BAPTIST HEALTH SOUTH FLORIDA, INC.
AND AFFILIATES

Annual Financial Report for the Years Ended September 30, 2009 and 2008

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

REPORT OF MANAGEMENT

The management of Baptist Health South Florida, Inc. is responsible for the integrity and objectivity of the financial statements of Baptist Health and all of its affiliates. The annual financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and include amounts that are based on our best judgments with due consideration given to materiality.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting and safeguarding assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance as to the integrity and reliability of financial reporting and safeguarding of assets. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal controls, and that the cost of such systems should not exceed the benefits to be derived from them.

Management believes that the foundation of an appropriate system of internal controls is a strong ethical company culture and climate. It has always been the policy and practice of Baptist Health to conduct its affairs in a highly ethical and socially responsible manner. This responsibility is characterized and reflected in Baptist Health's Code of Ethics that is distributed throughout Baptist Health and its affiliates. Management maintains a systematic program to ensure compliance with this Code.

The Audit and Compliance Committee of the Board of Trustees, which is composed of independent Trustees who are not employees, meets periodically with management, the internal auditors and the independent auditors to review the manner in which these groups are performing their responsibilities and to carry out the Audit and Compliance Committee's oversight role with respect to auditing, internal controls and financial reporting matters. Both the internal auditors and the independent auditors periodically meet privately with the Audit and Compliance Committee and have access to its individual members.

Baptist Health engaged Deloitte & Touche LLP, independent auditors, to audit our financial statements in accordance with auditing standards generally accepted in the United States of America. Their report follows.

Ralph E. Lawson

Brian E. Keeley
President and Chief Executive Officer

Ralph E. Lawson
Executive Vice President and
Chief Financial Officer

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Baptist Health South Florida, Inc. and Affiliates:

We have audited the accompanying consolidated balance sheets of Baptist Health South Florida, Inc. and affiliates (BHSF), as of September 30, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of BHSF's management. Our responsibility is to express an opinion on these 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 BHSF'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, such financial statements present fairly, in all material respects, the consolidated financial position of BHSF as of September 30, 2009 and 2008, and the results of its consolidated operations, its changes in net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating balance sheet and statement of operations information of BHSF (pages 25 and 26) and the supplemental combining balance sheet and statement of operations information of Baptist Health South Florida, Inc. Affiliate Hospitals (pages 27 and 28) as of and for the year ended September 30, 2009, are presented for the purpose of additional analysis rather than to present the financial position and results of operations of the individual entities and are not a required part of the basic consolidated financial statements. This supplemental information is the responsibility of the management of BHSF. Such supplemental consolidating information of BHSF and supplemental combining information of Baptist Health South Florida, Inc. Affiliate Hospitals has been subjected to auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

December 18, 2009

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	$39,149,475	$62,202,904
Assets whose use is limited	430,135	352,997
Accounts receivable - net	227,499,610	209,296,554
Other current assets	55,291,020	55,085,853
Total current assets	322,370,240	326,938,308
ASSETS WHOSE USE IS LIMITED	1,463,017,529	1,327,375,403
OTHER INVESTMENTS	47,511,619	47,196,164
PROPERTY AND EQUIPMENT - NET	1,032,990,198	988,532,027
GOODWILL - NET	42,166,783	25,591,304
OTHER ASSETS	9,641,761	11,039,068
TOTAL ASSETS	$2,917,698,130	$2,726,672,274
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$19,864,530	$39,068,734
Estimated third-party payor settlements	6,598,754	7,401,390
Current maturities of long-term debt	10,048,418	9,355,000
Accrued expenses and other current liabilities	349,570,120	298,203,406
Total current liabilities	386,081,822	354,028,530
LONG-TERM DEBT	791,156,703	801,786,734
OTHER LIABILITIES	169,604,554	133,851,814
Total liabilities	1,346,843,079	1,289,667,078
MINORITY INTEREST	5,037,467	816,307
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	1,520,375,913	1,391,573,452
Temporarily restricted	34,580,241	34,090,904
Permanently restricted	10,861,430	10,524,533
Total net assets	1,565,817,584	1,436,188,889
TOTAL LIABILITIES AND NET ASSETS	$2,917,698,130	$2,726,672,274

See accompanying notes to consolidated financial statements.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:		
Net patient service revenue	$2,032,240,759	$1,862,432,266
Rental revenue	8,355,297	9,088,511
Other operating revenue	26,182,565	27,792,758
Total unrestricted revenues, gains and other support	2,066,778,621	1,899,313,535
EXPENSES:		
Wages, salaries and benefits	879,117,889	780,632,181
Supplies	238,574,796	240,326,478
Malpractice and other insurance	76,049,531	25,593,763
Administrative and general	333,790,341	332,879,995
Provision for doubtful accounts	263,374,536	262,142,828
Depreciation and amortization	107,186,290	96,270,200
Interest	29,083,892	24,316,980
Total expenses	1,927,177,275	1,762,162,425
INCOME FROM OPERATIONS	139,601,346	137,151,110
OTHER INCOME (EXPENSE):		
Investment income (loss)	1,065,871	(210,381,349)
Other income - net	247,389	2,207,413
Total other income (expense)	1,313,260	(208,173,936)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE MINORITY INTEREST AND INCOME TAX PROVISION (BENEFIT)	140,914,606	(71,022,826)
MINORITY INTEREST	(6,084,684)	(1,221,047)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE INCOME TAX PROVISION (BENEFIT)	134,829,922	(72,243,873)
INCOME TAX PROVISION (BENEFIT)	3,504,201	(532,601)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$131,325,721	($71,711,272)

See accompanying notes to consolidated financial statements.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses (expenses over revenues)	$131,325,721	($71,711,272)
Net assets released from restrictions used for property and equipment acquisitions	1,387,039	9,824,718
Change in value of split-interest agreements	(114,843)	(114,677)
Transfers from temporarily restricted net assets	96,347	303,459
Changes in accumulated postretirement benefit obligation other than periodic benefit cost	(3,891,803)	6,808,103
Increase (Decrease) in unrestricted net assets	128,802,461	(54,889,669)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	3,439,714	7,368,993
Change in value of split-interest agreements	(88,444)	(21,832)
Restricted income on temporarily restricted contributions	330,094	252,135
Net assets released from restrictions	(2,396,668)	(11,966,386)
Transfers to unrestricted net assets	(96,347)	(303,459)
Transfers to permanently restricted net assets	(175,100)	
Provision for and write-off of prior years' pledges	(523,912)	(230,421)
Increase (Decrease) in temporarily restricted net assets	489,337	(4,900,970)
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	161,797	857,746
Transfer from temporarily restricted net assets	175,100	
Increase in permanently restricted net assets	336,897	857,746
INCREASE (DECREASE) IN NET ASSETS	129,628,695	(58,932,893)
NET ASSETS, BEGINNING OF YEAR	1,436,188,889	1,495,121,782
NET ASSETS, END OF YEAR	$1,565,817,584	$1,436,188,889

See accompanying notes to consolidated financial statements.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$129,628,695	($58,932,893)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	107,186,290	96,270,200
Provision for doubtful accounts	263,374,536	262,142,828
Accretion of bond premium	(1,359,216)	(1,406,693)
Deferred income tax	236,518	(1,730,103)
Realized losses on investments - net	119,492,481	6,467,167
Change in net unrealized gains and losses	(88,437,667)	237,430,772
Minority interest	6,084,684	1,221,047
Loss on disposal of assets - net	1,264,541	1,771,581
Changes in accumulated postretirement benefit obligation other than periodic benefit cost	3,891,803	(6,808,103)
Changes in assets and liabilities:		
Net increase in accounts receivable	(281,577,592)	(288,494,969)
Net decrease in other assets, goodwill and other intangible assets	1,392,039	7,541,817
Net (decrease) increase in accounts payable	(19,204,204)	9,078,925
Net decrease in estimated third-party payor settlements	(802,636)	(584,532)
Net increase in accrued expenses and other liabilities	88,688,830	5,915,639
Net cash provided by operating activities	329,859,102	269,882,683
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(153,176,230)	(204,728,133)
Purchase of Galloway Endoscopy Center	(19,650,603)	
Purchase of limited partnership interests	(98,636)	(180,000)
Sale of limited partnership interests	80,511	76,957
Purchase of investments	(1,593,599,893)	(1,607,140,254)
Proceeds from sales and maturities of investments	1,426,510,360	1,593,583,913
Net cash used in investing activities	(339,934,491)	(218,387,517)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(9,520,323)	(8,910,000)
Partnership distribution	(3,457,717)	(1,217,000)
Net cash used in financing activities	(12,978,040)	(10,127,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,053,429)	41,368,166
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	62,202,904	20,834,738
CASH AND CASH EQUIVALENTS, END OF YEAR	$39,149,475	$62,202,904
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest - net of amounts capitalized	$30,393,381	$25,562,319
Cash paid for income taxes	$2,831,000	$2,113,000

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Baptist Health South Florida, Inc. ("BHSF" or "Baptist Health"), a not-for-profit Florida corporation located in Miami-Dade County, Florida, is the parent of a system of not-for-profit hospitals and other not-for-profit and for-profit corporations.

