

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidated Balance Sheets
For the Periods Ended June 30, 2010 and June 30, 2009

	June 30, 2010	June 30, 2009
Current Assets:		
Cash	\$86,070,973	\$213,940,739
Marketable securities	213,199,728	173,049,265
Patient accounts receivable, net of estimated uncollectibles	184,555,530	168,449,827
Inventories	20,647,758	10,060,050
Prepaid expenses and other current assets	48,399,611	40,805,933
Assets available for sale	35,146,602	-
Assets limited as to use	25,064,431	50,711,619
Total current assets	<u>613,084,634</u>	<u>657,017,433</u>
Assets limited as to use:		
Held by trustees	26,518,660	35,242,560
Internally designated funds	180,837,580	96,491,947
	<u>207,356,240</u>	<u>131,734,507</u>
Less amount required to meet current obligations	<u>(25,064,431)</u>	<u>(50,711,619)</u>
Non-current assets limited as to use	182,291,809	81,022,888
Property and Equipment, net	903,223,102	904,573,504
Other assets	41,991,730	39,827,393
Total assets	<u>\$ 1,740,591,274</u>	<u>\$ 1,682,441,218</u>
Current Liabilities:		
Long-term debt, current portion	\$23,898,728	\$20,773,256
Capital lease obligations, current portion	1,626,741	833,599
Accounts payable and accrued expenses	183,934,147	194,208,689
Liabilities related to sale	4,035,418	-
Due to Medicare, Medicaid, and other third-party programs	88,081,471	47,023,977
Total current liabilities	<u>301,576,505</u>	<u>262,839,521</u>
Long-term Liabilities:		
Long-term debt, net of current portion	581,913,177	608,240,059
Capital lease obligations, non-current portion	3,080,321	7,580,381
Other liabilities	366,478,552	235,088,681
Total long-term liabilities	<u>951,472,049</u>	<u>850,909,121</u>
Total liabilities	1,253,048,554	1,113,748,642
Net Assets:		
Net assets, unrestricted	479,974,552	560,266,199
Net assets, temporarily restricted	7,371,907	8,195,299
Net assets, permanently restricted	196,262	231,078
Total net assets	<u>487,542,720</u>	<u>568,692,576</u>
Total liabilities and net assets	<u>\$ 1,740,591,274</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 Nine Months Ended March 31, 2010 and 2009

	June 30,	
	2010	2009
Unrestricted revenue and other support:		
Net patient service revenue	\$ 1,526,850,996	\$ 1,536,324,011
Capitation revenues	178,518	33,416,236
Investment income	18,201,064	18,472,955
Other revenue	160,651,953	147,131,680
Total unrestricted revenue and other support	<u>1,705,882,531</u>	<u>1,735,344,882</u>
Expenses:		
Salaries, wages and benefits	726,993,619	714,196,200
Supplies and other	664,622,474	659,336,471
Interest	18,175,917	14,835,799
Depreciation and amortization	76,744,938	76,772,598
Provision for bad debts	124,061,008	173,395,453
Total expenses	<u>1,610,597,955</u>	<u>1,638,536,521</u>
Operating income	95,284,576	96,808,361
Expenditures in support of the University of Florida and its medical programs	(66,553,231)	(64,124,037)
Impairment and restructuring charges	(798,539)	(71,921,986)
Change in fair value of derivative instruments	(4,500,152)	(16,913,124)
Nonoperating gains (losses) and contributions, net	2,355,675	1,205,002
Gains (losses) from early extinguishment of long-term debt, net	<u>(1,152,752)</u>	<u>27,246,814</u>
Excess (deficit) of revenue over expenses	24,635,578	(27,698,970)
Pension-related changes other than net periodic pension cost	(120,150,142)	(103,156,525)
Change in net unrealized gains on other than trading securities	20,975,230	(51,372,720)
Change in fair value of derivative instruments designated as cash flow hedges	(10,451,913)	(10,310,298)
Donor restricted funds received for equipment purchases and other		
changes in unrestricted net assets	<u>4,699,599</u>	<u>11,867,963</u>
Change in unrestricted net assets	(80,291,648)	(180,670,550)
Change in temporarily restricted net assets	(823,392)	(2,716,056)
Change in permanently restricted net assets	<u>(34,816)</u>	<u>(93,188)</u>
Change in net assets	<u>\$ (81,149,856)</u>	<u>\$ (183,479,794)</u>

