

THE FRIST FOUNDATION

AUDITED FINANCIAL STATEMENTS

December 31, 2010 and 2009

THE FRIST FOUNDATION

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Report of Independent Auditors

To the Board of Directors
The Frist Foundation
Nashville, Tennessee

We have audited the accompanying statements of financial position of **The Frist Foundation** (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Frist Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Faulkner Mackie & Cochran, P.C.

July 19, 2011

THE FRIST FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents, at fair value	\$ 10,140,572	\$ 3,936,067
Accrued income on investments	285,158	338,445
Unsettled investment transactions	174,142	0
Federal excise taxes refundable	183,412	12,119
Other current assets	<u>5,731</u>	<u>9,044</u>
Total Current Assets	10,789,015	4,295,675
Investments, at fair value		
Equity securities	157,152,094	135,261,859
Debt securities	18,710,096	13,185,777
Ownership interests in pass-through entities	<u>15,463,258</u>	<u>12,161,035</u>
Total Investments	191,325,448	160,608,671
Property and Equipment, net	<u>18,927</u>	<u>39,249</u>
TOTAL ASSETS	<u>\$ 202,133,390</u>	<u>\$ 164,943,595</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 184,288	\$ 148,383
Accrued employee benefits	74,297	66,181
Unsettled investment transactions	0	1,345,983
Unsettled equity derivatives - covered call options	214,032	298,438
Unconditional promises to give	<u>200,000</u>	<u>960,000</u>
Total Current Liabilities	672,617	2,818,985
Unconditional Promises to Give, less current portion	0	47,738
Deferred Federal Excise Taxes	1,213,147	829,145
Other Liabilities	<u>4,197</u>	<u>9,234</u>
Total Liabilities	1,889,961	3,705,102
Unrestricted Net Assets	<u>200,243,429</u>	<u>161,238,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 202,133,390</u>	<u>\$ 164,943,595</u>

See notes to financial statements.

THE FRIST FOUNDATION

STATEMENTS OF ACTIVITIES

	<u>Year Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
SUPPORT AND REVENUES		
Investment income (Note C)	\$ 23,089,809	\$ 2,172,606
Net realized and unrealized capital gains	<u>24,470,790</u>	<u>28,190,349</u>
TOTAL SUPPORT AND REVENUES	47,560,599	30,362,955
EXPENSES		
Grant Expenses		
Grants to nonprofit organizations	6,683,610	5,904,848
Processing and administration expenses		
Salaries, wages and benefits	406,138	396,687
Office rent and occupancy	59,384	58,335
Depreciation and amortization	23,884	24,147
Supplies, postage and telephone	8,890	9,375
Printing and publications	1,524	1,089
Travel, conferences and meetings	13,575	18,184
Legal, accounting, auditing and tax	30,774	42,625
Other, net	<u>7,857</u>	<u>7,135</u>
Total	<u>552,026</u>	<u>557,577</u>
Total Grant Expenses	7,235,636	6,462,425
Investment Management and Custodial Fees	657,318	436,791
Federal Excise Tax Expense		
Current	278,707	14,539
Deferred	<u>384,002</u>	<u>829,145</u>
Total Federal Excise Tax Expense	<u>662,709</u>	<u>843,684</u>
TOTAL EXPENSES	<u>8,555,663</u>	<u>7,742,900</u>
NET INCREASE IN UNRESTRICTED NET ASSETS	\$ 39,004,936	\$ 22,620,055
Unrestricted Net Assets at Beginning of Year	<u>161,238,493</u>	<u>138,618,438</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 200,243,429</u>	<u>\$ 161,238,493</u>

See notes to financial statements.

THE FRIST FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Investment income received	\$ 23,244,488	\$ 1,855,422
Grants paid to nonprofit organizations	(7,491,348)	(7,025,744)
Cash paid to employees, consultants and suppliers	(1,143,163)	(882,964)
Federal excise taxes paid	<u>(450,000)</u>	<u>(7,000)</u>
Net Cash Provided by (Used in) Operating Activities	<u>14,159,977</u>	<u>(6,060,286)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments sold	58,283,995	106,997,799
Payments for investments acquired	(66,235,905)	(98,997,669)
Payments for property and equipment acquired	<u>(3,562)</u>	<u>0</u>
Net Cash Provided by (Used in) Investing Activities	<u>(7,955,472)</u>	<u>8,000,130</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>0</u>	<u>0</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS, at cost		
	\$ 6,204,505	\$ 1,939,844
Balance at beginning of year, at fair value	3,936,067	1,998,220
Net change in adjustment to fair value	<u>0</u>	<u>(1,997)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, at fair value	<u>\$ 10,140,572</u>	<u>\$ 3,936,067</u>

(Continued)

THE FRIST FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

	<u>Year Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO CASH FLOWS FROM OPERATIONS		
NET INCREASE IN UNRESTRICTED NET ASSETS	\$ 39,004,936	\$ 22,620,055
<u>Reconciling Adjustments:</u>		
Depreciation and amortization	23,884	24,147
Bond premium amortization	99,531	62,373
Net realized and unrealized capital gains	(24,470,790)	(28,190,349)
Undistributed investment (income) losses reported by pass-through entities	1,861	(375,959)
Deferred federal excise tax expense	384,002	829,145
(Increase) decrease in:		
Accrued income on investments	53,287	(3,598)
Federal excise taxes refundable	(171,293)	7,539
Other current assets	3,313	4,109
Increase (decrease) in:		
Accounts payable	35,905	79,060
Accrued employee benefits	8,116	9,125
Unconditional promises to give	(807,738)	(1,120,896)
Other liabilities	(5,037)	(5,037)
Total Reconciling Adjustments	<u>(24,844,959)</u>	<u>(28,680,341)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 14,159,977</u>	<u>\$ (6,060,286)</u>

See notes to financial statements.

THE FRIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Frist Foundation, formerly The HCA Foundation, was chartered as a Tennessee nonprofit organization on April 19, 1982, by Hospital Corporation of America. Effective April 1, 1997, its name was formally changed to The Frist Foundation (herein the "Foundation") to recognize the philanthropic influence and creative support of its founding directors, Dr. Thomas F. Frist, Sr. and Dr. Thomas F. Frist, Jr. The Foundation's mission is to invest its resources in selected nonprofit organizations located in the metropolitan area of Nashville, Tennessee, and elsewhere as appropriate, in ways that strengthen their ability to provide services. The Foundation does not actively solicit contributions, nor does it directly conduct charitable programs or activities. Accordingly, the Foundation is considered to be a non-operating private foundation.

