



FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY INFORMATION

South Broward Hospital District
d/b/a Memorial Healthcare System
Years Ended April 30, 2013 and 2012
With Report of Independent Certified Public Accountants

Ernst & Young LLP

 **ERNST & YOUNG**

South Broward Hospital District
d/b/a Memorial Healthcare System

Financial Statements, Required Supplementary Information
and Supplementary Information

Years Ended April 30, 2013 and 2012

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Report of Independent Certified Public Accountants

Management and the Board of Commissioners
South Broward Hospital District
d/b/a Memorial Healthcare System

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the South Broward Hospital District d/b/a Memorial Healthcare System (the System), as of and for the years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Joe DiMaggio Children's Hospital Foundation, Inc. and Memorial Foundation, Inc. and Subsidiaries (collectively, the Foundations), discretely presented component units of the System, which represent 100 percent of the net assets as of April 30, 2013 and 2012, and 100 percent of the revenue and other support of the aggregate discretely presented component units for the years then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundations were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the 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 entity’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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Business-type activities	Unmodified
Aggregate discretely presented component units (Foundations)	Qualified
Aggregate remaining fund information	Unmodified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The consolidated financial statements of Memorial Foundation, Inc. and Subsidiaries were qualified as a result of the other auditors not observing the physical inventory of an acquired subsidiary (stated at \$668,641) as of March 22, 2013 (date of acquisition), since that date was prior to the initial engagement of the other auditors for Memorial Foundation, Inc. and Subsidiaries and the records for Memorial Foundation, Inc. and Subsidiaries do not permit adequate retroactive tests of inventory quantities. Consequently, the other auditors were unable to determine whether any adjustments were necessary in the consolidated statements of financial position, activities functional expenses or cash flows.

Qualified Opinion

In our opinion, based on our audit and the reports of other auditors, except for the possible effects of the matter described in the Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of South Broward Hospital District d/b/a Memorial Healthcare System as of April 30, 2013, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of South Broward Hospital District d/b/a Memorial Healthcare System as of April 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in conformity with U.S. generally accepted accounting principles.

Restatement of 2012 Financial Statements of Discretely Presented Component Units

The consolidated financial statements of Memorial Foundation, Inc. and Subsidiaries and the financial statements of Joe DiMaggio Children's Hospital Foundation, Inc. audited by other auditors for 2012 have been restated to correct certain errors resulting in the reclassification of net assets from permanently restricted to unrestricted as of April 30, 2012 as a result of management discovering errors during the current year. Accordingly, amounts reported for permanently restricted and unrestricted net assets have been restated in the 2012 financial statements presented to correct the errors. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 5 – 17 and the required pension disclosure supplementary information on pages 75 – 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the 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, 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 basic financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining details on pages 78 – 80 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining details are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining details are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated July 22, 2013 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Ernst + Young LLP

July 22, 2013

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis

April 30, 2013

Required Financial Statements

The South Broward Hospital District d/b/a Memorial Healthcare System (the System) operates Memorial Regional Hospital and the Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida, approximately one mile south of Memorial Regional Hospital; Memorial Hospital Pembroke, located in Pembroke Pines, Florida, approximately six miles west of Memorial Regional Hospital; Memorial Hospital West, located in Pembroke Pines, Florida, approximately 10 miles west of Memorial Regional Hospital; and Memorial Hospital Miramar, located in Miramar, Florida, approximately 15 miles west of Memorial Regional Hospital. The System also operates the Urgent Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida, approximately eight miles west of Memorial Regional Hospital. Other components of the System include the Memorial Home Health Services; multiple primary care and school health centers located throughout south Broward County; the Memorial Cancer Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West; and the Memorial Adult Day Care Center, which provides activities, meals, and select health-related services for its elderly participants, located within the Memorial Outpatient Center – Hallandale. At April 30, 2013, the System operates a total of 1,900 licensed hospital beds and 120 licensed nursing home beds.

Memorial Health Network, Corp. was incorporated on October 24, 2012. Its purpose is to support and carry out the charitable purposes of the System by establishing, managing, and operating a clinically integrated provider network and related health care enterprises for the promotion of evidence-based medicine to achieve quality and efficiencies in the provision of medical and other health care services. The System is in the process of filing for tax-exempt status.

The Memorial Hospital Pembroke facility is leased from Hospital Realty, LLC. The initial 10-year lease of the facility expired June 30, 2005. The System entered into a second 10-year term beginning July 1, 2005, which was extended to 2025 in May 2007.

The System utilizes two different funds to account for its activities: an enterprise fund, which combines the business-type activities of the operating fund of the System, and a pension trust fund, which reports information about the plan net position and changes in plan net position of the System's employees' pension plan. The System also reports information about the net assets and changes in net assets of two foundations, which support the operations of the System.

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Required Financial Statements (continued)

Complete financial statements for the two foundations, which comprise the special revenue fund, can be obtained from the Memorial Foundation, Inc. and Subsidiaries and Joe DiMaggio Children's Hospital Foundation, Inc. at 3501 Johnson Street, Hollywood, Florida 33021.

The pension trust fund does not issue separate financial statements.

The financial statements of the System's enterprise fund report information about the System's business-type activities using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statements of net position include all of the System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

All of the current and prior year's revenue and expenses are accounted for in the statements of revenue and expenses and changes in net position. These statements communicate the performance of the System's operations over the past two years. These statements also provide the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System.

The final required statements are the statements of cash flows. The primary purpose of these statements is to provide information about the System's cash receipts and cash payments during the reporting periods. These statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, noncapital financing, and capital and related financing activities.

Revisions to Prior Period Financial Statements

The prior period financial statements were revised to correct amounts previously reported. Based on an evaluation of relevant quantitative and qualitative factors, the System determined that certain liabilities related to events in prior years were previously satisfied. The effect of the prior period misstatements to the System's financial statements resulted in the overstatement of operating expenses of \$45.3 million and a corresponding overstatement of accounts payable and

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Revisions to Prior Period Financial Statements (continued)

accrued expenses. Consequently, the opening net position balance, presented in the statement of revenue and expenses and changes in net position, were restated from amounts previously reported. Refer to Note 2 for further discussion.

