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Form 990 Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations) ▶ Do not enter Social Security numbers on this form as it may be made public. By law, the IRS generally cannot redact the information on the form. ▶ Information about Form 990 and its instructions is at www.irs.gov/form990	OMB No 1545-0047 2013 Open to Public Inspection
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A For the 2013 calendar year, or tax year beginning 07-01-2013 , 2013, and ending 06-30-2014									
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending		C Name of organization SHANDS JACKSONVILLE MEDICAL CENTER INC				D Employer identification number 59-2142859			
		Doing Business As							
		Number and street (or P O box if mail is not delivered to street address) PO BOX 100336			Room/suite	E Telephone number (352) 265-7962			
		City or town, state or province, country, and ZIP or foreign postal code GAINESVILLE, FL 326100336				G Gross receipts \$ 539,103,435			
		F Name and address of principal officer RUSSELL ARMISTEAD PO BOX 100336 GAINESVILLE, FL 326100336			H(a) Is this a group return for subordinates? ☐ Yes ☒ No				
		H(b) Are all subordinates included? ☐ Yes ☐ No If "No," attach a list (see instructions)							
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀(Insert no) ☐ 4947(a)(1) or ☐ 527		H(c) Group exemption number ▶							
J Website: ▶ HTTP //UFHEALTHJAX.ORG									
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶					L Year of formation 1981		M State of legal domicile FL		

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities THE MISSION AT SHANDS JACKSONVILLE MEDICAL CENTER, INC IS TO HEAL, TO COMFORT AND TO EDUCATE WE DEDICATE OUR WORK TO IMPROVING LIFE THROUGH INNOVATIONS IN HEALTHCARE OUR COMMITTMENT IS TO PROVIDE CONSTANT ATTENTION TO THE NEEDS OF OUR PATIENTS, COMMUNITY AND EACH OTHER		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	4,519
	6 Total number of volunteers (estimate if necessary)	6	0
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,906
	b Net unrelated business taxable income from Form 990-T, line 34	7b	1,906
Revenue		Prior Year	Current Year
	8 Contributions and grants (Part VIII, line 1h)	10,801,872	2,312,739
	9 Program service revenue (Part VIII, line 2g)	487,436,281	516,431,464
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,430,494	469,865
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	20,855,666	19,423,335
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	520,524,313	538,637,403
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	22,300,599	23,120,335
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	239,904,960	244,960,591
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ☒ 2,133,112		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	266,337,778	266,715,996
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	528,543,337	534,796,922
	19 Revenue less expenses Subtract line 18 from line 12	-8,019,024	3,840,481
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	481,775,504	466,269,206
	21 Total liabilities (Part X, line 26)	318,867,931	301,452,032
	22 Net assets or fund balances Subtract line 21 from line 20	162,907,573	164,817,174

Part II	Signature Block
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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer			2015-05-15	
	MICHAEL GLEASON TREASURER			Date	
Type or print name and title					
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature		Date
	Check ☐ if self-employed			PTIN	
	Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no		

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

Part IIIStatement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1

Briefly describe the organization's mission

THE MISSION AT SHANDS JACKSONVILLE MEDICAL CENTER, INC IS TO HEAL, TO COMFORT AND TO EDUCATE WE DEDICATE OUR WORK TO IMPROVING LIFE THROUGH INNOVATIONS IN HEALTHCARE OUR COMMITTMENT IS TO PROVIDE CONSTANT ATTENTION TO THE NEEDS OF OUR PATIENTS, COMMUNITY AND EACH OTHER

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code)

(Expenses \$

402,232,674

including grants of \$

23,120,335

(Revenue \$

535,852,893)

SHANDS JACKSONVILLE MEDICAL CENTER, INC PROVIDES QUALITY HEALTHCARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF THE MEDICAL CENTER, IT IS RECOGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE THESE ESSENTIAL MEDICAL SERVICES OUR MISSION IS TO SERVE THE COMMUNITY WITH RESPECT BY PROVIDING HEALTHCARE SERVICES AND HEALTH EDUCATION THE FOLLOWING SERVICES AND ACTIVITIES ARE PROVIDED WHERE THE NEED AND AN INDIVIDUAL'S INABILITY TO PAY COEXIST FREE CARE AND/OR SUBSIDIZED CARE, CARE PROVIDED TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT OR BELOW COST AND HEALTH ACTIVITIES AND PROGRAMS TO SUPPORT THE COMMUNITY SHANDS JACKSONVILLE IS A 696 BED NOT-FOR-PROFIT ACADEMIC MEDICAL CENTER AFFILIATED WITH THE UNIVERSITY OF FLORIDA THERE ARE MORE THAN 330 NATIONALLY RECOGNIZED FACULTY PHYSICIANS WORKING WITH OVER 350 HOSPITAL-BASED AND PRIVATE PRACTICE COMMUNITY DOCTORS THE UNIVERSITY OF FLORIDA HAS OVER 300 FULL-TIME RESIDENTS AT SHANDS JACKSONVILLE TWENTY-FIVE PERCENT OF THE EDUCATION OF COLLEGE OF MEDICINE STUDENTS TAKES PLACE HERE SHANDS JACKSONVILLE HAS A LEVEL 1 TRAUMA CENTER AND IS HOME TO THE REGIONAL PERINATAL ICU, THE HIGHEST LEVEL OF NEONATAL INTENSIVE CARE OUR PHYSICIANS SPECIALIZE IN HIGH-RISK PREGNANCY AND COMPLEX PEDIATRIC ILLNESSES THE FLORIDA POISON INFORMATION CENTER IS ALSO LOCATED ON CAMPUS, COVERING 42 COUNTIES AND A RESOURCE FOR OVER SIX MILLION RESIDENTS, 151 HEALTHCARE INSTITUTIONS AND 121 EMS (EMERGENCY MEDICAL SERVICE) AGENCIES OVER 12,000 PEOPLE WERE EXPOSED TO THE POISON PREVENTION AND SAFETY MESSAGES, INCLUDING CHILDREN K THROUGH 12TH GRADES SHANDS JACKSONVILLE TOGETHER WITH UNIVERSITY OF FLORIDA HAS DEVELOPED SEVERAL CENTERS OF EXCELLENCE THE CARDIOVASCULAR CENTER, THE NEUROSCIENCE INSTITUTE, THE BONE AND JOINT INSTITUTE AND THE UF CANCER CENTER THESE CENTERS BRING TOGETHER INTERDISCIPLINARY TEAMS USING ALL THE RESOURCES OF THE ACADEMIC MEDICAL CENTER SHANDS JACKSONVILLE IS A LEADER IN PROVIDING BOTH UNIQUE AND ESSENTIAL CLINICAL PROGRAMS AND SERVICES, AS WELL AS IN PROMOTING GOOD HEALTH WITH PREVENTATIVE CARE, SCREENINGS AND HEALTH EDUCATION PROGRAMS THAT REACH RESIDENTS WHERE THEY LIVE AND WORK THE HOSPITAL HOSTED OR PARTICIPATED IN OVER 150 HEALTH FAIRS AND OTHER SPECIAL EVENTS AND PERFORMED BLOOD PRESSURE, HIV, CHOLESTEROL, STROKE ASSESSMENT, PREGNANCY, BLOOD SUGAR AND GLAUCOMA SCREENINGS IN ADDITION, TOTAL NUMBER OF EMPLOYEE VOLUNTEER HOURS DONATED TO THE COMMUNITY EXCEEDED 35,000 SHANDS JACKSONVILLE ALSO HAS AN ACTIVE COMMUNITY AFFAIRS DEPARTMENT COMMITTED TO IMPROVING THE QUALITY OF LIFE THROUGH LEADERSHIP, NETWORKING, COLLABORATION AND EDUCATION THE COMMUNITY AFFAIRS DEPARTMENT SERVES A DEFINED AREA OF JACKSONVILLE'S URBAN CORE THAT REPRESENT 40 PERCENT OF THE AFRICAN-AMERICAN POPULATION IN JACKSONVILLE

4b

(Code)

(Expenses \$

including grants of \$

(Revenue \$

SHANDS JACKSONVILLE MEDICAL CENTER IS DEDICATING OUR WORK TO IMPROVING EDUCATION ON HEALTH ISSUES FOR THE WELL BEING OF THE COMMUNITY

4c

(Code)

(Expenses \$

including grants of \$

(Revenue \$

SHANDS JACKSONVILLE MEDICAL CENTER, INC IS IMPROVING LIFE THROUGH INNOVATIONS IN HEALTHCARE

4d

Other program services (Describe in Schedule O)

(Expenses \$

including grants of \$

(Revenue \$

4e

Total program service expenses

402,232,674

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?		No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	Yes	
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII.</i>		No
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional.</i> 	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H.</i> 	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M . . .</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	174	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	4,519
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		3b	Yes
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	No
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	No
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	16	
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
1b	Enter the number of voting members included in line 1a, above, who are independent	8	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body?	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

(This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
10b	b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	No
	b Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	a The organization's CEO, Executive Director, or top management official	15a	Yes
15b	b Other officers or key employees of the organization	15b	Yes
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
16b	b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	FL
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization PATRICIA RAUSCH CONTROLLER 655 WEST 8TH STREET JACKSONVILLE,FL 32209 (904) 244-8675	

Check if Schedule O contains a response or note to any line in this Part VII ☐

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

Form **990** (2013)

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	2,861,781	5,722,034	814,696

2 Total number of individuals (including but not limited to those listed in the table) who received more than \$100,000 of reportable compensation from the organization: 135

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4 Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►0

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	2,171,532			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	141,207			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		2,312,739			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 622000	516,431,464	516,429,558	1,906	
	b			0			
	c			0			
	d			0			
	e			0			
	f	All other program service revenue		0	0	0	
	g	Total. Add lines 2a-2f		516,431,464			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	469,865			469,865
		4	Income from investment of tax-exempt bond proceeds	0			
5		Royalties	0				
6a		(i) Real					
		(ii) Personal					
		Gross rents					
		Less rental expenses					
b			0				
c		Rental income or (loss)	2,479,149	0			
d		Net rental income or (loss)		2,479,149	2,479,149		
7a		(i) Securities					
		(ii) Other					
		Gross amount from sales of assets other than inventory					
		Less cost or other basis and sales expenses					
b							
c		Gain or (loss)	0	0			
d		Net gain or (loss)		0			
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
		a					
		b	Less direct expenses				
c	Net income or (loss) from fundraising events		0				
9a	Gross income from gaming activities See Part IV, line 19						
	a						
	b	Less direct expenses					
c	Net income or (loss) from gaming activities		0				
10a	Gross sales of inventory, less returns and allowances						
	a	653,353					
	b	Less cost of goods sold					
c	Net income or (loss) from sales of inventory		187,321	187,321			
Miscellaneous Revenue		Business Code					
11a	OTHER MISC REVENUE		900099	16,756,865	16,756,865	0	
	b			0			
	c			0			
	d	All other revenue		0	0	0	
	e	Total. Add lines 11a-11d		16,756,865			
12	Total revenue. See Instructions		538,637,403	535,852,893	1,906	469,865	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

☒

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	23,120,335	23,120,335		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	3,155,497		3,155,497	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	189,447,864	162,570,136	26,877,728	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	10,405,645	8,805,256	1,600,389	
9	Other employee benefits.	27,762,429	23,803,325	3,959,104	
10	Payroll taxes.	14,189,156	12,165,681	2,023,475	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	1,497,395		1,497,395	
c	Accounting.	752,075		752,075	
d	Lobbying.	168,030		168,030	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	89,480,167	52,024,421	35,322,634	2,133,112
12	Advertising and promotion.	0			
13	Office expenses.	8,067,919	3,938,855	4,129,064	
14	Information technology.	10,045,416	2,738,838	7,306,578	
15	Royalties.	0			
16	Occupancy.	26,533,608	12,470,684	14,062,924	
17	Travel.	496,573	313,444	183,129	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	266,500	180,274	86,226	
20	Interest.	3,818,408	1,041,433	2,776,975	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	23,822,343	6,067,966	17,754,377	
23	Insurance.	5,177,140	1,412,013	3,765,127	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	ACHA ASSESSMENT	5,651,854		5,651,854	
b	OTHER DIRECT	5,175,941	4,919,532	256,409	
c	MEDICAL SUPPLIES	85,762,627	86,660,481	-897,854	
d					
e	All other expenses	0	0	0	0
25	Total functional expenses. Add lines 1 through 24e.	534,796,922	402,232,674	130,431,136	2,133,112
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).	0			

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		35,877,523	1	35,365,926
	2	Savings and temporary cash investments		41,198,987	2	27,817,927
	3	Pledges and grants receivable, net		5,929,255	3	17,152,401
	4	Accounts receivable, net		88,093,748	4	83,526,468
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		10,336,253	8	11,508,128
	9	Prepaid expenses and deferred charges		1,057,438	9	1,506,227
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a390,036,888			
	b	Less accumulated depreciation	10b248,624,671	146,478,001	10c	141,412,217
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		1,175,698	14	991,413
	15	Other assets See Part IV, line 11		151,628,601	15	146,988,499
	16	Total assets. Add lines 1 through 15 (must equal line 34)		481,775,504	16	466,269,206
Liabilities	17	Accounts payable and accrued expenses		106,898,892	17	97,877,539
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	160,327,648
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		100,000,000	23	0
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		111,969,039	25	43,246,845
	26	Total liabilities. Add lines 17 through 25		318,867,931	26	301,452,032
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		161,592,536	27	163,502,136
	28	Temporarily restricted net assets		1,315,038	28	1,315,038
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		162,907,574	33	164,817,174
	34	Total liabilities and net assets/fund balances		481,775,504	34	466,269,206

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	538,637,403
2	Total expenses (must equal Part IX, column (A), line 25)	2	534,796,922
3	Revenue less expenses Subtract line 2 from line 1	3	3,840,481
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	162,907,574
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	-1,930,882
9	Other changes in net assets or fund balances (explain in Schedule O)	9	1
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	164,817,174

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization SHANDS JACKSONVILLE MEDICAL CENTER INC	Employer identification number 59-2142859
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Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1	☐	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	☐	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	☒	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	☐	A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state _____
5	☐	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)
6	☐	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	☐	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II)
8	☐	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	☐	An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	☐	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	☐	An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Non-functionally integrated
e	☐	By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f	☐	If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
g	☐	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	☐	Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
b 33 1/3% support test—2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
17a 10%-facts-and-circumstances test—2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
b 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶						

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**

▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization SHANDS JACKSONVILLE MEDICAL CENTER INC	Employer identification number 59-2142859
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A** Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B** Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)		168,030													
c Total lobbying expenditures (add lines 1a and 1b)		168,030	0												
d Other exempt purpose expenditures		402,064,644													
e Total exempt purpose expenditures (add lines 1c and 1d)		402,232,674	0												
f Lobbying nontaxable amount Enter the amount from the following table in both columns		1,000,000	0												
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)		250,000	0												
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-		0	0												
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ Yes ☐ No													

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	649,846	954,758	841,624	168,030	2,614,258
d Grassroots nontaxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures	0	0	0	0	0

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?			
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
c	Media advertisements?			
d	Mailings to members, legislators, or the public?			
e	Publications, or published or broadcast statements?			
f	Grants to other organizations for lobbying purposes?			
g	Direct contact with legislators, their staffs, government officials, or a legislative body?			
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
i	Other activities?			
j	Total. Add lines 1c through 1i.			
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

1	Were substantially all (90% or more) dues received nondeductible by members?	1	Yes	No
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	Did the organization agree to carry over lobbying and political expenditures from the prior year?	3		

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Return Reference	Explanation

[illegible]

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b

► Attach to Form 990. ► See separate instructions. ► Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization SHANDS JACKSONVILLE MEDICAL CENTER INC	Employer identification number 59-2142859
--	--

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No	

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)

☐ Preservation of an historically important land area

☒ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ►

4

Number of states where property subject to conservation easement is located ► 1

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☒ No

6

Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ►

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☒ No

9

In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

► \$

(ii) Assets included in Form 990, Part X

► \$

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

► \$

b

Assets included in Form 990, Part X

► \$

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2013

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

- 3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	
- 2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	19,550,000	19,550,000	19,550,000	18,925,000	18,250,000
b Contributions				625,000	675,000
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	19,550,000	19,550,000	19,550,000	19,550,000	18,925,000

- 2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment ▶ 100 000 %

b

Permanent endowment ▶

c

Temporarily restricted endowment ▶

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

Yes

No

4

Describe in Part XIII the intended uses of the organization's endowment funds
- Part VI

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.
- | Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 4,541,933 | | 4,541,933 |
| b Buildings | | 125,003,204 | 85,816,294 | 39,186,910 |
| c Leasehold improvements | | 96,613,357 | 45,761,790 | 50,851,567 |
| d Equipment | | 148,921,118 | 117,046,587 | 31,874,531 |
| e Other | | 14,957,276 | | 14,957,276 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶ | | | | 141,412,217 |
- Schedule D (Form 990) 2013

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)		5	

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)		5	

Part XIII

Supplemental Information

Provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Return Reference	Explanation
Schedule D, Part II, Line 9, Conservation easements financial reporting	
Schedule D, Part V, Line 4, Intended uses of endowment funds	THE BOARD DESIGNATED FUNDS ARE INTENDED FOR CLINICAL SUPPORT, EDUCATION, RESEARCH AND OTHER HEALTH PROGRAMS

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SHANDS JACKSONVILLE MEDICAL CENTER INC

Employer identification number
59-2142859

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			56,639,595	26,275,594	30,364,001	5 680 %
b Medicaid (from Worksheet 3, column a)			0	0	0	0 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d Total Financial Assistance and Means-Tested Government Programs	0	0	56,639,595	26,275,594	30,364,001	5 680 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	13	9,128	1,987,621	200	1,987,421	0 370 %
f Health professions education (from Worksheet 5)	6	4,417	42,653,817	24,940,123	17,713,694	3 310 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	7	0	131,335	0	131,335	0 020 %
j Total Other Benefits	26	13,545	44,772,773	24,940,323	19,832,450	3 700 %
k Total. Add lines 7d and 7j	26	13,545	101,412,368	51,215,917	50,196,451	9 380 %

Part III

Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing					0	0 %
2 Economic development					0	0 %
3 Community support					0	0 %
4 Environmental improvements					0	0 %
5 Leadership development and training for community members					0	0 %
6 Coalition building					0	0 %
7 Community health improvement advocacy					0	0 %
8 Workforce development					0	0 %
9 Other					0	0 %
10 Total	0	0	0	0	0	0 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

1

Yes

2

79,901,826

3

4

5

Enter total revenue received from Medicare (including DSH and IME).

