

## Financial Report

NorthShore University HealthSystem recorded another year of exceptional financial results achieved through our highly integrated system of care. Our hospitals, physicians and medical data work in unison to provide high-quality patient care in an efficient, value-driven manner. Powered by leading-edge technology, professional management and fiscally sound operations, we have again proven our ability to achieve positive financials in a fluctuating economy.

The unaudited financial statements on the following pages provide our consolidated financial position and operating results during our most recent fiscal years. Total revenue in fiscal year 2011 increased to \$1.7 billion reflecting, solid revenue growth of 7 percent achieved in a difficult economic and competitive environment. Additionally, the operating margin was 4 percent and improved 0.6 percent over our results in the prior year. These consolidated operating results were achieved across our four acute-care hospitals with nearly 900 inpatient beds; a large and growing multispecialty medical group with more than 700 physicians; a Home Health and Hospice service line; a Research Institute with more than \$100 million of external research funding; and a Foundation actively engaged in raising more than \$20 million in funds.

These strong results supported our organization in providing more than \$200 million in community benefits in the most recent year, to families in need of a broad range of health and wellness services. NorthShore's efforts thereby reduced the need for local, state and federal governmental agencies to expend their strained resources to fund these vital programs.

Our balance sheet remains strong with \$2.8 billion in total assets; net property and health care equipment assets of \$894 million, and unrestricted net assets (equity) of \$1.44 billion. Our long-term debt is relatively modest, with debt representing 21% of total capitalization.

NorthShore continues to demonstrate leadership in healthcare technology, becoming one of the first health systems in the country to receive payment under the Health Information Incentive program for meaningful use of our Electronic Medical Record (EMR) system. We expect to continue our investments in technology and innovation to further increase quality outcomes while holding the line on costs.

While we do not yet know all the potential ramifications of federal healthcare reform, we are confident NorthShore remains well-positioned through our "system of caring" to be a leader in providing exceptional healthcare experiences to our patients and communities.



Gary E. Weiss



Gary E. Weiss  
Chief Financial Officer

# NorthShore University HealthSystem

## Consolidated Balance Sheets

As of September 30

(\$ in Thousands)

<b>Assets</b>	<b>2011*</b>	<b>2010</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 24,628	\$ 2,456
Other short-term investments	16,383	51,042
Internally designated investments, current portion	47,186	47,327
Patient accounts receivable, net of allowances	200,450	193,789
Inventories, prepaid expenses, and other	57,209	57,385
Collateral under securities lending program	—	52,389
Total current assets	<u>345,856</u>	<u>404,388</u>
<b>Investments available for general use</b>	1,195,789	1,124,124
<b>Investments limited as to use:</b>		
Internally designated for capital replacement and other	148,650	151,870
Investments under securities lending program	—	51,078
Total investments limited as to use	<u>148,650</u>	<u>202,948</u>
<b>Other assets:</b>		
Property and equipment, net	894,220	845,483
Other noncurrent assets	<u>171,142</u>	<u>153,076</u>
Total other assets	1,065,362	998,559
<b>Total assets</b>	<u><u>\$ 2,755,657</u></u>	<u><u>\$ 2,730,019</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 250,830	\$ 248,680
Payable under securities lending program	—	52,389
Due to third-party payors	60,010	59,020
Current maturities of long-term debt	<u>8,643</u>	<u>9,713</u>
Total current liabilities	319,483	369,802
<b>Non-current liabilities:</b>		
Long-term debt, less current maturities	385,411	394,055
Other	<u>452,921</u>	<u>407,716</u>
Total non-current liabilities	838,332	801,771
<b>Net assets:</b>		
Unrestricted	1,442,868	1,403,498
Temporarily and permanently restricted	<u>154,974</u>	<u>154,948</u>
Total net assets	1,597,842	1,558,446
<b>Total liabilities and net assets</b>	<u><u>\$ 2,755,657</u></u>	<u><u>\$ 2,730,019</u></u>

\*Unaudited

# NorthShore University HealthSystem

## Consolidated Statements of Operations

### For the Years Ended September 30

(\$ in Thousands)

	2011*	2010
<b>Unrestricted revenues and other support:</b>		
Net patient service and premium revenue	\$ 1,572,824	\$ 1,473,682
Net assets released from restrictions used for current activities	10,821	11,554
Other revenue	<u>94,467</u>	<u>77,870</u>
Total unrestricted revenues and other support	1,678,112	1,563,106
<b>Operating expenses:</b>		
Salaries and benefits	828,661	771,908
Supplies, services, and other	546,215	522,850
Depreciation and amortization	119,084	108,040
Provision for uncollectible accounts	60,063	40,630
Insurance	19,025	28,365
Medicaid assessment	24,828	24,828
Interest expense	<u>7,963</u>	<u>9,098</u>
Total operating expenses	1,605,839	1,505,719
<b>Income from operations</b>	<u>\$ 72,273</u>	<u>\$ 57,387</u>
Operating margin percentage	4.3%	3.7%

## Vital Signs

### For the Years Ended September 30

	2011*	2010
Hospital cases (including births)	62,604	62,276
Occupancy percentage	78%	77%
Average length of stay (in days)	4.5	4.5
Emergency visits	120,623	118,884
Outpatient visits (excluding outpatient ED visits)	1,233,409	1,185,391
Philanthropy (\$ in millions)	\$ 20.8	\$ 11.4

\*Unaudited