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2010 and June 30, 2009

	June 30, 2010	June 30, 2009
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (81,149,856)	\$ (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	124,061,008	173,395,453
Depreciation and amortization	76,744,938	76,772,598
Change in interest in net assets of Univ of FL Foundation, Inc.		
Loss on disposal of PP&E	(1,105,673)	274,998
(Gain) Loss from early extinguishment of long-term debt	1,152,752	(27,246,814)
Impairment and restructuring charges	798,539	71,921,986
Contributions received for equipment purchases and other changes	(839,163)	(3,333,633)
Minimum pension liability adjustment	120,150,142	103,156,525
Change in net unrealized gains on other than trading securities	(20,975,230)	51,372,720
Change in Swap Valuation	10,451,913	10,310,298
Temporarily and permanently restricted contributions, net	(5,182,515)	(6,751,145)
(Increase) decrease in assets:		
Patient accounts receivable	(140,166,711)	(153,042,460)
Prepaid expenses and other current assets	(18,181,385)	(846,550)
Due from city and state agencies		
Accounts payable and accrued expenses	3,861,985	11,730,232
Due from Medicare, Medicaid and other third-party programs	41,057,494	(25,365,675)
Other liabilities	11,239,731	18,037,315
Net Cash Provided By Operating Activities and Gains and Losses	\$ 121,917,969	\$ 116,906,055
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sales (purchases) of investments	(94,796,966)	84,150,742
Purchase of property and equipment, including capitalized interest	(87,750,620)	(188,069,790)
Assets available for sale	(35,146,602)	0
Liabilities related to sale	4,035,418	0
Other investing activities	(14,586,840)	(11,356,902)
Net cash used in investing activities	(228,245,610)	(115,275,950)
<u>Cash Flows From Financing Activities:</u>		
Proceeds from issuance of debt	119,685,000	119,340,000
Payment of termination of derivative instrument designated as a cash flow hedge	0	(9,274,000)
Payments of long-term debt and capital lease obligations	(145,576,578)	(164,126,685)
Payment of bond issuance costs	(519,472)	(725,278)
(Gain) Loss from early extinguishment of long-term debt	(1,152,752)	27,246,814
Restricted contributions received, net	5,182,515	6,751,145
Contributions received for equipment purchases and other changes	839,163	3,333,633
Net cash provided by (used in) financing activities	(21,542,125)	(17,454,371)
Net (Decrease) Increase in Cash and Cash Equivalents	(127,869,766)	(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	\$ 86,070,973	\$ 213,940,739

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Balance Sheets
For The Period Ended June 30, 2010

