200	0	0	0
Accounts payable	1,251,423	451,837	310,416	0
Accrued expenses				
Salaries payable	710,757	218,748	86,815	0
Leave payable	1,361,480	0	0	0
Interest payable	0	0	0	0
Retainage and construction accounts payable	0	219	0	0
Funding agreement payable, current portion	0	0	0	0
Patient credit balances	279,596	60,971	53,517	0
Due to Medicare, Medicaid, and other third-party programs , net	1,019,617	410,142	438,756	0
Total current liabilities	4,707,073	1,141,916	889,503	0
Long-term Liabilities:				
Long-term debt, non-current portion	0	0	0	0
Capital lease obligation, non-current portion	6,421,634	0	0	0
Due to affiliates	28,162,575	11,915,297	738,713	(46,882,936)
Other long-term liabilities	10,133,447	4,174,602	2,775,474	0
Total long-term liabilities	44,717,656	16,089,899	3,514,188	(46,882,936)
Total liabilities	49,424,729	17,231,815	4,403,691	(46,882,936)
Net assets:				
Net assets, unrestricted	(29,705,397)	2,695,066	4,406,052	0
Net assets, temporarily restricted	0	0	0	0
Net assets, permanently restricted	0	99,079	0	0
Total net assets	(29,705,397)	2,794,145	4,406,052	0
Total Liabilities and Net Assets	\$ 19,719,332	\$ 20,025,961	\$ 8,809,743	\$ (46,882,936)

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Total Obligated Group	Total Other	Eliminations	Shands Group Consolidated
Current Assets:				
Cash	\$ 32,728,045	\$ 1,384,092	\$ 0	\$ 34,112,137
Marketable equity securities	273,584,087	504,096	0	274,088,183
Patient accounts receivable, net of estimated uncollectibles	126,565,943	0	0	126,565,943
Inventories	2,802,304	0	0	2,802,304
Due from Medicare, Medicaid, and other third-party programs , net	0	0	0	0
Due from city and state agencies	0	0	0	0
Due from non-patient accounts	22,188,123	234,090	0	22,422,213
Prepaid expenses and other assets	9,490,100	7,312	0	9,497,412
Designated assets required for current liabilities	34,133,631	0	0	34,133,631
Total current assets	501,492,233	2,129,591	0	503,621,823
Land	43,566,556	1,524,255	0	45,090,811
Buildings and leasehold improvements	553,445,688	534,139	0	553,979,828
Furniture and equipment	346,409,932	74,526	0	346,484,458
	943,422,177	2,132,921	0	945,555,097
Less accumulated depreciation and amortization	(537,184,485)	(608,665)	0	(537,793,151)
	406,237,692	1,524,255	0	407,761,947
Construction in progress	334,293,877	0	0	334,293,877
Net buildings, furniture, equipment and construction in progress	740,531,569	1,524,255	0	742,055,824
Goodwill	62,337,200	0	0	62,337,200
Less goodwill amortization	(58,050,645)	0	0	(58,050,645)
Net goodwill	4,286,554	0	0	4,286,554
Assets whose use is limited:				
Invested cash:				
Held in trust	41,104,494	0	0	41,104,494
Board Designated Funds - Strategic Capital	39,909,063	0	0	39,909,063
Board Designated Funds - Post Retirement Benefits	2,047,107	0	0	2,047,107
Board Designated Funds - Other Health Programs	5,305,569	0	0	5,305,569
Strategic Capital - Jacksonville	0	0	0	0
Total assets whose use is limited	88,366,233	0	0	88,366,233
Less assets whose use is limited and that are required for current liabilities	(34,133,631)	0	0	(34,133,631)
Non-current assets whose use is limited	54,232,602	0	0	54,232,602
Other assets:				
Due from affiliates	0	4,562,488	(4,562,488)	0
Notes receivable, non-current portion	1,174,018	0	0	1,174,018
Unamortized bond issuance costs	2,645,817	0	0	2,645,817
Deferred charges and other assets	26,592,360	2,500	(504,096)	26,090,764
Total other assets	30,412,194	4,564,988	(5,066,584)	29,910,598
Total Assets	\$ 1,330,955,152	\$ 8,218,834	\$ (5,066,584)	\$ 1,334,107,401