6

Enter Medicare allowable costs of care relating to payments on line 5.

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.
☒ Cost accounting system ☐ Cost to charge ratio ☐ Other

9a

Did the organization have a written debt collection policy during the tax year?

9b

If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

1

Yes

2

9a

Yes

9b

Yes

9a

Yes

9b

Yes

Part IV

Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Schedule H (Form 990) 2013

Section A. Hospital Facilities

Name, address, primary website address,
and state license number

Schedule H (Form 990) 2013

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

SHANDS JACKSONVILLE MEDICAL CENTER INC

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ A definition of the community served by the hospital facility		
b ☒ Demographics of the community		
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☒ How data was obtained		
e ☒ The health needs of the community		
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h ☒ The process for consulting with persons representing the community's interests		
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☒ Hospital facility's website (list url) <u>ufhealthjax.org</u>		
b ☐ Other website (list url) _____		
c ☒ Available upon request from the hospital facility		
d ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☐ Execution of the implementation strategy		
c ☒ Participation in the development of a community-wide plan		
d ☒ Participation in the execution of a community-wide plan		
e ☐ Inclusion of a community benefit section in operational plans		
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☒ Prioritization of health needs in its community		
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information *(continued)*

Financial Assistance Policy		Yes	No		
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes		
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes		
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u> </u> % If "No," explain in Part VI the criteria the hospital facility used	11	Yes		
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes		
a	☒ Income level				
b	☒ Asset level				
c	☒ Medical indigency				
d	☒ Insurance status				
e	☒ Uninsured discount				
f	☒ Medicaid/Medicare				
g	☐ State regulation				
h	☐ Residency				
i	☐ Other (describe in Part VI)				
13	Explained the method for applying for financial assistance?	13	Yes		
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes		
a	☒ The policy was posted on the hospital facility's website				
b	☐ The policy was attached to billing invoices				
c	☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms				
d	☒ The policy was posted in the hospital facility's admissions offices				
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility				
f	☒ The policy was available upon request				
g	☐ Other (describe in Part VI)				
Billing and Collections					
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	No		
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP				
a	☒ Reporting to credit agency				
b	☐ Lawsuits				
c	☐ Liens on residences				
d	☐ Body attachments				
e	☐ Other similar actions (describe in Section C)				
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?			17	No
	If "Yes," check all actions in which the hospital facility or a third party engaged				
a	☐ Reporting to credit agency				
b	☐ Lawsuits				
c	☐ Liens on residences				
d	☐ Body attachments				
e	☐ Other similar actions (describe in Section C)				

Part V

Facility Information (continued)

- 18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Section C)

Policy Relating to Emergency Medical Care

	Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	19 Yes	
a ☐ The hospital facility did not provide care for any emergency medical conditions		
b ☐ The hospital facility's policy was not in writing		
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d ☐ Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d ☒ Other (describe in Part VI)		
21 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	21	No
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI	22 Yes	

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (describe)
1 _____	
2 _____	
3 _____	
4 _____	
5 _____	
6 _____	
7 _____	
8 _____	
9 _____	
10 _____	

Part VI

Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Form and Line Reference	Explanation
Schedule H, Part I, Line 7, Costing Methodology used to calculate financial assistance	A SLIDING SCALE WAS USED TO DETERMINE THE AMOUNT TO CHARGE PATIENTS WHO FELL BETWEEN 200% AND 400% OF THE FEDERAL POVERTY GUIDELINES

Form and Line Reference	Explanation
Schedule H, Part I, Line 7, col(f), Bad Debt Expense excluded from financial assistance calculation	0

Form and Line Reference	Explanation
Schedule H, Part III, Line 4, Bad debt expense - financial statement footnote	THE PROVISION FOR BAD DEBTS IS BASED ON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS, CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN FEDERAL AND STATE GOVERNMENTAL HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS THROUGHOUT THE YEAR, MANAGEMENT ASSESSES STHE ADEQUACY OF THE ALLOWANCE FOR NONCOLLECTABLE ACCOUNTS BASED UPON THESE TRENDS THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATION TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR NONCOLLECTABLE ACCOUNTS PATIENT ACCOUNTS RECEIVABLE ARE WRITTEN OFF AFTER COLLECTION HAVE BEEN FOLLOWED UNDER THE COMPANIES POLICIES SJMC HAS POLICIES PROVIDING ASSISTANCE FOR PATIENTS REQUIRING CARE BUT WHO HAVE LIMITED OR NO MEANS TO PAY FOR THAT CARE THESE POLICIES PROVIDE FREE HEALTH RELATED SERVICES TO PERSONS WHO QUALIFY UNDER CERTAIN INCOME AND ASSET CRITERIA SJMC MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE LEVEL OF FINANCIAL ASSISTANCE IT PROVIDES THE VALUE OF BAD DEBTS REPORTED ON LINE 2 REPRESENTS THE AGGREGATE AMOUNTS REMAINING IN NET PATIENT ACCOUNTS RECEIVABLE THAT ARE DEEMED TO BE NONCOLLECTABLE AFTER EXERCISING REASONABLE COLLECTION EFFORTS

Form and Line Reference	Explanation
Schedule H, Part III, Line 8, Community benefit & methodology for determining medicare costs	THE AMOUNTS REPORTED ON LINES 5 AND 6 WERE DERIVED FROM THE FYE 2014 MEDICARE COST REPORT

Form and Line Reference	Explanation
Schedule H, Part III, Line 9b, Collection practices for patients eligible for financial assistance	PATIENTS ARE RESPONSIBLE FOR COMPLETING THE REQUIRED APPLICATION FORMS AND FINANCIAL COUNSELORS ARE AVAILABLE OT PROVIDE ASSISTANCE WITH THE APPLICATION PROCESS DISCOUNTS ARE OFFERED TO PATIENTS WITH HOUSEHOLD INCOMES FROM 0-400% OF ANNUAL FEDERAL POVERTY GUIDELINES

Form and Line Reference	Explanation
Schedule H, Part VI, Line 2, Needs assessment	SJMC IS PLANNED, MANAGED, ORGANIZED , AND MEASURED APPROACH TO A HEALTH CARE ORGANIZATION'S PARTICIPATION IN MEETING IDENTIFIED COMMUNITY HEALTH NEEDS IT IMPLIES COLLABORATION WITH A "COMMUNITY" TO "BENEFIT" ITS RESIDENTS, PARTICULARLY THE POOR AND UNDESERVED GROUPS, BY IMPROVING HEALTH STATUS AND QUALITY OF LIFE COMMUNITY BENEFITS PROJECTS AND SERVICES ARE IDENTIFIED BY HEALTH CARE ORGANIZATIONS IN RESPONSE TO FINDINGS OF A A COMMUNITY HEATH ASSESSMENT, STRATEGIC AND/OR CLINICAL PRIORITIES, AND PARTNER AREAS OF ATTENTION COMMUNITY BENEFIT CATEGORIES INCLUDE FINANCIAL ASSISTANCE, COMMUNITY HEALTH SERVICES, HEALTH PROFESSIONS EDUCATION, RESEARCH AND DONATIONS SJMC HAS A LONG HISTORY OF PROVING COMMUNITY BENEFITS AND HAS QUANTIFIED THOSE BENEFITS USING NATIONAL GUIDELINES DEVELOPED BY THE CATHOLIC HEALTH ASSOCIATION IN COLLABORATION WITH THE VOLUNTARY HOSPITAL ASSOCIATION ("VHA")

Form and Line Reference	Explanation
Schedule H, Part VI, Line 3, Patient education of eligibility for assistance	THE ELIGIBILITY FOR ASSISTANCE UNDER FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS IS DETERMINED UNDER THE ORGANIZATION,S FINANCIAL ASSISTANCE POLICY THIS ELIGIBILITY TRIES TO BE OBTAINED UPON ADMISSION OR BEFORE DISCHARGE IF THIS ELIGIBILITY CAN NOT BE OBTAINED DURING THEIR HOSPITAL STAY, THE PATIENTS ARE BILLED STANDARD GROSS CHARGES UNTIL THEIR FINANCIAL STATUS CAN BE DETERMINED

Form and Line Reference	Explanation
Schedule H, Part VI, Line 4, Community Information	THE JACKSONVILLE METROPOLITAN COMMUNITY BENEFIT PARTNERSHIP WAS FORMED BY FIVE HEALTH CARE SYSTEMS (9 NON PROFIT HOSPITALS) AND FOUR PUBLIC HEALTH DEPARTMENTS. THIS PARTNERSHIP CAME TOGETHER AND CONDUCTED THE FIRST EVER MULTI-HOSPITAL SYSTEM AND PUBLIC HEALTH SECTOR COLLABORATIVE COMMUNITY NEEDS ASSESSMENT FEBRUARY AND MARCH OF 2012. THIS PARTNERSHIP'S VISION IS TO IMPROVE POPULATION HEALTH IN THE REGION BY ELIMINATING THE GAPS THAT PREVENT ACCESS TO QUALITY, INTEGRATED HEALTH CARE AND TO IMPROVE ACCESS TO RESOURCES THAT SUPPORT A HEALTHY LIFE STYLE. THE COMMUNITY HEALTH SURVEY INCLUDED CLAY, DUVAL, NASSAU AND NORTHERN ST. JOHN'S COUNTY. THIS COMMUNITY HEALTH NEEDS ASSESSMENT IS TO ENABLE PRACTITIONERS, MANAGERS AND POLICY MAKERS TO IDENTIFY THOSE INDIVIDUALS IN GREATEST NEED AND TO ENSURE THAT HEALTH CARE RESOURCES ARE USED TO MAXIMIZE HEALTH IMPROVEMENT.

Form and Line Reference	Explanation
Schedule H, Part VI, Line 5, Promotion of community health	IN ADDITIONS TO SATISFYING REGULATORY REQUIREMENTS OF THE FEDERAL AND STATE AGENCIES AND LOCAL FUNDERS, THE COMMUNITY NEEDS ASSESSMENT REPRESENTS AN UNPRECEDENTED EFFORT AND KEY OPPORTUNITY TO BRING TOGETHER HOSPITAL DATA, POPULATION HEALTH, HEALTH- RELATED QUALITY OF LIFE INDICATORS AND COMMUNITY MEMBER INPUT TO PROVIDE A MORE DETAILED AND COMPLETE PROFILE OF COMMUNITY HEALTH NEEDS THE LONG TERM GOAL TO ACHIEVE REGIONAL COLLABORATION THAT WILL SERVE AS AN OPPORTUNITY FOR OPTIMAL LEVERAGE OF RESOURCES, SETTING (AND MANAGING) REGIONAL HEALTH PRIORITIES, AND DEVELOPING REGIONAL COLLECTIVE IMPACT STRATEGIES AMONG ALL HEALTH-RELATED STAKEHOLDERS

Additional Data

Software ID: 13000248

Software Version: 2013v3.1

EIN: 59-2142859

Name: SHANDS JACKSONVILLE MEDICAL CENTER INC

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Schedule H, Part V Sec B, Line 3, Community Served by Needs Assessment	
Schedule H, Part V Sec B, Line 4, Other Hospital Facilities included in Needs Assessment	(1) - SHANDS JACKSONVILLE MEDICAL CENTER, INC THE OTHER HOSPITALS THAT PARTICIPATED WERE , BAPTIST HEALTH, ST VINCENT'S HEALTHCARE, MAYO CLINIC, AND BROOKS REHABILITATION ,
Schedule H, Part V Sec B, Line 18e, Efforts made before initiating collection actions	(1) - SHANDS JACKSONVILLE MEDICAL CENTER, INC THE PATIENT GETS A FINAL NOTICE STATEMENT INDICATING THE ACCOUNT MAY BE SUBJECT TO COLLECTION ACTIVITY 30 DAYS PRIOR TO BEING TRANSFERRED TO A COLLECTION AGENCY ,
Schedule H, Part V Sec B, Line 22, Gross Charges for Medical Care	(1) - SHANDS JACKSONVILLE MEDICAL CENTER, INC THE PATIENTS ARE BILLED STANDARD GROSS CHARGES UNTIL THEIR FINANCIAL STATUS CAN BE CLARIFIED ,

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SHANDS JACKSONVILLE MEDICAL CENTER INC

Employer identification number
59-2142859

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☒ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III		
	☐ Compensation committee ☒ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☐ Compensation survey or study ☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?		No
b	Any related organization?		No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?		No
b	Any related organization?		No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Return Reference	Explanation
Schedule J, Part I, Line 1a, Health or social club dues or initiation fees	THE CEO HAD DUES PAID TO A SOCIAL CLUB WHICH WAS APPROVED BY THE BOARD OF DIRECTORS. ALL EXPENSES WERE REVIEWED AND APPROVED BEFORE BEING PAID.
Schedule J, Part I, Line 1b, Written policy regarding payment or reimbursement of expenses	THE PROVISION FOR PAYMENT OF THE ABOVE EXPENSES ARE APPROVED BY THE BOARD OF DIRECTORS.
Schedule J, Part I, Line 3, Arrangement used to establish the top management official's compensation	AN INDEPENDENT COMPENSATION ORGANIZATION IS USED TO MAKE RECOMMENDATIONS AND THEN IT IS PRESENTED TO THE BOARD OF DIRECTORS FOR APPROVAL.