	Shands at the Univ. of Florida	Shands at AGH	Shands at Vista	Shands Rehab Hospital	Eliminations	Total Alachua County Hospitals
Current Assets:						
Cash	23,824,240	-	500	325	-	23,825,065
Marketable securities	139,291,428	-	-	-	-	139,291,428
Patient accounts receivable, net of estimated uncollectibles	108,575,034	-	2,962,332	1,862,485	-	113,399,851
Inventories	12,041,521	-	-	-	-	12,041,521
Due from Medicare, Medicaid, and other third-party programs	-	-	-	254,549	(254,549)	-
Prepaid expenses and other current assets	29,009,136	25,389	710,097	63,601	-	29,808,224
Assets available for sale	-	-	-	-	-	-
Assets limited as to use	25,064,285	-	-	-	-	25,064,285
Total current assets	337,805,643	25,389	3,672,930	2,180,960	(254,549)	343,430,373
Assets limited as to use:						
Held by trustees	26,518,514	-	-	-	-	26,518,514
Internally designated funds	161,962,580	-	-	-	-	161,962,580
	188,481,094	-	-	-	-	188,481,094
Less amount required to meet current obligations	(25,064,285)	-	-	-	-	(25,064,285)
Non-current assets limited as to use	163,416,809	-	-	-	-	163,416,809
Property and equipment:						
Land	34,570,400	1,666,546	700,000	400,000	-	37,336,946
Buildings and leasehold improvements	727,653,655	-	12,292,484	2,900,078	-	742,846,217
Furniture and equipment	366,684,617	-	1,828,927	3,329,297	-	371,842,841
	1,128,908,672	1,666,546	14,821,411	6,629,375	-	1,152,026,004
Less accumulated depreciation and amortization	(443,343,729)	0	(6,327,812)	(4,127,820)	-	(453,799,361)
	685,564,943	1,666,546	8,493,600	2,501,556	-	698,226,644
Construction in progress						
Net buildings, furniture, equipment and construction in progress	9,849,293	-	-	-	-	9,849,293
	695,414,235	1,666,546	8,493,600	2,501,556	-	708,075,936
Other assets:						
Due from affiliates	81,336,048	0	-	-	(71,648,312)	9,687,736
Other assets	32,049,029	-	953,464	1,254,597	-	34,257,090
Total other assets	113,385,077	0	953,464	1,254,597	(71,648,312)	43,944,825
Total assets	1,310,021,764	1,691,935	13,119,993	5,937,112	(71,902,861)	1,258,867,943
Current Liabilities:						
Accounts payable and accrued expenses	104,660,007	667,384	820,621	361,597	-	106,509,608
Long-term debt, current portion	16,893,728	-	-	-	-	16,893,728
Capital lease obligation, current portion	843,380	-	-	-	-	843,380
Liabilities related to sale	-	-	-	-	-	-
Due to Medicare, Medicaid, and other third-party programs	63,221,120	3,607,151	484,239	-	(254,549)	67,057,960
Total current liabilities	185,618,235	4,274,534	1,304,860	361,597	(254,549)	191,304,677
Long-term Liabilities:						
Long-term debt, net of current portion	490,323,180	-	-	-	-	490,323,180
Capital lease obligation, net of current portion	2,320,078	-	-	-	-	2,320,078
Due to affiliated entities	-	-	46,423,657	25,224,655	(71,648,312)	-
Other liabilities	283,525,407	0	2,339,739	5,431,242	-	291,296,388
Total long-term liabilities	776,168,665	0	48,763,396	30,655,897	(71,648,312)	783,939,646
Total liabilities	961,786,900	4,274,534	50,068,256	31,017,494	(71,902,861)	975,244,323
Net Assets:						
Net assets, unrestricted	343,647,046	(2,582,599)	(36,948,263)	(25,080,381)	-	279,035,802
Net assets, temporarily restricted	4,490,635	-	-	-	-	4,490,635
Net assets, permanently restricted	97,183	-	-	-	-	97,183
Total net assets	348,234,864	(2,582,599)	(36,948,263)	(25,080,381)	-	283,623,620
Total liabilities and net assets	1,310,021,764	1,691,935	13,119,993	5,937,112	(71,902,861)	1,258,867,943

Shands Teaching Hospital and Clinics, Inc. and S
Consolidating Balance Sheets
For The Period Ended June 30, 2010

	Shands Homecare	Property Management	Shands at Starke	Shands at Live Oak	Sub-total Other	Eliminations
Current Assets:						
Cash	250	-	2,150	700	3,100	-
Marketable securities	-	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles	1,091,409	-	2,720,097	2,037,660	5,849,166	-
Inventories	-	-	-	-	-	-
Due from Medicare, Medicaid, and other third-party programs	-	-	-	-	-	-
Prepaid expenses and other current assets	38,056	-	393,336	410,070	841,462	-
Assets available for sale	-	-	15,251,717	5,778,795	21,030,512	-
Assets limited as to use	-	-	-	-	-	-
Total current assets	1,129,715	-	18,367,300	8,227,225	27,724,240	-
Assets limited as to use:						
Held by trustees	-	-	-	-	-	-
Internally designated funds	-	-	-	-	-	-
Less amount required to meet current obligations	-	-	-	-	-	-
Non-current assets limited as to use	-	-	-	-	-	-
Property and equipment:						
Land	-	4,967,797	-	-	4,967,797	-
Buildings and leasehold improvements	947,696	16,335,349	-	-	17,283,045	-
Furniture and equipment	1,420,821	22,387	-	-	1,443,207	-
	2,368,517	21,325,532	-	-	23,694,049	-
Less accumulated depreciation and amortization	(2,084,460)	(6,720,556)	0	0	(8,805,016)	-
	284,057	14,604,976	0	0	14,889,033	-
Construction in progress						
Net buildings, furniture, equipment and construction in progress	-	-	-	-	-	-
	284,057	14,604,976	0	0	14,889,033	-
Other assets:						
Due from affiliates	-	-	-	-	-	(9,687,736)
Other assets	-	-	99,079	-	99,079	-
Total other assets	-	-	99,079	-	99,079	(9,687,736)
Total assets	1,413,772	14,604,976	18,466,379	8,227,225	42,712,352	(9,687,736)
Current Liabilities:						
Accounts payable and accrued expenses	430,461	95,639	2,400,155	1,620,550	4,546,804	-
Long-term debt, current portion	-	-	-	-	-	-
Capital lease obligation, current portion	-	-	-	-	-	-
Liabilities related to sale	-	-	-	-	-	-
Due to Medicare, Medicaid, and other third-party programs	-	-	771,615	188,903	960,518	-
Total current liabilities	430,461	95,639	3,171,770	1,809,453	5,507,322	-
Long-term Liabilities:						
Long-term debt, net of current portion	-	-	-	-	-	-
Capital lease obligation, net of current portion	-	-	-	-	-	-
Due to affiliated entities	1,873,550	10,084,015	0	0	11,957,565	(9,687,736)
Other liabilities	(635,169)	-	6,353,724	4,178,173	9,896,728	-
Total long-term liabilities	1,238,382	10,084,015	6,353,724	4,178,173	21,854,293	(9,687,736)
Total liabilities	1,668,842	10,179,654	9,525,494	5,987,625	27,361,615	(9,687,736)
Net Assets:						
Net assets, unrestricted	(255,071)	4,425,323	8,841,806	2,239,599	15,251,657	-
Net assets, temporarily restricted	-	-	-	-	-	-
Net assets, permanently restricted	-	-	99,079	-	99,079	-
Total net assets	(255,071)	4,425,323	8,940,885	2,239,599	15,350,736	-
Total liabilities and net assets	1,413,772	14,604,976	18,466,379	8,227,225	42,712,352	(9,687,736)