Financial information included in the accompanying financial statements and the notes thereto reflect the effects of the corrections described in the preceding discussion and table.

Summary of Financial Information

The financial statements consist of two parts: a) management's discussion and analysis and b) the audited financial statements. The audited financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are intended to describe the results of operations, the changes in net position, the sources, and uses of cash and cash equivalents and the capital structure of the System. The following selected financial data as of April 30, 2011, 2012, and 2013, and for the three years then ended, for the System's business-type activities are derived from the audited financial statements of the System. The data should be read in conjunction with the financial statements, related notes, and supplementary information contained therein.

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Summary of Financial Information (continued)

As of and for the Years Ended April 30, 2013 and 2012

Condensed Statements of Net Position (in Thousands of Dollars)

	April 30		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	2013	2012		
Cash, cash equivalents, and investments	\$ 1,230,019	\$ 936,678	\$ 293,341	31.3%
Patient accounts receivable, net	160,723	203,230	(42,507)	(20.9)
Total current assets	1,474,059	1,228,913	245,146	19.9
Capital assets, net	827,864	838,985	(11,121)	(1.3)
Total assets	2,383,691	2,242,344	141,347	6.3
Total current liabilities	246,198	195,180	51,018	26.1
Long-term debt, net of current portion	531,765	538,828	(7,063)	(1.3)
Total liabilities	857,828	833,253	24,575	2.9
Unrestricted net position	1,191,602	1,073,736	117,866	11.0
Net investment in capital assets	277,856	279,683	(1,827)	(0.7)
Restricted net position	56,405	55,672	733	1.3

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Summary of Financial Information (continued)

Summary of Revenue and Expenses and Changes in Net Position (in Thousands of Dollars)

	Years Ended April 30		Dollar	Percentage
	2013	2012	Increase	Increase
			(Decrease)	(Decrease)
Revenue:				
Net patient service revenue	\$ 1,378,510	\$ 1,395,949	\$ (17,439)	(1.2%)
Disproportionate share distributions	58,439	47,574	10,865	22.8
Other revenue	43,982	42,856	1,126	2.6
Total revenue	1,480,931	1,486,379	(5,448)	(0.4)
Expenses:				
Salaries and wages	659,975	680,725	(20,750)	(3.0)
Employee benefits	131,515	131,427	88	0.1
Professional fees	37,814	41,979	(4,165)	(9.9)
Supplies	248,301	250,733	(2,432)	(1.0)
Purchased services	96,757	90,872	5,885	6.5
Facilities	63,502	65,251	(1,749)	(2.7)
Depreciation and amortization	112,336	101,712	10,624	10.4
Other	43,156	48,027	(4,871)	(10.1)
Total expenses	1,393,356	1,410,726	(17,370)	(1.2)
Income from operations	87,575	75,653	11,922	15.8
Nonoperating gains, net (including depreciation of \$2,451 and \$2,641 in 2013 and 2012, respectively)	23,179	31,692	(8,513)	(26.9)
Excess of revenue and net nonoperating gains over expenses	110,754	107,345	3,409	3.2
Contributions and grants	6,018	2,782	3,236	116.3
Increase in net position	116,772	110,127	6,645	6.0
Net position at the beginning of the year	1,409,091	1,298,964	110,127	8.5
Net position at the end of the year	\$ 1,525,863	\$ 1,409,091	\$ 116,772	8.3%

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance

The System's financial performance improved over the prior year. The improved operating results are due to management's ongoing efforts to manage operating expenses in response to flat volumes and in anticipation of the changing reimbursement environment at both federal and state levels. For fiscal year 2013, total revenue decreased 0.4% while operating expenses decreased by 1.2%, resulting in income from operations increasing by 15.8% from the prior year of \$75.7 million to approximately \$87.6 million. After nonoperating gains, net, the System's excess of revenues over expenses and net operating gains declined from \$107.3 million to \$110.8 million for the fiscal years ended April 30, 2012 and 2013, respectively.

Net patient service revenue declined by 1.2% from \$1.395 billion for fiscal year ended April 30, 2012 to \$1.378 billion for fiscal year ended April 30, 2013. Total admissions, which include both inpatient admissions, as well as, observation admissions, were 107,491 and 107,680 while the acuity of patients as measured by case-mix index intensified from 1.31 to 1.35 for the fiscal years ended April 30, 2012 and 2013, respectively. Total surgical volume also remained flat at 35,790 cases and 35,580 cases while hospital outpatient visits declined from 529,036 to 500,469 or 5.4%, which was offset by an increase in emergent visits from 394,865 to 416,769 or 5.5% for these periods. In addition to volumes, the variance is due to one-time settlements. In fiscal year 2012, we received favorable settlements of \$11.2 million as a result of the filing and settling of cost reports from prior years, a favorable settlement of \$5.0 million for newly issued Supplemental Security Income ratios used for calculating Medicare Disproportionate Share Hospital reimbursements, and a favorable net settlement of \$7.8 million from managed care payors. In fiscal year 2013, there were no comparable material settlements for the filing and settling of cost reports from prior years or Supplemental Security Income ratios; however, there was an unfavorable settlement of \$4.8 million with a managed care payor.

The System pursues qualification of indigent patients for available Medicaid and other reimbursement programs. The System has also established effective protocols that enable early identification of denials and short pays from managed care organizations. As a result, the denial rates for managed care claims as a percentage of managed care claims was 1.9% for fiscal year 2012 and 1.3% for fiscal year 2013.

Other operating revenue remained materially consistent, as the System recognized \$42.9 million and \$44.0 million for the years ended April 30, 2012 and 2013, respectively. Disproportionate share distributions increased from \$47.6 million to \$58.4 million for the years ended April 30, 2012 and 2013, respectively. This increase was primarily due to new low income pool

South Broward Hospital District
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Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance (continued)

funds for primary care projects, updates to the data used to compute low income pool and disproportionate share payments, and final settlements of prior year low income pool distributions.