Mission - The mission of Baptist Health is to improve the health and well-being of individuals, and to promote the sanctity and preservation of life, in the communities it serves. Baptist Health is a faith-based organization guided by the spirit of Jesus Christ and the Judeo-Christian ethic, and is committed to maintaining the highest standards of clinical and service excellence, rooted in the utmost integrity and moral practice. Consistent with its spiritual foundation, Baptist Health is dedicated to providing high-quality, cost-effective, compassionate healthcare services to all, regardless of religion, creed, race or national origin, including, as permitted by its resources, charity care to those in need.

Organization - The not-for-profit hospitals comprising BHSF are Baptist Hospital of Miami, Inc. ("Baptist Hospital"), Doctors Hospital, Inc. ("Doctors Hospital"), Homestead Hospital, Inc. ("Homestead Hospital") and South Miami Hospital, Inc. ("South Miami Hospital"), all located in south Miami-Dade County, Florida, and Mariners Hospital, Inc. ("Mariners Hospital") located in Monroe County, Florida (collectively, the "BHSF Hospitals"). BHSF also includes Baptist Outpatient Services, Inc. ("BOS"), a not-for-profit Florida corporation, which owns and operates a large diagnostic and imaging center located on the Baptist Hospital campus, eleven satellite urgent care and diagnostic imaging facilities in Miami-Dade and Broward Counties, and a home health agency; and Baptist Health South Florida Foundation, Inc. (the "Foundation"), a Florida not-for-profit corporation, whose purpose is to raise funds for the BHSF Hospitals and BOS.

Baptist Health Enterprises, Inc. ("BHE") is a for-profit Florida corporation, which is wholly owned by BHSF. BHE's lines of business include real estate and outpatient surgery centers. BHE is the general partner and the owner of the limited partnership interests in Kendall Professional Center, Ltd., doing business as Baptist Medical Arts Building ("BMAB"), a Florida limited partnership that owns a professional office building and parking garage, located adjacent to Baptist Hospital on land leased from Baptist Hospital. BHE owns 100% of the stock of BMAB East Tower, Inc. ("East Tower"), a for-profit Florida corporation which owns a second medical office building, located adjacent to Baptist Hospital on land leased from Baptist Hospital. BHE also owns a medical office building and parking garage, located on the South Miami Hospital campus on land leased from South Miami Hospital. Other wholly-owned subsidiaries of BHE include Kendall Credit and Business Service, Inc., an entity that provides collection services, Baptist Medical Services, Corp. and Baptist Ancillary Services, Inc. Baptist Medical Services, Corp. owns a 66% interest in BHS Ambulatory Surgical Center at Baptist, Ltd., doing business as Medical Arts Surgery Center ("MASC at Baptist"), a free-standing surgery center, located within the East Tower medical office building. Baptist Ancillary Services, Inc. is the corporate parent of Baptist Ambulatory Services, Inc. ("BAS"), a wholly-owned subsidiary which was the general partner and owned an 83% interest in Medical Arts Surgery Center at South Miami, LP ("MASC at South Miami"), a Florida limited partnership. The partnership established a multi-specialty ambulatory surgical center, located within the medical office building on the South Miami Hospital campus. In August 2008, the partnership reorganized as a limited liability corporation and became Baptist Surgery and Endoscopy Centers, LLC ("BSEC") with BAS becoming the managing member and owning an 89% interest. As part of this change, BSEC became organized as one partnership which holds investments in several ambulatory surgery center divisions, one of which is MASC at South Miami. In January 2009, BSEC created the Galloway Endoscopy Center ("GEC") as a new division of BSEC. The creation of this division coincided with BSEC's acquisition of the Ambulatory Surgical Center of Miami, LLLP for $19,150,000 and a 51% interest in GEC. GEC operates as a free-standing, single-specialty surgery center specializing in outpatient endoscopy procedures. In August 2009, BHE established Baptist Sleep Centers, LLC, a Florida single-member limited liability company which is expected to commence operations in fiscal year 2010.

In September 2002, BHSF formed Pineapple Insurance Company ("PIC"), a single-parent, Cayman Islands captive insurance company, to facilitate BHSF's professional and general liability, self-insurance and property insurance programs, including contracting for reinsurance (see Note 8). During fiscal year 2008, PIC filed a 953(d) election to be treated as a United States taxpayer with the Internal Revenue Service. The election was approved by the IRS and is effective for tax years beginning October 1, 2007. In September 2004, BHSF formed Aesculapius Insurance Company ("Aesculapius"), a single-parent, Cayman Islands captive insurance company, to provide professional liability insurance, at market rates, as an alternative for hospital-based physicians and allied health care professionals. In November 2009, Aesculapius was voluntarily liquidated and remaining funds were transferred to BHSF. In January 2006, Samaritan Risk Retention Group, Inc. ("SRRG") was licensed to transact business under the laws of the State of South Carolina. SRRG is also chartered as a risk retention group and is registered to conduct business in the State of Florida. SRRG was organized for the purpose of offering professional liability insurance to physicians who meet the company's underwriting requirements, are Florida-licensed, practicing physicians and have privileges to treat patients at BHSF facilities. In March 2006, SRRG issued a surplus note in the amount of $5,000,000 to BHSF. Until the note is satisfied, the governing Board of Directors of SRRG is elected by proxy and controlled by BHSF.

In April 2005, Baptist Cardiac & Vascular Institute Management Company, LLC (the "BCVI Management Company"), a Florida limited liability corporation, was formed. Baptist Hospital has a 50% interest in the BCVI Management Company, which was established to provide management services for the Baptist Cardiac and Vascular Institute, in order to improve clinical performance and achieve operational efficiency. Baptist Hospital's investment in the BCVI Management Company is accounted for using the equity method. At September 30, 2009 and 2008, Baptist Hospital's investment in the BCVI Management Company was approximately $1,368,000 and $1,248,000, respectively, and is recorded in other assets in the accompanying consolidated balance sheets.

BHSF or a BHSF Hospital controls several affiliated physician practices ("Physician Practices") as the sole member or through contractual arrangements. These Physician Practices provide a variety of specialty physician services.

Basis of Presentation - The consolidated financial statements include the accounts of BHSF, the BHSF Hospitals, BOS, Physician Practices, the Foundation, BHE and its wholly-owned subsidiaries, PIC, Aesculapius and SRRG. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to: recognition of net patient service revenue; valuation of accounts receivable, including contractual allowances and provisions for doubtful accounts; reserves for losses and expenses related to employee health care and professional and general liability risks; asset impairments, including goodwill; and estimated third-party settlements. Future events and their effects cannot be predicted with certainty; accordingly, management's accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the accompanying consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. Management regularly evaluates the accounting policies and estimates it uses. In general, management relies on historical experience and on other assumptions believed to be reasonable under the circumstances, and may employ outside experts to assist in the evaluation, as considered necessary. Although management believes all adjustments considered necessary for fair presentation have been included, actual results may vary from those estimates.

Community Benefits - In pursuing its mission, BHSF provides services to the financially disadvantaged and to the broader community in which it operates, despite the lack or adequacy of payment for those services. These services are categorized as follows:

Charity Care - BHSF provides a level of charity care that is consistent with the needs of the community it serves and the financial resources that are available. All or a portion of the charges incurred at established rates are classified as charity by reference to BHSF's established policies. Essentially, these policies define charitable services as those for which no payment is anticipated. In assessing a patient's ability to pay, BHSF utilizes generally recognized poverty income levels for the respective community, but also includes certain cases where incurred charges are considered to be beyond the patient's ability to pay. In addition, BHSF provides services to other indigent patients under various state and local programs which pay health care providers amounts which are less than the cost of the services provided. Because BHSF does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue in the accompanying consolidated financial statements (see Note 2).

Other Community Benefits - BHSF has entered into agreements to pay certain physician specialists for care they provide to BHSF's charity care patients. In addition to the services that are provided to the financially disadvantaged, BHSF provides services to the broader community. These services include educational programs, community information on health services, donations and the cost of care in excess of payments for patients under federal and state programs.