Basis of Accounting: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") using the accrual method of accounting.

Financial Statement Presentation: Pursuant to GAAP, nonprofit organizations report information regarding their financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted), based on the existence or absence of donor-imposed restrictions. Due to the absence of any donor-imposed restrictions on the Foundation, all activities and net assets are reported as unrestricted in the accompanying financial statements.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates: Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, support, revenues and expenses, and the disclosure of contingent assets and liabilities. Significant estimates used by management in preparing these financial statements principally include those assumed in establishing the fair values investments held, as more fully described in Notes C and D. It is expected that management's estimates will differ from the amounts ultimately realized due to uncertainties inherent in the estimation process and such differences may be material.

Subsequent Events: In preparing the accompanying financial statements, management has evaluated subsequent events through July 19, 2011, which represents the date the financial statements were available to be issued.

Cash and Cash Equivalents: Cash consists of amounts on deposit in bank accounts and investment-related custodial accounts, adjusted for outstanding checks and other un-cleared items as of the reporting date. The Federal Deposit Insurance Corporation ("FDIC") insures the total amount deposited by each customer in a participating bank up to its basic limit of \$250,000. On November 9, 2010, the FDIC announced that temporary unlimited deposit insurance coverage would be provided on non-interest bearing accounts at all participating institutions from December 31, 2010 through December 31, 2012. Cash balances held in investment-related custodial accounts are generally eligible for up to \$250,000 of insurance coverage provided by the Securities Investor Protection Corporation ("SIPC"), in the event of bankruptcy of the brokerage firm.

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At December 31, 2010, the Foundation had interest-bearing cash deposits in one bank that totaled approximately \$8,572,000 and additional cash deposits in investment-related custodial accounts that totaled approximately \$3,900.

Cash equivalents include all highly-liquid investments, such as bank money market accounts and shares in money market mutual funds, that have a scheduled maturity of three months or less as of the acquisition date. Cash equivalents may be issued on an unsecured basis, or they may be eligible for FDIC or SIPC insurance coverage, subject to applicable limits and conditions. The Foundation held cash equivalents of approximately \$1,621,000 and \$984,000 at December 31, 2010 and 2009, respectively. These investments earn interest at variable short-term market rates and are presented at fair value, based on quoted market prices (i.e., a Level 1 security as described in Note D).

Contributions from Donors: A contribution to the Foundation is recorded at fair value on the date received from the donor. However, the Foundation does not actively solicit contributions, conduct fund-raising activities, or generally receive any significant donations of services or materials.

Receivables and Allowance for Uncollectible Amounts: Receivables are recorded at each reporting date for amounts due from various parties in conjunction with financial transactions. An allowance for potentially uncollectible receivables is provided when necessary and amounts deemed worthless are written off as determined. Recognition of an allowance was deemed unnecessary by management at both December 31, 2010 and 2009.

Investments: The Foundation's investment portfolio is comprised of a diversified mix of domestic and international investments, which are allocated among several asset categories according to the Foundation's investment policy and guidelines. The Foundation acquires publicly-traded investments via brokers who process trades through public security exchanges. Non-publicly traded investments are acquired by participation in private placement offerings and typically represent ownership of capital stock, member units, or an interest in a "pass-through" entity (e.g., a limited partnership).

Major categories of investments held by the Foundation typically include: equity securities (e.g., common stocks, equity and fixed income mutual funds, and other types of investment funds), debt securities, and ownership interests in various limited partnerships. Certain of these investments (e.g., hedge funds) are deemed to represent "alternative" or "opportunistic" investments for which the objective is to reduce overall portfolio risk and generate positive risk-adjusted returns by participating in investment opportunities that may perform contrary to general market conditions or that seek to take advantage of market dislocations and pricing opportunities within a distinct market segment.

Investments are presented at fair value in accordance with prescribed measurement principles, which are described in Note D. Unrealized capital gains and losses are recorded for changes in the fair value of investments during the reporting period. Realized capital gains and losses are recorded when investments are sold, as periodically reported by pass-through entities, and upon settlement of certain financial instruments. Investment purchase and sale transactions are recorded on a "trade date" basis. At each reporting date, unsettled investment transactions are combined and presented as a net current asset or a net current liability in the Statement of Financial Position. Realized and unrealized capital gains and losses during each reporting period are combined and presented as a net amount in the Statement of Activities.

THE FRIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

Investment income principally includes dividend and interest income, and other income (expense) reported by "pass-through" entities, which may be recognized in different periods for financial statement and tax reporting purposes. Investment fees incurred in conjunction with active portfolio management and custodial services are presented as a component of "Expenses" in the Statements of Activities. Other investment fees, such as those charged by managers of mutual funds and pass-through entities, are customarily deducted directly from the investment earnings reported to the Foundation and are not separately reported herein.

Equity Derivatives – Covered Call Options: The Foundation utilizes a strategy to enhance its overall investment yield by writing publicly-traded covered call options on certain market index funds held in its portfolio. In exchange for the call premium received, the Foundation grants the buyer an option to purchase the underlying shares of the index fund at a specified strike price during a specified time frame.

Based on management's analysis, these options are considered to be derivative instruments, however, they are not designated as part of a hedging strategy. As derivatives, call premiums received are not recognized as revenue until: (1) the option expires, (2) the option is exercised by the buyer, or (3) the option is repurchased and closed by the Foundation. As a result, call premiums for unsettled options as of a reporting date are presented as a current liability in the Statement of Financial Position. This liability is adjusted to reflect the current estimated fair value of the options. Realized and unrealized capital gains and losses for settled and unsettled options during the reporting period, respectively, are recognized in the Statement of Activities.

Investment Management and Custody of Assets: Effective March 2009, the Foundation's Board of Directors engaged a global investment banking, securities and investment management firm to assist management with allocating the Foundation's investment portfolio among various asset categories, identifying various investment alternatives within such categories, and monitoring the performance of active sub-account managers, investment funds and pass-through entities. Notwithstanding the foregoing, the Foundation's Board and management remain primarily responsible for its overall investment policy and guidelines regarding permissible investments, allocation mix and other restrictive parameters.