Total expenses declined from \$1.411 billion to \$1.393 billion or 1.2% for the fiscal years ended April 30, 2012 and 2013, as a result of the System's focus on controlling expenses. All expense categories reflect declines except for purchased services and depreciation and amortization. Both purchased services and depreciation and amortization increased as a direct result of the implementation of electronic health records. The increase in purchased services is directly attributed to temporary labor cost for implementation of electronic health records for which the System incurred approximately \$5.0 million of incremental costs associated with this project during the current fiscal year. Additionally, electronic health records were placed into service during the current fiscal year with a relatively short economic useful life, which resulted in an increase in depreciation and amortization expense.

Nonoperating gains, net declined from \$31.7 million to \$23.2 million or by \$8.5 million for the fiscal years ended April 30, 2012 and 2013, respectively. The System's conservative investment policy, which is further described in Note 6, was impacted negatively by rising interest rates. This resulted in a change of \$13.1 million in unrealized gains and losses from an unrealized gain of \$11.1 million in fiscal year 2012 to an unrealized loss of \$2.0 million in fiscal year 2013. The decline in investment income was offset by improved tax income, net, which increased from \$17.3 million in fiscal year 2012 to \$24.5 million in fiscal year 2013 primarily due to a change in the estimated amount payable for the Medicaid match. The System uses the net tax proceeds solely to offset the cost of uncompensated care in its primary care, nursing home, and home health operations.

Income available for debt service was \$233.9 million and \$263.9 million for the fiscal years ended April 30, 2012 and 2013, respectively. The long-term debt service coverage ratio was 5.35 and 6.03 for the fiscal years ended April 30, 2012 and 2013, respectively.

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Other than for certain investments of the pension trust fund, the System does not invest in equity securities. Cash, cash equivalents, and investments, excluding assets whose use is limited, increased from \$936.7 million to \$1,230.0 million at April 30, 2012 and 2013, respectively. Cash, cash

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance (continued)

equivalents, and investments, including assets whose use is limited, increased from \$1.097 billion, to \$1.304 billion at April 30, 2012 and 2013, respectively, as a result of the increase in income available for debt service and a reduction in capital expenditures. Net patient accounts receivable decreased from \$203.2 million at April 30, 2012, to \$160.7 million at April 30, 2013, as the delays in billings and collections associated with the implementation of the new revenue cycle information system from the prior year were stabilized during fiscal year 2013. The System continues to expand and improve its facilities and enhance its technology with the implementation of electronic health records. Additions to capital assets were down from \$136.6 million in fiscal year 2012 to \$104.3 million in fiscal year 2013. The estimated cost to complete all construction projects in process at April 30, 2013, is \$67.4 million. There was no debt issued in either fiscal year as the System anticipates financing these projects through a combination of currently available cash, cash equivalents, investments, and future cash flows from operations. Refer to Note 7 and Note 9 for further discussion of capital asset and long-term debt activity, respectively.

As of and for the Years Ended April 30, 2012 and 2011

Condensed Statements of Net Position (in Thousands of Dollars)

	April 30		Dollar	Percentage
	2012	2011	Increase (Decrease)	Increase (Decrease)
Cash, cash equivalents, and investments	\$ 936,678	\$ 967,500	\$ (30,822)	(3.2)%
Patient accounts receivable, net	203,230	163,174	40,056	24.5
Total current assets	1,228,913	1,180,757	48,156	4.1
Capital assets, net	838,985	808,436	30,549	3.8
Total assets	2,242,344	2,162,965	79,379	3.7
Total current liabilities	195,180	206,969	(11,789)	(5.7)
Long-term debt, net of current portion	538,828	545,685	(6,857)	(1.3)
Total liabilities	833,253	864,001	(30,748)	(3.6)
Unrestricted net position	1,073,736	1,004,611	69,125	6.9
Net investment in capital assets	279,683	240,063	39,620	16.5
Restricted net position	55,672	54,290	1,382	2.5

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance (continued)

Summary of Revenue and Expenses and Changes in Net Assets (in Thousands of Dollars)

	Years Ended April 30		Dollar	Percentage
	2012	2011	Increase	Increase
			(Decrease)	(Decrease)
Revenue:				
Net patient service revenue	\$ 1,395,949	\$ 1,395,919	\$ 30	0.0%
Disproportionate share distributions	47,574	24,492	23,082	94.2
Other revenue	42,856	37,800	5,056	13.4
Total revenue	1,486,379	1,458,211	28,168	1.9
Expenses:				
Salaries and wages	680,725	663,423	17,302	2.6
Employee benefits	131,427	130,309	1,118	0.9
Professional fees	41,979	32,985	8,994	27.3
Supplies	250,733	253,954	(3,221)	(1.3)
Purchased services	90,872	87,238	3,634	4.2
Facilities	65,251	63,920	1,331	2.1
Depreciation and amortization	101,712	89,193	12,519	14.0
Other	48,027	60,762	(12,735)	(21.0)
Total expenses	1,410,726	1,381,784	28,942	2.1
Income from operations	75,653	76,427	(774)	(1.0)
Nonoperating gains, net (including depreciation of \$2,641 and \$2,852 in 2012 and 2011, respectively)	31,692	38,374	(6,682)	(17.4)
Excess of revenue and net nonoperating gains over expenses	107,345	114,801	(7,456)	(6.5)
Contributions and grants	2,782	5,777	(2,995)	(51.8)
Increase in net position	110,127	120,578	(10,451)	(8.7)
Net position at the beginning of the year	1,298,964	1,178,386	120,578	10.2
Net position at the end of the year	\$ 1,409,091	\$ 1,298,964	\$ 110,127	8.5%

South Broward Hospital District
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Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance (continued)

The results from operations experienced for the 2012 fiscal year were only 1% lower than the prior year, despite an increase in unfunded care provided. The strong operating results were due to management's ongoing efforts to manage costs as activity fluctuates. For fiscal year 2012, total revenue increased 1.9% while operating expenses increased by 2.1%, resulting in income from operations decreasing by 1.0% from the prior year of \$76.4 million to approximately \$75.7 million. Memorial Regional Hospital's income from operations decreased by approximately \$9 million, mainly the result of opening the free-standing Joe DiMaggio Children's Hospital in mid 2011. Strong Memorial Cancer Institute volumes helped drive Memorial Hospital West's income from operations higher by approximately \$5 million over the prior year. Memorial Hospital Miramar also increased its income from operations by 9.3%, the result of stronger outpatient volumes and lower expenses.

