

## Another year of excellence is reflected in the NorthShore University HealthSystem (NorthShore) financial statements for fiscal year 2010 despite the challenging economic environment.

Record operating earnings were achieved while NorthShore also increased its contributions for free and discounted care for those in need and provided a significant increase in resources dedicated to community benefits. During 2010, NorthShore also achieved many worthy accomplishments, some of which are described throughout this annual report, including the expansion of our neurological services with the acquisition of a top-rated neurosurgery practice completed last December.

The accompanying unaudited financial statements provide the consolidated financial position and operating results for our most recent fiscal years. Total revenue in fiscal year 2010 grew to a record \$1.6 billion. Revenue growth was 4 percent and was modest relative to our historic growth, but comparably strong in the context of our local and regional economy. These results were achieved across our integrated HealthSystem that now includes four acute-care Hospitals with more than 900 licensed hospital beds; a large and growing multi-specialty physician group practice with more than 650 physicians; a Home and Hospice service line; a Research Institute with more than \$100 million of external research funding; and a Foundation actively engaged in raising friends and funds to support our mission.

Further progress was made enhancing the capabilities of the NorthShore Medical Group. The Medical Group generated more than \$300 million of annual revenue with 260,000 unique patients seen this past year across a broad range of specialties and primary care. Along with NorthShore's affiliated physicians there are now approximately 2,400 physicians on staff meeting the needs of our patients.

With seven years of experience with our electronic medical record systems (EMR) completed, we continue to invest in enhancing this technology, staying ahead of the curve and offering meaningful benefits to our patients—more than 100,000 patients now use NorthShoreConnect to directly communicate with their physicians, schedule services and receive results in a secure environment. These investments not only benefit our patients and physicians, but also enable efficiencies as seen this year where expenses grew at a lesser rate than revenues.

We also improved our already strong capital structure by converting one-third of outstanding debt to fixed rates of interest and eliminated all derivative exposures. These capital structure changes reduced some risks and eliminated others and will benefit NorthShore for years to come. Our balance sheet is strong with \$1.4 billion of cash and investments—the equivalent of 330 days cash on hand—while our borrowings are a relatively low 22 percent of total capitalization.

As was the case at this time last year, we expect next year to be another strong year for NorthShore. Our integrated HealthSystem with strong alignment between our physicians and Hospitals, supported by our industry-leading technology and dedicated management team is well positioned to continue to thrive as we face the many challenges ahead.



Gary E. Weiss  
Executive Vice President  
and Chief Financial Officer

# NorthShore University HealthSystem

## Consolidated Balance Sheets

<b>Assets</b>	<b>2010*</b>	<b>2009</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 52,793	\$ 24,331
Internally designated investments, current portion	47,327	51,621
Patient accounts receivable, net of allowances	193,789	212,981
Inventories, prepaid expenses and other	58,090	56,490
Collateral under securities lending program	52,389	83,721
Total current assets	404,388	429,144
<b>Investments available for general use</b>	<b>1,123,331</b>	<b>1,010,525</b>
<b>Investments limited as to use:</b>		
Internally designated for capital replacement and other	152,950	144,319
Investments under securities lending program	51,078	81,656
Total investments limited as to use	204,028	225,975
<b>Other assets:</b>		
Property and equipment, net	845,483	788,497
Other assets	151,255	62,829
Total other assets	996,738	851,326
<b>Total assets</b>	<b>\$2,728,485</b>	<b>\$2,516,970</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 248,680	\$ 244,246
Payable under securities lending program	52,389	85,229
Estimated settlements due to third-party payors	59,020	69,472
Current maturities of long-term debt	9,713	5,700
Total current liabilities	369,802	404,647
<b>Non-current liabilities:</b>		
Long-term debt, less current maturities	394,055	280,800
Other	409,641	388,221
Total non-current liabilities	803,696	669,021
<b>Net assets:</b>		
Unrestricted	1,398,959	1,296,422
Temporarily and permanently restricted	156,028	146,880
Total net assets	1,554,987	1,443,302
<b>Total liabilities and net assets</b>	<b>\$2,728,485</b>	<b>\$2,516,970</b>

\*Unaudited

# NorthShore University HealthSystem

## Consolidated Statements of Operations

### For the Years Ended September 30

(\$ in Thousands)

	2010*	2009
<b>Unrestricted revenues and other support:</b>		
Net patient service and premium revenue	\$1,469,936	\$1,404,820
Net assets released from restrictions used for current activities	11,554	10,046
Other revenue	81,615	81,715
Total unrestricted revenues and other support	<u>1,563,105</u>	<u>1,496,581</u>
<b>Operating expenses:</b>		
Salaries and benefits	771,908	724,591
Supplies and services	547,678	519,851
Depreciation and amortization	108,040	95,618
Insurance	28,365	54,286
Provision for uncollectible accounts	40,630	63,820
Interest expense	9,098	7,299
Total operating expenses	<u>1,505,719</u>	<u>1,465,465</u>
<b>Income from operations</b>	<u>\$ 57,386</u>	<u>\$ 31,116</u>
Operating margin percentage	3.7%	2.1%

## Vital Signs

### For the Years Ended September 30

	2010*	2009
Hospital cases (including births)	62,276	60,372
Occupancy percentage	77%	76%
Average length of stay (in days)	4.5	4.5
Emergency visits	118,884	116,063
Outpatient visits (excluding outpatient ER visits)	1,185,391	1,126,297
Philanthropy (\$ in millions)	\$ 17.4	\$ 12.6

\*Unaudited