Shands Teaching Hospital and Clinics, Inc. and S
Consolidating Balance Sheets
For The Period Ended June 30, 2010

	Total Obligated Group	Shands at Lake Shore	Total Other	Eliminations	Shands Gainesville Consolidated	Shands Jacksonville Health Care
Current Assets:						
Cash	23,828,165	950	3,648,379	-	27,477,494	58,593,478
Marketable securities	139,291,428	-	669,732	-	139,961,160	73,238,568
Patient accounts receivable, net of estimated uncollectibles	119,249,017	3,607,705	-	-	122,856,722	61,698,808
Inventories	12,041,521	-	-	-	12,041,521	8,606,238
Due from Medicare, Medicaid, and other third-party programs	-	-	-	-	-	-
Prepaid expenses and other current assets	30,649,685	2,169,258	337,556	-	33,156,499	15,064,675
Assets available for sale	21,030,512	14,116,090	-	-	35,146,602	-
Assets limited as to use	25,064,285	-	-	-	25,064,285	146
Total current assets	371,154,613	19,894,003	4,655,667	-	395,704,283	217,201,914
Assets limited as to use:						
Held by trustees	26,518,514	-	-	-	26,518,514	146
Internally designated funds	161,962,580	-	-	-	161,962,580	18,875,000
	188,481,094	-	-	-	188,481,094	18,875,146
Less amount required to meet current obligations	(25,064,285)	-	-	-	(25,064,285)	(146)
Non-current assets limited as to use	163,416,809	-	-	-	163,416,809	18,875,000
Property and equipment:						
Land	42,304,742	-	1,524,255	-	43,828,997	27,645,741
Buildings and leasehold improvements	760,129,262	-	534,139	-	760,663,402	276,152,264
Furniture and equipment	373,286,048	-	74,526	-	373,360,574	237,992,114
	1,175,720,053	-	2,132,921	-	1,177,852,974	541,790,119
Less accumulated depreciation and amortization	(462,604,377)	0	(608,665)	-	(463,213,042)	(364,068,834)
	713,115,676	0	1,524,255	-	714,639,932	177,721,286
Construction in progress						
Net buildings, furniture, equipment and construction in progress	9,849,293	-	-	-	9,849,293	1,012,592
	722,964,969	0	1,524,255	-	724,489,224	178,733,878
Other assets:						
Due from affiliates	-	0	2,917,284	(2,917,284)	0	-
Other assets	34,356,169	50,372	518,522	(669,732)	34,255,330	7,736,400
Total other assets	34,356,169	50,372	3,435,805	(3,587,016)	34,255,330	7,736,400
Total assets	1,291,892,559	19,944,375	9,615,728	(3,587,016)	1,317,865,646	422,547,191
Current Liabilities:						
Accounts payable and accrued expenses	111,056,413	4,352,634	1,883,846	(669,732)	116,623,161	67,132,549
Long-term debt, current portion	16,893,728	-	-	-	16,893,728	7,005,000
Capital lease obligation, current portion	843,380	-	-	-	843,380	783,361
Liabilities related to sale	-	4,035,418	-	-	4,035,418	-
Due to Medicare, Medicaid, and other third-party programs	68,018,478	1,337,997	-	-	69,356,475	18,724,996
Total current liabilities	196,811,999	9,726,049	1,883,846	(669,732)	207,752,162	93,645,906
Long-term Liabilities:						
Long-term debt, net of current portion	490,323,180	-	-	-	490,323,180	91,589,997
Capital lease obligation, net of current portion	2,320,078	-	-	-	2,320,078	760,242
Due to affiliated entities	2,269,829	-	647,454	(2,917,284)	0	-
Other liabilities	301,193,116	16,098,930	-	-	317,292,046	49,186,506
Total long-term liabilities	796,106,203	16,098,930	647,454	(2,917,284)	809,935,304	141,536,746
Total liabilities	992,918,202	25,824,979	2,531,300	(3,587,016)	1,017,687,466	235,182,651
Net Assets:						
Net assets, unrestricted	294,287,460	(5,880,604)	7,003,638	-	295,410,493	184,564,058
Net assets, temporarily restricted	4,490,635	-	80,790	-	4,571,425	2,800,482
Net assets, permanently restricted	196,262	-	-	-	196,262	-
Total net assets	298,974,357	(5,880,604)	7,084,428	-	300,178,180	187,364,540
Total liabilities and net assets	1,291,892,559	19,944,375	9,615,728	(3,587,016)	1,317,865,646	422,547,191