Net nonoperating gains decreased from the prior year due to higher interest costs and lower property tax revenues which were partially offset by higher investment income. The Joe DiMaggio Children's Hospital opened in mid 2011 and as a result, interest previously capitalized into the project was expensed. The System lowered its millage rate to alleviate the burden on the System's taxpayers – charging only enough to cover the cost of providing primary care to System residents. Net tax revenues decreased by 40.0% from approximately \$28.8 million in 2011 to \$17.3 million in 2012. At the same time, uncompensated care increased 7% from approximately \$899 million to \$962 million. Lastly, the System's conservative investment policy and a shift in interest rates produced investment income that was 16.5% higher than the prior year. Included in net investment gains, the System recorded an \$11.0 million unrealized gain on its investment portfolio in fiscal year 2012 versus a \$10.9 million unrealized loss in fiscal year 2011.

Total revenue and net nonoperating gains of the System rose from \$1.497 billion to \$1.518 billion for the fiscal years ended April 30, 2011 and 2012, respectively. Total expenses rose from \$1.382 billion to \$1.411 billion for the same periods. The corresponding excess of revenues and net nonoperating gains over expenses decreased from \$114.8 million to \$107.3 million for the fiscal years ended April 30, 2011 and 2012, respectively, resulting in a net margin of 7.9% and 7.2% for the fiscal years ended April 30, 2011 and 2012, respectively. Income available for debt service was \$251.7 million and \$233.9 million for the fiscal years ended April 30, 2011 and 2012, respectively. In addition to volumes, the variance is due to one-time settlements. In fiscal year 2011, we received favorable settlements of \$9.2 million as a result of the filing and settling of cost reports from prior years and a favorable settlement of

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance (continued)

\$1.9 from a managed care payor. In fiscal year 2012, we received favorable settlements of \$11.2 million as a result of the filing and settling of cost reports from prior years, a favorable settlement of \$5.0 million for newly issued Supplemental Security Income ratios used for calculating Medicare Disproportionate Share Hospital reimbursements, and a favorable net settlement of \$7.8 million from managed care payors.

Cash, cash equivalents, and investments, excluding assets whose use is limited, decreased from \$967.5 million to \$936.7 million at April 30, 2011 and 2012, respectively. Cash, cash equivalents, and investments, including assets whose use is limited, remained essentially constant at approximately \$1.1 billion, at April 30, 2012 and 2011. Net patient accounts receivable increased from \$163.2 million at April 30, 2011, to \$203.2 million at April 30, 2012, partially due to delays in billings and collections associated with the implementation of the new revenue cycle information system. The System continued to expand and improve its facilities. Additions to capital assets were \$160.8 million and \$136.6 million for the fiscal years ended April 30, 2011 and 2012, respectively. The decrease in capital spending reflecting the completion of the children's hospital in mid 2011 partially offset with increased information technology investment and a bed expansion at Memorial Hospital West. There was no long-term debt issued in fiscal year 2012. The estimated cost to complete all construction projects in process at April 30, 2012, was \$22.0 million. The System anticipates financing these projects through a combination of currently available cash and cash equivalents, investments, and future cash flows from operations.

Combined inpatient admissions and observation patients were 110,267 and 107,491 for the years ended April 30, 2011 and 2012, respectively. Hospital-based outpatient visits were 513,457 for the year ended April 30, 2011, and 529,036 for the year ended April 30, 2012. The modest decrease in admissions was due to efforts by payors to reduce inpatient admissions and shift to observation status. The increase in outpatient visits was due to management's efforts to increase volumes for outpatient areas.

The System pursues qualification of indigent patients for available Medicaid and other reimbursement programs. The System has effective protocols that enable early identification of denials and short pays from managed care organizations. As a result, the denial rates for managed care claims as a percentage of managed care claims was 1.8% for fiscal year 2011 and 1.9% for fiscal year 2012.

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Management's Discussion of Financial Performance (continued)

In fiscal year 2012, the System used the net tax proceeds solely to offset the cost of uncompensated care in its primary care operations.

Taxes and Uncompensated Care

The Board of Commissioners of the System is authorized to levy a tax annually upon real and personal taxable property located within the boundaries of the System at a millage rate not to exceed 2.5 mills. The taxes collected pursuant to this levy can be used for the purposes and needs of the System such as operations, debt service, and construction. Such ad valorem taxes cannot be pledged directly or indirectly to pay revenue bonds; however, there is no prohibition on the use of such taxes once collected. The System uses the net tax proceeds solely to offset the cost of uncompensated care in its primary care, nursing home, and home health operations.

The financial strength of the System minimizes the tax burden in south Broward County. In fiscal years 2011, 2012, and 2013, net tax revenues accounted for approximately 1.9%, 1.1%, and 2.2%, respectively, of total net revenues and net nonoperating gains. In September 2012, the System's Board of Commissioners voted to reduce the tax millage rate to 0.6000 mills.

The System's financial strength enables the System to absorb the financial burden of providing an increasing level of uncompensated care and also enables the System to develop and support state-of-the-art facilities.

South Broward Hospital District
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

Source of Patient Charges

A substantial amount of the gross charges of the System are provided to patients insured by third-party payors. The table below lists the approximate percentages of gross charges by payor.