Also effective in March 2009, the Foundation began utilizing the global investment firm's brokerage and custodian services to process transactions and maintain custody of substantially all cash, cash equivalents and publicly-traded investment securities directly owned by the Foundation. In regard to non-publicly-traded investments, such as ownership interests in pass-through entities, the underlying invested assets are typically held and managed by the investee's principal manager, or one or more third-party investment custodians or managers. (Refer to "Risks and Uncertainties" in Note I.)

Property and Equipment: Furniture, equipment and leasehold improvements are recorded at cost when acquired. Significant additions and improvements are also capitalized. Depreciation and amortization expense is recognized over the estimated service lives of the assets, principally three to ten years, using the straight-line method. Normal maintenance and repairs, including the cost of annual service contracts, are charged to expense as incurred. Upon the retirement or disposal of a capitalized asset, the recorded cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in operations of the current period.

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December 31, 2010 and 2009

Unconditional Promises to Give to Nonprofit Organizations: A promise by the Foundation to give financial support to a nonprofit organization is recognized as a liability, at fair value, on the date the Foundation considers its grant obligation to be unconditional. A conditional grant is not recorded by the Foundation until the contingent condition is effectively satisfied. Grants scheduled to be paid in less than one year are recorded at net settlement value. Grants scheduled for payment in excess of one year are recorded at estimated present value. This amount is derived by discounting the expected future cash flows using a risk-free interest rate, such as the rate available on zero-coupon U.S. government issues with a similar maturity date. Additional grant expense is recorded in subsequent years to recognize accretion of the discount to the ultimate settlement value.

Retirement Plan: The Foundation maintains a qualified retirement plan, *The Frist Foundation 403(B) Plan* (the "Plan"), which covers all employees and provides for their elective deferral of compensation into the Plan up to the specified annual federal threshold. Each participant's deferred compensation is deposited into a separate custodial account maintained with an unrelated investment company and then invested pursuant to the participant's direction. Plan participants are eligible to receive benefits provided under the Plan upon the occurrence of a qualifying event such as normal retirement, disability, or separation of employment. All contributions to the Plan are made directly by the Plan participants.

Income and Excise Taxes: The Foundation is generally exempt from federal and state income taxes (except as discussed below) as a result of its qualification under Internal Revenue Code Section 501(c)(3). However, continued compliance with statutory rules and regulations is required to maintain this exemption. Management is not aware of any event or activity that might adversely affect the Foundation's status as a tax-exempt nonprofit organization.

The Foundation may be subject to federal and state income taxes if it has net income from trade or business activities that are not substantially related to its exempt purpose or activities. For example, trade or business income reported to the Foundation by "pass-through" entities is typically recognized as "unrelated business income" that is subject to regular corporate income taxation.

Effective January 1, 2009, the Foundation adopted a new accounting interpretation relating to uncertainties in income taxes. However, implementation of this new interpretation had no effect on the accompanying financial statements.

Although generally exempt from income tax, the Foundation is subject to federal excise tax on its net investment income calculated for tax purposes. The excise tax rate is normally 2%, however the Foundation qualified for a reduced tax rate of 1% for tax years 2010 and 2009. Net investment income subject to excise tax includes taxable investment income less allocated investment expenses, plus net realized capital gains for the reporting period. Net realized capital losses and investment expenses allocated to tax-exempt income are not deductible in computing taxable net investment income. Unrealized gains and losses are also excluded from the computation of federal excise taxes currently payable or refundable.

When the Foundation reports a net unrealized capital gain on its investments for financial statement purposes, a deferred excise tax liability is also recognized for the estimated future tax consequences of the net unrealized capital gain. However, a deferred tax asset is not recognized when a net unrealized capital loss is reported by the Foundation, because federal tax rules prohibit using a "net capital loss" to offset taxable investment income. In addition, the tax rules do not allow a net capital loss to be carried forward to a future tax year.

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NOTES TO FINANCIAL STATEMENTS

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A deferred excise tax liability is recognized by the Foundation when certain amounts reported by "pass-through" entities are reported for financial statement purposes in advance of the period in which they are recognized for tax purposes. Deferred federal excise tax liabilities are measured using the maximum enacted excise tax rate of 2%. Deferred excise tax expense (benefit) represents the net increase (decrease), respectively, of the deferred tax liability at the current financial statement date compared to the prior financial statement date.

NOTE B -- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of the Foundation's financial instruments (principally cash, cash equivalents, investments, unconditional promises to give, and investment-related liabilities) are summarized in the accompanying Statements of Financial Position. Significant fair value measurement principles and assumptions used by the Foundation are described in Note A and supplemented by information presented in Notes C, D and F.

NOTE C -- INVESTMENTS

Components of Major Investment Categories: Components of the Foundation's major investment categories are summarized as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
<u>INVESTMENTS, at fair value</u>		
Equity securities		
Common stocks	\$ 89,234,141	\$ 74,827,913
Market index funds	33,867,228	26,783,664
Equity mutual fund	1,770,846	1,518,865
Fixed income mutual fund	11,420,152	8,455,020
International equity funds	6,867,077	8,861,873
International real estate fund	0	1,924,781
Global multi-strategy hedge funds	<u>13,992,650</u>	<u>12,889,743</u>
Total equity securities	157,152,094	135,261,859
Debt securities	18,710,096	13,185,777
Ownership interests in pass-through entities		
Private equity partnerships	6,479,923	5,608,678
Real estate partnerships	3,305,061	2,748,820
Infrastructure partnership	3,708,312	3,783,414
Hedge and opportunistic partnerships	<u>1,969,962</u>	<u>20,123</u>
Total pass-through entities	<u>15,463,258</u>	<u>12,161,035</u>
TOTAL INVESTMENTS, at fair value	<u>\$ 191,325,448</u>	<u>\$ 160,608,671</u>

Refer to Note D for additional information regarding the fair value of investments, including definitions and fair value hierarchy.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

Investment Income: Major categories of investment income are summarized as follows:

	<u>Year Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Dividend income	\$ 22,971,115	\$ 1,782,411
Interest income	570,086	388,112
Income from securities lending and commission rebates	0	9,027
Other income (expense) reported by pass-through entities	<u>(451,392)</u>	<u>(6,944)</u>
TOTAL INVESTMENT INCOME	<u>\$ 23,089,809</u>	<u>\$ 2,172,606</u>

During the year ended December 31, 2010, the Foundation received three dividend distributions, which totaled \$42.50 per share, in connection with its ownership of 490,000 shares of HCA Inc. common stock (described subsequently herein). These distributions resulted in dividend income of \$20,825,000, which is included in the 2010 dividend income total presented above.