Treasury Policy - BHSF has a system-wide treasury policy, which recognizes its responsibility to oversee, manage, and coordinate all affiliate operations, including the treasury functions. BHSF serves as the centralized cash receipt and disbursing agent for all BHSF entities. The treasury policy provides that each BHSF affiliate's unrestricted cash and investments be transferred to BHSF, and that BHSF shall provide or arrange for advances and loans to its affiliates and will utilize the cash and investments held by it to provide financial support for the BHSF Hospitals and the other corporations comprising the system. These transfers have been eliminated in consolidation. Debt and related issuance costs are allocated to affiliates based on the use of debt proceeds.

New Accounting Pronouncements - In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162* ("SFAS 168"). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with accounting principle generally accepted in the United State of America. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Upon adoption of SFAS168, financial statement disclosures are required to reference the new Accounting Standards Codification ("ASC").

In May 2009, FASB issued SFAS No. 165, *Subsequent Events,* ASC 855-10 ("SFAS 165"). SFAS 165 codifies the guidance regarding disclosure of events occurring subsequent to the balance sheet date. SFAS 165 does not change the definition of a subsequent event (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) but requires disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009, and applied prospectively. BHSF adopted SFAS 165 in April 2009, and since SFAS 165 requires only additional disclosures concerning subsequent events, the adoption of the standard did not impact the results of BHSF's consolidated financial statements. BHSF evaluated subsequent events through the date the accompanying consolidated financial statements were issued, which was December 18, 2009, and no additional disclosures were required.

In April 2009, FASB issued SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions*, ("SFAS 164"). SFAS 164 provides guidance on accounting for a combination of not-for-profit entities. SFAS 164 is effective for mergers for which the merger date is on or after the beginning of an initial reporting period beginning on or after December 15, 2009, and acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. BHSF has not determined the impact to its consolidated financial statements from the adoption of this statement.

In December 2007, FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an Amendment of Accounting Research Bulletin No. 51*, ASC 810-10 ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for for-profit organizations for fiscal years beginning after December 15, 2008. The for-profit affiliates of BHSF have not determined the impact to their financial statements from the adoption of this statement.

In November 2008, the Emerging Issues Task Force ("EITF") of the FASB ratified the consensus reached in EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations,* ASC 323-10 ("EITF 08-6"). The application of the equity method is affected by the accounting for business combinations and the accounting for consolidated subsidiaries. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008. BHSF has not determined the impact to its consolidated financial statements from the adoption of EITF 08-6.

In August 2008, FASB issued FASB Staff Position FAS No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ASC 958-205 ("FSP FAS 117-1"). FSP FAS 117-1 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. FSP FAS 117-1 also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA. FSP FAS 117-1 is effective for fiscal years ending after December 15, 2008. (See Note 7.)

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, cash in depository accounts and amounts invested in highly liquid debt instruments with original maturities of three months or less, excluding assets whose use is limited. BHSF maintains amounts on deposit with various financial institutions, which exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and BHSF has not experienced any losses on such deposits.

Inventories - Inventories, consisting primarily of pharmaceutical, medical, and surgical supplies, are stated at average cost.

Assets Whose Use is Limited and Other Investments - Assets whose use is limited include assets set aside by the Board of Trustees for future capital improvements and education, over which the Board retains control and may at its discretion subsequently use for other purposes, assets held under a reinsurance trust agreement, insurance surplus reserves and assets held by a trustee under bond indenture agreements. Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. Other investments are held by the Foundation and include certain assets whose use is restricted by donors (see Note 3).

BHSF manages the investment function based upon a comprehensive written investment policy approved by the Board of Trustees that provides for a diversified investment portfolio based upon return, risk, social values and projected liquidity requirements. Investment results, portfolio allocations and investment policy compliance are regularly reviewed with the Investment Review Committee of the Board of Trustees.

BHSF holds certain financial instruments with derivative features, including forward foreign exchange contracts. BHSF records these derivatives at fair value in its consolidated balance sheets and records the changes in fair value of the derivatives as realized gains or losses in investment income (loss) in the consolidated statements of operations. The change in fair value of derivative instruments held by BHSF resulted in an increase in investment income of approximately $852,000 and $1,157,000 for the years ended September 30, 2009 and 2008, respectively. BHSF also holds various hybrid financial instruments with embedded derivative features, including convertible preferred stock and convertible bonds.

BHSF records a liability for forward foreign exchange contracts that are in a loss position. The obligations arising from such transactions are recorded on a trade-date basis and carried at current market values. The majority of these transactions are settled on a short-term basis. Forward foreign exchange contracts that are not subject to a master netting agreement represent obligations to settle the contract at a rate above the current market exchange rate. At September 30, 2009 and 2008, forward foreign exchange contract obligations totaled approximately $1,318,000 and $680,000, respectively, and are recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

Derivatives may expose BHSF to market risk or credit risk in excess of the amounts recorded in the consolidated balance sheets. Market risk on a derivative or foreign exchange product is the exposure created by potential fluctuations in interest rates, foreign exchange rates and other values, and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility. Credit risk is the exposure to loss in the event of non-performance by the other party to the transaction, where the value of collateral held, if any, was not adequate to cover such losses. Management does not believe that there are significant market or credit risks associated with these transactions, given BHSF's investment strategies and the overall characteristics of its investment portfolio.

BHSF holds alternative investment interests in two limited partnerships. One of the partnerships was established to invest in a broad range of infrastructure and infrastructure-related assets located in member countries of the Organization for Economic Co-Operation and Development with a primary focus on the United States, Canada, Western Europe and Australia. The second partnership was established to construct and manage a well-diversified portfolio of publicly-traded equity securities issued by real estate investment trusts and other publicly-held real estate companies in North America, Europe and Asia. These partnership interests are accounted for using the equity method and reported at fair value. All changes in BHSF's ownership interest are reflected in investment income (loss). The carrying value of BHSF's interest in these partnerships as of September 30, 2009 and 2008, was approximately $79,107,000 and $96,924,000, respectively (see Note 3).

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Property and Equipment - Net - Property and equipment are stated at cost or, if donated, at fair market value on the date of donation, less the allowance for depreciation. Depreciation is computed on the straight-line method using estimated useful lives ranging from 2 to 40 years. Expenditures that materially increase values, change capacities or extend useful lives are capitalized, as are interest costs, during the period of construction. For those qualifying assets for which construction is funded with tax-exempt borrowings, BHSF capitalizes interest cost until the assets are ready for their intended use. Any interest earned on interest-bearing investments acquired with proceeds of the tax-exempt borrowings is recorded as an offset to capitalized interest costs. Gains and losses on dispositions are recorded in the year of disposal.

Gifts of long-lived assets, such as land, buildings or equipment, are reported as a direct addition to unrestricted net assets, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily or permanently restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Property and equipment are more fully described in Note 4.

BHSF evaluates long-lived assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed by comparing their carrying value to the expected discounted cash flow prior to any write-down. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. Management has determined there was no impairment of long-lived assets during fiscal years 2009 and 2008.

Malpractice Liability Claims - Provisions for losses related to malpractice liability risks are based upon actuarially determined estimates and represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective balance sheet dates. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are reviewed and adjustments are recorded as experience develops or new information becomes known.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those for which use has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those for which use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of BHSF or its affiliates (see Note 7).

Excess of Revenues Over Expenses (Expenses Over Revenues) - The consolidated statements of operations include excess of revenues over expenses (expenses over revenues). Changes in unrestricted net assets which are excluded from excess of revenues over expenses (expenses over revenues), consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), changes in the value of split-interest agreements, transfers from temporarily restricted net assets, and changes in accumulated postretirement benefit obligation other than periodic benefit cost.

Donor-Restricted Gifts - Unconditional promises to give cash and other assets to BHSF and its affiliates are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. Net assets released from restrictions used for operations are included in excess of revenues over expenses (expenses over revenues). Net assets released from restrictions used to purchase property and equipment are reported as a change in net assets.

Goodwill - Goodwill represents the excess of purchase price and related costs over the value assigned to net tangible assets and identifiable intangible assets of businesses acquired and accounted for under the purchase accounting method. Goodwill has arisen from various acquisitions by affiliates of BHSF (see Note 5).

Deferred Bond Issue Costs and Bond Premium - Deferred bond issue costs and bond premium are being amortized and accreted using the bonds-outstanding method. For the years ended September 30, 2009 and 2008, amortization of bond issue costs totaled approximately $202,000 and $203,000, respectively. Accretion of bond premium totaled approximately $1,359,000 and $1,407,000, for the years ended September 30, 2009 and 2008, respectively.