	Percentage of Gross Charges		
	Year Ended April 30		
	2013	2012	2011
Medicare	18.9%	19.5%	19.5%
Medicaid	14.8	14.2	14.1
Managed care	48.5	48.2	49.6
Other	17.8	18.1	16.8
Total	100.0%	100.0%	100.0%

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Net Position – System

	April 30	
	2013	2012
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 281,307	\$ 107,583
Investments	948,712	829,095
Patient accounts receivable, net of estimated uncollectibles of \$378,819 and \$439,363 at April 30, 2013 and 2012, respectively	160,723	203,230
Ad valorem taxes receivable	447	893
Inventories	27,984	25,080
Other current assets	54,886	63,032
Total current assets	1,474,059	1,228,913
Assets whose use is limited, net of current portion:		
By Board for capital improvements	–	87,977
By Board for employee disability	17,679	17,100
Under self-insurance trust agreements	48,551	53,778
Externally restricted by donors	1,896	1,895
Total assets whose use is limited, net of current portion	68,126	160,750
Capital assets, net	827,864	838,985
Deferred charges, net	6,648	7,040
Other assets	6,994	6,656
Total assets	\$ 2,383,691	\$ 2,242,344

	April 30	
	2013	2012
	<i>(In Thousands)</i>	
Liabilities and net position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,621	\$ 67,654
Accrued compensation and payroll taxes	96,436	90,646
Estimated third-party payor settlements	11,485	10,961
Current portion of long-term debt	7,790	7,585
Current portion of capital lease obligations	748	1,765
Current portion of estimated claims liability	16,288	6,344
Other current liabilities	19,830	10,225
Total current liabilities	<u>246,198</u>	195,180
Long-term portion of estimated claims liability	19,665	30,841
Other noncurrent liabilities	60,200	67,711
Long-term portion of capital lease obligations	—	693
Long-term debt	531,765	538,828
Total liabilities	<u>857,828</u>	<u>833,253</u>
Net position:		
Net investment in capital assets	277,856	279,683
Restricted:		
By donors	1,896	1,895
Under self-insurance trust agreements	54,509	53,778
Unrestricted	1,191,602	1,073,735
Total net position	<u>1,525,863</u>	<u>1,409,091</u>
Total liabilities and net position	<u>\$ 2,383,691</u>	<u>\$ 2,242,344</u>

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Revenue and Expenses and
Changes in Net Position – System

	Year Ended April 30	
	2013	2012
	<i>(In Thousands)</i>	
Revenue:		
Net patient service revenue	\$ 1,378,510	\$ 1,395,949
Disproportionate share distributions	58,439	47,574
Other operating revenues	43,982	42,856
Total revenue	1,480,931	1,486,379
Expenses:		
Salaries and wages	659,975	680,725
Employee benefits	131,515	131,427
Professional fees	37,814	41,979
Supplies	248,301	250,733
Purchased services	96,757	90,872
Facilities	63,502	65,251
Depreciation and amortization	112,336	101,712
Other	43,156	48,027
Total expenses	1,393,356	1,410,726
Income from operations	87,575	75,653
Nonoperating gains, net (including depreciation of \$2,451 and \$2,641 in 2013 and 2012, respectively)	23,179	31,692
Excess of revenue and net nonoperating gains over expenses	110,754	107,345
Contributions and grants	6,018	2,782
Increase in net position	116,772	110,127
Net position at the beginning of the year	1,409,091	1,298,964
Net position at the end of the year	\$ 1,525,863	\$ 1,409,091

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Cash Flows – System

	Year Ended April 30	
	2013	2012
	<i>(In Thousands)</i>	
Operating activities		
Receipts from third-party payors and patients	\$ 1,421,541	\$ 1,352,288
Payments to vendors	(478,115)	(517,183)
Other receipts	112,041	51,006
Payments to employees	(750,932)	(760,717)
Claims and self-insurance payments	(33,086)	(49,343)
Net cash provided by operating activities	271,449	76,051
Noncapital financing activities		
Contributions and grants	6,018	2,782
Ad valorem tax receipts, net	33,805	17,683
Net cash provided by noncapital financing activities	39,823	20,465
Capital and related financing activities		
Acquisition and construction of capital assets, net	(103,182)	(132,822)
Principal payments on long-term debt	(7,585)	(7,284)
Principal payments on capital lease obligations	(1,710)	(1,785)
Interest payments on long-term debt	(30,671)	(30,735)
Net cash used in capital and related financing activities	(143,148)	(172,626)
Investing activities		
Proceeds from sales, maturities, or repayment of investments	221,828	47,060
Cost of investments acquired	(250,871)	(67,831)
Investment and other income received	34,643	35,537
Net cash provided by investing activities	5,600	14,766
Net change in cash and cash equivalents	173,724	(61,344)
Cash and cash equivalents at beginning of year	107,583	168,927
Cash and cash equivalents at end of year	\$ 281,307	\$ 107,583

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Cash Flows – System (continued)

	Year Ended April 30	
	2013	2012
	<i>(In Thousands)</i>	
Reconciliation of excess of revenue and net nonoperating gains over expenses to net cash provided by operating activities		
Excess of revenue and net nonoperating gains over expenses	\$ 110,754	\$ 107,345
Adjustments to reconcile excess of revenue and net nonoperating gains over expenses to net cash provided by operating activities:		
Depreciation and amortization, including depreciation reported in nonoperating gains	114,787	104,353
Interest expense, net of subsidy	27,382	25,670
Provision for doubtful accounts	348,068	412,687
Loss on disposal of capital assets	631	495
Ad valorem tax revenue and unrestricted investment income, net	(53,012)	(60,003)
Increase in:		
Patient accounts receivable	(305,561)	(452,743)
Other current assets and inventories	4,876	(39,475)
Other assets	(338)	188
Increase (decrease) in:		
Accounts payable and accrued expenses	16,686	(19,445)
Accrued compensation and payroll taxes	5,790	8,500
Estimated third-party payor settlements	524	(3,605)
Other current liabilities	11,038	3,668
Other liabilities	(7,511)	(1,340)
Estimated claims liability	(2,665)	(10,244)
Net cash provided by operating activities	\$ 271,449	\$ 76,051

See accompanying notes.