Realized Capital Gains and Losses: The components of realized capital gains and losses are summarized as follows:

	<u>Year Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Gains (Losses) from Investments Sold		
Aggregate realized gains	\$ 6,876,308	\$ 13,168,789
Less: Aggregate realized losses	<u>(2,872,166)</u>	<u>(32,376,983)</u>
Net Realized Gains (Losses) from Investments Sold	4,004,142	(19,208,194)
Net realized gains (losses) reported by pass-through entities	830,350	(2,979,127)
Net realized gains (losses) resulting from settlement of equity derivatives - covered call options	<u>436,208</u>	<u>(296,084)</u>
NET REALIZED CAPITAL GAINS (LOSSES)	<u>\$ 5,270,700</u>	<u>\$ (22,483,405)</u>

Unrealized Capital Gains and Losses: The components of net unrealized capital gains (losses) are summarized as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Aggregate estimated fair value of investments	\$ 191,325,448	\$ 160,608,671
Less: Aggregate cost basis of investments	(130,454,064)	(118,852,971)
Less: Unsettled equity derivatives – covered call options	<u>(214,032)</u>	<u>(298,438)</u>
NET UNREALIZED CAPITAL GAINS (LOSSES)	<u>\$ 60,657,352</u>	<u>\$ 41,457,262</u>

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Net unrealized capital gains (losses) by investment category are summarized as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Equity securities	\$ 68,595,368	\$ 53,217,289
Debt securities	(156,535)	60,952
Ownership interests in pass-through entities	(972,306)	(2,463,939)
Unsettled equity derivatives – covered call options	<u>(56,764)</u>	<u>68,639</u>
Subtotal	67,409,763	50,882,941
Estimated unrealized loss attributable to one market index fund, resulting from notification in February 2009 of alleged trading improprieties and theft of fund assets by the managing principals of the fund	<u>(6,752,411)</u>	<u>(9,425,679)</u>
NET UNREALIZED CAPITAL GAINS (LOSSES)	<u>\$ 60,657,352</u>	<u>\$ 41,457,262</u>

Investments in Common Stock of HCA: As discussed in Note A, the Foundation was organized in 1982 by Hospital Corporation of America, a predecessor company to HCA Inc. HCA originally capitalized the Foundation by contributing options to purchase one million shares of its common stock. In 1989, these options were sold for proceeds in excess of \$30 million. Since that time, the Foundation has periodically acquired shares of HCA's common stock by purchase and stock split.

During 2006, HCA Inc. announced that a leveraged buyout ("LBO") of the company would become effective November 17, 2006. As a shareholder, the Foundation was offered the opportunity to participate in the LBO and subsequently converted its 490,000 shares of HCA Inc. common stock into an equal number of shares of aggregate equivalent value in the newly-private company. This resulted in the Foundation holding 490,000 common shares of the privately-held company with a carryover cost basis of \$2,619,470.

At December 31, 2009, management estimated that the total fair value of HCA Inc. shares held by the Foundation was \$43,115,100, based on a fair value of \$87.99 per share. At December 31, 2010, management increased its estimate of the total fair value of these shares to \$51,067,800, based on a fair value of \$104.22 per share. Management's estimate of fair value per share at each reporting date is consistent with HCA's internal estimates, which were determined in part upon consultation between its management and a third party valuation firm.

Effective November 22, 2010, HCA Inc. reorganized by creating a new holding company structure in which "HCA Holdings, Inc." became the new parent company of HCA Inc. All outstanding shares of HCA Inc.'s common stock were automatically converted, on a share for share basis, into identical common shares of HCA Holdings, Inc. The rights, privileges and interests of HCA Inc.'s shareholders remain the same with respect to HCA Holdings, Inc., as the new parent company. (Refer to Note J for information regarding a subsequent event involving an initial public offering of HCA Holdings, Inc. common stock on March 9, 2011, which affected the number of shares held by the Foundation and its estimated fair value.)

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At December 31, 2010 and 2009, the Foundation was also deemed to hold HCA common shares indirectly (fair values of \$278,663 and \$239,889, respectively), as a result of its proportionate ownership interest in a private equity partnership that held the shares in its portfolio.

The Foundation's aggregate direct and indirect holdings of HCA common stock represent approximately 27% of its total investments at both December 31, 2010 and 2009. Due to the relative significance of this stock holding to total investments, a significant concentration of market risk is deemed to exist within the Foundation's investment portfolio.

Affiliation with HCA Holdings, Inc.: Two members of the Foundation's Board of Directors are affiliated with HCA as a result of serving as Directors of HCA Holdings, Inc. and participating significantly in the 2006 LBO transaction. In addition, several other members of the Foundation's Board could be deemed to be affiliated with HCA Holdings, Inc. as a result of their direct or indirect participation in the 2006 LBO transaction.

Accordingly, with respect to all matters involving HCA Holdings, Inc. common stock held by the Foundation, it is the Foundation's policy that a separate and distinct Investment Committee of the Board will make final decisions without the knowledge or participation of these "affiliated" directors. The Investment Committee is comprised of the Foundation's "non-affiliated" directors and other "non-affiliated" advisors. All matters involving the Foundation's overall investment policy and non-HCA investments remain the responsibility of the full Board.

NOTE D -- VALUATION OF INVESTMENTS AT FAIR VALUE

DEFINITION AND HIERARCHY

As prescribed by GAAP, provisions relating to fair value measurements define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

GAAP establishes a fair value hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs (Level 1) and the lowest priority to unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect management's assumptions about the inputs market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

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The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1: Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. (Valuation adjustments and block discounts are not applied to Level 1 securities, and valuation of these securities does not entail a significant degree of judgment.)
- Level 2: Fair values are based on quoted prices in markets that are not active or models in which all significant inputs are observable either directly or indirectly.
- Level 3: Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors. To the extent that a valuation is based on models or inputs that are less observable or unobservable, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. According to GAAP, in such cases, the level in the fair value hierarchy within which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement in its entirety. Further, it should be noted that the disclosures do not take into consideration the effect of offsetting Level 1 and 2 financial instruments entered into by the Foundation that economically hedge certain exposures to the Level 3 positions.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation of Investments in Securities: Equity securities, such as common stocks, mutual funds and other investment funds that are listed on one or more securities exchanges, will generally be classified as Level 1 securities and valued on the basis of market quotations. Debt securities and non-publicly traded equity securities are generally classified as Level 2 or Level 3 securities based on information obtained from representative independent pricing sources, valuation of the underlying net assets provided by the investee's management and contracted financial advisors, or the ability to redeem the investment at fair value in the near term. (Refer to the additional information presented herein regarding fair value measurements based on net asset value per share.)