Shands Teaching Hospital and Clinics, Inc. and S
Consolidating Balance Sheets
For The Period Ended June 30, 2010

	Eliminations	Shands HealthCare Consolidated
Current Assets:		
Cash	-	86,070,973
Marketable securities	-	213,199,728
Patient accounts receivable, net of estimated uncollectibles	-	184,555,530
Inventories	-	20,647,758
Due from Medicare, Medicaid, and other third-party programs	-	-
Prepaid expenses and other current assets	178,437	48,399,611
Assets available for sale	-	35,146,602
Assets limited as to use	-	25,064,431
Total current assets	178,437	613,084,634
Assets limited as to use:		
Held by trustees	-	26,518,660
Internally designated funds	-	180,837,580
	-	207,356,240
Less amount required to meet current obligations	-	(25,064,431)
Non-current assets limited as to use	-	182,291,809
Property and equipment:		
Land	-	71,474,738
Buildings and leasehold improvements	-	1,036,815,666
Furniture and equipment	-	611,352,689
	-	1,719,643,093
Less accumulated depreciation and amortization	-	(827,281,876)
	-	892,361,217
Construction in progress		
Net buildings, furniture, equipment and construction in progress	-	10,861,885
	-	903,223,102
Other assets:		
Due from affiliates	-	0
Other assets	-	41,991,730
Total other assets	-	41,991,730
Total assets	178,437	1,740,591,274
Current Liabilities:		
Accounts payable and accrued expenses	178,437	183,934,147
Long-term debt, current portion	-	23,898,728
Capital lease obligation, current portion	-	1,626,741
Liabilities related to sale	-	4,035,418
Due to Medicare, Medicaid, and other third-party programs	-	88,081,471
Total current liabilities	178,437	301,576,505
Long-term Liabilities:		
Long-term debt, net of current portion	-	581,913,177
Capital lease obligation, net of current portion	-	3,080,321
Due to affiliated entities	-	0
Other liabilities	-	366,478,552
Total long-term liabilities	-	951,472,049
Total liabilities	178,437	1,253,048,554
Net Assets:		
Net assets, unrestricted	-	479,974,552
Net assets, temporarily restricted	-	7,371,907
Net assets, permanently restricted	-	196,262
Total net assets	-	487,542,720
Total liabilities and net assets	178,437	1,740,591,274