Joe DiMaggio Children's Hospital Foundation, Inc.

Statements of Financial Position

	April 30	
	2013	2012
		<i>Restated</i>
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 47	\$ 110
Investments	19,917	26,870
Contributions receivable, net	3,511	3,226
Property and equipment, net	5	9
Other assets	64	46
Total assets	<u>\$ 23,544</u>	<u>\$ 30,261</u>
Liabilities		
Accounts payable	\$ 25	\$ 21
Annuities payable	404	409
Due to Memorial Healthcare System	1,061	884
Total liabilities	<u>1,490</u>	<u>1,314</u>
Net assets:		
Unrestricted:		
Undesignated	5,092	4,384
Board-designated endowment	2,564	1,870
	<u>7,656</u>	<u>6,254</u>
Temporarily restricted	12,211	20,787
Permanently restricted	2,187	1,906
Total net assets	<u>22,054</u>	<u>28,947</u>
Total liabilities and net assets	<u>\$ 23,544</u>	<u>\$ 30,261</u>

See accompanying notes.

Joe DiMaggio Children's Hospital Foundation, Inc.

Statements of Activities

For the Years Ended April 30, 2013 and 2012

(In Thousands)

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:								
Contributions	\$ 1,313	\$ 5,654	\$ 281	\$ 7,248	\$ 1,225	\$ 3,356	\$ 25	\$ 4,606
Special events	–	2,192	–	2,192	–	2,264	–	2,264
Other support	400	–	–	400	400	–	–	400
Interest and dividends	501	–	–	501	410	–	–	410
Realized gains on investments	757	–	–	757	337	–	–	337
Unrealized gains (losses) on investments	974	–	–	974	(176)	–	–	(176)
Net assets released from restrictions	16,422	(16,422)	–	–	1,387	(1,387)	–	–
Total revenue and other support	20,367	(8,576)	281	12,072	3,583	4,233	25	7,841
Expenses:								
Funding benefiting Memorial Healthcare System	16,650	–	–	16,650	1,831	–	–	1,831
Management and general	441	–	–	441	480	–	–	480
Program fundraising	1,874	–	–	1,874	2,097	–	–	2,097
Total expenses	18,965	–	–	18,965	4,408	–	–	4,408
Changes in net assets	1,402	(8,576)	281	(6,893)	(825)	4,233	25	3,433
Net assets – beginning of year, as originally reported	6,254	20,787	1,906	28,947	5,478	16,554	3,482	25,514
Restatement of beginning net assets	–	–	–	–	1,601	–	(1,601)	–
Net assets – end of year	\$ 7,656	\$ 12,211	\$ 2,187	\$ 22,054	\$ 6,254	\$ 20,787	\$ 1,906	\$ 28,947

See accompanying notes.

Memorial Foundation, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	April 30	
	2013	2012
	<i>Restated</i>	
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 9,033	\$ 136
Patient accounts receivable, net of estimated uncollectibles of \$537	2,145	-
Contributions receivable, net	228	287
Inventory	615	-
Investments	9,186	8,234
Property and equipment, net	2,870	5
Intangible asset	2,500	-
Goodwill	6,023	-
Other assets	205	18
Total assets	\$ 32,805	\$ 8,680
Liabilities		
Current liabilities:		
Accounts payable	\$ 2,638	\$ 9
Accrued expenses and other liabilities	797	-
Annuities payable	21	22
Current portion of notes payable	137	-
Current portion of capital lease obligations	380	-
Due to Memorial Healthcare System	459	545
Total current liabilities	4,432	576
Long-term portion of capital lease obligations	530	-
Long-term portion of notes payable	98	-
Total liabilities	5,060	576
Net assets:		
Unrestricted:		
Undesignated	15,031	689
Board-designated endowment	128	106
Noncontrolling interest	4,899	-
	20,058	795
Temporarily restricted	7,351	6,973
Permanently restricted	336	336
Total net assets	27,745	8,104
Total liabilities and net assets	\$ 32,805	\$ 8,680

See accompanying notes.

Memorial Foundation, Inc. and Subsidiaries

Consolidated Statements of Activities

For the Years Ended April 30, 2013 and 2012

(In Thousands)

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<i>Restated</i>							
Revenue and other support:								
Contributions	\$ 14,162	\$ 1,225	\$ –	\$ 15,387	\$ 152	\$ 1,225	\$ –	\$ 1,377
Net patient service revenue	923	–	–	923	–	–	–	–
Other support	400	–	–	400	400	–	–	400
Interest and dividends	179	–	–	179	123	–	–	123
Realized gains on investments	135	–	–	135	91	–	–	91
Unrealized gains (losses) on investments	480	–	–	480	(49)	–	–	(49)
Net assets released from restrictions	847	(847)	–	–	782	(782)	–	–
Total revenue and other support	<u>17,126</u>	<u>378</u>	<u>–</u>	<u>17,504</u>	<u>1,499</u>	<u>443</u>	<u>–</u>	<u>1,942</u>
Expenses:								
Funding benefiting Memorial Healthcare System	880	–	–	880	805	–	–	805
Management and general	1,471	–	–	1,471	376	–	–	376
Program fundraising	413	–	–	413	361	–	–	361
Total expenses	<u>2,764</u>	<u>–</u>	<u>–</u>	<u>2,764</u>	<u>1,542</u>	<u>–</u>	<u>–</u>	<u>1,542</u>
Changes in net assets	14,362	378	–	14,740	(43)	443	–	400
Net loss attributable to noncontrolling interest	1	–	–	1	–	–	–	–
Changes in net assets attributable to								
Memorial Foundation, Inc. and Subsidiaries	<u>14,363</u>	<u>378</u>	<u>–</u>	<u>14,741</u>	<u>(43)</u>	<u>443</u>	<u>–</u>	<u>400</u>
Noncontrolling interest	<u>4,900</u>	<u>–</u>	<u>–</u>	<u>4,900</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net assets – beginning of year, as originally reported	795	6,973	336	8,104	744	6,530	430	7,704
Restatement of beginning net assets	–	–	–	–	94	–	(94)	–
	<u>795</u>	<u>6,973</u>	<u>336</u>	<u>8,104</u>	<u>838</u>	<u>6,530</u>	<u>336</u>	<u>7,704</u>
Net assets – end of year	<u>\$ 20,058</u>	<u>\$ 7,351</u>	<u>\$ 336</u>	<u>\$ 27,745</u>	<u>\$ 795</u>	<u>\$ 6,973</u>	<u>\$ 336</u>	<u>\$ 8,104</u>