Indigent Care Assessment - The Health Care Consumer Protection and Awareness Act of 1984 created a fund to provide for the treatment of indigent patients. Hospitals in the State of Florida are required to pay into the fund an amount equal to 1.5% of net inpatient revenue and 1% of net outpatient revenue.

Income and Other Taxes - BHSF, BHSF Hospitals, BOS and the Foundation are not-for-profit corporations and are recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. The income tax provision (benefits) for BHE, PIC and SRRG are based on amounts estimated to be currently payable and those deferred because of temporary differences between the financial statement reporting bases and the tax bases of assets and liabilities (see Note 12). Taxes collected from patients, tenants, customers and others concurrent with specific revenue-producing transactions and subsequently remitted to governmental authorities are recorded on a net basis and excluded from revenues.

Asset Retirement Obligations - BHSF has various conditional asset retirement obligations for the removal of asbestos. The carrying amount of the obligations for the years ended September 30, 2009 and 2008, totaled approximately $1,728,000 and $1,855,000, respectively. For the years ended September 30, 2009 and 2008, BHSF settled obligations of approximately $225,000 and $355,000, respectively.

2. NET PATIENT SERVICE REVENUE

Net patient service revenue is recorded based upon established billing rates less allowances for contractual adjustments. Revenue is recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payors, including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. The bases for payment under these agreements include prospectively determined rates per diagnosis, per diem or per procedure rates, or discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Federal regulations require submission of annual cost reports covering medical costs and expenses associated with the services provided by each facility to program beneficiaries. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to BHSF under these payment programs. These audits often require several years to reach the final determination of amounts earned under the programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Such audits of the Medicare cost reports have been completed for Mariners Hospital for fiscal years through 2007, and all other BHSF Hospitals for fiscal years through 2006. Medicaid audits have been completed for all BHSF Hospitals for all fiscal years through 2006.

Net patient service revenue recognized for medical services rendered includes adjustments resulting from reviews and audits of prior year Medicare cost reports and subsequent payment experience from patients and third-party payors. Such adjustments are considered in the recognition and estimation of revenue in the periods the adjustments become known or as cost report years are no longer subject to reviews and audits. The combined effect from changes in estimates related to payment experience from patients and third-party payors was an increase in net patient service revenue of approximately $25,508,000 and $23,680,000 for the years ended September 30, 2009 and 2008, respectively.

BHSF provides charity care to patients who are financially unable to pay for the health care services they receive and who are unable to access federal or state entitlement programs. BHSF does not pursue collection of amounts determined to qualify as charity care and does not report such amounts as revenue. Uninsured patients treated at BHSF who have income at or below 500% of the federal poverty level may be eligible for charity care. Uninsured patients whose income exceeds 500% of the federal poverty level also may be eligible for charity care, if incurred charges are considered beyond the patient’s ability to pay. The federal poverty level is established by the federal government and is based on income and family size. The level of charity care (charges foregone) during the years ended September 30, 2009 and 2008, based on established rates was approximately $270,760,000 and $222,402,000, respectively.

BHSF receives payments for services rendered from government agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers and patients. During the years ended September 30, 2009 and 2008, approximately 13% and 12%, respectively, of BHSF’s net patient service revenue related to patients participating in the Medicare program. BHSF recognizes that revenues and receivables from the Medicare program are significant to its operations, but does not believe that there are significant credit risks associated with this federal program. BHSF does not believe that there are any other significant concentrations of revenues from any particular payor that would subject it to any significant credit risks in the collection of its accounts receivable.

The concentration of net patient service accounts receivable by payor class, as a percentage of total net patient service accounts receivable, at September 30, 2009 and 2008, was as follows:

	2009	2008
Medicare	12%	11%
Managed care	75	72
Medicaid	3	7
Other third-party payors	7	8
Patients	3	2
Total	100%	100%

BHSF records a provision for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. BHSF estimates this allowance based on the aging of its accounts receivable and historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators. Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The combined effect from changes in estimates related to recoveries was an increase in income from operations of approximately $30,833,000 and $29,539,000 for the years ended September 30, 2009 and 2008, respectively.

The following summarizes the activity in BHSF's allowance for doubtful accounts for the years ended September 30, 2009 and 2008:

	2009	2008
Balance, beginning of year	$161,867,700	$117,979,116
Provision, during the year	263,374,536	262,142,828
Accounts written off (net of recoveries)	(257,358,592)	(218,254,244)
Balance, end of year	$167,883,644	$161,867,700

3. ASSETS WHOSE USE IS LIMITED AND OTHER INVESTMENTS

Assets whose use is limited and other investments at September 30, 2009, are set forth in the following table and stated at fair value:

	Assets Whose Use is Limited	Other Investments	Total
Cash and short-term investments	$378,688,161	$3,594,323	$382,282,484
U.S. Treasury obligations	49,707,172	1,984,118	51,691,290
U.S. Agency obligations	72,424,348	2,763,285	75,187,633
Municipal bonds	101,556	3,957	105,513
Corporate equity instruments	395,271,845	16,104,022	411,375,867
Corporate bonds	244,537,670	10,512,118	255,049,788
Foreign government bonds	141,444,639	5,510,830	146,955,469
Foreign municipal bonds	14,996,540	584,281	15,580,821
Foreign corporate bonds	88,548,902	3,377,642	91,926,544
Foreign exchange contracts	1,633,018	63,624	1,696,642
Global properties securities fund	40,540,924	1,579,517	42,120,441
Infrastructure fund	35,552,889	1,433,902	36,986,791
Total	$1,463,447,664	$47,511,619	$1,510,959,283

Assets whose use is limited and other investments at September 30, 2008, are set forth in the following table and stated at fair value:

	Assets Whose Use is Limited	Other Investments	Total
Cash and short-term investments	$375,391,822	$5,834,792	$381,226,614
U.S. Treasury obligations	43,596,594	1,891,256	45,487,850
U.S. Agency obligations	48,639,687	1,956,423	50,596,110
Municipal bonds	96,754	3,889	100,643
Corporate equity instruments	504,486,102	23,139,388	527,625,490
Corporate bonds	145,987,635	6,072,356	152,059,991
Foreign government bonds	62,655,631	2,814,643	65,470,274
Foreign municipal bonds	8,455,328	341,686	8,797,014
Foreign corporate bonds	46,062,640	1,894,770	47,957,410
Foreign exchange contracts	648,563	30,831	679,394
Global properties securities fund	46,001,644	1,216,130	47,217,774
Infrastructure fund	45,706,000	2,000,000	47,706,000
Total	$1,327,728,400	$47,196,164	$1,374,924,564

The following is the composition of assets whose use is limited at September 30, 2009 and 2008:

	2009	2008
Board designated for:		
Funded depreciation	$1,210,155,543	$1,046,197,970
Education	335,043	335,043
Total Board designated:	1,210,490,586	1,046,533,013
Cash and short-term investments held by trustee under bond indenture agreement	243,798,311	272,320,200
Cash and short-term investments held under reinsurance trust agreement	1,821,830	1,915,458
Insurance reserves	7,336,937	6,959,729
Total	1,463,447,664	1,327,728,400
Less amount required for current liabilities	(430,135)	(352,997)
Assets whose use is limited	$1,463,017,529	$1,327,375,403

Assets held by a trustee under a bond indenture agreement include a project fund with unexpended bond proceeds (see Note 6). At September 30, 2009 and 2008, the balance in the project fund was approximately $243,773,000 and $272,296,000, respectively.

Other investments represent assets of the Foundation. At September 30, 2009 and 2008, other investments in the amount of approximately $22,399,000 and $20,856,000, respectively, were temporarily restricted as to use by donors, and approximately $10,737,000 and $9,685,000, respectively, were permanently restricted as to use by donors.

Investment income and gains and losses for assets whose use is limited, other investments and cash and cash equivalents are comprised of the following for the years ended September 30, 2009 and 2008:

	2009	2008
Investment income (loss):		
Interest and dividends income	$32,120,685	$33,516,590
Realized gains on sales of securities	73,402,399	107,797,897
Realized losses on sales of securities	(192,894,880)	(114,265,064)
Change in net unrealized gains and losses	88,437,667	(237,430,772)
Investment income (loss)	$1,065,871	($210,381,349)
Other changes in temporarily restricted net assets:		
Investment income	$281,964	$215,372
Realized gains on investments - net	48,130	36,763
Total	$330,094	$252,135

4. PROPERTY AND EQUIPMENT - NET

Property and equipment at September 30, 2009 and 2008, are summarized as follows:

	2009	2008
Land and land improvements	$154,600,845	$154,233,359
Buildings and improvements	793,795,806	674,694,617
Equipment	690,623,590	626,137,791
Total	1,639,020,241	1,455,065,767
Less accumulated depreciation	(689,717,999)	(612,976,631)
Total	949,302,242	842,089,136
Construction in progress	83,687,956	146,442,891
Property and equipment - net	$1,032,990,198	$988,532,027

Interest costs incurred during fiscal years 2009 and 2008 were approximately $37,978,000 and $38,461,000, respectively. Interest capitalized was approximately $1,834,000 and $1,343,000 during fiscal years 2009 and 2008, respectively. Capitalized interest was net of approximately $7,060,000 and $12,801,000 of interest income earned on temporary investments of bond proceeds during fiscal years 2009 and 2008, respectively. Depreciation expense on property and equipment for the years ended September 30, 2009 and 2008, amounted to approximately $106,093,000 and $95,251,000, respectively.