Additional Data

Software ID: 13000248

Software Version: 2013v3.1

EIN: 59-2142859

Name: SHANDS JACKSONVILLE MEDICAL CENTER INC

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
RUSSEL E ARMISTEAD JR MBA PRESIDENT	(i)	552,950	50,000	37,440	23,000	6,292	669,682	0
	(ii)	0	0	0	0	0	0	0
SAMIR ARRAY MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	187,458	76,928	10,505	9,976	2,308	287,175	0
THEODORE BASS MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	510,940	0	6,108	28,568	18,713	564,329	0
LINDA EDWARDS MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	210,954	1,500	4,132	14,609	16,312	247,507	0
DAVID GUZICK MD CHAIRMAN	(i)	0	0	0	0	0	0	0
	(ii)	832,495	359,232	65,108	19,761	15,914	1,292,510	0
JUDELLA HADDAD-LACLE MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	197,760	43,992	2,897	10,506	2,400	257,555	0
CHRISTOPHER WILLIAMS MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	408,948	0	3,000	14,800	18,713	445,461	0
DANIEL R WILSON MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	526,673	0	10,832	17,948	18,713	574,166	0
JAMES BURKHARDT PRESIDENT	(i)	0	0	0	0	0	0	0
	(ii)	105,620	0	59,842	3,511	2,432	171,405	0
JONATHAN DIXON III SECRETARY	(i)	174,207	0	12,132	20,341	12,519	219,199	0
	(ii)	0	0	0	0	0	0	0
MICHAEL GLEASON TREASURER	(i)	0	0	0	0	0	0	0
	(ii)	353,313	0	31,572	17,566	9,440	411,891	0
JAMES ROBERTS SECRETARY	(i)	0	0	0	0	0	0	0
	(ii)	487,040	113,100	36,370	150,917	9,456	796,883	0
MARK EDWIN ANDERSON PRESIDENT & CAO	(i)	223,908	0	8,546	17,573	5,049	255,076	0
	(ii)	0	0	0	0	0	0	0
PATRICE JONES DIRECTOR OF NURSING	(i)	284,501	0	11,739	27,339	687	324,266	0
	(ii)	0	0	0	0	0	0	0
MICHAEL LAWTON VP MANAGED CARE	(i)	0	0	0	0	0	0	0
	(ii)	272,730	63,300	49,544	15,677	9,337	410,588	0
GREG MILLER SVP CHIEF OPERATING OFFICER	(i)	372,882	0	67,856	32,138	13,786	486,662	0
	(ii)	0	0	0	0	0	0	0
BARBARA VERONSKI DIR DIV ANCILLARY SERVICES	(i)	184,630	0	1,369	20,812	1,503	208,314	0
	(ii)	0	0	0	0	0	0	0
LESLI WARD VP CHIEF HRO	(i)	0	0	0	0	0	0	0
	(ii)	221,730	0	34,943	14,348	9,126	280,147	0
DAVID VUKICH MD MEDICAL DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	427,360	0	6,108	26,986	18,713	479,167	0
JOHN D PRICE RN NURSE	(i)	138,160	8,354	10,503	15,516	12,222	184,755	0
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JAY SCHAUBEN DIRECTOR POISON CENTER	(i) (ii)	141,667 0	0 0	31,620 0	32,248 0	7,866 0	213,401 0	0 0
PENELOPE THOMPSON VP GOVERNMENT AFFAIRS	(i) (ii)	147,481 0	0 0	42,698 0	29,118 0	4,151 0	223,448 0	0 0
MICHELLE WORLEY MANAGER	(i) (ii)	153,931 0	0 0	1,297 0	17,763 0	12,549 0	185,540 0	0 0
ALLEN OKIE DIRECTOR MANAGED CARE	(i) (ii)	190,675 0	9,675 0	3,560 0	2,076 0	3,398 0	209,384 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SHANDS JACKSONVILLE MEDICAL CENTER INC

Employer identification number
59-2142859

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION	59-6000344	34061QAJ6	11-21-2013	63,606,897	FINANCE VARIOUS CAPITAL IMPROVEMENTS, REFUND OUTSTANDING PRINCIPAL OF SERIES 2005 & 2008 BONDS		X		X		X
B	JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION	59-6000344	34061QAK3	11-21-2013	59,405,000	FINANCE VARIOUS CAPITAL IMPROVEMENTS, REFUND OUTSTANDING PRINCIPAL OF SERIES 2005 & 2008 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0					
2	Amount of bonds legally defeased	0		0					
3	Total proceeds of issue	63,606,897		59,405,000					
4	Gross proceeds in reserve funds	0		0					
5	Capitalized interest from proceeds	0		0					
6	Proceeds in refunding escrows	22,085,000		58,725,000					
7	Issuance costs from proceeds	1,097,897		680,000					
8	Credit enhancement from proceeds	0		0					
9	Working capital expenditures from proceeds	0		0					
10	Capital expenditures from proceeds	34,000,000		0					
11	Other spent proceeds	0		0					
12	Other unspent proceeds	0		0					
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?								

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X					
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X					
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?								

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X		X				

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization

SHANDS JACKSONVILLE MEDICAL CENTER INC

Employer identification number

59-2142859

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Sec A, Line 3, Delegation of management duties	
Form 990, Part VI, Sec A, Line 6, Classes of members or stockholders	THE SOLE MEMBER OF THE CORPORATION SHALL BE SHANDS JACKSONVILLE HEALTHCARE, INC
Form 990, Part VI, Sec A, Line 7a, Members or stockholders electing members of governing body	THE SOLE MEMBER OF THE CORPORATION SHALL BE SHANDS JACKSONVILLE HEALTHCARE, INC THE DIRECTORS SHALL BE THE SAME INDIVIDUALS FROM TIME TO TIME AS THE BOARD OF DIRECTORS OF SHANDS JACKSONVILLE HEALTHCARE, INC , SUBJECT TO THE RIGHT OF THE MAYOR OF THE CITY OF JACKSONVILLE TO NOMINATE A DIRECTOR
Form 990, Part VI, Sec B, Line 11b, Review of form 990 by governing body	THE TAX RETURN IS MADE AVAILABLE TO THE PRESIDENT, SECRETARY AND TREASURER OF THE CORPORATION TO REVIEW BEFORE THE RETURN IS FILED
Form 990, Part VI, Sec B, Line 12c, Conflict of interest policy	THE INTERNAL AUDIT DEPARTMENT MONITORS THE CONFLICT OF INTEREST POLICY AND BRINGS ANY CONFLICTS TO THE ATTENTION OF THE BOARD
Form 990, Part VI, Sec B, Line 15a, Process to establish compensation of top management official	MERCER, AN INDEPENDENT FIRM ENGAGED IN THE DEVELOPMENT OF COMPENSATION SURVEYS ON EXECUTIVE PAY LEVELS ACROSS DIFFERENT INDUSTRIES, PROVIDES COMPETITIVE DATA AND GUIDANCE ON DETERMINING APPROPRIATE AND REASONABLE RANGES AND SALARIES. MERCER FOLLOWS A SIMILAR PROCESS TO EVALUATE THE COMPETITIVENESS OF SHANDS TOTAL CASH COMPENSATION (BASE SALARY PLUS ANNUAL INCENTIVE BONUS) LEVELS AND PROVIDES RECOMMENDED INCENTIVE COMPENSATION RANGES TO INSURE TOTAL CASH COMPENSATION IS ALSO REASONABLE. MERCER ANNUALLY REVIEWS ALL OTHER ASPECTS OF EXECUTIVE COMPENSATION-INCLUDING ALL ELEMENTS OF SUPPLEMENTAL BENEFITS-TO INSURE THAT THEY COMPORT WITH COMPETITIVE AND REASONABLE TOTAL REMUNERATION LEVELS
Form 990, Part VI, Sec B, Line 15b, Process to establish compensation of other employees	THE SAME PROCESS IS USED AS TOP MANAGEMENT. PLEASE REFER TO SCHEDULE O EXPLANATION FORM 990, PART IV, LINE 15A
Form 990, Part VI, Sec C, Line 19, Required documents available to the public	REQUESTS ARE HANDLED ON AN INDIVIDUAL BASIS. THE INFORMATION IS GIVEN TO PARTIES UPON REQUEST.
FORM 990, PART VII, SECTION B, LINE 1, COLUMN (C), INDEPENDENT CONTRACTORS	SHANDS JACKSONVILLE MEDICAL CENTER, INC. IS UNABLE TO PROVIDE A LISTING OF OF THE FIVE HIGHEST CONTRACTORS OVER \$100,000 DUE TO A CHANGE IN THE COMPUTER SYSTEM AND ALL DATA WAS LOST
Form 990, Part IX, Line 11g, Other Expenses	PROFESSIONAL FEES - TOTAL EXPENSE 38041388, PROGRAM SERVICE EXPENSE 36440890, MANAGEMENT AND GENERAL EXPENSES 1600498, FUNDRAISING EXPENSES , PURCHASED SERVICES - TOTAL EXPENSE 51438779, PROGRAM SERVICE EXPENSE 15583531, MANAGEMENT AND GENERAL EXPENSES 33722136, FUNDRAISING EXPENSES 2133112,
Form 990 , Part XI, Line 9, Other changes in net assets or fund balances	ROUNDING - 1,

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SHANDS JACKSONVILLE MEDICAL CENTER INC

Employer identification number
59-2142859

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 50135Y

Schedule R (Form 990) 2013

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) SOUTHERN HOSPITAL SYSTEMS INC PO BOX 100336 GAINESVILLE, FL 32610 59-1930524	SUPPORT FOR SHANDS JACKSONVILLE MEDICAL CENTER, INC	FL	SJMC	C CORPORATION			100 %		
(2) FIRST COAST ADVANTAGE LLC 655 WEST 8TH STREET JACKSONVILLE, FL 322096511	MEDICAID PROVIDER SERVICE NETWORK	FL	SJMC	C CORPORATION	100	100	100 %		

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b	Yes	
1c		No
1d	Yes	
1e	Yes	
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k	Yes	
1l	Yes	
1m	Yes	
1n	Yes	
1o	Yes	
1p	Yes	
1q	Yes	
1r		No
1s		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
------------------	-------------

Additional Data

Software ID: 13000248

Software Version: 2013v3.1

EIN: 59-2142859

Name: SHANDS JACKSONVILLE MEDICAL CENTER INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) SHANDS JACKSONVILLE HEALTHCARE INC 655 WEST 8TH ST JACKSONVILLE, FL 32209 29-2441966	INVESTMENTS FOR SHANDS JACKSONVILLE MEDICAL CENTER, INC	FL	501(C)(3)	11	UNIVERSITY OF FLORIDA		No
(1) SHANDS JACKSONVILLE PROPERTIES INC 655 WEST 8TH ST JACKSONVILLE, FL 32209 59-1158241	SUPPORT SHANDS JACKSONVILLE MEDICAL CENTER, INC	FL	501(C)(3)	11	SHANDS JACKSONVILLE HEALTHCARE INC		No
(2) SHANDS JACKSONVILLE AFFILIATES INC 655 WEST 8TH ST JACKSONVILLE, FL 32209 59-1913819	SUPPORT SHANDS JACKSONVILLE MEDICAL CENTER, INC	FL	501(C)(3)	11	SHANDS JACKSONVILLE MEDICAL CENTER INC		No
(3) SHANDS JACKSONVILLE COMMUNITY SERVICE 655 WEST 8TH ST JACKSONVILLE, FL 32209 51-0173761	SUPPORT SHANDS JACKSONVILLE MEDICAL CENTER, INC	FL	501(C)(3)	11	SHANDS JACKSONVILLE HEALTHCARE INC		No
(4) SHANDS JACKSONVILLE FOUNDATION INC 655 WEST 8TH ST JACKSONVILLE, FL 32209 59-2622323	SUPPORT SHANDS JACKSONVILLE MEDICAL CENTER, INC	FL	501(C)(3)	11	SHANDS JACKSONVILLE HEALTHCARE INC		No
(5) UNIVERSITY OF FLORIDA 226 TIGERT HALL GAINESVILLE, FL 32611 59-6002052	EDUCATION	FL	501(C)(1)	N/A	NA		No
(6) SHANDS TEACHING HOSPITAL AND CLINICS PO BOX 100336 GAINESVILLE, FL 32610 59-1943502	HOSPITAL	FL	501(C)(3)	3	UNIVERSITY OF FLORIDA		No
(7) UNIVERSITY OF JACKSONVILLE PHYSICIAN 655 WEST 8TH ST JACKSONVILLE, FL 32209 59-1867557	HOSPITAL SUPPORT	FL	501(C)(3)	11	UNIVERSITY OF FLORIDA		No
(8) GATORCARE HEALTH MANAGEMENT CORPORATION 1329 SW 16TH ST GAINESVILLE, FL 32610 46-1185108	SELF INSURED HEALTH INSURANCE PLAN	FL	501(C)(3)	11	UNIVERSITY OF FLORIDA		No

Shands Jacksonville HealthCare, Inc. and Subsidiaries

**Consolidated Basic Financial Statements, Required
Supplementary Information and Supplemental
Consolidating Information
June 30, 2014 and 2013**

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Index

June 30, 2014 and 2013

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Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

This section of the Shands Jacksonville HealthCare, Inc. and Subsidiaries' ("SJH" or the "Company") annual financial report presents the Company's analysis of its financial performance as of June 30, 2014 and 2013, and for the fiscal years then ended. Please read this analysis in conjunction with the consolidated basic financial statements, which follow this section.

Introduction

Shands Jacksonville HealthCare, Inc., formerly known as Jacksonville Health Group, Inc., is a Florida not-for-profit corporation with direct or indirect legal control over numerous subsidiaries.

Shands Jacksonville Medical Center, Inc. ("SJMC"), formerly known as University Medical Center, Inc. ("UMC"), is a Florida not-for-profit corporation and the principal operating subsidiary of SJH. SJMC operates a teaching hospital located in Jacksonville, Florida, through a lease with the City of Jacksonville (the "City"). During 2013, SJMC began doing business as UF Health Jacksonville.

On September 30, 1999, Methodist Medical Center, Inc., Methodist Health System, Inc. and The Methodist Hospital Foundation, Inc. (collectively, "Methodist"), SJH, UMC and Shands Teaching Hospital and Clinics, Inc. ("Shands") completed an affiliation agreement (the "Affiliation") which allowed for the combination of the hospital operations of UMC and Methodist under SJMC. SJH became the sole member of both SJMC and Methodist.

The Affiliation was approved by the City and secured creditors of both UMC and Methodist. As a result of the Affiliation, the requisite corporate actions were taken on February 1, 2003 to designate Shands as the sole corporate member of SJH.

Effective September 8, 2010, the Board of Directors of Shands approved a motion to reorganize its corporate structure. Under the reorganization, Shands would no longer be the sole corporate member of the Company, but would continue as an affiliated entity under common control of the University of Florida. Effective September 27, 2010, the Board of Directors of the Company approved the motion for Shands to no longer be the sole corporate member of the Company. The Company continues to receive management and operational services from Shands. As a part of the reorganization, the Company delivered a promissory note to Shands in the amount of approximately \$42,276,000, payable over 20 years, in acknowledgement of historical investments in the Company.

The accompanying consolidated basic financial statements include the accounts of SJH, SJMC, Methodist and other subsidiaries of SJH as of and for the years ended June 30, 2014 and 2013. The "Company" in these consolidated basic financial statements refers to the consolidated operations of these entities. Significant transactions between these entities have been eliminated.

This section of the Company's consolidated basic financial statements presents analysis of the financial net position, the results of operations and cash flows for the fiscal years ended June 30, 2014 and 2013. Along with the information in this report, the notes to the consolidated basic financial statements should be used to provide additional information that is essential for a full understanding of the consolidated basic financial statements.

Overview of the Consolidated Basic Financial Statements

Along with management's discussion and analysis, the annual financial report includes the independent certified public accountants' report and the consolidated basic financial statements of the Company. The consolidated basic financial statements also include notes that explain in more detail some of the information in the consolidated basic financial statements. By referring to the accompanying notes to the consolidated basic financial statements, a broader understanding of issues impacting financial performance can be realized.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Required Financial Statements

The required statements are the consolidated statements of net position, the consolidated statements of revenues, expenses and changes in net position and the consolidated statements of cash flows. These statements offer short and long-term financial information about the Company's activities.

The consolidated statements of net position reflect all of the Company's assets, liabilities and deferred outflows and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). Assets, liabilities and deferred activity are presented in a classified format, which distinguishes between their current and long-term time frame. The difference between the assets plus deferred outflows and liabilities is reported as "net position."

During 2014, the Company retroactively adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). Implementation of GASB No. 65 recognizes cost of issuance of debt as an expense and the deferral of gains (losses) on debt refunding as deferred outflows of resources or deferred inflows of resources. As discussed in Note 2, the adoption of this statement resulted in a net decrease in net position of approximately \$0.4 million as of July 1, 2012.

The consolidated statements of revenues, expenses and changes in net position present the change in net position resulting from revenues earned and expenses incurred. All changes in net position are reported as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The consolidated statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, financing (capital and non-capital), and investing activities. The purpose of the statement is to reflect the key sources and uses of cash during the reporting period.

Financial Analysis of the Company

June 30, 2014

Consolidated Basic Statements of Net Position

The Company's net position is one indicator of the current financial condition of the Company. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time. They also provide the basis for evaluating the capital structure, as well as assessing the liquidity and financial flexibility of the Company. However, the financial statement user should consider other nonfinancial factors, such as changes in economic conditions, population changes, regulations and government legislation affecting the health care industry. Assets, deferred outflows and liabilities are generally measured using current values, with the exception of capital assets, which are stated at historical cost less allowances for depreciation.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

A summary of the Company's condensed consolidated basic statements of net position is presented below

(in thousands of dollars)

	2014	2013
Cash and cash equivalents and short-term investments	\$ 74,210	\$ 89,350
Other current assets	115,939	106,482
Capital assets, net	200,256	170,987
Other noncurrent assets	69,213	66,372
Total assets	<u>459,618</u>	<u>433,191</u>
Deferred loss on debt refunding	<u>-</u>	<u>174</u>
Current liabilities	89,953	109,269
Noncurrent liabilities	201,318	158,362
Total liabilities	<u>291,271</u>	<u>267,631</u>
Net position		
Net investment in capital assets	40,843	62,505
Restricted		
Expendable	4,083	3,887
Unrestricted	123,421	99,342
Total net position	<u>\$ 168,347</u>	<u>\$ 165,734</u>

Cash and cash equivalents and short-term investments decreased by approximately \$15.1 million since June 30, 2013. See "Consolidated Basic Statement of Cash Flows" section below for further information regarding cash activity.