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended June 30, 2010

	Shands at the Univ. of Florida	Shands at AGH	Shands at Vista	Shands Rehab Hospital
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ 883,510,753	\$ 25,809,200	\$ 19,264,510	\$ 14,801,025
Capitation revenues	0	0	22,649	0
Investment income	14,489,118	18,634	0	8
Other revenues	50,356,687	1,186,001	271,592	59,052
Total unrestricted revenues, gains and other support	948,356,558	27,013,835	19,558,751	14,860,085
Expenses and losses:				
Salaries, wages and benefits	397,147,345	15,872,086	12,616,019	8,468,726
Supplies and services	384,931,519	17,666,008	4,569,730	3,217,877
Interest	15,502,290	0	0	0
Depreciation and amortization	47,128,942	1,543,527	799,328	498,818
Provision for bad debts	42,095,204	(2,007,106)	1,934,152	438,773
Total expenses	886,805,299	33,074,515	19,919,230	12,624,194
Subtotal	61,551,259	(6,060,680)	(360,479)	2,235,891
Nonoperating gains/(losses) and contributions, net	(180,653)	1,194,137	(105)	0
Expenditures in support of the University of Florida and its medical programs	(38,017,844)	(1,388,410)	0	0
Bond swap activity	(3,712,941)	0	0	0
Gain on extinguishment of long-term debt	(1,152,752)	0	0	0
Impairment and restructuring charge	0	0	0	0
Excess margin	18,487,069	(6,254,953)	(360,584)	2,235,891
Pension liability adjustment	(115,400,725)	24,861,244	(733,229)	(2,146,705)
Change in net unrealized gains on other than trading securities	20,135,405	0	0	0
Net change in fair value of derivative designated as a cash flow hedge	(10,451,913)	0	0	0
Net assets released from restrictions and other changes in net assets	5,285,119	0	0	0
Transfer of net assets in association with consolidation and support of other operations and divisions of the Corporation	75,533,990	23,662,451	(84,245,748)	(57,396,665)
Change in unrestricted net assets	(6,411,055)	42,268,742	(85,339,561)	(57,307,480)
Temporarily restricted net assets:				
Restricted contributions received, net	4,490,635	0	0	0
Net assets released from restrictions	(5,941,933)	0	0	0
Change in temporarily restricted net assets	(1,451,298)	0	0	0
Permanently restricted net assets:				
Net change in funds	(0)	(34,816)	0	0
Change in permanently restricted net assets	(0)	(34,816)	0	0
Change in net assets	\$ (7,862,353)	\$ 42,233,926	\$ (85,339,561)	\$ (57,307,480)

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended June 30, 2010

	Eliminations	Total Alachua County Hospital Group	Shands Homecare	Property Management
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ (543,403)	\$ 942,842,085	\$ 6,792,194	\$ 0
Capitation revenues	0	22,649	0	0
Investment income	0	14,507,760	0	0
Other revenues	0	51,873,332	0	1,843,908
Total unrestricted revenues, gains and other support	(543,403)	1,009,245,826	6,792,194	1,843,908
Expenses and losses:				
Salaries, wages and benefits	1,041,086	435,145,262	4,981,520	0
Supplies and services	(1,584,489)	408,800,646	1,562,489	1,322,555
Interest	0	15,502,290	0	0
Depreciation and amortization	0	49,970,615	70,469	605,969
Provision for bad debts	0	42,461,023	(14,502)	0
Total expenses	(543,403)	951,879,834	6,599,976	1,928,524
Subtotal	0	57,365,991	192,218	(84,616)
Nonoperating gains/(losses) and contributions, net	0	1,013,379	0	105,117
Expenditures in support of the University of Florida and its medical programs	0	(39,406,254)	0	0
Bond swap activity	0	(3,712,941)	0	0
Gain on extinguishment of long-term debt	0	(1,152,752)	0	0
Impairment and restructuring charge	0	0	0	0
Excess margin	0	14,107,423	192,218	20,501
Pension liability adjustment	0	(93,419,415)	435,422	0
Change in net unrealized gains on other than trading securities	0	20,135,405	0	0
Net change in fair value of derivative designated as a cash flow hedge	0	(10,451,913)	0	0
Net assets released from restrictions and other changes in net assets	0	5,285,119	0	0
Transfer of net assets in association with consolidation and support of other operations and divisions of the Corporation	0	(42,445,972)	(113,917)	(1,799,546)
Change in unrestricted net assets	0	(106,789,353)	513,722	(1,779,045)
Temporarily restricted net assets:				
Restricted contributions received, net	0	4,490,635	0	0
Net assets released from restrictions	0	(5,941,933)	0	0
Change in temporarily restricted net assets	0	(1,451,298)	0	0
Permanently restricted net assets:				
Net change in funds	0	(34,816)	0	0
Change in permanently restricted net assets	0	(34,816)	0	0
Change in net assets	\$ 0	\$ (108,275,468)	\$ 513,722	\$ (1,779,045)