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Plan Net Position – Pension Trust Fund

	April 30	
	2013	2012
	<i>(In Thousands)</i>	
Assets		
Investments, at fair value:		
Equities	\$ 55,356	\$ 44,890
U.S. government and agency obligations	64,227	71,463
Corporate debt	39,662	29,583
Commercial mortgage securities	7,484	4,393
Collateralized mortgage obligations	4,466	1,136
Asset-backed securities	4,526	6,391
Municipal bonds	–	7,010
SEC registered money market funds	21,159	37,262
Preferred securities	233	29
International investments	148,279	117,788
Alternative investments	32,652	–
Other	1,418	639
	\$ 379,462	\$ 320,584
 Liabilities and restricted net position		
Net position held in trust for pension benefits	\$ 379,462	\$ 320,584

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Changes in Plan Net Position –
Pension Trust Fund

	Year Ended April 30	
	2013	2012
	<i>(In Thousands)</i>	
Net position restricted for employees' pension benefits:		
Balance at beginning of year	\$ 320,584	\$ 298,025
Additions:		
Employer pension contributions	33,031	29,899
Net realized and unrealized gains on pension trust fund investments	37,556	2,494
	70,587	32,393
Deductions:		
Pension benefit payments	9,831	8,194
Administrative expenses	1,878	1,640
	11,709	9,834
Net increase in net position held in trust for pension benefits	58,878	22,559
Balance at end of year	\$ 379,462	\$ 320,584

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements

April 30, 2013

1. Organization and Summary of Significant Accounting Policies

Organization

The South Broward Hospital District d/b/a Memorial Healthcare System (the System) operates Memorial Regional Hospital and the Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida, approximately one mile south of Memorial Regional Hospital; Memorial Hospital Pembroke, located in Pembroke Pines, Florida, approximately six miles west of Memorial Regional Hospital; Memorial Hospital West, located in Pembroke Pines, Florida, approximately 10 miles west of Memorial Regional Hospital; and Memorial Hospital Miramar, located in Miramar, Florida, approximately fifteen miles west of Memorial Regional Hospital. The System also operates the Urgent Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida, approximately eight miles west of Memorial Regional Hospital. Other components of the System include the Memorial Home Health Services; multiple primary care and school health centers located throughout south Broward County; the Memorial Cancer Institute, with locations on the campus of Memorial Regional Hospital and on the campus of Memorial Hospital West; and the Memorial Adult Day Care Center, which provides activities, meals, and select health-related services for its elderly participants, located within the Memorial Outpatient Center – Hallandale. At April 30, 2013, the System operates a total of 1,900 licensed hospital beds and 120 licensed nursing home beds.

Memorial Health Network, Corp. was incorporated on October 24, 2012. Its purpose is to support and carry out the charitable purposes of the System by establishing, managing, and operating a clinically integrated provider network and related health care enterprises for the promotion of evidence-based medicine to achieve quality and efficiencies in the provision of medical and other health care services. The System is in the process of filing for tax-exempt status.

Basis of Presentation

The accounts of the System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenue, and expenses, as appropriate.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

The System is accounted for in an enterprise fund that consists of unrestricted net position, restricted net position, and net investment in capital assets. The enterprise fund is used to account for the System's ongoing business-type activities. Significant intercompany accounts and transactions have been eliminated in the combination of these funds.

The Memorial Foundation, Inc. and Subsidiaries and the Joe DiMaggio Children's Hospital Foundation, Inc. (the Foundations) are legally separate, tax-exempt component units of the System governed by separate independent boards of directors. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the System in support of its programs. The Foundations' boards are self-perpetuating and consist of community members. Although the System does not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest are restricted to the activities of the System by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, the System, the Foundations are considered component units of the System and are discretely presented in the System's financial statements.

During the years ended April 30, 2013 and 2012, the Foundations distributed approximately \$17,180,000 and \$1,844,000, respectively, to the System for both restricted and unrestricted purposes.

The pension trust fund is a fiduciary fund used to account for the assets held in trust by Wells Fargo Bank, N.A. for the benefit of the employees of the System who participate in the retirement plan for employees of the South Broward Hospital District (the Plan).

The financial statements of the pension trust fund use the full accrual basis of accounting whereby employer contributions to the Plan are recognized when due, and benefits are recognized when due and payable in accordance with the terms of the Plan.

Basis of Accounting

The System utilizes the accrual basis of accounting whereby revenues are recognized as they are earned and expenses are recognized when the related obligation is incurred.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications were made to the 2012 financial statements to conform to the classifications used in 2012. These reclassifications had no impact on the excess of revenue and net nonoperating gains over expenses and changes in net position previously reported.

Charity Care

The System provides care, without charge, to patients who meet certain financial criteria based upon the Federal Income Poverty Guidelines. The System does not pursue collection of amounts due from patients who meet the System's criteria for charity care, and therefore such amounts are not reported as revenue.

Cash and Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased, except those classified as assets whose use is limited or those included in the System's investment program, to be cash equivalents.

Investments

The System records its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which amended GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Purchase Agreements*.