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Valuation of Ownership Interests in Pass-Through Entities: Investments in pass-through entities are recorded on the basis of the Foundation's contributions to the entity plus its allocated share of undistributed profits and losses, as reported annually for tax purposes. The recorded value is adjusted to fair value for financial reporting based on valuation of the underlying net assets provided by the investee's management and contracted financial advisors.

These investments are typically subject to advance notification and withdrawal restrictions, as specified in the respective underlying agreements. Management considers subscription and redemption rights and restrictions in its determination of fair value. These investments are generally classified as Level 2 or Level 3 in the fair value hierarchy, depending upon the ability to redeem the entire investment at fair value in the near term. (Refer to the additional information presented herein regarding fair value measurements based on net asset value per share.)

Valuation of Derivative Financial Instruments: The Foundation periodically uses derivative financial instruments, such as forward currency contracts and covered call options, in connection with its investment activities. Management determines the fair value of these investments by evaluating multiple inputs, such as currency rates, equity prices, time value, interest rates, credit and default risks, and implied volatility, as applicable. These investments are generally classified as Level 2 or Level 3 in the fair value hierarchy. Risks associated with these types of contracts principally include exposure to adverse changes in the operative contractual inputs and the potential failure of the counterparty to fulfill its obligations under the contract.

Additional Information Regarding Investment-Related Liabilities

Unsettled Equity Derivatives – Covered Call Options: At December 31, 2010 and 2009, the Foundation recorded liabilities totaling \$214,032 and \$298,438, respectively, for unsettled equity derivative transactions associated with writing covered call options. These liabilities reflect gross call premiums received of \$157,267 and \$367,077, adjusted for unrealized capital gains (losses) of (\$56,764) and \$68,639, respectively.

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FAIR VALUE MEASUREMENTS

Information regarding fair values of the Foundation's investments and investment-related liabilities at December 31, 2010, categorized in accordance with the GAAP fair value hierarchy, is summarized in the following table.

December 31, 2010	Level 1	Level 2	Level 3	Total
INVESTMENTS, at fair value				
Equity securities				
Common stocks	\$ 38,166,341	\$ 0	\$ 51,067,800	\$ 89,234,141
Market index funds	29,140,689	0	4,726,539	33,867,228
Equity mutual fund	1,770,846	0	0	1,770,846
Fixed income mutual fund	11,420,152	0	0	11,420,152
International equity funds	0	6,867,077	0	6,867,077
International real estate fund	0	0	0	0
Global multi-strategy hedge funds	0	0	13,992,650	13,992,650
Total equity securities	80,498,028	6,867,077	69,786,989	157,152,094
Debt securities	0	18,710,096	0	18,710,096
Ownership interests in pass-through entities				
Private equity partnerships	0	0	6,479,923	6,479,923
Real estate partnerships	0	0	3,305,061	3,305,061
Infrastructure partnership	0	0	3,708,312	3,708,312
Hedge and opportunistic partnerships	0	0	1,969,962	1,969,962
Total pass-through entities	0	0	15,463,258	15,463,258
TOTAL INVESTMENTS, at fair value	\$ 80,498,028	\$ 25,577,173	\$ 85,250,247	\$ 191,325,448
INVESTMENT-RELATED LIABILITIES, at fair value				
Unsettled equity derivatives - covered call options	\$ 0	\$ 214,032	\$ 0	\$ 214,032
TOTAL INVESTMENT-RELATED LIABILITIES, at fair value	\$ 0	\$ 214,032	\$ 0	\$ 214,032

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Information regarding fair values of the Foundation's investments and investment-related liabilities at December 31, 2009, categorized in accordance with the GAAP fair value hierarchy, is summarized in the following table.

<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
INVESTMENTS, at fair value				
Equity securities				
Common stocks	\$ 31,712,813	\$ 0	\$ 43,115,100	\$ 74,827,913
Market index funds	24,199,664	0	2,584,000	26,783,664
Equity mutual fund	1,518,865	0	0	1,518,865
Fixed income mutual fund	8,455,020	0	0	8,455,020
International equity funds	0	8,861,873	0	8,861,873
International real estate fund	0	0	1,924,781	1,924,781
Global multi-strategy hedge funds	0	0	12,889,743	12,889,743
Total equity securities	<u>65,886,362</u>	<u>8,861,873</u>	<u>60,513,624</u>	<u>135,261,859</u>
Debt securities	0	13,185,777	0	13,185,777
Ownership interests in pass-through entities				
Private equity partnerships	0	0	5,608,678	5,608,678
Real estate partnerships	0	0	2,748,820	2,748,820
Infrastructure partnership	0	0	3,783,414	3,783,414
Hedge and opportunistic partnerships	0	0	20,123	20,123
Total pass-through entities	<u>0</u>	<u>0</u>	<u>12,161,035</u>	<u>12,161,035</u>
TOTAL INVESTMENTS, at fair value	<u>\$ 65,886,362</u>	<u>\$ 22,047,650</u>	<u>\$ 72,674,659</u>	<u>\$ 160,608,671</u>
INVESTMENT-RELATED LIABILITIES, at fair value				
Unsettled equity derivatives - covered call options	\$ 0	\$ 298,438	\$ 0	\$ 298,438
TOTAL INVESTMENT-RELATED LIABILITIES, at fair value	<u>\$ 0</u>	<u>\$ 298,438</u>	<u>\$ 0</u>	<u>\$ 298,438</u>

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Information regarding changes in the Foundation's Level 3 investments during the years ended December 31, 2010 and 2009, is summarized in the following tables.