Other current assets increased by approximately \$9.5 million since June 30, 2013. The increase consists of the following: combined prepaid expenses and other miscellaneous receivables increased approximately \$2.1 million primarily for advanced payments of July 2014 rents during June 2014 and an amount being held on the Company's behalf by the University of Florida Foundation; inventories increased approximately \$1.2 million upon finalizing annual inventory counts, due from City and State agencies increased by approximately \$10.6 million as a result of delays in the processing of payments at the Agency for Healthcare Administration ("AHCA"), which were offset by an approximate decrease of \$4.4 million in net patient accounts receivable.

Since June 30, 2013, capital assets, net, increased approximately \$29.3 million primarily as the result of accounting rules requiring the Company to recognize construction in progress of approximately \$29.5 million for a medical office building ("MOB") being built on the Company's land though the Company neither has title to the MOB or responsibility for the debt related to the construction of it. During fiscal year 2015, once the construction is complete and the Company's space lease in the MOB is effective, this transaction will be re-evaluated.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Other noncurrent assets increased \$2.8 million primarily as the result of a change in accounting for the Company's Medicaid Provider Service Network (known as First Coast Advantage or "FCA") revenue upon creating a separate legal entity for that business line on February 1, 2013, which resulted in an investment of approximately \$6.7 million at June 30, 2014. This investment increase was offset by a decrease of approximately \$3.1 million for two primary reasons: a \$2.2 million reduction in asset whose use is restricted, which includes the remaining project and debt service reserve fund balances of approximately \$17.8 million, as described further below in regards to the issuance of bonds in November 2013, and, an approximately \$0.9 million reduction in the pension asset.

The Company adopted GASB No. 65 in 2014, effective July 1, 2012, which resulted in a restatement of 2013 balances. The 2013 restatement, effective July 1, 2012, decreased unamortized bond issuance costs by approximately \$0.6 million and created a deferred outflow for a loss on debt refunding of approximately \$0.2 million. As of June 30, 2014, amortization of the deferred outflows was complete.

Since June 30, 2013, other current liabilities decreased approximately \$19.3 million primarily due to the payout of a \$6.7 million settlement, other third-party related activity and timing of accounts payable and other accrued expense payments. Other noncurrent liabilities increased approximately \$42.9 million, primarily due to new debt issuance, as described below, and as the result of accounting rules requiring the Company to recognize other liabilities though the Company neither has title to the building nor responsibility for the debt related to the construction of the MOB.

As of June 30, 2014, the Company has approximately \$160.3 million in debt outstanding compared to approximately \$139.9 million at June 30, 2013. SJMC borrowed approximately \$123.6 million with the issuance of Healthcare Facilities Revenue Bonds Series 2013A and 2013B ("2013 Bonds"), for approximately \$64.2 million and \$59.4 million, respectively, on November 21, 2013. The proceeds of this issuance refunded the \$100 million Series 2013 SJMC Taxable Notes, paid for the cost of debt issuance, provided for a debt service reserve fund and will be used to reimburse or fund capital projects.

The Series 2013 SJMC Taxable Notes enabled SJMC to finance various capital improvement projects, refund the outstanding principal of the Series 2005 and Series 2008 Bonds, escrow funds for an in-substance defeasance of the Series 2004 Bonds and to pay related issuance costs.

The promissory note owed to Shands for \$42.3 million, as mentioned above, was recorded by the Company during fiscal year 2011. The note payable balance at June 30, 2014 is approximately \$37.3 million.

In addition to the increase in noncurrent liabilities since June 30, 2013 for issuance of the 2013 Bonds, accounting rules required the Company recognize a liability of approximately \$29.5 million for a medical office building ("MOB") being built on the Company's land, as previously discussed above.

The Company was in compliance with all financial covenants as of June 30, 2014.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Management's Discussion and Analysis (Unaudited)
June 30, 2014 and 2013

Consolidated Basic Statements of Revenues, Expenses and Changes in Net Position

The following table presents the Company's condensed consolidated basic statements of revenues, expenses and changes in net position. The table presents the extent to which the Company's overall net position increased (decreased) as a result of operations or other reasons.

(in thousands of dollars)

	2014	2013
Net patient service revenue	\$ 518,542	\$ 487,436
Other operating revenue	<u>22,525</u>	<u>35,440</u>
Total operating revenues	541,067	522,876
Operating expenses	<u>510,786</u>	<u>503,175</u>
Operating Income	30,281	19,701
Nonoperating expenses, net	<u>(4,744)</u>	<u>(2,673)</u>
Excess of revenues over expenses before transfers and capital contributions	25,537	17,028
Other changes in net assets		
Transfers and expenditures in support of the University of Florida and its medical programs	(23,120)	(22,301)
Capital contributions, net	<u>196</u>	<u>44</u>
Increase (decrease) in net position	<u>\$ 2,613</u>	<u>\$ (5,229)</u>

Patient Volumes

Compared to prior fiscal year, inpatient and outpatient volumes increased during fiscal year 2014. The following table reflects the associated volumes on a comparative basis to the prior year for fiscal year-end as of June 30.

	2014	2013	Net Change	% Change
Inpatient admissions	24,777	23,971 *	806	3.4%
Outpatient visits	423,353	417,269 *	6,084	1.5%

* Prior year has been restated to be consistent with how volumes are counted in the new patient accounting system implemented in March 2013.

Both inpatient and outpatient volumes increase compared to prior year. Inpatient admissions, excluding observation cases, increased by 806, or 3.4%. Outpatient visits increased by 6,084, or 1.5%.

Operating Revenues

June 30, 2014 fiscal year-end patient service revenue of approximately \$518.5 million, net of allowances for contractual discounts, charity care and bad debt expense, represents an increase of approximately \$31.1 million, or 6.4% in comparison to the prior fiscal year. The primary drivers of the revenue growth include the previously noted increases in inpatient and outpatient volumes, a 2.6% increase in surgical cases, and growth in commercial (+7.9%) and Medicare (+2.7%) business. Other operating revenues of approximately \$22.5 million decreased approximately \$12.9 million, or 36.4% as compared to fiscal year

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

2013 This decrease is primarily the result of a change in accounting for FCA revenue upon creating a separate legal entity for that business line on February 1, 2013, which accounted for approximately \$5.5 million of the decrease. Additionally, fiscal year 2013 included approximately \$5.1 million more of electronic medical records meaningful use grant revenue than recorded in fiscal year 2014.

Operating Expenses

Operating expenses of approximately \$510.8 million through fiscal year-end June 30, 2014, increased by approximately \$7.6 million, or 1.5% in comparison to fiscal year 2013. In comparison to the prior fiscal year, salaries and benefits increased approximately \$4.7 million, which is largely the result of a scheduled 2% merit increase effective January 2014, and increased workers' compensation and self-insured employee health claim costs, which were partially offset by the outsourcing of the environmental services, dietary and patient transportation functions. Supplies and services increased in comparison to the prior fiscal year by approximately \$3.3 million, which is primarily driven by the aforementioned outsourced functions. The increase in outsourcing expense was partially offset by a decrease in expenses as a result of the accounting changes for the Company's Medicaid Provider Service Network, mentioned above.

Nonoperating (Expenses) Revenues, net

Nonoperating expenses, net, fiscal year-end June 30, 2014, were approximately \$4.7 million, which includes interest expense of approximately \$7.6 million, offset by investment income of approximately \$4.2 million, including the change in fair value of approximately \$0.8 million, and other nonoperating gains of approximately \$0.3 million for a fair value increase in derivatives and approximately \$1.7 million for loss on disposal of capital equipment and other fixed assets primarily related to the results of the bi-annual fixed asset inventory.

Consolidated Basic Statements of Cash Flows

The consolidated basic statements of cash flows provides additional information in regards to the Company's financial results by reporting the major sources and uses of cash.

Total cash and cash equivalents decreased in fiscal year 2014 by approximately \$1.8 million while short-term investments decreased approximately \$13.4 million. Amounts due from patient accounts receivable, net, are approximately \$77.9 million at June 30, 2014 as compared to approximately \$82.3 million at June 30, 2013. Amounts due from City and State agencies are approximately \$15.8 million at June 30, 2014 as compared to approximately \$5.2 million at June 30, 2013. Prepaid expenses and other current assets increased approximately \$2.1 million since June 30, 2013. Liabilities increased approximately \$23.6 million since June 30, 2013 primarily as the result of an approximately \$29.5 million noncash transaction related to the previously mentioned MOB accounting treatment. Without recognition of the MOB, liabilities would have decreased \$5.9 million since June 30, 2013, primarily related to a reduction in estimated third-party payor settlements of approximately \$17.8 million offset by an increase related to the previously mentioned debt issuance.

Cash paid for capital asset acquisitions during 2014 totaled approximately \$19.8 million, which excludes \$0.2 million in new capital leases. Fiscal year 2014 payments of principal on long-term debt and capital lease obligations were approximately \$5.1 million. Interest payments were approximately \$7.2 million and amounts paid on other borrowings were \$6.5 million. The Company also made funding contributions of approximately \$2.4 million into the frozen defined benefit employee pension plan during fiscal year 2014.

Credit Ratings

The Company's underlying credit rating of BBB+ was provided by Fitch Ratings in June 2013 and reaffirmed October 2013. Moody's Investor Service provided a Baa3 credit rating in October 2013.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Management's Discussion and Analysis (Unaudited)
June 30, 2014 and 2013

June 30, 2013

Consolidated Basic Statements of Net Position

A summary of the Company's condensed consolidated basic statements of net position is presented below

(in thousands of dollars)

	2013	2012
Cash and cash equivalents and short-term investments	\$ 89,350	\$ 107,857
Other current assets	106,482	86,984
Capital assets, net	170,987	179,426
Other noncurrent assets	66,372	42,974
Total assets	<u>433,191</u>	<u>417,241</u>
Deferred loss on debt refunding	<u>174</u>	<u>-</u>
Current liabilities	109,269	108,695
Noncurrent liabilities	158,362	137,206
Total liabilities	<u>267,631</u>	<u>245,901</u>
Net position		
Net investment in capital assets	62,505	86,439
Restricted		
Expendable	3,887	3,843
Unrestricted	99,342	81,058
Total net position	<u>\$ 165,734</u>	<u>\$ 171,340</u>

The net position at July 1, 2012 reflects the impact of (\$377) due to the adoption of GASB No. 65 as of that date

Cash and cash equivalents and short-term investments decreased by approximately \$18.5 million, or 17.2%, since June 30, 2012. See the "Consolidated Basic Statements of Cash Flows" section below for further information regarding cash activity.

Other current assets increased by approximately \$19.5 million since June 30, 2012. Net patient accounts receivable increased approximately \$18.8 million largely as the result of implementing EPIC patient accounting software and the expected transition collection lag, prepaid expenses and other miscellaneous receivables increased approximately \$4.0 million primarily related to a \$1.9 million deposit and timing of receivable collections, due from city and state agencies decreased approximately \$1.2 million due to improved collection timing, inventories increased \$1.3 million and the sinking fund deposit decreased by approximately \$3.6 million when the related debt was refunded.

Capital assets, net, decreased approximately \$8.4 million since June 30, 2012. While gross capital assets increased, primarily for equipment purchases including EPIC patient accounting software that went live March 1, 2013, there was an overall decrease as a result of depreciation expense.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Other noncurrent assets increased \$23.4 million. The increase relates primarily to a deposit for land improvements for the Northside project of approximately \$2.0 million and a new \$20 million debt service reserve fund related to the SJMC Taxable Notes, Series 2013.

The Company adopted GASB No. 65 in 2014, which resulted in a restatement of fiscal year 2013 balances and an effective date of July 1, 2012, and no value being reported in fiscal year 2012.

Since June 30, 2012, other current liabilities increased approximately \$0.6 million and other noncurrent liabilities increased approximately \$21.2 million, primarily related to the SJMC Taxable Notes, Series 2013, resulting in a net liability increase of \$21.7 million.

As of June 30, 2013, the Company has approximately \$139.9 million in debt outstanding compared to approximately \$124.7 million at June 30, 2012. On June 27, 2013, the Company issued the index rate \$100 million SJMC Taxable Notes, Series 2013, which are held in their entirety by Bank of America, N.A. This enabled the Company to finance various capital improvement projects, refund the outstanding principal of the Series 2005 and Series 2008 Bonds, escrow funds for an in-substance defeasance of the Series 2004 Bonds and to pay related issuance costs.

The promissory note owed to Shands for \$42.3 million, as mentioned above, was recorded by the Company during fiscal year 2011. The note payable balance at June 30, 2013 is approximately \$39.9 million.

The Company was in compliance with all covenants at June 30, 2013.

Consolidated Basic Statements of Revenues, Expenses and Changes in Net Position

The following table presents the Company's condensed consolidated basic statements of revenues, expenses and changes in net position. The table presents the extent to which the Company's overall net position decreased as a result of operations or other reasons.

(in thousands of dollars)

	2013	2012
Net patient service revenue	\$ 487,436	\$ 483,830
Other operating revenue	35,440	31,446
Total operating revenues	522,876	515,276
Operating expenses	503,175	508,458
Operating Income	19,701	6,818
Nonoperating expenses, net	(2,673)	(2,267)
Excess of revenues over expenses before transfers and capital contributions	17,028	4,551
Other changes in net assets		
Transfers and expenditures in support of the University of Florida and its medical programs	(22,301)	(27,437)
Capital contributions, net	44	837
Decrease in net position	\$ (5,229)	\$ (22,049)

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Patient Volumes

Compared to prior fiscal year, inpatient volumes decreased while outpatient volumes increased during fiscal year 2013. The following table reflects the associated volumes on a comparative basis to the prior year for fiscal year-end as of June 30.

	2013	2012	Net Change	% Change
Inpatient admissions	24,001 *	26,476	(2,475)	-9.3%
Outpatient visits	365,249 *	351,818	13,431	3.8%

* To remain comparable with 2012 volume, 2013 volume has not been restated for the March 2013 patient accounting system change.

Inpatient admissions, excluding observation cases, compared to the prior year have decreased by 2,475 or 9.3%. This decrease is primarily due to the termination of the Humana Medicare Advantage contract in October 2011 as well as a shift toward more observation cases, which are included as outpatient visits, rather than inpatient admissions. Total outpatient visits have increased by 3.8% due to the shift just mentioned and the opening of the Total Care Clinic.

Operating Revenues

June 30, 2013 fiscal year-end patient service revenue of approximately \$487.4 million, net of allowances for contractual discounts, charity care and bad debt expense, represents an increase of approximately \$3.6 million, or 0.7% in comparison to the same time period from the prior fiscal year. Other operating revenues of approximately \$35.4 million, is an increase of approximately \$4.0 million, or 12.7%, from the prior year. This increase is primarily related to an approximately \$4.2 million settlement related to the provider service network (PSN) plan year 2009, increased enrollment in the PSN and increases in electronic medical records meaningful use grant revenue.

Operating Expenses

Operating expenses of approximately \$503.3 million through fiscal year-end June 30, 2013, decreased by approximately \$5.1 million, or 1.0%, in comparison to fiscal year-end June 30, 2012. The net decrease is primarily related to a \$9.2 million reduction in self-insured employee health costs. The reduction was driven by improved claims experience prior to January 2013 and participating with other UF Health affiliates in a self-insured employee health pool known as GatorCare beginning January 2013. The decrease was offset by growth in PSN membership, additional expenditures related to the PSN plan year 2009 settlement described above and increases in depreciation, service/maintenance and consulting costs as the result of implementing the first phase of the EPIC system in January 2012 and the second phase in March 2013.