In July 2008, Homestead Hospital completed and occupied a new patient floor, increasing its licensed beds from 120 to 142. The cost to build out this new patient floor was approximately $8,000,000, which was funded from a portion of the proceeds of the tax-exempt borrowing in fiscal year 2007. (See Note 6.)

In October 2008, Baptist Hospital completed construction of a replacement emergency department and a new 96-bed tower on its campus, the combined cost of which was approximately $122,200,000. A portion of the proceeds from tax-exempt borrowings in 1998 and 2004 was used to partially fund construction of the Emergency Department, and a portion of the proceeds from the fiscal year 2007 tax-exempt borrowing was used to partially fund construction of the bed tower. (See Note 6.)

5. GOODWILL

Goodwill of approximately $29,351,000 arose from the acquisition of Doctors Hospital by South Miami Hospital on October 18, 2003. In accordance with accounting principles generally accepted in the United States of America, the goodwill arising from this transaction is being amortized on a straight-line basis over thirty years. Amortization of goodwill was approximately $978,000 in fiscal years 2009 and 2008 and is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Goodwill has arisen from various acquisitions by BHE, including approximately $17,554,000 from the acquisition of GEC on January 1, 2009 (see Note 1). BHE's goodwill is not amortized ratably and is subject to at least an annual assessment for impairment by applying a fair-value based test, which is conducted each year as of September 30. There was no impairment of BHE's goodwill.

A roll forward of goodwill for the years ended September 30, 2009 and 2008, is listed below:

	2009	2008
Goodwill - net, beginning of year	$25,591,304	$26,569,662
Acquisition of GEC	17,553,837	
Current year amortization	(978,358)	(978,358)
Goodwill - net, end of year	$42,166,783	$25,591,304

6. LONG-TERM DEBT

Pursuant to a Master Trust Indenture, an obligated group (the "BHSF Obligated Group") was created, which at September 30, 2009, consisted of BHSF, the BHSF Hospitals and BOS. Each member of the BHSF Obligated Group is jointly and severally liable for all debt issued under the Master Trust Indenture.

On May 16, 2007, the BHSF Obligated Group issued through the City of South Miami Health Facilities Authority $800,000,000 of its Hospital Revenue Bonds, Series 2007 ("2007 Bonds") in accordance with the provisions of a new Master Trust Indenture dated as of May 1, 2007. The 2007 Bonds bear interest at rates ranging from 4.62% to 5.00%, payable semiannually each May 15 and August 15, and mature annually on August 15 through 2042. Payment of principal and interest on the 2007 Bonds is wholly dependent on the credit of the BHSF Obligated Group. Certain proceeds of the 2007 Bonds, together with other available funds, were used to refund outstanding bonds and pay expenses incurred in connection with the issuance of the 2007 Bonds; and the remaining proceeds are being used for the costs of acquiring, constructing, renovating, rehabilitating and equipping certain health care facilities of BHSF, including the construction and equipping of a new facility, West Kendall Baptist Hospital, to be located on 30 acres of land in southwest Miami-Dade County, Florida.

Under the Master Trust Indenture, the BHSF Obligated Group has certain restrictions on incurrence of additional debt and certain other covenants. At September 30, 2009, the BHSF Obligated Group was in compliance with all of its debt covenants.

A summary of long-term debt at September 30, 2009 and 2008, is as follows:

	2009	2008
2007 Bonds (including unaccreted bond premium: 2009 - $18,692,518; 2008 - $20,051,734)	$800,427,518	$811,141,734
Capital lease obligation	777,603	
Total	801,205,121	811,141,734
Less current maturities	(10,048,418)	(9,355,000)
Long-term debt	$791,156,703	$801,786,734

At September 30. 2009, the scheduled principal payments on long-term debt for the next five years and thereafter are as follows:

Year ending September 30	Revenue Bonds	Capital Lease Obligation	Total
2010	$9,820,000	$228,418	$10,048,418
2011	10,315,000	237,893	10,552,893
2012	10,830,000	247,762	11,077,762
2013	11,370,000	63,530	11,433,530
2014	11,940,000		11,940,000
Thereafter	727,460,000		727,460,000
Total	$781,735,000	$777,603	$782,512,603

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets are available for the following purposes at September 30, 2009 and 2008:

	2009	2008
Equipment and building fund	$21,496,206	$21,482,851
Indigent care	12,537,586	11,908,734
Health education	11,407,879	11,223,852
Temporarily and permanently restricted net assets	$45,441,671	$44,615,437

BHSF's endowment consists of temporarily- and permanently-restricted funds that have been limited by donors to a specific time period or purpose. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds received are included in assets whose use is limited and invested in accordance with BHSF's investment policy (see Note 1).

Management has interpreted FSP FAS 117-1 as requiring the preservation of the original fair value of donor-restricted gifts to the endowment funds. Accordingly, gifts donated to the permanently-restricted endowment are classified as permanently restricted net assets at their original fair value. Gifts donated to the temporarily-restricted endowment are classified as temporarily restricted net assets at their original value, until those amounts are appropriated for expenditure by the BHSF Hospitals or BOS in accordance with donors' wishes. Income derived from permanently and temporarily restricted net assets is expendable to support the BHSF Hospitals and BOS, absent explicit donor stipulations to the contrary.

8. MEDICAL MALPRACTICE AND GENERAL LIABILITY INSURANCE

BHSF is self-insured for professional and general liability coverage. Coverage in excess of the self-insurance limits, less coinsurance, is provided on a claims-made basis by PIC, which reinsures 100% of the professional and general liability risk with unrelated commercial insurance carriers. The adequacy of the coverage provided and the provisions for losses are reviewed quarterly by independent actuaries. Should the claims-made policies be terminated, or not renewed or replaced with equivalent insurance, claims based on incidents during their term, but reported subsequently, will be uninsured. At September 30, 2009 and 2008, BHSF has accrued undiscounted estimates of approximately $178,104,000 and $134,683,000, respectively, which represents the cost to settle malpractice and general liability claims reported and claims incurred but not reported. These estimates are included in accrued expenses and other current liabilities and other liabilities in the accompanying consolidated balance sheets.

During fiscal year 2008, BHSF experienced favorable development and settlement of outstanding professional liability claims. As a result, BHSF recognized a reduction to its malpractice and other insurance expense of approximately $24,156,000, which was recorded as a change in estimate in the fiscal year 2008 consolidated statement of operations.

9. EMPLOYEE BENEFITS PROGRAMS

BHSF subsidizes the cost of health insurance for its employees under two plan options. Employees may elect coverage through an unrelated insurance company or through a self-insured employee health plan. Under the self-insurance plan, all claims from employees and their dependents, less deductibles and coinsurance, as provided in the plan, are paid directly by BHSF to the plan administrators. BHSF has commercial insurance coverage for per occurrence claims and aggregate claims in excess of the self-insurance limits. BHSF has recorded liabilities for outstanding and estimated unreported claims of its employees covered under this plan as of September 30, 2009 and 2008, which are included in other accrued expenses and current liabilities in the accompanying consolidated balance sheets.

BHSF is self-insured for workers' compensation claims. BHSF purchases commercial insurance coverage for per occurrence workers' compensation claims in excess of the self-insurance limit. BHSF has recorded liabilities for outstanding and estimated unreported claims covered under this plan, which are included in other accrued expenses and current liabilities in the accompanying consolidated balance sheets.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

BHSF provides certain health care benefits for retired employees. Under accounting principles generally accepted in the United States of America, BHSF is required to accrue the estimated cost of retiree benefit payments during the years the employee provides service.