Year Ended December 31, 2010	Balance at December 31, 2009	Activity During the Year		Balance at December 31, 2010	Change in Unrealized Gains (Losses) for Investments Held at December 31, 2010
		Total Realized and Unrealized Gains (Losses)	Net Purchases and Sales		
LEVEL 3 INVESTMENTS, at fair value					
Equity securities					
Common stocks	\$ 43,115,100	\$ 7,952,700	\$ 0	\$ 51,067,800	\$ 7,952,700
Market index funds	2,584,000	2,673,269	(530,730)	4,726,539	2,673,270
International real estate fund	1,924,781	(241,034)	(1,683,747)	0	0
Global multi-strategy hedge funds	12,889,743	540,049	562,858	13,992,650	(20,814)
Total equity securities	60,513,624	10,924,984	(1,651,619)	69,786,989	10,605,156
Debt securities	0	0	0	0	0
Ownership interests in pass-through entities					
Market index trusts	0	0	0	0	0
Private equity partnerships	5,608,678	1,822,722	(951,477)	6,479,923	813,756
Real estate partnerships	2,748,820	122,812	433,429	3,305,061	253,683
Infrastructure partnership	3,783,414	53,864	(128,966)	3,708,312	90,254
Hedge and opportunistic partnerships	20,123	318,589	1,631,250	1,969,962	318,589
Total pass-through entities	12,161,035	2,317,987	984,236	15,463,258	1,476,282
TOTAL LEVEL 3 INVESTMENTS, at fair value	\$ 72,674,659	\$ 13,242,971	\$ (667,383)	\$ 85,250,247	\$ 12,081,438

Year Ended December 31, 2009	Balance at December 31, 2008	Activity During the Year		Balance at December 31, 2009	Change in Unrealized Gains (Losses) for Investments Held at December 31, 2009
		Total Realized and Unrealized Gains (Losses)	Net Purchases and Sales		
LEVEL 3 INVESTMENTS, at fair value					
Equity securities					
Common stocks	\$ 25,073,300	\$ 18,041,800	\$ 0	\$ 43,115,100	\$ 18,041,800
Market index funds	5,181,320	(2,597,232)	(88)	2,584,000	(2,597,232)
International real estate fund	3,641,914	(1,180,400)	(536,733)	1,924,781	788,995
Global multi-strategy hedge funds	25,425,052	2,660,063	(15,195,372)	12,889,743	1,773,038
Total equity securities	59,321,586	16,924,231	(15,732,193)	60,513,624	18,006,601
Debt securities	6,421,500	(1,541,500)	(4,880,000)	0	0
Ownership interests in pass-through entities					
Market index trusts	17,248,016	(1,221,181)	(16,026,835)	0	0
Private equity partnerships	3,702,460	1,081,345	824,873	5,608,678	1,165,822
Real estate partnerships	4,391,039	(1,906,663)	264,444	2,748,820	(1,954,634)
Infrastructure partnership	3,765,891	128,777	(111,254)	3,783,414	158,736
Hedge and opportunistic partnerships	20,123	0	0	20,123	0
Total pass-through entities	29,127,529	(1,917,722)	(15,048,772)	12,161,035	(630,076)
TOTAL LEVEL 3 INVESTMENTS, at fair value	\$ 94,870,615	\$ 13,465,009	\$ (35,660,965)	\$ 72,674,659	\$ 17,376,525

Amounts shown above under the captions "Total Realized and Unrealized Gains (Losses)" and "Change in Unrealized Gains (Losses) for Investments Held at December 31" are reported as components of "Net realized and unrealized capital gains" in the accompanying 2010 and 2009 Statement of Activities, respectively.

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FAIR VALUE MEASUREMENTS FOR INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT)

Effective January 1, 2009, the Foundation adopted new GAAP provisions relating to fair value measurements for investments in certain entities that calculate net asset value per share, or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed (collectively "NAV"). The new provisions are generally applicable to the Foundation's holdings in non-publicly traded investments, such as private equity securities and ownership interests in pass-through entities that are acquired by participation in private placement offerings.

Because these types of investments are not publicly-traded, they typically do not have a readily determinable fair value. In most cases, the Foundation receives periodic financial reports prepared by the respective investee's management, which present NAV determined in accordance with GAAP requirements for investment companies. The Foundation may utilize the NAV provided by the investee, without adjustment, as a practical expedient for estimating the fair value of its investment holding, provided that the NAV reflects the amount the Foundation could reasonably expect to receive if the investment was withdrawn as of the measurement date or within the near term. However, use of the practical expedient approach is not allowed if it is probable that the Foundation will sell all or a portion of an investment at an amount different from the NAV reported by the investee. In such an instance, the Foundation considers other factors in addition to the NAV in its determination of fair value, such as relevant features of the investment, including redemption rights and expected discounted cash flows, and overall market conditions.

Information regarding investments held by the Foundation at December 31, 2010, for which estimated fair value is based on the net asset value per share (or its equivalent) reported by the investee is summarized as follows:

<u>December 31, 2010</u>	<u>Notes</u>	<u>Fair Value Level</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Equity securities						
Market index fund	(a)	3	\$ 4,726,539	\$ 0		
International equity funds	(b)	2	6,867,077	0	Monthly	5 days
International real estate fund	(c)	3	0	0		
Global multi-strategy hedge funds	(d)	3	13,992,650	0	Quarterly	30 - 91 days
Total equity securities			<u>25,586,266</u>	<u>0</u>		
Ownership interests in pass-through entities						
Private equity partnerships	(e)	3	6,479,923	1,331,261		
Real estate partnerships	(f)	3	3,305,061	2,418,318		
Infrastructure partnership	(g)	3	3,708,312	0	Semi-annual	91 days
Opportunistic partnership	(h)	3	1,965,189	868,750		
Hedge partnership	(i)	3	4,773	0		
Total pass-through entities			<u>15,463,258</u>	<u>4,618,329</u>		
TOTAL			<u>\$ 41,049,524</u>	<u>\$ 4,618,329</u>		

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Information regarding investments held by the Foundation at December 31, 2009, for which estimated fair value is based on the net asset value per share (or its equivalent) reported by the investee is summarized as follows:

<u>December 31, 2009</u>	<u>Notes</u>	<u>Fair Value Level</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Equity securities						
Market index fund	(a)	3	\$ 2,584,000	\$ 0		
International equity funds	(b)	2	8,861,873	0	Monthly	5 days
International real estate fund	(c)	3	1,924,781	0	Semi-annual	60 days
Global multi-strategy hedge funds	(d)	3	<u>12,889,743</u>	<u>0</u>	Quarterly	30 - 91 days
Total equity securities			<u>26,260,397</u>	<u>0</u>		
Ownership interests in pass-through entities						
Private equity partnerships	(e)	3	5,608,678	1,648,056		
Real estate partnerships	(f)	3	2,748,820	3,005,072		
Infrastructure partnership	(g)	3	3,783,414	0	Semi-annual	91 days
Opportunistic partnership	(h)	3	0	0		
Hedge partnership	(i)	3	<u>20,123</u>	<u>0</u>		
Total pass-through entities			<u>12,161,035</u>	<u>4,653,128</u>		
TOTAL			<u>\$ 38,421,432</u>	<u>\$ 4,653,128</u>		

Notes:

- (a) This category includes one market index fund for which the Foundation received notification in February 2009 of alleged trading improprieties and theft of fund assets by the managing principals of the fund. At that time, the fund ceased issuing financial reports and a court-appointed trustee and receiver was engaged to identify and liquidate any remaining assets in the fund, followed by distribution of the residual cash to the investors. At December 31, 2009, the Foundation estimated the net realizable value of this investment based on its proportionate share of the estimated liquidation proceeds reported by the receiver, reduced by a judgmental discount of 50%.