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Total Obligated Group	Total Other	Eliminations	Shands Group Consolidated
Current Liabilities:				
Long-term debt, current portion	\$ 13,967,247	\$ 0	\$ 0	\$ 13,967,247
Capital lease obligation, current portion	84,200	0	0	84,200
Accounts payable	47,575,234	1,098,779	(504,096)	48,169,917
Accrued expenses				
Salaries payable	21,304,718	11,291	0	21,316,010
Leave payable	32,008,971	9,256	0	32,018,227
Interest payable	2,989,001	0	0	2,989,001
Retainage and construction accounts payable	16,823,646	0	0	16,823,646
Funding agreement payable, current portion	0	0	0	0
Patient credit balances	4,496,252	0	0	4,496,252
Due to Medicare, Medicaid, and other third-party programs , net	61,647,964	0	0	61,647,964
Total current liabilities	200,897,233	1,119,326	(504,096)	201,512,464
Long-term Liabilities:				
Long-term debt, non-current portion	508,549,180	0	0	508,549,180
Capital lease obligation, non-current portion	6,421,634	0	0	6,421,634
Due to affiliates	4,561,782	707	(4,562,488)	0
Other long-term liabilities	211,600,060	0	0	211,600,060
Total long-term liabilities	731,132,656	707	(4,562,488)	726,570,874
Total liabilities	932,029,889	1,120,033	(5,066,584)	928,083,338
Net assets:				
Net assets, unrestricted	392,686,030	7,000,011	0	399,686,041
Net assets, temporarily restricted	6,008,154	98,790	0	6,106,944
Net assets, permanently restricted	231,078	0	0	231,078
Total net assets	398,925,262	7,098,801	0	406,024,063
Total Liabilities and Net Assets	\$ 1,330,955,152	\$ 8,218,834	\$ (5,066,584)	\$ 1,334,107,401

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Shands Jacksonville Health Care	Eliminations	Shands HealthCare Consolidated
Current Assets:			
Cash	\$ 77,213,978	\$ 0	\$ 111,326,116
Marketable equity securities	1,200,000	0	275,288,183
Patient accounts receivable, net of estimated uncollectibles	66,269,643	0	192,835,586
Inventories	7,439,019	0	10,241,323
Due from Medicare, Medicaid, and other third-party programs , net	0	0	0
Due from city and state agencies	19,606,964	0	19,606,964
Due from non-patient accounts	7,067,882	(513,789)	28,976,306
Prepaid expenses and other assets	4,299,197	0	13,796,609
Designated assets required for current liabilities	146	0	34,133,777
Total current assets	183,096,829	(513,789)	686,204,863
Land	27,645,741	0	72,736,552
Buildings and leasehold improvements	274,271,602	0	828,251,430
Furniture and equipment	231,175,578	0	577,660,036
	533,092,922	0	1,478,648,019
Less accumulated depreciation and amortization	(347,544,452)	0	(885,337,602)
	185,548,470	0	593,310,416
Construction in progress	1,214,179	0	335,508,056
Net buildings, furniture, equipment and construction in progress	186,762,649	0	928,818,472
Goodwill	0	0	62,337,200
Less goodwill amortization	0	0	(58,050,645)
Net goodwill	0	0	4,286,554
Assets whose use is limited:			
Invested cash:			
Held in trust	146	0	41,104,640
Board Designated Funds - Strategic Capital	0	0	39,909,063
Board Designated Funds - Post Retirement Benefits	0	0	2,047,107
Board Designated Funds - Other Health Programs	0	0	5,305,569
Strategic Capital - Jacksonville	18,250,000	0	18,250,000
Total assets whose use is limited	18,250,146	0	106,616,379
Less assets whose use is limited and that are required for current liabilities	(146)	0	(34,133,777)
Non-current assets whose use is limited	18,250,000	0	72,482,602
Other assets:			
Due from affiliates	0	0	0
Notes receivable, non-current portion	0	0	1,174,018
Unamortized bond issuance costs	2,802,454	0	5,448,271
Deferred charges and other assets	5,390,557	0	31,481,321
Total other assets	8,193,012	0	38,103,610
Total Assets	\$ 396,302,489	\$ (513,789)	\$ 1,729,896,102

SHANDS HEALTHCARE
CONSOLIDATING BALANCE SHEETS
For The Period Ended September 30, 2009