Nonoperating (Expenses) Revenues, net

Nonoperating expenses, net, for fiscal year-end June 30, 2013, were approximately \$2.7 million, which includes interest expense of approximately \$3.4 million, investment income of approximately \$1.4 million, an investment fair value decrease of approximately \$1.4 million and a fair value increase for derivatives for approximately \$0.7 million. The nonoperating expenses, net, increase over the fiscal year ended June 30, 2012 was \$0.4 million, or 18%.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Consolidated Basic Statements of Cash Flows

The consolidated basic statements of cash flows provides additional information in regards to the Company's financial results by reporting the major sources and uses of cash

Total cash and cash equivalents increased in fiscal year 2013 by approximately \$17.6 million and short-term investments decreased \$36.1 million producing a net decrease of \$18.5 million over June 30, 2012. Amounts due from patient accounts receivable, net, are approximately \$82.3 million at June 30, 2013 as compared to approximately \$63.5 million at June 30, 2012, which as previously noted was expected to increase as a result of a collection lag from implementing the EPIC patient accounting system only three (3) months prior to fiscal year-end 2013. Amounts due from City and State agencies are approximately \$5.2 million at June 30, 2013 as compared to approximately \$6.4 million at June 30, 2012. Assets whose use is restricted increased \$16.4 million, with a \$20 million increase in the non-current portion for a debt service reserve fund related to the SJMC Taxable Notes, Series 2013 and a decrease of \$3.6 million related to refunding the Series 2005 Bonds. Prepaid expenses and other current assets increased approximately \$4.1 million since June 30, 2012. Estimated third-party payor settlements increased approximately \$8.3 million during fiscal year 2013.

Cash paid for capital asset acquisitions during fiscal year 2013 totaled approximately \$10.0 million. Fiscal year 2013 payments of principal on long-term debt and capital lease obligations totaled approximately \$12.2 million, which excludes SJMC Taxable Notes, Series 2013 debt proceeds paid directly to refund debt and into an irrevocable trust for an in-substance defeasance. Interest payments were approximately \$2.4 million and amounts paid on other borrowings were \$5.5 million. Proceeds from the issuance of the SJMC Taxable Notes, Series 2013 totaled approximately \$25.9 million of the \$100 million issuance, which, as described previously, excludes amounts not received directly by SJMC and then disbursed. The Company also made funding contributions of approximately \$3.3 million into the frozen defined benefit employee pension plan during fiscal year 2013.

Credit Ratings

The Company's underlying credit rating of BBB+ was provided by Fitch Ratings in June 2013.



Report of Independent Certified Public Accountants

The Board of Directors of
Shands Jacksonville HealthCare, Inc. and Subsidiaries

We have audited the accompanying consolidated basic financial statements of Shands Jacksonville HealthCare, Inc. and Subsidiaries (the "Company") as of and for the years ended June 30, 2014 and 2013, and the related notes to the consolidated basic financial statements, which comprise the consolidated basic statements of net position, and the related consolidated basic statements of revenues, expenses and changes in net position and the consolidated basic statements of cash flows

Management's Responsibility for the Consolidated Basic Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated basic financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated basic financial statements that are free from material misstatement, whether due to fraud or error

Independent Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on the consolidated basic 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 our audits to obtain reasonable assurance about whether the consolidated basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated basic financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated basic financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated basic financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated basic financial statements referred to above present fairly, in all material respects, the respective financial position of Shands Jacksonville HealthCare, Inc. and Subsidiaries at June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 2 to the consolidated basic financial statements, the Company adopted Governmental Accounting Standards Board ("GASB") No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying Management's Discussion and Analysis ("MD&A") (Unaudited) for the years ended June 30, 2014 and 2013 on pages 1 through 10, the Schedule of Plan Funding Progress (Unaudited) as of July 1, 2009 through March 31, 2014, the Historical Summary of Actual and Required Pension Contributions (Unaudited) as of July 1, 2008 through June 30, 2014, and the Historical Summary of Actual and Required Other Postemployment Contributions under GASB Statement No. 45 (Unaudited) as of July 1, 2011 through June 30, 2014 on pages 43 through 45 are required by accounting principles generally accepted in the United States of America to supplement the consolidated basic financial statements. Such information, although not a part of the consolidated basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated basic financial statements, and other knowledge we obtained during our audits of the consolidated basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Company's consolidated basic financial statements. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated basic financial statements or to the consolidated basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers 22P".

September 29, 2014

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Net Position
June 30, 2014 and 2013

(in thousands of dollars)

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 46,450	\$ 48,209
Short-term investments	27,760	41,141
Patient accounts receivable, net of allowance for uncollectibles of \$68,110 and \$65,869, respectively	77,909	82,316
Due from city and state agencies	15,781	5,185
Inventories	11,508	10,336
Prepaid expenses and other current assets	10,741	8,645
Total current assets	190,149	195,832
Assets whose use is restricted	37,276	39,500
Capital assets, net	200,256	170,987
Other assets	31,937	26,872
Total assets	459,618	433,191
Deferred outflows of resources		
Deferred loss on debt refunding	-	174
Liabilities		
Current liabilities		
Long-term debt, current portion	4,429	2,575
Capital lease obligations, current portion	2,154	2,225
Accounts payable and accrued expenses	46,532	53,965
Accrued salaries and leave payable	23,835	19,708
Estimated third-party payor settlements	13,003	30,796
Total current liabilities	89,953	109,269
Long-term liabilities		
Long-term debt, noncurrent portion	155,898	137,341
Capital lease obligations, noncurrent portion	4,081	6,256
Other liabilities	41,339	14,765
Total long-term liabilities	201,318	158,362
Total liabilities	291,271	267,631
Commitments and contingencies		
Net position		
Net investment in capital assets	40,843	62,505
Restricted		
Expendable	4,083	3,887
Unrestricted, as restated	123,421	99,342
Total net position	\$ 168,347	\$ 165,734

The accompanying notes are an integral part of these consolidated basic financial statements

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Revenues, Expenses, and
Changes in Net Position
Years Ended June 30, 2014 and 2013

(in thousands of dollars)

	2014	2013
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$79,902 and \$86,208, respectively	\$ 518,542	\$ 487,436
Other operating revenue	22,525	35,440
Total operating revenues	<u>541,067</u>	<u>522,876</u>
Operating expenses		
Salaries and benefits	245,027	240,324
Supplies and services	242,695	239,426
Depreciation and amortization	23,064	23,425
Total operating expenses	<u>510,786</u>	<u>503,175</u>
Operating income	<u>30,281</u>	<u>19,701</u>
Nonoperating revenues (expenses)		
Interest	(7,586)	(3,399)
Other nonoperating gains	335	699
Net investment gain (loss), including change in fair value	4,210	(6)
(Loss) gain on disposal of capital assets, net	(1,703)	33
Total nonoperating expenses, net	<u>(4,744)</u>	<u>(2,673)</u>
Excess of revenues over expenses before transfers and capital contributions	25,537	17,028
Transfers and expenditures in support of the University of Florida and its medical programs	(23,120)	(22,301)
Capital contributions, net	196	44
Increase (decrease) in net position	2,613	(5,229)
Net position		
Beginning of year, as restated	165,734	170,963
End of year	<u>\$ 168,347</u>	<u>\$ 165,734</u>

The accompanying notes are an integral part of these consolidated basic financial statements

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(in thousands of dollars)

	2014	2013
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 492,180	\$ 478,101
Other receipts from operations	12,702	31,317
Salaries and benefits paid to employees	(238,689)	(244,626)
Payments to suppliers and vendors	(242,559)	(238,952)
Net cash provided by operating activities	<u>23,634</u>	<u>25,840</u>
Cash flows from noncapital financing activities		
Interest paid on Shands note	(3,082)	(453)
Payments in support of the University of Florida and its medical programs	(23,120)	(22,301)
Payments of long-term debt of Shands	(2,575)	(352)
Proceeds from disposal of noncapital assets	12	-
Net cash used in noncapital financing activities	<u>(28,765)</u>	<u>(23,106)</u>
Cash flows from capital and related financing activities		
Payments for capital assets	(19,845)	(10,041)
Proceeds from sale of capital assets	25	50
Proceeds from issuance of note payable	23,012	25,890
Payments of long-term debt and capital lease obligations	(2,514)	(12,214)
Payments of other capital borrowings	(6,500)	(5,500)
Interest paid	(4,076)	(1,914)
Capital contributions	196	44
Net cash used in capital and related financing activities	<u>(9,702)</u>	<u>(3,685)</u>
Cash flows from investing activities		
Investment income received	665	1,500
Investment purchases	(3,503)	(1,222)
Redemption of short-term investments and assets whose use is restricted	42,651	36,000
Purchase of short-term investments and assets whose use is restricted	(26,739)	(17,756)
Net cash provided by investing activities	<u>13,074</u>	<u>18,522</u>
Net (decrease) increase in cash and cash equivalents	(1,759)	17,571
Cash and cash equivalents		
Beginning of year	48,209	30,638
End of year	<u>\$ 46,450</u>	<u>\$ 48,209</u>

The accompanying notes are an integral part of these consolidated basic financial statements

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(in thousands of dollars)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 30,281	\$ 19,701
Adjustments to operating income to net cash provided by operating activities		
Depreciation and amortization	23,064	23,425
Provision for bad debts	79,902	86,208
Changes in		
Patient accounts receivable	(86,091)	(103,828)
Prepaid expenses, inventories and other current assets	(3,399)	(5,689)
Other assets	1,488	(2,768)
Accounts payable and accrued expenses	(4,607)	902
Estimated third-party payor settlements	(17,793)	8,286
Other liabilities	789	(397)
Total adjustments	(6,647)	6,139
Net cash provided by operating activities	\$ 23,634	\$ 25,840
Disclosure of supplemental cash flow information		
Capital assets purchased through capital lease obligations and other borrowings	\$ 9,829	\$ 11,271
Net increase (decrease) in fair value of investments	307	(1,400)
Net increase in fair value of derivatives	335	698
Loss related to undepreciated costs on capital asset disposals	1,842	33
Series 2014 A and B bonds paid directly to redeem Series 2013 notes payable	100,000	-
Series 2013 notes payable proceeds paid directly to redeem Series 2005 and 2008 bonds	-	71,281
Series 2013 notes payable escrowed immediately in an irrevocable trust for defeasance of Series 2004 A and B bonds	-	2,829

The accompanying notes are an integral part of these consolidated basic financial statements

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

1. Organization

Shands Jacksonville HealthCare, Inc (the "Company") formerly known as Jacksonville Health Group, Inc , is a not-for-profit corporation with direct control over Shands Jacksonville Medical Center, Inc ("SJMC") and direct or indirect control over numerous other entities. During 2013, SJMC began doing business as UF Health Jacksonville. SJMC, formerly known as University Medical Center, Inc ("UMC"), is a not-for-profit corporation and the principal operating subsidiary of the Company. SJMC operates a teaching hospital located in Jacksonville, Florida, through a lease with the City of Jacksonville (the "City") under the terms described in Note 11. The teaching hospital is licensed to operate 695 beds and provides clinical settings for medical education programs at the University of Florida ("UF").

The President of UF, or his designee, is responsible for the oversight of the Company. The President of UF is appointed by a Board of Trustees that governs UF (the "UF Board"). The members of the UF Board are appointed by the Governor and Board of Governors of the state of Florida.

Under a 2010 reorganization, Shands is no longer the sole corporate member of the Company, but continues as an affiliated entity under common control of UF. The Company continues to receive management and operational services from Shands.

2. Restatement of Prior Year Consolidated Basic Financial Statements

Effective July 1, 2012, the Company adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Under GASB No. 65, bond issuance costs, with the exception of bond insurance guaranty costs, are expensed at the time of issuance and gains and losses on early extinguishments of debt are deferred and amortized over the life of the refunded debt or refinancing debt, whichever is earlier.

The effect of adopting GASB No. 65 as of July 1, 2012 was as follows:

(in thousands of dollars)

Net position at June 30, 2012 (as previously reported)	\$ 171,340
Decrease in unamortized bond issuance costs	(571)
Increase in deferred loss on debt refunding	194
	<u>(377)</u>
Net position at June 30, 2012 (as restated)	<u>\$ 170,963</u>

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board ("GASB"), on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of these consolidated basic 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 amounts reported in the consolidated basic financial statements and accompanying notes. Actual results could differ from those estimates.

Tax Status

The Company and its subsidiaries are exempt from federal income taxes pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income taxes pursuant to Chapter 220 of the Florida Statutes.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with maturities of three months or less when purchased, except those classified as assets whose use is restricted in the accompanying consolidated basic financial statements.

Investments

Investments consist of money market funds and participation in the Florida State Treasury special investment program ("SPIA"). Investments are carried at fair value. Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in nonoperating revenues (expenses) when earned.

The estimated fair value of investments is based on quoted market prices. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the accompanying consolidated basic statements of revenues, expenses, and changes in net position in the period such fluctuations occur.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market value.

Contributions Receivable

Contributions receivable include unconditional promises to give and amounts collected on behalf of the Company held by Southeastern Healthcare Foundation or the University of Florida Foundation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in the future are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as revenue until the conditions are substantially met. Contributions receivable are recorded in other assets in the accompanying consolidated basic statements of net position.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

Assets Whose Use is Restricted

Assets whose use is restricted are cash and cash equivalents comprised of a debt service reserve fund and internally designated funds for clinical support, education, research, and other health programs and amounts to be used for mandatory redemption of bonds

Capital Assets

Capital assets are recorded at cost, except for donated items, which are recorded at fair value at the date of receipt as an addition to net position. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the related depreciable assets. Capital assets under capital leases are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the related assets. Such amortization is included in depreciation and amortization expense in the accompanying consolidated basic statements of revenues, expenses, and changes in net position. Gains and losses on dispositions are recorded in the year of disposal.

Costs of Borrowing

Interest costs incurred on borrowed funds during the period of construction or development of capital assets are capitalized as a component of the cost of acquiring those assets. With the adoption of GASB No. 65, effective July 1, 2012 (Note 2), bond issue costs are expensed at the time of issuance. There was \$659,000 of unamortized original discounts or premiums for the 2014A Bonds at June 30, 2014, which will be amortized over the remaining periods of the obligations using the effective interest method.

Accrued Personal Leave

The Company provides accrued time off to eligible employees for vacations, holidays, and short-term illness dependent on their years of continuous service and their payroll classification. The Company accrues the estimated expense related to personal leave based on pay rates currently in effect. Upon termination of employment, employees will have their eligible accrued personal leave paid in full.

Long-Term Debt

The fair value of long-term debt is estimated based on dealer quotes for hospital tax-exempt debt with similar terms and maturities and using discounted cash flow analyses based on current interest rates for similar types of borrowing arrangements. The carrying amount at June 30, 2014 and 2013 is approximately \$160,986,000 and \$139,916,000, respectively. The estimated fair value at June 30, 2014 and 2013 is approximately \$165,883,000 and \$139,916,000, respectively. This value represents a general approximation of possible value and may never actually be realized.

Net Position

Net position is categorized as "net investment in capital assets," "restricted - expendable," and "unrestricted." Net investment in capital assets is intended to reflect the portion of net position that is associated with non-liquid capital assets, less outstanding balances due on borrowings used to finance the purchase or construction of those assets related to debt. Restricted - expendable have restrictions placed on their use through external constraints imposed by contributors. Unrestricted are those that do not meet the definition of net investment in capital assets and have no third-party restrictions on use.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

Operating Revenues and Expenses

The Company's consolidated basic statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Company's principal activity. Net investment income, interest expense, and gain (loss) on disposal of assets are reported as nonoperating revenues (expenses). Donations received for the purpose of acquiring or constructing capital assets are recorded below nonoperating revenues (expenses) as capital contributions. Operating expenses are all expenses incurred to provide health care services.

Net Patient Service Revenue and Patient Accounts Receivable

SJMC has agreements with third-party payors that provide for payments to SJMC at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue and patient accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. For the years ended June 30, 2014 and 2013, net patient service revenue increased by approximately \$21,429,000 and \$1,826,000, respectively, due to such adjustments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Medicare

The Company participates in the federal Medicare program ("Medicare"). Approximately 28% and 29% of the Company's net patient service revenue in fiscal years 2014 and 2013, respectively, was derived from services to Medicare beneficiaries. Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Inpatient non-acute services, outpatient services, and defined capital costs related to Medicare beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Company is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits by the Medicare fiscal intermediary. The Company's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review. As of June 30, 2014, the Medicare cost reports were final settled by the Company's Medicare fiscal intermediary through June 30, 2007.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

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Medicaid

Approximately 26% and 27% of the Company's net patient service revenue in fiscal years 2014 and 2013, respectively, was derived under the Medicaid program. Prior to July 1, 2013, inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based upon a cost reimbursement methodology subject to certain ceilings. The Company is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the health care facilities and audits by the Medicaid fiscal intermediary. The Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2009. In addition to the tentative payments received by the Company for the provision of health care services to Medicaid beneficiaries, the state of Florida provides supplemental Medicaid and disproportionate share payments to reflect the additional costs associated with treating the Medicaid population in Florida. These amounts are reflected in net patient service revenue in the accompanying consolidated basic statements of revenues, expenses, and changes in net position.