The following table sets forth the changes in benefit obligation, plan liability and funded status of the postretirement health care benefit plan for the years ended September 30, 2009 and 2008:

	2009	2008
Change in benefit obligation:		
Benefit obligation, beginning of year	$26,087,746	$28,960,886
Service cost	2,542,596	2,747,399
Interest cost	1,672,702	1,587,116
Benefits paid - net	(254,894)	(477,693)
Actuarial loss (gain)	3,769,680	(6,729,962)
Benefit obligation, end of year	$33,817,830	$26,087,746
Change in plan liability:		
Net plan liability, beginning of year	$26,087,746	$28,960,886
Other changes in benefit obligation recognized in net unrestricted assets	3,891,803	(6,808,103)
Net periodic benefit cost	4,093,175	4,412,656
Benefits paid - net	(254,894)	(477,693)
Net post retirement liability, end of year	$33,817,830	$26,087,746
Funded status of plan:		
Current assets	$0	$0
Noncurrent assets	$0	$0
Current liabilties	$637,976	$803,568
Noncurrent liabilities	$33,179,854	$25,284,178

Components of the net periodic benefit cost of the postretirement benefit plan for the years ended September 30, 2009 and 2008, consisted of the following:

	2009	2008
Service cost	$2,542,596	$2,747,399
Interest cost	1,672,702	1,587,116
Amortization of unrecognized prior service cost	72,953	78,141
Amortization of unrecognized gain	(195,076)	
Net periodic benefit cost	$4,093,175	$4,412,656

The following benefit payments, which reflect expected future service and expected benefit payments for services previously rendered relative to the postretirement benefit plan, are expected to be paid as follows:

Year ending September 30	
2010	$637,976
2011	$891,161
2012	$1,193,346
2013	$1,517,797
2014	$1,966,569
2015 - 2019	$17,788,125

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation of the medical plan at September 30, 2009, was 10.8% in 2010, declining gradually to 5.0% by the year 2021. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation of the medical plan at September 30, 2008, was 10.8% in 2009, declining gradually to 5.0% by the year 2020. The assumed discount rate used in determining the accumulated postretirement benefit obligation at September 30, 2009 and 2008, was 5.6% and 7.75%, respectively. A one-percentage point increase in the assumed health care cost trend rates would increase the total of service cost and interest cost components and the postretirement benefit obligation by approximately $591,000 and $638,000, respectively. A one-percentage point decrease in the assumed health care cost trend rates would decrease the total of service cost and interest cost components and the postretirement benefit obligation by approximately $504,000 and $540,000, respectively. The estimated amortization of prior service cost expected to be recognized in the fiscal year ending September 30, 2010, is approximately $58,000.

11. RETIREMENT PLAN

BHSF sponsors a defined contribution retirement plan (the "Plan") in which participation is available to substantially all full-time employees. Employees of BHSF, the BHSF Hospitals, BOS, the Foundation and BHE are eligible for participation in the Plan. Under the terms of the Plan, BHSF provides a basic contribution of 3% of the employee's gross salary. In addition, BHSF matches 50% of the amount the participating employee has contributed through a salary reduction agreement with BHSF. The maximum matching contribution is limited to 2% of the employee's gross salary. Provisions of the Plan include 100% vesting of BHSF contributions after three years of continuous service with benefits payable upon retirement, total disability or death. The funding levels for the Plan are subject to periodic determination by the Board of Trustees of BHSF. Costs incurred in connection with the Plan, for the years ended September 30, 2009 and 2008, were approximately $29,142,000 and $25,680,000, respectively, and are included in wages, salaries and benefits expense in the accompanying consolidated statements of operations.

12. INCOME TAXES

The components of the income tax provision (benefit) for the years ended September 30, 2009 and 2008, are as follows:

	2009	2008
Current income tax provision:		
Federal	$2,900,276	$1,129,303
State	367,407	68,199
Total current income tax provision	3,267,683	1,197,502
Deferred income taxes:		
Federal	219,611	(1,620,385)
State	16,907	(109,718)
Total deferred income taxes	236,518	(1,730,103)
Income tax provision (benefit)	$3,504,201	($532,601)

Deferred income taxes at September 30, 2009 and 2008, are provided for the temporary differences between the tax bases of the assets and liabilities of BHE, PIC and SRRG and their bases for financial reporting purposes.

The tax effects of temporary differences are as follows:

	2009	2008
Current deferred tax (liabilities) assets:		
Unrealized (gains) losses	($162,322)	$224,275
Realized losses	86,042	
Other current assets	41,384	47,377
Accrued liabilities and other	(2,543)	(680)
Total current deferred tax (liabilities) assets	(37,439)	270,972
Non-current deferred tax assets:		
Depreciation	1,134,677	1,171,125
Net unearned premiums	127,138	(1,346)
Loss and loss adjustment	181,248	171,823
Investment in unconsolidated subsidiaries	(252,329)	(112,562)
Start-up expenses	42,296	42,296
Interest on surplus note	395,716	285,517
Installment gain	(1,001,445)	(1,001,445)
Total non-current deferred tax assets	627,301	555,408
Total net deferred tax assets	$589,862	$826,380

The current accounting standards require that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their bases for financial reporting purposes. In addition, future tax benefits, such as minimum tax credit carry forwards, are required to be recognized to the extent that realization of such benefits is more likely than not.

13. LEASE AGREEMENTS

BHSF and its affiliates have lease agreements that provide for terms of five to twenty years and for renewals at rents to be negotiated. Rents are adjusted annually for changes in the Consumer Price Index.

The following is a schedule of the approximate minimum future rental income for the next five years and thereafter on noncancelable leases in effect at September 30, 2009:

Year ending September 30	
2010	$7,796,000
2011	5,889,000
2012	3,696,000
2013	3,095,000
2014	1,650,000
Thereafter	2,762,000
Total	$24,888,000

14. COMMITMENTS AND CONTINGENCIES

Construction - BHSF has made certain commitments associated with its continuous construction programs. BHSF's future construction expenditures related to these commitments in years subsequent to 2009 are currently estimated at $150,023,000. Actual construction expenditures may vary from these estimates.

Operating Leases - BHSF's operating leases are primarily related to its copy machines, miscellaneous medical equipment, and parking and office space. Copy machine and miscellaneous medical equipment leases are subject to automatic renewal at the end of their respective lease terms for successive one-year periods under renegotiated terms and conditions. BHSF leases parking and office space under agreements that provide for terms of three to thirty years and renewals at rates to be negotiated. Office space rents are adjusted annually for changes in the Consumer Price Index. Total lease expenses charged to operations for the years ended September 30, 2009 and 2008, amounted to approximately $17,759,000 and $16,962,000, respectively.

The following is a schedule of the approximate minimum future rental payments for the next five years and thereafter on noncancelable leases in effect at September 30, 2009:

Year ending September 30	
2010	$9,997,000
2011	8,612,000
2012	7,220,000
2013	5,029,000
2014	2,802,000
Thereafter	5,821,000
Total	$39,481,000

Litigation - BHSF is subject to claims and suits, including malpractice allegations, arising in the ordinary course of business. It is management's opinion, based on consultation with legal counsel and prior experience with similar cases, that the ultimate resolution of such suits now pending will not have a material adverse effect on BHSF's future financial position, results from consolidated operations or its cash flows.

Other Industry Risks - The health care industry is subject to numerous laws and regulations of federal, state and local governments, which are complex and subject to interpretation. Compliance with these laws and regulations, including those relating to the Medicare and Medicaid programs, can be subject to governmental review and interpretation. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations of laws and regulations by health care providers. Unfavorable outcomes related to possible future regulatory investigations could result in the imposition of significant monetary fines and civil and criminal penalties, as well as significant repayments of previously billed and collected revenue from patient services, and exclusion from participation in the Medicare and Medicaid programs.

15. FUNCTIONAL EXPENSES

BHSF provides general health care services to residents within its geographic location. Expenses related to providing these services during the years ended September 30, 2009 and 2008, are as follows:

	2009	2008
Health care services	$1,330,564,415	$1,213,615,825
Other operating expenses	596,612,860	548,546,600
Total	$1,927,177,275	$1,762,162,425

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets Whose Use is Limited and Other Investments - In October 2007, BHSF elected the fair value option for all investments in debt and equity securities which were previously accounted for as available-for-sale. At the time of adoption, securities for which the fair value option was elected totaled approximately $1,201,702,000. These securities, recorded at fair value, were included in the consolidated balance sheet in assets whose use is limited and other investments in the amounts of approximately $1,145,290,000 and $56,412,000, respectively. At the time of adoption, the amount of unrealized gains that were previously unrecognized in the consolidated statement of operations was approximately $160,063,000.