	Shands Jacksonville Health Care	Eliminations	Shands HealthCare Consolidated
Current Liabilities:			
Long-term debt, current portion	\$ 6,810,000	\$ 0	\$ 20,777,247
Capital lease obligation, current portion	685,793	0	769,993
Accounts payable	37,579,238	(513,789)	85,235,365
Accrued expenses			
Salaries payable	9,316,142	0	30,632,152
Leave payable	10,703,149	0	42,721,376
Interest payable	217,589	0	3,206,591
Retainage and construction accounts payable	0	0	16,823,646
Funding agreement payable, current portion	0	0	0
Patient credit balances	841,836	0	5,338,088
Due to Medicare, Medicaid, and other third-party programs , net	11,841,350	0	73,489,315
Total current liabilities	77,995,097	(513,789)	278,993,772
Long-term Liabilities:			
Long-term debt, non-current portion	98,565,658	0	607,114,838
Capital lease obligation, non-current portion	946,022	0	7,367,657
Due to affiliates	0	0	-
Other long-term liabilities	31,884,817	0	243,484,877
Total long-term liabilities	131,396,497	0	857,967,371
Total liabilities	209,391,595	(513,789)	1,136,961,143
Net assets:			
Net assets, unrestricted	184,756,319	0	584,442,360
Net assets, temporarily restricted	2,154,576	0	8,261,520
Net assets, permanently restricted	0	0	231,078
Total net assets	186,910,895	0	592,934,958
Total Liabilities and Net Assets	\$ 396,302,489	\$ (513,789)	\$ 1,729,896,102

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended September 30, 2009

	Total Shands at the Univ. of Florida	Shands at AGH	Shands at Vista
Unrestricted revenues, gains and other support:			
Net patient service revenue	\$ 201,619,347	\$ 22,994,582	\$ 4,472,007
Capitation revenues	0	0	5,875
Investment income	2,904,497	5,728	0
Other revenues	11,174,077	882,138	67,265
Total unrestricted revenues, gains and other support	<u>215,697,920</u>	<u>23,882,448</u>	<u>4,545,147</u>
Expenses and losses:			
Salaries, wages and benefits	91,176,735	12,907,056	3,054,428
Supplies and services	87,261,185	12,452,210	1,150,521
Interest	2,031,392	0	0
Depreciation and amortization	9,251,960	1,251,737	200,392
Provision for bad debts	6,117,510	2,056,233	552,010
Total expenses	<u>195,838,783</u>	<u>28,667,236</u>	<u>4,957,351</u>
Operating income	19,859,138	(4,784,788)	(412,203)
Nonoperating gains/(losses) and contributions, net	(675)	0	0
Expenditures in support of the University of Florida and its medical programs	(9,463,749)	0	0
Change in fair value of derivative instruments	<u>(943,134)</u>	<u>0</u>	<u>0</u>
Excess (deficit) of revenue over expenses	9,451,580	(4,784,788)	(412,203)
Change in net unrealized gains on other than trading securities	24,550,185	0	0
Net change in fair value of derivatives designated as a cash flow hedge	(5,193,585)	0	0
Net assets released from restrictions and other changes in net assets	116,092	0	0
Change in unrestricted net assets	<u>28,924,271</u>	<u>(4,784,788)</u>	<u>(412,203)</u>
Temporarily restricted net assets:			
Restricted contributions received, net	6,008,154	0	0
Net assets released from restrictions	(5,941,933)	0	0
Change in temporarily restricted net assets	<u>66,221</u>	<u>0</u>	<u>0</u>
Permanently restricted net assets:			
Net change in funds	0	0	0
Change in permanently restricted net assets	<u>0</u>	<u>0</u>	<u>0</u>
Change in net assets	<u>\$ 28,990,492</u>	<u>\$ (4,784,788)</u>	<u>\$ (412,203)</u>

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended September 30, 2009

	Shands Rehab Hospital	Eliminations	Total Alachua County Hospital Group	Shands Homecare
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ 3,751,797	\$ (268,689)	\$ 232,569,044	\$ 1,706,011
Capitation revenues	0	0	5,875	0
Investment income	0	0	2,910,225	0
Other revenues	12,292	0	12,135,772	0
Total unrestricted revenues, gains and other support	3,764,089	(268,689)	247,620,915	1,706,011
Expenses and losses:				
Salaries, wages and benefits	2,121,082	189,994	109,449,295	1,304,032
Supplies and services	803,379	(458,683)	101,208,612	379,562
Interest	0	0	2,031,392	0
Depreciation and amortization	122,363	0	10,826,451	19,827
Provision for bad debts	321,551	0	9,047,303	387
Total expenses	3,368,374	(268,689)	232,563,053	1,703,808
Operating income	395,715	0	15,057,862	2,203
Nonoperating gains/(losses) and contributions, net	0	0	(675)	0
Expenditures in support of the University of Florida and its medical programs	0	0	(9,463,749)	0
Change in fair value of derivative instruments	0	0	(943,134)	0
Excess (deficit) of revenue over expenses	395,715	0	4,650,304	2,203
Change in net unrealized gains on other than trading securities	0	0	24,550,185	0
Net change in fair value of derivatives designated as a cash flow hedge	0	0	(5,193,585)	0
Net assets released from restrictions and other changes in net assets	0	0	116,092	0
Change in unrestricted net assets	395,715	0	24,122,995	2,203
Temporarily restricted net assets:				
Restricted contributions received, net	0	0	6,008,154	0
Net assets released from restrictions	0	0	(5,941,933)	0
Change in temporarily restricted net assets	0	0	66,221	0
Permanently restricted net assets:				
Net change in funds	0	0	0	0
Change in permanently restricted net assets	0	0	0	0
Change in net assets	\$ 395,715	\$ 0	\$ 24,189,216	\$ 2,203