Effective July 1, 2013, Medicaid reimburses providers based on Diagnosis Related Groups for inpatients and traditional interim cost based rates for outpatients. The Company qualified for additional Medicaid reimbursement for quarterly Graduate Medical Education ("GME") and transitional payments.

The Company's Medicaid interim rates are based on the most recent "as filed" Medicare/Medicaid cost reports. The outpatient rate used in fiscal year 2014 was based on the unaudited 2012 cost report. The inpatient and outpatient rates used in fiscal year 2013 were based on the unaudited 2011 cost report.

Other Third-Party Payors

The Company has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

It is management's opinion that settlements of outstanding Medicare and Medicaid cost reports, when received, will not vary materially from the estimated amounts, which are recorded as current liabilities in the accompanying consolidated basic statements of net position.

Provision for Bad Debts and Allowance for Uncollectible Accounts

The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in federal and state governmental health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results of this review are then used to make any modification to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Patient accounts receivable are written off after collection efforts have been followed under the Company's policies.

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Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

Electronic Medical Records Incentive Program

During the years ended June 30, 2014 and 2013, approximately \$1,808,000 and \$6,928,000, respectively, was received by the Company for incentives under the Medicare and Medicaid Electronic Medical Record Incentive Program as authorized by the Health Information Technology for Clinical Health Act ("HITEC"). The Company adopted the gain contingency revenue recognition model for HITEC, and recognizes revenue when it demonstrates meaningful use of certified electronic health record technology for the applicable period. Payments received were earned and recognized as other operating revenue in the accompanying consolidated basic statements of revenues, expenses and changes in net position.

Derivative Financial Instruments

The Company uses interest rate swaps, which are not designated as hedge instruments, to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. The Company accounts for changes in fair value of interest rate swaps that do not qualify for hedge accounting within other nonoperating gains in the consolidated basic statements of revenues, expenses, and changes in net position.

Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 66, *Technical Corrections - 2012, an Amendment of GASB Statements No. 10 and No. 62* ("GASB No. 66"). The objective of GASB No. 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB No. 66 are effective for financial statements for periods beginning after December 15, 2012. The adoption of GASB No. 66 on July 1, 2013 did not have a material impact on Shands' consolidated basic financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* ("GASB No. 68"). GASB No. 68 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, GASB No. 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. In addition, GASB No. 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

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GASB No 68 is effective for fiscal years beginning after June 15, 2014, with earlier application encouraged. The Company will adopt GASB No 68 as of July 1, 2014 and as required, will adjust net position as of July 1, 2013 and restate the consolidated basic financial statements as of and for the year ended June 30, 2014. The impact of adopting GASB No 68 will result in a decrease in net position of approximately \$22,249,000 as of July 1, 2013 and an increase in excess of revenues over expenses before transfers, capital contributions and other changes in net position of approximately \$2,607,000 for the year ended June 30, 2014.

In April 2013, the GASB issued GASB Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB No 70"), which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of GASB No 70 are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. GASB No 70 is effective for fiscal years beginning after June 15, 2013. The adoption of GASB No 70 on July 1, 2013 had no impact on the Company's consolidated basic financial statements.

In November 2013, the GASB issued GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB No 71"). There may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net position liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. GASB No 71 is effective for fiscal years beginning after June 15, 2014. The Company is currently evaluating the impact GASB No 71 will have on its consolidated basic financial statements.

4. **Un-sponsored Community Benefit**

Community benefit is a planned, managed, organized, and measured approach to a health care organization's participation in meeting identified community health needs. It implies collaboration with a "community" to "benefit" its residents, particularly the poor and other underserved groups, by improving health status and quality of life. Community benefit projects and services are identified by health care organizations in response to findings of a community health assessment, strategic and/or clinical priorities, and partnership areas of attention.

Community benefit categories include financial assistance, community health services, health professions education, research, and donations. The Company has a long history of providing community benefits and has quantified these benefits using national guidelines developed by the Catholic Health Association in collaboration with the Voluntary Hospital Association ("VHA").

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

The Company has policies providing financial assistance for patients requiring care but who have limited or no means to pay for that care. These policies provide free or discounted health and health-related services to persons who qualify under certain income and assets criteria. Because the Company does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as net patient service revenue. The Company maintains records to identify and monitor the level of financial assistance it provides. Charges forgone for services provided under the Company's financial assistance policy for the years ended June 30, 2014 and 2013 were approximately \$339,992,000 and \$267,694,000, respectively.

In addition to direct financial assistance, the Company provides benefits for the broader community. The cost of providing these community benefits can exceed the revenue sources available. Examples of the benefits provided by the Company and general definitions regarding those benefits are described below.

- Community health services include activities carried out to improve community health. They extend beyond patient care activities and are usually subsidized by the health care organization. Examples include community health education, counseling and support services, and health care screenings.
- Health professions education includes education provided in clinical settings such as internships and programs for physicians, nurses, and allied health professionals. Also included are scholarships for health professional education related to providing community health improvement services and specialty in-service programs to professionals in the community.
- Donations include funds and in-kind services benefiting the community-at-large.

The Company's valuation of unsponsored community benefits at cost for the years ended June 30, 2014 and 2013 is as follows:

<i>(in thousands of dollars)</i>	2014	2013
Financial assistance provided	\$ 76,738	\$ 63,089
Government support applied to charity care	<u>(26,275)</u>	<u>(23,776)</u>
Net unreimbursed financial assistance	<u>50,463</u>	<u>39,313</u>
Benefits for the broader community		
Community health services	1,987	1,336
Health professions education	17,714	21,463
Donations	<u>131</u>	<u>51</u>
Total quantifiable benefits for the broader community	<u>19,832</u>	<u>22,850</u>
Total community benefits	<u>\$ 70,295</u>	<u>\$ 62,163</u>

The cost of financial assistance provided was determined by applying the Company's overall expense to charge ratio to total charges foregone. Cost of benefits for the broader community represents actual expenses incurred.

The Company also plays a leadership role in the communities it serves by providing additional community benefits that have not been quantified. This role includes serving as a state designated Level I trauma center and maintaining air ambulance services to help meet the emergency healthcare needs in Jacksonville.

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In addition to the community benefits described above, the Company provides additional benefits to the community through advocacy of community service by employees. The Company's employees serve numerous organizations through board representation, in-kind and direct donations, fund-raising, youth sponsorship, and other related activities.

5. Cash, Cash Equivalents, Investments and Assets Whose Use is Restricted

The composition of cash, cash equivalents, investments and assets whose use is restricted at June 30, 2014 and 2013 is as follows:

(in thousands of dollars)

	Market Value	Investment Maturities		
		Less Than 1 Year	1-3 Years	More Than 4 Years
2014				
Commercial paper	\$ 17,776	\$ 17,776	\$ -	\$ -
Florida Treasury Investment Pool ("SPIA")	27,760	-	27,760	-
Money markets	5,404			
Bank deposits	60,546			
	<u>\$ 111,486</u>			

(in thousands of dollars)

	Market Value	Investment Maturities		
		Less Than 1 Year	1-3 Years	More Than 4 Years
2013				
Commercial paper	\$ 20,000	\$ 20,000	\$ -	\$ -
Florida Treasury Investment Pool ("SPIA")	41,141	-	41,141	-
Money markets	5,732			
Bank deposits	61,977			
	<u>\$ 128,850</u>			

SPIA funds are combined with State of Florida funds invested in a fixed income portfolio. SPIA participants have the ability to invest and withdraw funds same day with an 11:00 a.m. transaction deadline.

Assets whose use is restricted include amounts internally designated by the Board of Directors and amounts held by trustees and are comprised of the following at June 30, 2014 and 2013, which are all classified as long-term:

(in thousands of dollars)

	2014	2013
Internally designated by the Board of Directors for:		
Clinical support, education, research and other health programs	\$ 19,500	\$ 19,500
Debt service reserve and project funds	17,776	20,000
Long-term portion	<u>\$ 37,276</u>	<u>\$ 39,500</u>

Shands Jacksonville HealthCare, Inc. and Subsidiaries

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Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities may be sensitive to credit risk and changes in interest rates.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company invests either by participating in SPIA or through an investment agent. The agreement with the investment agent has specific objectives and guidelines, which includes issuer credit quality, a list of specific allowable investments and credit ratings.

The credit risk profile of the Company's investments and assets whose use is restricted as of June 30, 2014 and 2013 is as follows:

<i>(in thousands of dollars)</i>				
	Fair Value	Ratings		
		AAA	A1+/P1	A+f
2014				
Money markets	\$ 5,404	\$ 5,404	\$ -	\$ -
Commercial paper	17,776	-	17,776	-
Florida Treasury Investment Pool ("SPIA")	27,760	-	-	27,760
	<u>\$ 50,940</u>	<u>\$ 5,404</u>	<u>\$ 17,776</u>	<u>\$ 27,760</u>
 <i>(in thousands of dollars)</i>				
	Fair Value	Ratings		
		AAA	A1+/P1	A+f
2013				
Money markets	\$ 5,732	\$ 5,732	\$ -	\$ -
Commercial paper	20,000	-	20,000	-
Florida Treasury Investment Pool ("SPIA")	41,141	-	-	41,141
	<u>\$ 66,873</u>	<u>\$ 5,732</u>	<u>\$ 20,000</u>	<u>\$ 41,141</u>

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the Company's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2014 and 2013, the Company did not have any investments that equaled or exceeded this threshold.

Custodial Credit Risk

As of June 30, 2014 and 2013, the Company's investments were not exposed to custodial credit risk since the full amount of investments were insured, collateralized, or registered in the Company's name.

Interest Rate Risk

The Company's investment agent guidelines limit maximum effective maturities to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. While SPIA does hold some longer term maturities, participants have the ability to invest and obtain funds same day.

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Deposit Risk

In addition to insurance provided by the Federal Deposit Insurance Corporation, all demand deposits are held in banking institutions approved by the State of Florida state treasurer to hold public funds. Under the Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* ("Chapter 280"), the state treasurer requires all qualified public depositories to deposit with the treasurer or another banking institution eligible collateral equal to amounts ranging from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses in excess of amounts insured and collateralized.

Investment gain (loss), net for fiscal years 2014 and 2013 is as follows:

<i>(in thousands of dollars)</i>	2014	2013
Dividends, interest and other investment income	\$ 3,903	\$ 1,394
Net increase (decrease) in the fair value of investments	307	(1,400)
Investment gain (loss), net	<u>\$ 4,210</u>	<u>\$ (6)</u>

6. Capital Assets

A summary of changes in capital assets during fiscal years 2014 and 2013 is as follows:

<i>(in thousands of dollars)</i>	Balance at June 30, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Land	\$ 23,809	\$ 252	\$ -	\$ -	\$ 24,061
Buildings and leasehold improvements	295,356	109	(32,147)	4,569	267,887
Equipment	<u>200,415</u>	<u>1,920</u>	<u>(47,304)</u>	<u>5,246</u>	<u>160,277</u>
Totals at historical cost	519,580	2,281	(79,451)	9,815	452,225
Less: Accumulated depreciation for					
Buildings and leasehold improvements	(193,130)	(11,319)	30,840	-	(173,609)
Equipment	<u>(163,494)</u>	<u>(11,422)</u>	<u>46,705</u>	<u>-</u>	<u>(128,211)</u>
	162,956	(20,460)	(1,906)	9,815	150,405
Construction-in-progress	<u>8,031</u>	<u>52,336</u>	<u>(701)</u>	<u>(9,815)</u>	<u>49,851</u>
Capital assets, net	<u>\$ 170,987</u>	<u>\$ 31,876</u>	<u>\$ (2,607)</u>	<u>\$ -</u>	<u>\$ 200,256</u>

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<i>(in thousands of dollars)</i>	Balance at June 30, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Land	\$ 22,820	\$ 989	\$ -	\$ -	\$ 23,809
Buildings and leasehold improvements	285,046	181	-	10,129	295,356
Equipment	193,809	1,187	(301)	5,720	200,415
Totals at historical cost	501,675	2,357	(301)	15,849	519,580
Less Accumulated depreciation for					
Buildings and leasehold improvements	(182,628)	(10,502)	-	-	(193,130)
Equipment	(151,162)	(12,600)	268	-	(163,494)
	167,885	(20,745)	(33)	15,849	162,956
Construction-in-progress	11,541	12,846	(507)	(15,849)	8,031
Capital assets, net	<u>\$ 179,426</u>	<u>\$ (7,899)</u>	<u>\$ (540)</u>	<u>\$ -</u>	<u>\$ 170,987</u>

Amortization expense on equipment held under capital lease which is included within depreciation and amortization expense in the consolidated basic statements of revenues, expenses, and changes in net position was approximately \$2,379,000 and \$2,235,000 for the years ended June 30, 2014 and 2013, respectively. Depreciation and amortization expense was approximately \$23,064,000 and \$23,425,000 for the years ended June 30, 2014 and 2013, respectively.

In 2013, a developer commenced construction on an approximately 201,000 square foot medical office building ("MOB"), which is situated on property that is owned by the Company. The Company will be leasing approximately 139,000 square feet in the MOB once construction is completed in early 2015. At June 30, 2014, accounting rules required the Company recognize approximately \$29,532,000 in both Capital assets, net and Other liabilities though the Company neither has title to the building or responsibility for the debt related to the construction of the MOB. During fiscal year 2015, once the construction is complete and the Company's space lease is effective, this transaction will be re-evaluated.

7. Long-Term Debt

Long-term debt is comprised of the following at June 30, 2014 and 2013

<i>(in thousands of dollars)</i>	2014	2013
Notes Payable		
2011 Shands Note Payable, final maturity October 2030	\$ 37,341	\$ 39,916
Series 2013 SJMC Taxable Notes, final maturity July 2014	-	100,000
Series 2013A Healthcare Facilities Revenue Bonds, final maturity February 2033	64,240	-
Series 2013B Healthcare Facilities Revenue Bonds, final maturity February 2029	59,405	-
	<u>160,986</u>	<u>139,916</u>
Less Net unamortized bond discount	(659)	-
Total long-term debt	<u>160,327</u>	<u>139,916</u>
Less Current portion	<u>(4,429)</u>	<u>(2,575)</u>
Long-term portion	<u>\$ 155,898</u>	<u>\$ 137,341</u>

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Changes in the Company's long-term debt, excluding any unamortized discounts or premiums were as follows

<i>(in thousands of dollars)</i>	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due Within One Year
Notes Payable					
2011 Shands Note Payable, final maturity October 2030	\$ 39,916	\$ -	\$ (2,575)	\$ 37,341	\$ 1,564
Series 2013, SJMC Taxable Notes final maturity July 2014	100,000	-	(100,000)	-	-
Series 2013A Healthcare Facilities Revenue Bonds, final maturity February 2033	-	64,240	-	64,240	-
Series 2013B Healthcare Facilities Revenue Bonds, final maturity February 2029	-	59,405	-	59,405	2,865
Total long-term debt	<u>\$ 139,916</u>	<u>\$ 123,645</u>	<u>\$ (102,575)</u>	<u>\$ 160,986</u>	<u>\$ 4,429</u>

<i>(in thousands of dollars)</i>	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts Due Within One Year
SJMC Hospital Revenue Bonds					
Series 2004A, final maturity February 2014	\$ 4,905	\$ -	\$ (4,905)	\$ -	\$ -
Series 2004B, final maturity February 2014	510	-	(510)	-	-
Series 2008, final maturity February 2019	59,405	-	(59,405)	-	-
Notes Payable					
2011 Shands Note Payable, final maturity October 2030	40,267	-	(351)	39,916	2,575
Series 2013, SJMC Taxable Notes final maturity July 2014	-	100,000	-	100,000	-
Hospital Revenue Refunding Bonds					
Series 2005, final maturity October 2015	19,840	-	(19,840)	-	-
Total long-term debt	<u>\$ 124,927</u>	<u>\$ 100,000</u>	<u>\$ (85,011)</u>	<u>\$ 139,916</u>	<u>\$ 2,575</u>

Maturities of long-term debt including corresponding interest, over the next five years and in five-year increments thereafter are as follows

<i>(in thousands of dollars)</i>	Debt Service	
	Principal	Interest
Year Ending June 30,		
2015	\$ 4,429	\$ 5,965
2016	4,641	5,861
2017	6,606	5,716
2018	6,914	5,514
2019	7,266	5,301
2020-2024	34,625	23,751
2025-2029	51,863	17,599
2030-2034	44,642	8,785
	<u>\$ 160,986</u>	<u>\$ 78,492</u>

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Cash paid for interest was approximately \$7,158,000 and \$2,367,000 for the years ended June 30, 2014 and 2013, respectively. Capitalized interest was approximately \$416,000 and \$339,000 for the years ended June 30, 2014 and 2013, respectively.