There was no change in the fair value of any instrument resulting from the implementation of SFAS 157. SFAS 157 creates a hierarchy of techniques used to determine fair value based on the types of inputs. Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are available as of the measuring date. Level 2 inputs are quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets other than quoted prices in Level 1 or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset or liability. Unobservable inputs reflect BHSF's own judgment about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. BHSF's Level 3 investment is valued using the discounted cash flow methodology.

The disclosure of fair value measurements as of September 30, 2009 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and short-term investments	$382,282,484			$382,282,484
U.S. Treasury obligations	51,691,290			51,691,290
U.S. Agency obligations	61,974,966	$13,212,667		75,187,633
Municipal bonds		105,513		105,513
Corporate equity instruments	411,075,356	300,511		411,375,867
Corporate bonds	222,044,602	33,005,186		255,049,788
Foreign government bonds	87,304,530	59,650,939		146,955,469
Foreign municipal bonds	2,824,881	12,755,940		15,580,821
Foreign corporate bonds	59,686,833	32,239,711		91,926,544
Foreign exchange contracts		1,696,642		1,696,642
Global properties securities fund		42,120,441		42,120,441
Infrastructure fund			$36,986,791	36,986,791
Total	$1,278,884,942	$195,087,550	$36,986,791	$1,510,959,283

The disclosure of fair value measurements as of September 30, 2008 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and short-term investments	$381,226,614			$381,226,614
U.S. Treasury obligations		$45,487,850		45,487,850
U.S. Agency obligations		50,596,110		50,596,110
Municipal bonds		100,643		100,643
Corporate equity instruments	527,599,214	26,276		527,625,490
Corporate bonds	8,255,451	143,804,540		152,059,991
Foreign government bonds		65,470,274		65,470,274
Foreign municipal bonds		8,797,014		8,797,014
Foreign corporate bonds	1,380,351	46,577,059		47,957,410
Foreign exchange contracts		679,394		679,394
Global properties securities fund		47,217,774		47,217,774
Infrastructure fund			$47,706,000	47,706,000
Total	$918,461,630	$408,756,934	$47,706,000	$1,374,924,564

For the years ended September 30, 2009 and 2008, BHSF had one alternative investment which is Level 3 on the fair value hierarchy.

A roll forward of the fair value of BHSF's Level 3 alternative investment for the years ended September 30, 2009 and 2008, is as follows:

	2009	2008
Balance, beginning of year	$47,706,000	$0
(Sales) Purchases	(773,091)	50,000,000
Realized and unrealized gains and losses - net	(9,946,118)	(2,294,000)
Balance, end of year	$36,986,791	$47,706,000

Long-Term Debt - The fair value of long-term debt is estimated using discounted cash flow analyses, based on BHSF's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value and estimated fair value of BHSF's long-term debt at September 30, 2009, was $801,205,121 and $803,553,000, respectively. The carrying value and estimated fair value of BHSF's long-term debt at September 30, 2008, was $811,141,734 and $696,640,000, respectively.

Other Assets and Liabilities - The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, and accrued expenses and other liabilities approximate fair value because of the short maturity of these instruments.

* * * * *

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION
SEPTEMBER 30, 2009

	Baptist Health South Florida, Inc.	Combined BHSF Hospitals	Baptist Outpatient Services, Inc.	Baptist Health Enterprises, Inc. & Subsidiaries	Combined Physician Practices	Combined Insurance Companies	Baptist Health South Florida Foundation, Inc.	Consolidating Entries	Consolidated
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$16,935,643	$43,225	$850	$7,866,658	$1,408,318	$12,758,802	$135,979		$39,149,475
Assets whose use is limited	95,092	335,043							430,135
Accounts receivable - net	256,900	198,547,829	10,832,897	4,149,378	2,040,570	1,260,464	10,411,572		227,499,610
Other current assets	18,292,572	26,065,321	2,920,554	975,995	400,051	5,536,979	1,099,548		55,291,020
Note receivable - affiliate				1,554,691				($1,554,691) (1)	0
Due from affiliates	1,657,964			1,131,196				(2,789,160) (1)	0
Total current assets	37,238,171	224,991,418	13,754,301	15,677,918	3,848,939	19,556,245	11,647,099	(4,343,851)	322,370,240
ASSETS WHOSE USE IS LIMITED	1,453,858,762					9,158,767			1,463,017,529
OTHER INVESTMENTS							47,511,619		47,511,619
PROPERTY AND EQUIPMENT - NET	220,643,036	702,135,505	37,335,566	70,714,100	2,131,001		30,990		1,032,990,198
BENEFICIAL INTEREST IN NET ASSETS OF BAPTIST HEALTH SOUTH FLORIDA FOUNDATION, INC.	7,964,565	48,606,756	468,614					(57,039,935) (2)	0
GOODWILL - NET		23,526,039		18,640,744					42,166,783
OTHER ASSETS	1,682,158	4,971,783	35,968	2,005,907	1,550	667,575	276,820		9,641,761
DUE FROM AFFILIATES	191,599,861							(191,599,861) (1)	0
NOTE RECEIVABLE - AFFILIATE	5,000,000			3,109,381				(8,109,381) (1)	0
INVESTMENT IN AFFILIATES	55,392,259							(55,392,259) (3)	0
TOTAL ASSETS	$1,973,378,812	$1,004,231,501	$51,594,449	$110,148,050	$5,981,490	$29,382,587	$59,466,528	($316,485,287)	$2,917,698,130
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES:									
Accounts payable	$19,864,530								$19,864,530
Estimated third-party payor settlements		$6,598,754							6,598,754
Current maturities of long-term debt	2,793,250	6,942,279	$84,471	$228,418					10,048,418
Accrued expenses and other liabilities	75,043,596	236,603,222	11,095,082	7,414,618	$4,082,316	$13,088,968	$2,242,318		349,570,120
Note payable - affiliate		1,554,691						($1,554,691) (1)	0
Due to affiliates		1,131,195				185,422	184,275	(1,500,892) (1)	0
Total current liabilities	97,701,376	252,830,141	11,179,553	7,643,036	4,082,316	13,274,390	2,426,593	(3,055,583)	386,081,822
LONG-TERM DEBT	224,885,596	558,921,103	6,800,819	549,185					791,156,703
OTHER LIABILITIES	7,066,327	157,724,707	2,977,119	1,836,401					169,604,554
DUE TO AFFILIATES		112,766,922		49,509,632	29,323,308	1,288,267		(192,888,129) (1)	0
NOTE PAYABLE - AFFILIATE		3,109,381				5,000,000		(8,109,381) (1)	0
Total liabilities	329,653,299	1,085,352,254	20,957,491	59,538,254	33,405,624	19,562,657	2,426,593	(204,053,093)	1,346,843,079
MINORITY INTEREST				5,037,467					5,037,467
NET ASSETS (DEFICIT):									
Unrestricted	1,630,760,948	(130,062,552)	30,168,344		(27,424,134)		16,933,307		1,520,375,913
Temporarily restricted	12,964,565	38,080,369	468,614				29,245,198	(46,178,505) (2)	34,580,241
Permanently restricted		10,861,430					10,861,430	(10,861,430) (2)	10,861,430
Total net assets (deficit)	1,643,725,513	(81,120,753)	30,636,958		(27,424,134)		57,039,935	(57,039,935)	1,565,817,584
STOCKHOLDER'S EQUITY:									
Capital stock ($1 par value)				3,000		2,400		(5,400) (3)	0
Additional paid-in capital				19,852,061		6,219,905		(26,071,966) (3)	0
Retained earnings				25,717,268		3,597,625		(29,314,893) (3)	0
Total stockholder's equity				45,572,329		9,819,930		(55,392,259)	0
Total net assets (deficit) and stockholder's equity	1,643,725,513	(81,120,753)	30,636,958	45,572,329	(27,424,134)	9,819,930	57,039,935	(112,432,194)	1,565,817,584
TOTAL LIABILITIES AND NET ASSETS (DEFICIT	$1,973,378,812	$1,004,231,501	$51,594,449	$110,148,050	$5,981,490	$29,382,587	$59,466,528	($316,485,287)	$2,917,698,130

Notes to supplemental consolidating entries:

(1) To eliminate intercompany receivables and payables.
(2) To eliminate beneficial interest in net assets of the Foundation.
(3) To eliminate equity in income, the investment balance in affiliates and the related stockholder's equity.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2009