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended June 30, 2010

	Shands at Starke	Shands at Live Oak	Eliminations	Total Obligated Group
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ 27,988,987	\$ 20,790,660	\$ (582,938)	\$ 997,830,988
Capitation revenues	155,869	0	0	178,518
Investment income	(236)	8	0	14,507,532
Other revenues	1,115,671	1,714,009	(988,030)	55,558,890
Total unrestricted revenues, gains and other support	29,260,291	22,504,677	(1,570,968)	1,068,075,928
Expenses and losses:				
Salaries, wages and benefits	16,028,183	11,627,792	0	467,782,756
Supplies and services	7,996,765	5,773,566	(1,570,968)	423,885,052
Interest	0	0	0	15,502,290
Depreciation and amortization	1,246,784	652,854	0	52,546,690
Provision for bad debts	4,451,603	5,122,046	0	52,020,170
Total expenses	29,723,334	23,176,257	(1,570,968)	1,011,736,958
Subtotal	(463,043)	(671,580)	0	56,338,970
Nonoperating gains/(losses) and contributions, net	(4,924)	0	0	1,113,572
Expenditures in support of the University of Florida and its medical programs	0	0	0	(39,406,254)
Bond swap activity	0	0	0	(3,712,941)
Gain on extinguishment of long-term debt	0	0	0	(1,152,752)
Impairment and restructuring charge	(442,088)	(356,451)	0	(798,539)
Excess margin	(910,055)	(1,028,032)	0	12,382,056
Pension liability adjustment	(2,393,813)	(1,555,480)	0	(96,933,286)
Change in net unrealized gains on other than trading securities	0	0	0	20,135,405
Net change in fair value of derivative designated as a cash flow hedge	0	0	0	(10,451,913)
Net assets released from restrictions and other changes in net assets	17,231	6,583	0	5,308,933
Transfer of net assets in association with consolidation and support of other operations and divisions of the Corporation	9,536,911	274,134	0	(34,548,390)
Change in unrestricted net assets	6,250,275	(2,302,795)	0	(104,107,196)
Temporarily restricted net assets:				
Restricted contributions received, net	0	0	0	4,490,635
Net assets released from restrictions	0	0	0	(5,941,933)
Change in temporarily restricted net assets	0	0	0	(1,451,298)
Permanently restricted net assets:				
Net change in funds	0	0	0	(34,816)
Change in permanently restricted net assets	0	0	0	(34,816)
Change in net assets	\$ 6,250,275	\$ (2,302,795)	\$ 0	\$ (105,593,310)

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended June 30, 2010

	Shands at Lake Shore	Other	Eliminations	Shands Group Consolidated
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ 37,961,568	\$ 0	\$ 0	\$ 1,035,792,556
Capitation revenues	0	0	0	178,518
Investment income	6	0	0	14,507,538
Other revenues	4,257,572	2,842,807	(242,130)	62,417,139
Total unrestricted revenues, gains and other support	42,219,146	2,842,807	(242,130)	1,112,895,751
Expenses and losses:				
Salaries, wages and benefits	26,408,966	1,059,907	0	495,251,630
Supplies and services	16,651,538	1,713,440	(242,130)	442,007,901
Interest	446,367	0	0	15,948,657
Depreciation and amortization	1,479,431	0	0	54,026,122
Provision for bad debts	4,272,149	0	0	56,292,319
Total expenses	49,258,452	2,773,347	(242,130)	1,063,526,627
Subtotal	(7,039,306)	69,460	0	49,369,124
Nonoperating gains/(losses) and contributions, net	0	0	0	1,113,572
Expenditures in support of the University of Florida and its medical programs	0	0	0	(39,406,254)
Bond swap activity	0	0	0	(3,712,941)
Gain on extinguishment of long-term debt	0	0	0	(1,152,752)
Impairment and restructuring charge	0	0	0	(798,539)
Excess margin	(7,039,306)	69,460	0	5,412,210
Pension liability adjustment	(6,305,896)	0	0	(103,239,182)
Change in net unrealized gains on other than trading securities	0	0	0	20,135,405
Net change in fair value of derivative designated as a cash flow hedge	0	0	0	(10,451,913)
Net assets released from restrictions and other changes in net assets	796,787	0	0	6,105,720
Transfer of net assets in association with consolidation and support of other operations and divisions of the Corporation	34,553,550	(5,160)	0	0
Change in unrestricted net assets	22,005,135	64,300	0	(82,037,761)
Temporarily restricted net assets:				
Restricted contributions received, net	0	80,790	0	4,571,425
Net assets released from restrictions	0	(98,790)	0	(6,040,723)
Change in temporarily restricted net assets	0	(18,000)	0	(1,469,298)
Permanently restricted net assets:				
Net change in funds	0	0	0	(34,816)
Change in permanently restricted net assets	0	0	0	(34,816)
Change in net assets	\$ 22,005,135	\$ 46,300	\$ 0	\$ (83,541,875)