See Note 12 for further description of the 2011 Shands Note Payable.

Series 2013A and 2013B Healthcare Facilities Revenue Bonds

On November 21, 2013, Florida Development Finance Corporation ("FDFC") issued Healthcare Facilities Revenue Bonds ("Series 2013 A and B Bonds") on behalf of SJMC. Series 2013A Bonds, for approximately \$64.2 million, is comprised of serial and term bonds. Series 2013B Bonds, for approximately \$59.4 million, issued initially in the R-FLOATs mode, with an R-FLOATs weekly period. The proceeds of this issuance will be used to finance various capital improvement projects, pay for cost of issuance, provide a debt service reserve fund and refund the \$100 million of Series 2013 SJMC Taxable Notes. Although total cash flows related to the new debt service, excluding the increase for capital improvements, debt reserve funding and issues cost, will increase by approximately \$48.4 million, the Company will have an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$1.7 million, in the event the Series 2013 A and B Bonds are held to maturity.

Series 2013 Taxable Notes

In 2013, the Company issued index rate taxable notes ("Series 2013 Notes") to finance various capital improvement projects, refund the outstanding principal of the Series 2005 Bonds and Series 2008 Bonds, escrow funds for an in-substance defeasance of the Series 2004 Bonds and to pay related issuance costs. The Series 2013 Notes were privately held by Bank of America, N.A. and were refunded by the Series 2013 A and B Bonds, as noted above.

Series 2004A and 2004B Hospital Revenue Bonds

In 2004, the Jacksonville Economic Development Commission ("JEDC") issued the Series 2004A and 2004B Hospital Revenue Bonds ("Series 2004 Bonds") on behalf of SJMC to finance various capital improvement projects, to refund outstanding principal of the Series 1992 City of Jacksonville Hospital Revenue Bonds, and to pay related issuance costs. On June 27, 2013, funds to repay the outstanding principal and interest were escrowed and held by a trustee until they matured on February 1, 2014.

Series 2005 Hospital Revenue Refunding Bonds

In 2005, the JEDC issued the Series 2005 Hospital Revenue Refunding Bonds ("Series 2005 Bonds") on behalf of Methodist Medical Center, Inc., Methodist Health System, Inc., and The Methodist Hospital Foundation, Inc. (the "Methodist Group"), of which Shands Jacksonville is the sole member. The bonds were used to refund the outstanding principal of the Series 1989A and 1989B City of Jacksonville Hospital Revenue Refunding Bonds and to pay related issuance costs. The Series 2005 Bonds were redeemed on June 27, 2013.

Series 2008 Hospital Revenue Bonds

In 2008, the JEDC issued the Series 2008 Hospital Revenue Bonds ("Series 2008 Bonds") on behalf of SJMC to retire the bridge loan used to retire the 2004A and 2004B auction rate bonds and to pay related issuance costs. During 2010, the Series 2008 Bonds were converted from variable to index rate bonds, which are privately held by Wells Fargo Bank, during the five-year initial index rate period. The Series 2008 Bonds were redeemed on June 27, 2013.

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Debt Covenants

The Company and SJMC are subject to certain restrictive financial covenants. At June 30, 2014, these covenants require cash on hand of at least 45 days and a minimum debt service coverage ratio of 1.0. The Company was in compliance at June 30, 2014.

8. Interest Rate Swaps

On June 30, 2014 and 2013, the Company had the following nonhedged derivative instruments outstanding, which are recorded in other liabilities in the accompanying consolidated basic statements of net position.

(in thousands)		Company	Counterparty				2014	2013
Type	Objective	Notional Amount	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Fair Value
Fixed rate payer interest rate swap	Hedge changes in interest rate	\$ 20,875	\$ 20,875	1/30/2004	2/1/2021	Receive 67% of USD-LIBOR-BBA, Pay Fixed 3.337%	\$ (1,790)	\$ (2,177)
Fixed rate receiver interest rate swap	Hedge changes in interest rate	2,485	2,485	1/30/2004	2/1/2014	Receive fixed 3.401%, Pay variable SIFMA	-	47
Fixed rate receiver interest rate swap	Hedge changes in interest rate	245	245	1/30/2004	2/1/2014	Receive fixed 3.350%, Pay variable SIFMA	-	5
							<u>\$ (1,790)</u>	<u>\$ (2,125)</u>

The fair values of interest rate swaps are estimated using the present value of expected discounted future cash flows based on the maturity date.

Credit Risk

The Company has sought to limit its counterparty risk by contracting only with highly rated entities. As of June 30, 2014 and 2013, the credit ratings for the counterparty of all of the swap agreements is A/Baa2/A-

Interest Rate Risk

The Company is not exposed to interest rate risk on its fixed rate payer interest rate swap which hedges the changes in interest rates on the variable rate positions. The fixed rate receiver interest rate swaps converted fixed rate positions to variable rate basis and matured on February 1, 2014.

Basis Risk

The Company is exposed to basis risk on its fixed rate payer swap agreement because the variable rate payments received by the Company on the derivative instrument are based on a rate or index other than the interest rates the Company pays on its variable rate position.

Termination Risk

The interest rate swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events provisions, such as failure to pay and bankruptcy.

Commitments

The Company's interest rate swap agreements require collateral to be posted if the fair value of the interest rate swap is negative and meets certain thresholds. The threshold amount depends on the Company's unenhanced credit rating as determined by Fitch Ratings. No collateral was required to be posted as of June 30, 2014 or 2013.

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Swap Termination

A portion of fixed receiver interest rate swaps matured, as scheduled, on February 1, 2014

9. Employee Benefit Plans

Defined Contribution Plan

SJMC has a defined contribution plan which allows participants to defer up to 6% of their salary, pursuant to Section 401(k) of the Internal Revenue Code and all limitations contained therein. During fiscal years 2014 and 2013, SJMC made contributions of 3% of the salary of all eligible employees and matched employee contributions up to a maximum of an additional 2.25% of their salary. Contributions to this plan by SJMC were approximately \$6,456,000 and \$6,363,000 for the years ended June 30, 2014 and 2013, respectively.

Defined Benefit Pension Plan

The Company participates in the Shands HealthCare Pension Plan (the "Plan") which is a defined benefit pension plan that covers eligible Company employees.

Contribution Requirements and Contributions Made

The annual required contribution ("ARC") for the current year was determined as part of the actuarial valuation using the projected unit credit actuarial cost method. The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. All contributions to the Plan are made by the employer and are intended to fund both the actuarially determined costs, as well as the Plan's operating costs. The Company's practice is to make sufficient annual contributions in accordance with the actuarial funding requirements. Annual required contributions to the Plan for fiscal years 2014 and 2013 totaled approximately \$1,810,000 and \$1,613,000, respectively. The contributions represent approximately 260.37% and 194.10% of current covered payroll for fiscal years 2014 and 2013, respectively. Total pension expense for the years ended June 30, 2014 and 2013 totaled approximately \$3,342,000 and \$3,127,000, respectively. As of June 30, 2014 and 2013, the Company has a pension asset of approximately \$14,958,000 and \$15,861,000, respectively. Pension expense is allocated to the Company based on valuation of payroll.

Information regarding payroll and participant data used in the calculation of the current-year actuarial information is as follows:

	2014	2013
Covered payroll for the calculation of the actuarial information	\$ 695,298	\$ 830,903
Participant data as of July 1, 2013 (date of most recent valuation)		
Active	13	
Retired	206	
Terminated vested	515	
	<u>734</u>	

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The more significant actuarial assumptions utilized in the most recent actuarial valuation (April 1, 2014) for computing the annual required contributions for the Plan are as follows

Assumed rate of return on investments	7.25% per year (net of expenses)
Mortality basis	2014 PPA separate static annuitant and nonannuitant mortality tables
Amortization method	Level dollar closed
Remaining amortization period	8 years
Asset valuation method	Market value smoothed over 5 years
Termination	Graduated rates from 20 to 50 are as follows

Table of Select Withdrawal Rates (Cash Balance Plan Benefits)
Withdrawal (Based on Years of Service)

Age	<2	2-2.99	3 or more
20	38.5%	21.1%	21.0%
25	35.0%	20.0%	18.5%
30	31.8%	18.6%	17.0%
35	29.3%	17.1%	15.5%
40	27.4%	15.3%	14.0%
45	25.7%	13.8%	12.0%
50	24.2%	12.3%	10.0%

Table of Select and Ultimate Withdrawal Rates (Traditional Plan Benefits)

Age	Percentage
20	16.7%
25	16.7%
30	13.3%
35	6.4%
40	5.9%
45	4.3%
50	3.6%

Table of Salary Increases

Age	Percentage
20	3.65%
25	3.95%
30	3.65%
35	3.45%
40	3.25%
45	3.15%
50+	3.05%

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Attained Age	Retirement Rates	
	Cash Balance Benefits	Traditional Benefits
50	8 5%	1 5%
51	10 0%	1 7%
52	10 1%	1 9%
53	10 2%	2 0%
54	10 3%	2 0%
55	10 4%	3 5%
56	10 5%	3 5%
57	10 6%	3 5%
58	10 7%	3 5%
59	10 8%	5 0%
60	10 9%	5 0%
61	11 0%	20 0%
62	12 0%	35 0%
63	14 0%	25 0%
64	16 0%	25 0%
65	17 0%	35 0%
66	18 0%	30 0%
67	19 0%	50 0%
68	20 0%	50 0%
69	20 0%	50 0%
70+	100 0%	100 0%

Funding Status and Progress

The Company's actuarial accrued liability ("AAL") and the actuarial value of Plan net assets for the current year are based upon the April 1, 2014 actuarial valuation. The schedules of Plan funding progress, following the notes to the consolidated basic financial statements, present multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AAL for benefits.

The funded status of the Plan is summarized as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL (Projected Unit Credit) (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
April 1, 2014	\$ 68,450,028	\$ 71,128,823	\$ 2,678,795	96.23%	\$ 695,298	385.27%
April 1, 2013	65,662,661	72,505,410	6,842,749	90.56%	830,903	823.53%

The present value of accumulated plan benefits is computed to measure the funds required as of the valuation date to provide in full the benefits earned to date by all Plan participants. As of April 1, 2014 and 2013, the present values of accumulated Plan benefits were approximately \$71,129,000 and \$72,505,000, respectively.

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Trend Information

This information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The trend information for each of the last three fiscal years is as follows:

	April 1, 2014	April 1, 2013	April 1, 2012
Net assets available for benefits as a percentage of the AAL	96.23%	90.56%	90.88%
Unfunded actuarial accrued liability as a percentage of covered payroll	385.27%	823.53%	536.09%
Annual required contributions as a percentage of covered payroll	260.37%	194.10%	152.28%

Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. For the three fiscal years presented, contributions to the Plan were made in accordance with actuarially determined requirements.

A summary of annual pension cost, contribution information, and the change in the net pension obligation for the last three fiscal years is as follows:

	2014	2013	2012
Annual required contribution	\$ 1,810,335	\$ 1,612,780	\$ 1,858,876
Interest on net pension obligation	(1,149,951)	(1,136,210)	(856,826)
Adjustment to annual required contribution	<u>2,682,063</u>	<u>2,650,014</u>	<u>1,950,446</u>
Annual pension cost	3,342,447	3,126,584	2,952,496
Contributions made with interest	<u>(2,438,724)</u>	<u>(3,316,118)</u>	<u>(7,200,000)</u>
Decrease (increase) in net pension asset	903,723	(189,534)	(4,247,504)
Net pension asset			
Beginning of year	<u>(15,861,391)</u>	<u>(15,671,857)</u>	<u>(11,424,353)</u>
End of year	<u>\$ (14,957,668)</u>	<u>\$ (15,861,391)</u>	<u>\$ (15,671,857)</u>
Percentage of annual pension cost contributed	<u>73.0%</u>	<u>106.1%</u>	<u>243.9%</u>

The net pension asset of approximately \$14,958,000 and \$15,861,000 is included within other assets in the consolidated basic statements of net position at June 30, 2014 and 2013, respectively.

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A summary of Plan assets as of June 30, 2014 and 2013 and of the changes in Plan assets for fiscal years 2014 and 2013 is as follows

<i>(in thousands of dollars)</i>	2014	2013
Statements of Plan Net Assets		
Cash and short-term investments	<u>\$ 497</u>	<u>\$ 504</u>
Investments at fair value		
Domestic equity funds and securities	20,362	19,713
International equity funds and securities	20,319	18,649
Fixed income funds	22,794	18,813
High yield fund	5,948	5,504
Private equity	<u>3,186</u>	<u>2,897</u>
Total investments	<u>72,609</u>	<u>65,576</u>
Net assets held in trust for pension benefits	<u>\$ 73,106</u>	<u>\$ 66,080</u>

<i>(in thousands of dollars)</i>	2014	2013
Statements of Changes in Plan Net Assets		
Beginning investment value of account	<u>\$ 66,080</u>	<u>\$ 61,226</u>
Receipts		
Employer contributions	2,439	3,316
Realized and unrealized gains, net	9,902	6,585
Interest and dividends	<u>1,254</u>	<u>1,390</u>
Total receipts	<u>13,595</u>	<u>11,291</u>
Disbursements		
Benefit payments	6,050	5,986
Investment management and administrative fees	<u>519</u>	<u>451</u>
Total disbursements	<u>6,569</u>	<u>6,437</u>
Ending investment value of account	<u>\$ 73,106</u>	<u>\$ 66,080</u>

10. Other Postemployment Benefits

SJMC sponsors the Shands Jacksonville Health Plan (the "Health Plan") In addition to providing pension benefits, the Company provides certain health care benefits for 38 retired employees

The GASB requires state and local governmental employers to account for and report the annual cost of other postemployment benefits ("OPEB") and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions Annual OPEB cost will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they become due The GASB's provisions may be applied prospectively and do not require governments to fund their OPEB plans The actuarially determined cost for providing benefits to retirees and current employees during fiscal years 2014 and 2013 was approximately \$708,000 and \$619,000, respectively SJMC made approximately \$316,000 and \$974,000 of actual payments (contributions) during fiscal years 2014 and 2013, respectively

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Funding Policy

The GASB does not require funding of the OPEB expense. The ARC is based on projected pay-as-you-go financing requirements, with an additional amount required to be recognized and accumulated as the net OPEB obligation. For fiscal years 2014 and 2013, SJMC contributed approximately \$316,000 and \$974,000, respectively, to the Health Plan, which is net of retiree contributions. Retiree contributions for fiscal years 2014 and 2013 were approximately \$91,000 and \$96,000, respectively, according to the following table:

Average annual retiree contributions (Pre and post Medicare)	2014		2013	
	Retiree	Spouse/ Family	Retiree	Spouse/ Family
Preferred Plan	\$ 1,297	\$ 1,297	\$ 1,297	\$ 1,297
Post 65 BMM	230	230	230	230
Dental/Vision	149	149	253	253

Annual

OPEB Cost and Net OPEB Obligation – SJMC's annual OPEB cost is calculated based on its ARC, an amount actuarially determined in accordance with the GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over an 8 year period. The components of SJMC's annual OPEB cost for the year, the amount actually contributed to the Health Plan, and changes in SJMC's net OPEB obligation as of June 30, 2014 and 2013 are as follows:

	2014	2013
Annual required contribution	\$ 781,251	\$ 730,390
Interest on net OPEB obligation	29,857	44,726
Adjustment to annual required contribution	(103,229)	(156,409)
Annual OPEB cost	707,879	618,707
Contributions made	(316,412)	(974,052)
Increase (decrease) in net OPEB obligations	391,467	(355,345)
Net OPEB obligation		
Beginning of year	684,795	1,040,140
End of year	\$ 1,076,262	\$ 684,795

SJMC's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 707,879	44.7%	\$ 1,076,262
June 30, 2013	618,707	157.4%	684,795
June 30, 2012	569,689	26.6%	1,040,140

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Funded Status and Funding Progress

As discussed above, the GASB does not require, and SJMC has not funded, the AAL. As of April 1, 2014 and 2013, the unfunded actuarial accrued liabilities ("UAAL") for benefits were approximately \$2,964,000 and \$2,910,000, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the consolidated basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2014 and 2013 actuarial valuations, the projected unit credit method was used. The actuarial assumptions included 4.01% and 4.36% discount rates, respectively, representing an estimate of the discount rate for the unfunded plan at April 1, 2014 and 2013. The UAAL is being amortized as a level dollar base for a closed 8 year period.