In March 2011, a distribution plan of available liquid assets was approved by the court for payment in April 2011. Based on available information, it is unknown whether additional distributions will be made in the future. Such distributions are contingent upon disposition of illiquid assets, potential required payments to third parties, and the results of any "clawback" efforts by the trustee in regard to certain prior distributees. Accordingly, as of December 31, 2010, the Foundation based the estimated fair value of this investment on the amount of allocated distribution proceeds which it received in April 2011.

- (b) This category includes investments in two funds that invest primarily in non-U.S. common stocks that have growth potential and are attractively valued. The Foundation has estimated the fair values of these investments at each reporting date based on the respective net asset value per share reported by the investees.

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- (c) This category includes an investment in one international real estate fund that focuses on properties in primary European markets. The Foundation estimated the fair value of this investment at December 31, 2009, based on the net asset value per share reported by the investee. Based on a redemption request submitted by the Foundation during 2009, proceeds representing the full net asset value on the measurement date were received in the first quarter of 2010.
- (d) At December 31, 2010 and 2009, this category includes investments in three hedge funds and four hedge funds, respectively, which have an international emphasis and pursue multiple strategies to diversify risks and reduce volatility. The Foundation has estimated the fair values of these investments at each reporting date based on the respective net asset value per share reported by the investees. Based on a 2009 redemption request submitted by the Foundation for one of the funds, which represented approximately 8% of the total category fair value at December 31, 2009, proceeds representing the full net asset value on the measurement date were received in January 2010.

The Foundation also requested redemption of another fund in 2009, which represented approximately 36% of the total category fair value at December 31, 2009. Partial proceeds were received during 2010, reducing this investment to approximately 13% of the total category fair value at December 31, 2010. Additional distributions are expected to be deferred until disposal of the underlying illiquid investments in the fund. Thus, the timing of the ultimate residual redemption is presently unknown. Redemptions of other funds in this category are generally subject to quarterly gates, audit holdbacks and disposal of underlying illiquid investments, as applicable.

- (e) This category includes ownership interests in private equity partnerships (6 and 5 investments at December 31, 2010 and 2009, respectively), which invest with the objective of achieving capital appreciation. The underlying investments of the partnerships include equity in publicly-traded and privately-held domestic and non-U.S. companies. The Foundation has estimated the fair values of these investments at each reporting date based on the respective partnership capital account values reported by the general partners. Partners are prohibited from withdrawing from the partnerships and redemption distributions are generally deferred until after disposal of the underlying partnership assets. These partnerships have scheduled termination dates, generally ranging from 2014 to 2017, however, each partnership's term may be extended by 4 years to allow for the orderly liquidation of partnership assets.
- (f) This category includes ownership interests in two real estate partnerships that invest in real estate investment trusts comprising a diversified portfolio of domestic real estate properties. The Foundation has estimated the fair values of these investments at each reporting date based on the respective partnership capital account values reported by the general partners. Partners are prohibited from withdrawing from the partnerships and redemption distributions are generally deferred until after disposal of the underlying partnership assets. These partnerships have scheduled termination dates ranging from 2016 to 2018, however, one partnership has the option to extend for up to 2 years to allow for the orderly liquidation of partnership assets.

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- (g) This category includes an ownership interest in one partnership that was formed to invest in a broad range of infrastructure properties located in member countries of the Organization for Economic Co-Operation and Development, with a primary focus on the United States of America, Canada, Western Europe and Australia. The Foundation has estimated the fair value of this investment at each reporting date based on the partnership capital account value reported by the general partner. The Foundation is subject to a 6% redemption fee if redemption is requested prior to January 11, 2012.
- (h) This category includes an ownership interest in one partnership (acquired in 2010) that invests via a master-feeder structure to achieve attractive risk-adjusted returns primarily through opportunistic investments in the illiquid credit and asset markets of North America and Europe. Partners are prohibited from withdrawing from the partnership and redemption distributions are generally deferred until after disposal of the underlying partnership assets. The Foundation has estimated the fair value of this investment at December 31, 2010, based on the partnership capital account value reported by the general partner. This partnership will terminate as of the date on which all underlying partnership investments have been disposed, but no later than fifteen years after formation (approximately February 2025).
- (i) This category includes an ownership interest in one partnership that invested all of its assets with Bernard Madoff, who was subsequently convicted of criminal fraud and theft of investment assets under management. A substantial realized loss related to this investment was recognized by the Foundation in 2008. The Foundation has estimated the net realizable values of this investment at December 31, 2010 and 2009, based on its proportionate share of estimated liquidation proceeds potentially recoupable from the investment. The timing of the potential receipt of any redemption proceeds from this investment is presently unknown.

NOTE E -- PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Furniture	\$ 55,261	\$ 55,451
Computer equipment	66,759	67,396
Leasehold improvements	<u>95,222</u>	<u>95,222</u>
	217,242	218,069
Less: Accumulated depreciation and amortization	<u>(198,315)</u>	<u>(178,820)</u>
PROPERTY AND EQUIPMENT, net	<u>\$ 18,927</u>	<u>\$ 39,249</u>

Depreciation and amortization expense totaled \$23,884 and \$24,147 during the years ended December 31, 2010 and 2009, respectively. During 2010, the Foundation disposed of obsolete computer equipment and furniture, which had a net book value of \$0. There were no such disposals in 2009.