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended September 30, 2009

	Property Management	Shands at Lake Shore	Shands at Starke
Unrestricted revenues, gains and other support:			
Net patient service revenue	\$ 0	\$ 9,291,964	\$ 7,276,304
Capitation revenues	0	0	32,607
Investment income	0	0	(70)
Other revenues	486,221	433,427	251,939
Total unrestricted revenues, gains and other support	486,221	9,725,391	7,560,780
Expenses and losses:			
Salaries, wages and benefits	0	6,326,465	3,990,229
Supplies and services	430,324	4,249,586	2,046,678
Interest	0	115,939	0
Depreciation and amortization	151,516	362,426	316,969
Provision for bad debts	0	957,223	1,103,370
Total expenses	581,840	12,011,638	7,457,246
Operating income	(95,619)	(2,286,247)	103,535
Nonoperating gains/(losses) and contributions, net	0	0	0
Expenditures in support of the University of Florida and its medical programs	0	0	0
Change in fair value of derivative instruments	0	0	0
Excess (deficit) of revenue over expenses	(95,619)	(2,286,247)	103,535
Change in net unrealized gains on other than trading securities	0	0	0
Net change in fair value of derivatives designated as a cash flow hedge	0	0	0
Net assets released from restrictions and other changes in net assets	0	466,589	0
Change in unrestricted net assets	(95,619)	(1,819,658)	103,535
Temporarily restricted net assets:			
Restricted contributions received, net	0	0	0
Net assets released from restrictions	0	0	0
Change in temporarily restricted net assets	0	0	0
Permanently restricted net assets:			
Net change in funds	0	0	0
Change in permanently restricted net assets	0	0	0
Change in net assets	\$ (95,619)	\$ (1,819,658)	\$ 103,535

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended September 30, 2009

	Shands at Live Oak	Eliminations	Total Obligated Group
Unrestricted revenues, gains and other support:			
Net patient service revenue	\$ 5,756,509	\$ (169,231)	\$ 256,430,601
Capitation revenues	0	0	38,482
Investment income	3	0	2,910,158
Other revenues	402,593	(275,412)	13,434,540
Total unrestricted revenues, gains and other support	6,159,105	(444,643)	272,813,781
Expenses and losses:			
Salaries, wages and benefits	2,937,152	0	124,007,173
Supplies and services	1,458,077	(444,643)	109,328,195
Interest	0	0	2,147,330
Depreciation and amortization	161,934	0	11,839,123
Provision for bad debts	1,738,285	0	12,846,568
Total expenses	6,295,448	(444,643)	260,168,390
Operating income	(136,342)	0	12,645,391
Nonoperating gains/(losses) and contributions, net	0	0	(675)
Expenditures in support of the University of Florida and its medical programs	0	0	(9,463,749)
Change in fair value of derivative instruments	0	0	(943,134)
Excess (deficit) of revenue over expenses	(136,342)	0	2,237,834
Change in net unrealized gains on other than trading securities	0	0	24,550,185
Net change in fair value of derivatives designated as a cash flow hedge	0	0	(5,193,585)
Net assets released from restrictions and other changes in net assets	0	0	582,681
Change in unrestricted net assets	(136,342)	0	22,177,114
Temporarily restricted net assets:			
Restricted contributions received, net	0	0	6,008,154
Net assets released from restrictions	0	0	(5,941,933)
Change in temporarily restricted net assets	0	0	66,221
Permanently restricted net assets:			
Net change in funds	0	0	0
Change in permanently restricted net assets	0	0	0
Change in net assets	\$ (136,342)	\$ 0	\$ 22,243,335