The significant actuarial assumptions utilized in the most recent actuarial analysis are as follows:

Discount rate	4.01% per year
Retiree contribution increases	Retiree contributions are assumed to increase at 5% each year until the point at which the employer cost cap is reached
Health care cost trend rates	The trend rates of incurred claims represent the rate of increase in employer claims payments
Medical Annual Rates of Increase	
Initial Trend Rate	7.20%
Ultimate Trend Rate	4.50%
Year that the rate reaches the ultimate trend rate	2028

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11. Commitments and Contingencies

Leases

SJMC entered into an amended lease agreement with the City as of October 1, 1987, further amended as of October 1, 1999, with respect to the former UMC facilities to provide for a lease term expiring in 2067 with an additional 30-year renewal option. The agreement provides for annual rentals of \$1 for the lease term. The leased assets are returned to the possession of the City at the termination of the lease. SJMC is responsible for the management, operation, maintenance, and repair of the facilities.

The following is a schedule, by year, of future minimum lease payments under noncancelable operating leases as of June 30, 2014:

(in thousands of dollars)

Years Ending	
2015	\$ 7,138
2016	4,276
2017	3,096
2018	2,635
2019	2,065
Thereafter	7,595
Total minimum lease payments	<u>\$ 26,805</u>

Rent expense related to operating leases for the years ended June 30, 2014 and 2013 was approximately \$9,633,000 and \$9,427,000, respectively.

Total gross assets under capital leases included in capital assets were approximately \$11,830,000 and \$11,613,000 at June 30, 2014 and 2013, respectively. Accumulated amortization on capital leases at June 30, 2014 and 2013 was approximately \$5,712,000 and \$3,245,000, respectively.

Future capital lease payments are as follows:

(in thousands of dollars)

Years Ending	
2015	\$ 2,311
2016	2,377
2017	1,736
2018	86
Total minimum lease payments	<u>6,510</u>
Less: Amount representing interest	<u>(275)</u>
Present value of net minimum lease payments	<u>\$ 6,235</u>

Construction and Other Commitments

The Company has contracts for the construction and remodeling of facilities and for the purchase and maintenance of computer application software for its core operation systems. As of June 30, 2014, the remaining commitment relating to these contracts was approximately \$11,691,000.

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Professional Liability

SJMC participates with other health care providers in the University of Florida J. Hillis Miller Health Center/Jacksonville Self-Insurance Program ("UFJSIP"). UFJSIP is an operating unit of the Board of Governors of the State of Florida ("FBOG"). UFJSIP provides occurrence-based coverage to the Company. Insurance in excess of the coverage provided by UFJSIP is provided by the University of Florida Healthcare Education Insurance Company ("UFHEIC"). UFHEIC is wholly-owned by FBOG. UFHEIC provides coverage to the Company on a claims reported basis. UFHEIC obtains reinsurance for a substantial portion of the insurance coverage that it provides to the participants in its insurance program. The policies between both UFJSIP and UFHEIC and SJMC are not retrospectively rated. The costs incurred by the Company related to these policies are expensed in the period that coverage is provided.

SJMC could be subject to malpractice claims in excess of insurance coverage through UFJSIP or UFHEIC, however, the estimated potential loss, if any, cannot be estimated. Management of the Company is not aware of any potential uninsured losses that could materially affect the financial position of the Company.

Effective July 1, 2011, the Company was granted sovereign immunity under the provision of Chapter 2011-114, Laws of Florida. As such, recovery in tort actions arising subsequent to June 30, 2011 will be limited to \$100,000 for any one person for one incident and all recovery related to one incident is limited to a total of \$200,000. Effective October 1, 2011, the limits increased to \$200,000 for any one person for one incident and \$300,000 in total for one incident.

Self-Insurance

The Company has a self-insurance plan for health and medical coverage for the employees of the Company. Amounts contributed by the Company and its employees to the plan are determined by the level of benefits coverage selected by each employee. Expenses related to the self-insured health and medical plan for the years ended June 30, 2014 and 2013 were approximately \$24,979,000 and \$23,422,000, respectively.

SJMC is self-insured for workers' compensation up to \$600,000 per occurrence, and has purchased excess coverage from commercial carriers up to the amount allowed by Florida Statutes. Total expenses for the years ended June 30, 2014 and 2013 were approximately \$1,317,000 and \$690,000, respectively.

Litigation

The Company 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 the Company's future consolidated basic financial position or results of operations.

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The Company paid approximately \$8,050,000 to resolve allegations made under the False Claims Act that billing practices at the Company resulted in overpayments by Medicare and Medicaid covering fiscal years 2003 through 2008. The settlement resulted from a whistleblower lawsuit filed in the U.S. District Court – Middle District of Florida – Jacksonville Division on April 30, 2008, which had been under court seal. The whistleblower was an independent consultant hired by the Company in 2006 and 2007 to conduct a routine audit of its billing practices. The audit showed inconsistent billing practices. In some instances, the Company billed Medicare and Medicaid for short overnight inpatient admissions rather than for outpatient or observation services. The Company's officials fully cooperated with the state and federal investigation and negotiated the settlement agreement. While there has been no admission of liability, the Company paid approximately \$7,793,000 to the Federal Government under the Medicare program and approximately \$257,000 to the State of Florida under its Medicaid program.

Payment of this settlement amount did not have a material impact on the Company's net position, key financial metrics or results of operations.

12. Transactions with Related Parties

As of June 30, 2014 and 2013, SJMC and University of Florida Jacksonville Physicians, Inc. ("UFJP") were contingently liable as joint and several co-guarantors for the payment of 100% of both the principal and interest on \$8,500,000 of Industrial Revenue Bonds related to the indebtedness of the Faculty Clinic, Inc. The guarantees were issued in connection with the Industrial Revenue Bonds, which were used to build the facility in which SJMC and UFJP are currently tenants. The bonds were issued on January 11, 1989, bearing variable interest rates and mature on July 1, 2019. At June 30, 2014 and 2013, the outstanding amount of the Industrial Revenue Bonds is \$3,700,000 and \$4,200,000, respectively. The bonds are collateralized by an irrevocable letter of credit with a bank which expires in August 2015.

Shands, a related party controlled by UF, entered into a Support Services Agreement to support, as needed, the management team of SJMC in the administrative functions of the hospital through the provision of services and personnel. Expenses related to these services were approximately \$4,430,000 and \$4,454,000 for the years ended June 30, 2014 and 2013, respectively.

The Company, Shands and other related parties collaborated on the implementation of EPIC, a new medical records and patient accounting system ("System"). Shands led this effort and paid for the System and related implementation costs and then allocated portions of those costs to each participating related party. At June 30, 2014 and 2013, the Company owed Shands approximately \$11,152,000 and \$14,565,000, respectively.

SJMC receives contracted services at cost from UF for support of the clinical and research activities of the College of Medicine, maintenance, utilities, telephone communication and various other services. Expenses related to these services were approximately \$23,120,000 and \$22,301,000 for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, payables related to this arrangement amounted to approximately \$1,669,000 and \$777,000, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated basic statements of net position.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements

June 30, 2014 and 2013

At June 30, 2014 and 2013, the Company has a note payable ("2011 Shands Note Payable") of approximately \$37,341,000 and \$39,916,000, respectively, due to Shands. The original amount of the note was approximately \$42,276,000 to be paid in quarterly installments of \$804,620 including interest of 4.5% and matures on October 1, 2030. The current portion of the note payable of approximately \$1,564,000 and \$2,575,000 is included within long-term debt, current portion, and the long-term portion of the note payable of approximately \$35,777,000 and \$37,341,000 is included within long-term debt, noncurrent portion, at June 30, 2014 and 2013, respectively, in the accompanying consolidated basic statements of net position.

13. Concentrations of Credit Risk

SJMC grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors is as follows:

	2014	2013
Medicare	25%	26%
Medicaid	31%	32%
Other third-party payors	44%	42%
	<u>100%</u>	<u>100%</u>

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and patient accounts receivable. Concentrations of credit risk with respect to patient accounts receivable are limited to Medicare, Medicaid and various commercial payors. The Company places its cash and cash equivalents and investments with what management believes to be high-quality financial institutions and thus limits its credit exposure. The Company has deposits in excess of the federal insured amount of \$250,000. Management does not anticipate nonperformance risk by the financial institutions.

14. Subsequent Events

The Company has assessed the impact of subsequent events through September 29, 2014, the date the audited consolidated basic financial statements were issued, and has concluded that there are no such events that require adjustment to the consolidated basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Schedule of Plan Funding Progress (Unaudited)
July 1, 2009 Through March 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
July 1, 2009	\$ 51,905,053	\$ 65,734,526	\$ 13,829,473	79.0%	\$ 1,809,586	764.2%
July 1, 2010	51,816,038	69,248,158	17,432,120	74.8%	1,809,586	963.3%
April 1, 2011	62,202,826	70,369,005	8,166,179	88.4%	1,299,716	628.3%
April 1, 2012	65,212,450	71,756,738	6,544,288	90.9%	1,220,733	536.1%
April 1, 2013	65,662,661	72,505,410	6,842,749	90.6%	830,903	823.5%
April 1, 2014	68,450,028	71,128,823	2,678,795	96.2%	695,298	385.3%

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Historical Summary of Actual and Required Pension Contributions (Unaudited)
July 1, 2008 Through June 30, 2014

(Fiscal) Plan Year	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
July 1, 2008 to June 30, 2009	\$ 763,720	69 1%
July 1, 2009 to June 30, 2010	1,469,518	174 0%
July 1, 2010 to June 30, 2011	3,254,141	394 0%
July 1, 2011 to June 30, 2012	1,858,876	387 3%
July 1, 2012 to June 30, 2013	1,612,780	205 6%
July 1, 2013 to June 30, 2014	1,810,335	134 7%

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Historical Summary of Actual and Required Other Postemployment Contributions
Under GASB Statement No. 45 (Unaudited)
July 1, 2011 Through June 30, 2014

(Fiscal) Plan Year	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
July 1, 2011 to June 30, 2012	\$ 635,400	23.8%
July 1, 2012 to June 30, 2013	730,390	133.4%
July 1, 2013 to June 30, 2014	781,251	40.5%

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Net Position
June 30, 2014

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group*	Other	Eliminations	Consolidated Total
Assets				
Current assets				
Cash and cash equivalents	\$ 42,342	\$ 4,108	\$ -	\$ 46,450
Short-term investments	27,760	-	-	27,760
Patient accounts receivable, net	77,909	-	-	77,909
Due from city and state agencies	15,781	-	-	15,781
Inventories	11,508	-	-	11,508
Prepaid expenses and other current assets	48,053	9,421	(46,733)	10,741
Total current assets	223,353	13,529	(46,733)	190,149
Assets whose use is restricted	37,276	-	-	37,276
Capital assets, net	149,152	51,104	-	200,256
Other assets	27,904	4,033	-	31,937
Total assets	437,685	68,666	(46,733)	459,618
Deferred outflows of resources				
Deferred loss on debt refunding	-	-	-	-
Liabilities				
Current liabilities				
Long-term debt, current portion	4,429	-	-	4,429
Capital lease obligations, current portion	2,154	-	-	2,154
Accounts payable and accrued expenses	54,271	38,994	(46,733)	46,532
Accrued salaries and leave payable	23,835	-	-	23,835
Estimated third-party payor settlements	13,003	-	-	13,003
Total current liabilities	97,692	38,994	(46,733)	89,953
Long-term liabilities				
Long-term debt, noncurrent portion	155,898	-	-	155,898
Capital lease obligations, noncurrent portion	4,081	-	-	4,081
Other liabilities	11,807	29,532	-	41,339
Total long-term liabilities	171,786	29,532	-	201,318
Total liabilities	269,478	68,526	(46,733)	291,271
Commitments and contingencies				
Net position				
Net investment in capital assets	19,271	21,572	-	40,843
Restricted				
Expendable	3,355	728	-	4,083
Unrestricted	145,581	(22,160)	-	123,421
Total net position	\$ 168,207	\$ 140	\$ -	\$ 168,347

* Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc , Shands Jacksonville Medical Center, Inc and Shands Jacksonville Properties, Inc

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Net Position
June 30, 2013

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group*	Other	Eliminations	Consolidated Total
Assets				
Current assets				
Cash and cash equivalents	\$ 43,177	\$ 5,032	\$ -	\$ 48,209
Short-term investments	41,141	-	-	41,141
Patient accounts receivable, net	82,316	-	-	82,316
Due from city and state agencies	5,185	-	-	5,185
Inventories	10,336	-	-	10,336
Prepaid expenses and other current assets	40,421	8,347	(40,123)	8,645
Total current assets	222,576	13,379	(40,123)	195,832
Assets whose use is restricted	39,500	-	-	39,500
Capital assets, net	154,954	16,033	-	170,987
Other assets	22,839	4,033	-	26,872
Total assets	439,869	33,445	(40,123)	433,191
Deferred outflows of resources				
Deferred loss on debt refunding	174	-	-	174
Liabilities				
Current liabilities				
Long-term debt, current portion	2,575	-	-	2,575
Capital lease obligations, current portion	2,225	-	-	2,225
Accounts payable and accrued expenses	60,856	33,232	(40,123)	53,965
Accrued salaries and leave payable	19,708	-	-	19,708
Estimated third-party payor settlements	30,796	-	-	30,796
Total current liabilities	116,160	33,232	(40,123)	109,269
Long-term liabilities				
Long-term debt, noncurrent portion	137,341	-	-	137,341
Capital lease obligations, noncurrent portion	6,256	-	-	6,256
Other liabilities	14,765	-	-	14,765
Total long-term liabilities	158,362	-	-	158,362
Total liabilities	274,522	33,232	(40,123)	267,631
Commitments and contingencies				
Net position				
Net investment in capital assets	46,472	16,033	-	62,505
Restricted				
Expendable	3,159	728	-	3,887
Unrestricted	115,890	(16,548)	-	99,342
Total net position	\$ 165,521	\$ 213	\$ -	\$ 165,734

* Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended June 30, 2014

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group*	Other	Eliminations	Consolidated Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of \$79,902	\$ 518,542	\$ -	\$ -	\$ 518,542
Other operating revenue	20,228	2,596	(299)	22,525
Total operating revenues	538,770	2,596	(299)	541,067
Operating expenses				
Salaries and benefits	244,582	445	-	245,027
Supplies and services	240,843	2,151	(299)	242,695
Depreciation and amortization	23,002	62	-	23,064
Total operating expenses	508,427	2,658	(299)	510,786
Operating income (loss)	30,343	(62)	-	30,281
Nonoperating revenues (expenses)				
Interest	(7,586)	-	-	(7,586)
Other nonoperating gains	335	-	-	335
Net investment gain, including change in fair value	4,210	-	-	4,210
Loss on disposal of capital assets, net	(1,692)	(11)	-	(1,703)
Total nonoperating expenses, net	(4,733)	(11)	-	(4,744)
Excess (deficit) of revenues over expenses before transfers and capital contributions	25,610	(73)	-	25,537
Transfers and expenditures in support of the University of Florida and its medical programs	(23,120)	-	-	(23,120)
Capital contributions, net	196	-	-	196
Increase (decrease) in net position	2,686	(73)	-	2,613
Net position				
Beginning of year	165,521	213	-	165,734
End of year	\$ 168,207	\$ 140	\$ -	\$ 168,347

* Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended June 30, 2013

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group*	Other	Eliminations	Consolidated Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of \$86,208	\$ 487,436	\$ -	\$ -	\$ 487,436
Other operating revenue	32,473	3,265	(298)	35,440
Total operating revenues	519,909	3,265	(298)	522,876
Operating expenses				
Salaries and benefits	239,905	419	-	240,324
Supplies and services	237,804	1,920	(298)	239,426
Depreciation and amortization	23,322	103	-	23,425
Total operating expenses	501,031	2,442	(298)	503,175
Operating income	18,878	823	-	19,701
Nonoperating revenues (expenses)				
Interest	(3,399)	-	-	(3,399)
Other nonoperating gains	699	-	-	699
Net investment (loss) gain, including change in fair value	(8)	2	-	(6)
Gain on disposal of capital assets, net	33	-	-	33
Total nonoperating (expenses) revenues, net	(2,675)	2	-	(2,673)
Excess of revenues over expenses before transfers and capital contributions	16,203	825	-	17,028
Transfers and expenditures in support of the University of Florida and its medical programs	(22,301)	-	-	(22,301)
Capital contributions, net	44	-	-	44
(Decrease) increase in net position	(6,054)	825	-	(5,229)
Net position				
Beginning of year	171,575	(612)	-	170,963
End of year	\$ 165,521	\$ 213	\$ -	\$ 165,734

* Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.