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NOTE F -- UNCONDITIONAL PROMISES TO GIVE TO NONPROFIT ORGANIZATIONS

At December 31, 2009, the current portion of the Foundation's unconditional promises to give financial support to nonprofit organizations totaled \$960,000, which represented net settlement value. The underlying amounts comprising this balance were paid as scheduled by the Foundation during 2010. The non-current portion of the Foundation's unconditional promises to give was comprised of one grant of \$50,000 that was scheduled for payment in 2011. At the end of 2009, this grant was reported at its present value of \$47,738, which was calculated using a discount rate of 3.09%.

At December 31, 2010, the current portion of the Foundation's unconditional promises to give totaled \$200,000, which represented net settlement value. At the end of 2010, there were no non-current unconditional promises to give.

NOTE G -- ANNUAL MINIMUM DISTRIBUTION REQUIREMENT

Private foundations are required to annually disburse a minimum amount of qualifying distributions (i.e., grants and related expenses) to avoid a 15% penalty imposed by the Internal Revenue Code on any undistributed portion. The distributable amount is generally equal to 5% of the average fair value of investments and other assets that are not designated and utilized for specific charitable purposes, as defined in the Internal Revenue Code. Substantially all of the Foundation's assets are included in this calculation base. For purposes of avoiding the 15% penalty, a private foundation is deemed to have satisfied its annual requirement for a given year if the minimum amount is fully distributed by the end of the succeeding year.

Excess qualifying distributions may be carried over to reduce future minimum distributions for a period of five years. A summary of activity involving the Foundation's carryovers is as follows:

DECEMBER 31, 2008 - Total Carryovers Available	\$	0
Excess qualifying distributions in 2009		<u>765,206</u>
DECEMBER 31, 2009 - Total Carryovers Available	\$	765,206
Utilization of carryovers to meet the minimum distribution requirement in 2010		<u>(708,707)</u>
DECEMBER 31, 2010 - Total Carryovers Available	\$	<u>56,499</u>

The carryovers available at December 31, 2010, will expire as of December 31, 2014, if not utilized.

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NOTE H -- COMMITMENTS

Office Lease: Effective November 1, 2004, the Foundation entered into a seven-year lease for commercial office space in Nashville, Tennessee. Pursuant to the lease agreement, the lessor paid the Foundation a lump sum construction allowance of \$35,258 upon inception of the lease, which the Foundation used to pay for certain leasehold improvements. This allowance is being amortized ratably as a reduction in rent expense over the seven-year lease term, which was originally scheduled to expire on October 31, 2011.

The original lease agreement was amended effective December 1, 2010, to modify certain provisions and to specify a new lease term of ten years through November 30, 2020. In conjunction with this amendment, the lessor agreed to pay for tenant renovations up to \$19,850, with any unused amount to be paid directly to the Foundation. The amended lease requires minimum annual base rental payments as follows:

<u>Year ending December 31:</u>	
2011	\$ 55,719
2012	57,391
2013	59,122
2014	60,893
2015	62,567
Thereafter	<u>320,386</u>
Total	<u>\$ 616,078</u>

During the years ended December 31, 2010 and 2009, the Foundation incurred net rent expense of \$59,384 and \$58,335, respectively. Net rent expense in each of these years includes the base rental payments offset by amortization of the construction allowance, plus parking fees and allocated common area maintenance charges.

Employee Benefits: The Foundation has adopted personnel guidelines that describe its obligations for compensated absences, including vacation and personal days, and salary continuation in the event of illness or injury. These benefits are accrued as earned by recording a liability and the corresponding expense. The Foundation's personnel guidelines also describe its policy regarding severance pay to employees who are involuntarily terminated. These amounts, if any, are expensed as incurred.

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NOTE I -- CONCENTRATIONS, RISKS AND UNCERTAINTIES

Concentrations: The Foundation regularly maintains cash deposits in bank accounts and investment-related custodial accounts, and investment funds in cash equivalent instruments, for which the balances fluctuate on a daily basis. Balances represented by these financial instruments may be fully unsecured or they may be eligible for varying amounts of insurance coverage provided by the FDIC or SIPC, based on the nature or amount of the specific financial instrument, as generally described in Note A.

As described in Note C, a significant concentration of market risk is deemed to exist with respect to the Foundation's investment in the common stock of HCA Holdings, Inc. This investment represents approximately 27% of the Foundation's total investments at December 31, 2010.

Risks and Uncertainties: The Foundation's cash, cash equivalents and investments are inherently exposed to a variety of market risks, credit risks, and uncertainties due to factors such as deteriorating economic conditions, interest rate volatility, adverse industry developments, and market dislocation. The Foundation is also subject to risks and uncertainties resulting from inflated fair value representations by investment managers, investee principals and third parties, the illiquid nature of certain investments, including the potential for delays in the payment of funds upon request for redemption, and the actual loss of investment funds due to criminal fraud, theft, and other illegal acts perpetrated by investment custodians and managers.

As a result of the Foundation's exposure to inherent risks and uncertainties, it is at least reasonably possible that changes in the reported fair value of cash equivalents and investments will occur in the near term and that such changes could materially affect the amounts presented in the accompanying 2010 Statement of Financial Position. Exposure to inherent risks and uncertainties could also result in a partial or total loss of principal and accrued earnings. Management continually monitors the Foundation's cash positions and investment portfolio, and professional advisors to minimize the exposure to risks and uncertainties to the extent possible.

NOTE J -- SUBSEQUENT EVENT - INITIAL PUBLIC OFFERING OF THE COMMON STOCK OF HCA HOLDINGS, INC.

As described in Note C, on December 31, 2010, the Foundation held 490,000 shares of common stock of HCA Holdings, Inc., a privately-held company. In connection with an initial public stock offering on March 9, 2011, HCA Holdings, Inc. effectuated a stock split whereby each outstanding share of its common stock was converted into 4.505 shares of the newly-public company. As a result, the number of common shares held by the Foundation was increased to 2,207,450 shares of publicly-traded common stock.

The Investment Committee of the Foundation's Board of Directors elected not to sell any HCA shares held by the Foundation in conjunction with the initial public offering, which opened at \$31.20 per share on March 9, 2011. Based on the opening price, the total fair value of the Foundation's holdings in this common stock was \$68,872,440, compared to the total fair value of \$51,067,800 at December 31, 2010.

As of June 30, 2011, the Foundation continued to hold all of the shares received in conjunction with the stock split. Based on the quoted market price per share of \$33.00 on this date, the total fair value of the Foundation's holdings in this common stock was \$72,845,850.