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended September 30, 2009

	Other	Eliminations	Shands Group Consolidated	Shands Jacksonville Health Care
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ 0	\$ 0	\$ 256,430,601	\$ 120,514,942
Capitation revenues	0	0	38,482	0
Investment income	0	0	2,910,158	(797,547)
Other revenues	694,578	(60,456)	14,068,661	23,392,432
Total unrestricted revenues, gains and other support	694,578	(60,456)	273,447,903	143,109,827
Expenses and losses:				
Salaries, wages and benefits	268,742	0	124,275,916	56,970,658
Supplies and services	365,162	(60,456)	109,632,901	54,106,826
Interest	0	0	2,147,330	507,332
Depreciation and amortization	0	0	11,839,123	5,989,733
Provision for bad debts	0	0	12,846,568	17,106,079
Total expenses	633,904	(60,456)	260,741,838	134,680,627
Operating income	60,673	0	12,706,065	8,429,200
Nonoperating gains/(losses) and contributions, net	0	0	(675)	313,065
Expenditures in support of the University of Florida and its medical programs	0	0	(9,463,749)	(6,497,181)
Change in fair value of derivative instruments		0	(943,134)	(306,709)
Excess (deficit) of revenue over expenses	60,673	0	2,298,507	1,938,374
Change in net unrealized gains on other than trading securities	0	0	24,550,185	0
Net change in fair value of derivatives designated as a cash flow hedge	0	0	(5,193,585)	0
Net assets released from restrictions and other changes in net assets	0	0	582,681	0
Change in unrestricted net assets	60,673	0	22,237,787	1,938,374
Temporarily restricted net assets:				
Restricted contributions received, net	98,790	0	6,106,944	0
Net assets released from restrictions	(98,790)	0	(6,040,723)	0
Change in temporarily restricted net assets	0	0	66,221	0
Permanently restricted net assets:				
Net change in funds	0	0	0	0
Change in permanently restricted net assets	0	0	0	0
Change in net assets	\$ 60,673	\$ 0	\$ 22,304,008	\$ 1,938,374

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended September 30, 2009

	Eliminations	Shands HealthCare Consolidated
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 0	\$ 376,945,543
Capitation revenues	0	38,482
Investment income	0	2,112,611
Other revenues	0	37,461,094
Total unrestricted revenues, gains and other support	<u>0</u>	<u>416,557,730</u>
Expenses and losses:		
Salaries, wages and benefits	125,000	181,371,573
Supplies and services	(125,000)	163,614,727
Interest	0	2,654,662
Depreciation and amortization	0	17,828,856
Provision for bad debts	0	29,952,647
Total expenses	<u>0</u>	<u>395,422,465</u>
Operating income	0	21,135,265
Nonoperating gains/(losses) and contributions, net	0	312,390
Expenditures in support of the University of Florida and its medical programs	0	(15,960,930)
Change in fair value of derivative instruments	<u>0</u>	<u>(1,249,843)</u>
Excess (deficit) of revenue over expenses	0	4,236,881
Change in net unrealized gains on other than trading securities	0	24,550,185
Net change in fair value of derivatives designated as a cash flow hedge	0	(5,193,585)
Net assets released from restrictions and other changes in net assets	<u>0</u>	<u>582,681</u>
Change in unrestricted net assets	<u>0</u>	<u>24,176,161</u>
Temporarily restricted net assets:		
Restricted contributions received, net	0	6,106,944
Net assets released from restrictions	<u>0</u>	<u>(6,040,723)</u>
Change in temporarily restricted net assets	<u>0</u>	<u>66,221</u>
Permanently restricted net assets:		
Net change in funds	<u>0</u>	<u>0</u>
Change in permanently restricted net assets	<u>0</u>	<u>0</u>
Change in net assets	<u>\$ 0</u>	<u>\$ 24,242,382</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
September 30, 2009 (Unaudited)

1. Basis of Presentation

Shands Teaching Hospital and Clinics, Inc. (Shands) was incorporated on October 15, 1979 as a Florida not-for-profit corporation. Shands operates a multi-hospital system. The accompanying financial statements consolidate the accounts of Shands and its subsidiaries, as described below:

- *Shands UF*, a division of Shands, is a major tertiary care teaching institution located in Gainesville, Florida, licensed to operate a 660-bed teaching hospital. Shands at UF is a leading referral center in the State of Florida and provides clinical settings for medical education programs at the University of Florida.
- *Shands Jacksonville HealthCare, Inc. (Shands Jacksonville)* is a Florida not-for-profit corporation. Shands Jacksonville Medical Center, Inc. (SJMC), a subsidiary of Shands Jacksonville, operates a teaching hospital located in Jacksonville, Florida. The teaching hospital is licensed to operate 696 beds and provides clinical settings for medical education programs at the University of Florida. Shands is the sole corporate member of Shands Jacksonville.
- *Shands AGH*, a division of Shands, is an acute care community hospital located in Gainesville, Florida, licensed to operate 367 beds. Note: Shands AGH discontinued its operations effective October 31, 2009 and consolidated its services into Shands UF. Refer to “Management’s Discussion of Impairment and Restructuring Charges” below for additional information.
- *Shands Vista*, a division of Shands, is an inpatient psychiatric and substance abuse facility located in Gainesville, Florida, licensed to operate 81 beds, of which 57 are psychiatric and 24 are substance abuse.
- *Shands Rehab Hospital*, a division of Shands, is a 40-bed inpatient rehabilitation hospital located on the same campus as Shands Vista.
- *Shands at Lake Shore, Inc. (Shands Lake Shore)*, a Florida not-for-profit corporation, is an acute care community hospital located in Lake City, Florida, licensed to operate 99 beds. Shands is the sole corporate member of Shands Lake Shore.
- *Shands Starke*, a division of Shands, is an acute care community hospital located in Starke, Florida, licensed to operate 25 beds.
- *Shands Live Oak*, a division of Shands, is an acute care community hospital located in Live Oak, Florida, licensed to operate 15 beds.

- *Shands HomeCare*, a division of Shands, is a hospital-based home care agency providing home care services to the citizens of north central Florida.
- *Property Management*, a division of Shands, leases properties near Shands AGH including a condominium medical office building and nonmedical buildings.
- *Elder Care of Alachua County, Inc. (Elder Care)*, a Florida not-for-profit corporation, provides social and health care support to the elderly in Alachua County, Florida, through programs such as Meals on Wheels and an Alzheimer's Day Care Center. Shands is the sole corporate member of Elder Care.
- *Southeastern HealthCare Foundation, Inc. (Foundation)*, a Florida not-for-profit corporation, provides charitable aid to the University of Florida and to Shands and owns and leases various rental properties in Florida. Shands is the sole corporate member of the Foundation.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Commitments and Contingencies

Shands is involved in litigation arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on Shands' future financial position or results of operations.

Management's Discussion of Impairment and Restructuring Charges

In October, 2008, the Shands Healthcare Board of Directors announced its intention to close Shands AGH and consolidate its services into Shands at the University of Florida's operations by November, 2009. Management, with the assistance of our accounting firm, evaluated the balance sheet of Shands AGH for possible impairment of assets resulting from the announced plant closure and program consolidation of SAGH into Shands UF. As a result, a charge to earnings of \$71.9M was recognized in the year ended June 30, 2009 for impairment and restructuring charges. There has been no additional recognition of similar charges to earnings in the current year.

Financial Accounting Standards Board No. 157, Fair Value Measurements

The Financial Accounting Standards Board ("FASB") issued FASB Statement No. 157, *Fair Value Measurements* ("FASB No. 157"), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under accounting principles generally accepted in the United States of America ("GAAP"). As a result of FASB No. 157, there is now a common definition of fair value to be used throughout GAAP. The FASB believes that the new standard will make the measurement of fair value to be used throughout GAAP. The FASB believes

that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. Shands has adopted FAS157 and is currently evaluating the reporting requirements for implementation.

Financial Accounting Standards Board No. 164, Not-for-Profit Entities: Mergers and Acquisitions

FASB Statement No. 164, Not-for-Profit Entities: Mergers and Acquisitions, provides a framework for determining if a merger or acquisition of another entity has occurred. Certain transactions that qualify as mergers will be able to account for the transaction on a carryover basis. All other transactions will be required to utilize acquisition accounting. Careful analysis is required to determine if a merger or acquisition has occurred between the entities. The accounting related to mergers is effective for transactions occurring on or after December 15, 2009 prospectively and for acquisitions occurring in fiscal 2011 for Shands. Furthermore, in fiscal 2011, all goodwill will cease to be amortized and evaluated utilizing an impairment model only. Shands has adopted the requirements of FASB Statement No. 164 as it relates to any future endeavor. The change to accounting for goodwill will be implemented in fiscal 2011.