	Baptist Health South Florida, Inc.	Combined BHSF Hospitals	Baptist Outpatient Services, Inc.	Baptist Health Enterprises, Inc. & Subsidiaries	Combined Physician Practices	Combined Insurance Companies	Baptist Health South Florida Foundation, Inc.	Consolidating Entries	Consolidated
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:									
Net patient service revenue		$1,840,974,940	$135,543,092	$34,470,672	$21,252,055				$2,032,240,759
Rental revenue				13,847,083				($5,491,786) (4,5)	8,355,297
Equity in affiliate	$3,233,670							(3,233,670) (3)	0
Other operating revenue	456,967,724	17,895,571	7,149,437	4,425,994	11,534	$5,069,571	$2,580,932	(467,918,198) (4)	26,182,565
Total unrestricted revenues, gains and other support	460,201,394	1,858,870,511	142,692,529	52,743,749	21,263,589	5,069,571	2,580,932	(476,643,654)	2,066,778,621
EXPENSES:									
Wages, salaries and benefits	188,910,228	628,001,624	24,306,465	13,133,646	22,036,177		2,729,749		879,117,889
Supplies	2,024,992	224,267,205	2,467,508	4,550,744	473,163		59,508	4,731,676 (5)	238,574,796
Malpractice and other insurance	74,792,290	73,086,559	1,080,366	557,558	1,257,243			(74,724,485) (4)	76,049,531
Administrative and general	132,764,738	502,999,150	50,968,806	14,527,806	6,682,788	3,829,109	1,346,765	(379,328,821) (4,5)	333,790,341
Provision for doubtful accounts		253,893,744	3,418,065	859,675	5,203,052				263,374,536
Depreciation and amortization	29,418,346	62,770,196	8,007,263	5,972,615	369,421		2,960	645,489 (5)	107,186,290
Interest	29,057,130	27,934,970	237,404	2,047,059		325,000		(30,517,671) (4)	29,083,892
Total expenses	456,967,724	1,772,953,448	90,485,877	41,649,103	36,021,844	4,154,109	4,138,982	(479,193,812)	1,927,177,275
INCOME (LOSS) FROM OPERATIONS	3,233,670	85,917,063	52,206,652	11,094,646	(14,758,255)	915,462	(1,558,050)	2,550,158	139,601,346
OTHER INCOME (EXPENSE):									
Investment income:									
Interest on affiliate advances	3,880,626			256,969				(4,137,595) (4)	0
Other investment income (loss)	542,070			62,982		573,201	(112,382)		1,065,871
Other income (expense)	17,277	1,784,301	89,049	2,995				(1,646,233) (4,5)	247,389
Total other income (expense)	4,439,973	1,784,301	89,049	322,946		573,201	(112,382)	(5,783,828)	1,313,260
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE MINORITY INTEREST AND INCOME TAX PROVISION	7,673,643	87,701,364	52,295,701	11,417,592	(14,758,255)	1,488,663	(1,670,432)	(3,233,670)	140,914,606
MINORITY INTEREST				(6,084,684)					(6,084,684)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES BEFORE INCOME TAX PROVISION	7,673,643	87,701,364	52,295,701	5,332,908	(14,758,255)	1,488,663	(1,670,432)	(3,233,670)	134,829,922
INCOME TAX PROVISION				2,759,064		745,137			3,504,201
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$7,673,643	$87,701,364	$52,295,701	$2,573,844	($14,758,255)	$743,526	($1,670,432)	($3,233,670)	$131,325,721

Notes to supplemental consolidating entries:

(3) To eliminate equity in income, the investment balance in affiliates and the related stockholder’s equity.
(4) To eliminate intercompany revenue and expense transactions.
(5) To reclassify rental income and expense of the BHSF Hospitals from Other income (expense) to Income from operations.

BAPTIST HEALTH SOUTH FLORIDA, INC. HOSPITALS

SUPPLEMENTAL COMBINING BALANCE SHEET INFORMATION
SEPTEMBER 30, 2009

	Baptist Hospital of Miami, Inc.	Doctors Hospital, Inc.	Homestead Hospital, Inc.	Mariners Hospital, Inc.	South Miami Hospital, Inc.	Combined
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$16,500	$7,525	$2,900	$2,000	$14,300	$43,225
Assets whose use is limited					335,043	335,043
Accounts receivable - net	101,227,790	20,452,843	22,030,505	3,796,742	51,039,949	198,547,829
Other current assets	12,855,861	3,564,230	2,511,589	731,122	6,402,519	26,065,321
Total current assets	114,100,151	24,024,598	24,544,994	4,529,864	57,791,811	224,991,418
PROPERTY AND EQUIPMENT - NET	296,485,438	91,299,394	142,033,323	26,644,262	145,673,088	702,135,505
BENEFICIAL INTEREST IN NET ASSETS OF BAPTIST HEALTH SOUTH FLORIDA FOUNDATION, INC.	26,139,149	1,886,672	2,435,490	3,890,056	14,255,389	48,606,756
GOODWILL - NET		23,526,039				23,526,039
OTHER ASSETS	2,978,721	521,080	791,321	67,381	613,280	4,971,783
TOTAL ASSETS	$439,703,459	$141,257,783	$169,805,128	$35,131,563	$218,333,568	$1,004,231,501
LIABILITIES AND NET ASSETS (DEFICIT)						
CURRENT LIABILITIES:						
Estimated third-party payor settlements		$1,643,814	$187,187	$2,500,820	$2,266,933	$6,598,754
Current maturities of long-term debt	$2,596,234	1,229,096	1,646,887	154,652	1,315,410	6,942,279
Accrued expenses and other liabilities	119,545,884	23,264,417	27,698,384	6,058,127	60,036,410	236,603,222
Note payable - affiliate	1,554,691					1,554,691
Due to affiliates	1,131,195					1,131,195
Total current liabilities	124,828,004	26,137,327	29,532,458	8,713,599	63,618,753	252,830,141
LONG-TERM DEBT	209,022,546	98,953,979	132,590,601	12,450,989	105,902,988	558,921,103
OTHER LIABILITIES	86,321,099	14,688,237	21,519,500	3,413,531	31,782,340	157,724,707
DUE TO AFFILIATES			104,502,346	8,264,576		112,766,922
NOTE PAYABLE - AFFILIATE	3,109,381					3,109,381
Total liabilities	423,281,030	139,779,543	288,144,905	32,842,695	201,304,081	1,085,352,254
NET ASSETS (DEFICIT):						
Unrestricted	(9,716,720)	(408,432)	(120,775,267)	(1,601,188)	2,439,055	(130,062,552)
Temporarily restricted	23,747,149	1,886,672	2,435,490	2,987,413	7,023,645	38,080,369
Permanently restricted	2,392,000			902,643	7,566,787	10,861,430
Total net assets (deficit)	16,422,429	1,478,240	(118,339,777)	2,288,868	17,029,487	(81,120,753)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$439,703,459	$141,257,783	$169,805,128	$35,131,563	$218,333,568	$1,004,231,501

BAPTIST HEALTH SOUTH FLORIDA, INC. HOSPITALS

SUPPLEMENTAL COMBINING STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2009

	Baptist Hospital of Miami, Inc.	Doctors Hospital, Inc.	Homestead Hospital, Inc.	Mariners Hospital, Inc.	South Miami Hospital, Inc.	Combined
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:						
Net patient service revenue	$875,535,686	$202,549,763	$238,518,706	$48,218,776	$476,152,009	$1,840,974,940
Other operating revenue	10,247,388	1,144,494	1,558,473	797,882	4,147,334	17,895,571
Total unrestricted revenues, gains and other support	885,783,074	203,694,257	240,077,179	49,016,658	480,299,343	1,858,870,511
EXPENSES:						
Wages, salaries and benefits	300,382,879	67,255,895	79,572,854	15,970,812	164,819,184	628,001,624
Supplies	118,653,768	25,531,346	17,070,004	3,999,913	59,012,174	224,267,205
Malpractice and other insurance	42,047,881	5,044,023	9,464,128	622,853	15,907,674	73,086,559
Administrative and general	235,233,439	51,937,762	63,901,119	16,718,000	135,208,830	502,999,150
Provision for doubtful accounts	97,797,245	22,598,747	78,745,135	10,462,615	44,290,002	253,893,744
Depreciation and amortization	25,593,348	8,078,919	11,040,405	1,791,742	16,265,782	62,770,196
Interest	10,136,533	4,750,029	7,910,484	584,982	4,552,942	27,934,970
Total expenses	829,845,093	185,196,721	267,704,129	50,150,917	440,056,588	1,772,953,448
INCOME (LOSS) FROM OPERATIONS	55,937,981	18,497,536	(27,626,950)	(1,134,259)	40,242,755	85,917,063
OTHER INCOME (EXPENSE)	992,803	(295,387)	(77,780)	291,161	873,504	1,784,301
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$56,930,784	$18,202,149	($27,704,730)	($843,098)	$41,116,259	$87,701,364