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
Consolidating Statements of Operations
For The Period Ended June 30, 2010

	Shands Jacksonville Health Care	Eliminations	Shands HealthCare Consolidated
Unrestricted revenues, gains and other support:			
Net patient service revenue	\$ 491,058,439	\$ 0	\$ 1,526,850,996
Capitation revenues	0	0	178,518
Investment income	3,693,526	0	18,201,064
Other revenues	98,234,814	0	160,651,953
Total unrestricted revenues, gains and other support	592,986,780	0	1,705,882,531
Expenses and losses:			
Salaries, wages and benefits	231,241,989	500,000	726,993,619
Supplies and services	223,114,573	(500,000)	664,622,474
Interest	2,227,260	0	18,175,917
Depreciation and amortization	22,718,817	0	76,744,938
Provision for bad debts	67,768,689	0	124,061,008
Total expenses	547,071,328	0	1,610,597,955
Subtotal	45,915,452	0	95,284,576
Nonoperating gains/(losses) and contributions, net	1,242,104	0	2,355,675
Expenditures in support of the University of Florida and its medical programs	(27,146,977)	0	(66,553,231)
Bond swap activity	(787,211)	0	(4,500,152)
Gain on extinguishment of long-term debt	0	0	(1,152,752)
Impairment and restructuring charge	0	0	(798,539)
Excess margin	19,223,368	0	24,635,578
Pension liability adjustment	(16,910,960)	0	(120,150,142)
Change in net unrealized gains on other than trading securities	839,825	0	20,975,230
Net change in fair value of derivative designated as a cash flow hedge	0	0	(10,451,913)
Net assets released from restrictions and other changes in net assets	(1,406,120)	0	4,699,599
Transfer of net assets in association with consolidation and support of other operations and divisions of the Corporation	0	0	0
Change in unrestricted net assets	1,746,113	0	(80,291,648)
Temporarily restricted net assets:			
Restricted contributions received, net	645,906	0	5,217,331
Net assets released from restrictions	0	0	(6,040,723)
Change in temporarily restricted net assets	645,906	0	(823,392)
Permanently restricted net assets:			
Net change in funds	0	0	(34,816)
Change in permanently restricted net assets	0	0	(34,816)
Change in net assets	\$ 2,392,019	\$ 0	\$ (81,149,856)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shands Teaching Hospital and Clinics, Inc. and Subsidiaries
June 30, 2010 (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. 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. On July 1, 2010 this facility was transferred to a joint venture

between Shands and Health Management Associates. Refer to “Joint Venture with HMA” below.

- *Shands Starke*, a division of Shands, is an acute care community hospital located in Starke, Florida, licensed to operate 25 beds. On July 1, 2010 this facility was transferred to a joint venture between Shands and Health Management Associates. Refer to “Joint Venture with HMA” and “Management’s Discussion of Impairment and Restructuring Charges” below.
- *Shands Live Oak*, a division of Shands, is an acute care community hospital located in Live Oak, Florida, licensed to operate 15 beds. On July 1, 2010 this facility was transferred to a joint venture between Shands and Health Management Associates. Refer to “Joint Venture with HMA” and “Management’s Discussion of Impairment and Restructuring Charges” below.
- *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.

Joint Venture with HMA

On July 1, 2010, Shands transferred the assets of three community hospitals - Shands Lake Shore Hospital, Shands Starke and Shands Live Oak - to a joint venture between Shands and Health Management Associates (“HMA”). Shands will have a 40% interest and HMA will have a 60% interest in the joint venture. Separate limited liability companies will be formed to own each hospital. The limited liability companies will not be Members of the Obligated Group. As of July 1, 2010, Shands at Lake Shore will be removed as an Obligated Group Member, and the operating results of Shands Lake Shore Hospital, Shands Starke and Shands Live Oak will no longer be included within the operating results of the Obligated Group.

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

Shands AGH discontinued its operations effective October 31, 2009 and consolidated its services into the operations of Shands UF. Impairment costs resulting from the closure and program consolidation totaled \$71.9M and were recognized in the year ended June 30, 2009 financial statements. There has been no additional recognition of similar charges to earnings in the current year.

As a result of the transfer of Shands Starke and Shands Live Oak to a joint venture, the remaining goodwill of these facilities was recognized as impaired in the year ended June 30, 2010 financial statements in the amount of \$800K.

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 ceased 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.