All investments have been recorded at fair value based on quoted market prices in the financial statements.

Inventories

Inventories, consisting primarily of medical, surgical, and other supplies, are stated at the lower of cost (principally determined by the first-in, first-out method) or market.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Assets Whose Use is Limited

Assets whose use is limited includes assets set aside by the Board of Commissioners for future capital improvements and anticipated future payments under the System's employee disability policy, over which the Board retains control and may at its discretion subsequently use for other purposes. Assets whose use is limited also includes assets held by trustees, self-insurance trust arrangements, as well as restricted resources limited by donors to a specific period or purpose.

Capital Assets

Capital assets, including improvements to existing facilities, are recorded at cost, except for donated items, which are recorded at fair value at the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 20 to 40 years and for equipment range from 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the respective lease or the life of the related asset. Routine maintenance and repairs that do not extend the life of the assets are charged to expense as incurred, and major renovations or improvements are capitalized. The System capitalizes all assets with an initial cost of \$1,000 or greater.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of those assets. Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method.

Income Taxes

The System is exempt from income taxes as it is a political subdivision of the State of Florida (the State).

Restricted Net Position

Restricted net position has been limited by donors to a specific time period or purpose or has been limited under self-insurance trust fund arrangements.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Statements of Revenue and Expenses and Changes in Net Position

For purposes of presentation, transactions determined to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral, incidental, or transactions not considered to be central to the provision of health care services are reported as nonoperating gains and losses and include investment income, interest expense, and ad valorem tax revenue.

Net Patient Service Revenue

Net patient service revenue is reported at net realizable amounts due from patients, third-party payors, and others for services rendered.

Settlements with certain third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Disproportionate Share Distributions

The State Agency for Health Care Administration (AHCA) distributes low-income pool and disproportionate share hospital (DSH) payments to the System based in part on the System's indigent care service level. The System's policy is to recognize these distributions as revenue when amounts are due and collection is reasonably assured. The receipt of any additional distributions is contingent upon the continued support by the State Legislature.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Accounting for Pensions by State and Local Governmental Employers

The System conforms to the requirements of GASB Statement No. 27 (Statement No. 27), *Accounting for Pensions by State and Local Governmental Employers*. Pursuant to Statement No. 27, certain employers that participate in defined benefit pension plans are required to measure and disclose an amount for annual pension cost on the accrual basis of accounting.

Accounting Standards

The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification Section 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the System's financial reporting entity for these differences.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. Statement No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the effect of the adoption of this statement on the System's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. That statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance. Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011. The adoption of Statement No. 62 did not have any effect on the System's financial statements.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. That statement amends Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 is effective for financial statements for periods beginning after December 15, 2011. The adoption of Statement No. 63 did not have a material effect on the System’s financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. That statement clarifies the accounting treatment for certain hedging transactions. Statement No. 64 is effective for financial statements for periods beginning after June 15, 2011. The adoption of Statement No. 64 did not have any effect on the System’s financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. That statement 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. Statement No. 65 is effective for financial statements for periods beginning after December 15, 2012, with early application encouraged. The System has not elected to implement this statement early, and management is currently evaluating the effect of the adoption of this statement on the System’s financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. That statement resolves conflicting guidance that resulted from the issuance of Statement No. 62. Statement No. 66 is effective for financial statements for periods beginning after December 15, 2012, with early application encouraged. The System has not elected to implement this statement early; however, the adoption of this statement is not expected to have a material effect on the System’s financial statements.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other provisions, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. This statement calls for immediate recognition of more pension expense than is currently required. The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014. The System has not elected to implement these statements early; however, management is currently evaluating the effect of these statements on the System's financial statements when implemented.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides accounting and disclosure guidance for mergers, acquisitions, transfers of operations, and disposals. Statement No. 69 is effective for financial statements for periods beginning after December 15, 2013, with early adoption encouraged. The System has not elected to implement this statement early and the adoption of this statement is not expected to have a material effect on the System's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Further, when a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. Statement No. 70 is effective for financial statements for periods beginning after June 15, 2013, with early adoption encouraged. The System has elected to implement this statement early. The adoption of this statement did not have a material effect on the System's financial statements.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

2. Revisions to Prior Period Financial Statements

The financial statements for the year ended April 30, 2012, were revised to correct amounts previously reported. Based on an evaluation of relevant quantitative and qualitative factors, the System determined that certain liabilities previously reported at April 30, 2012, related to events in years prior to May 1, 2011, were satisfied prior to 2012. The effect of the prior period misstatements to the System's financial statements resulted in the overstatement of operating expenses in years prior to 2012 and a corresponding overstatement of accounts payable and accrued expenses. Consequently, the statement of net position at April 30, 2012, and the opening net position balance as of May 1, 2011, presented in the statement of revenue and expenses and changes in net position, were restated from amounts previously reported.

The table below summarizes the effect of the restatement of previously reported financial statements (in thousands).

	As of April 30, 2012		
	As Previously Reported	Adjustment	As Presented Herein
Statement of Net Position			
Accounts payable and accrued expenses	\$ 112,934	\$ (45,280)	\$ 67,654
Total current liabilities	240,460	(45,280)	195,180
Total liabilities	878,533	(45,280)	833,253
Unrestricted net position	1,028,456	45,280	1,073,736
Total net position	1,363,811	45,280	1,409,091
 Statement of Revenue and Expenses and Changes in Net Position			
Net position as of May 1, 2011	1,253,684	45,280	1,298,964
Net position as of April 30, 2012	1,363,811	45,280	1,409,091

Financial information included in the accompanying financial statements and the notes thereto reflect the effects of the corrections described in the preceding discussion and table.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

3. Uncompensated Care

The System maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services provided under the System’s charity care policy, as well as a provision for uncollectible accounts included in the accompanying statements of revenue and expenses and changes in net position. The following information measures the level of uncompensated care provided during the years ended April 30, 2013 and 2012 (in thousands).

	2013	2012
Uncompensated care, based on established rates	\$ 919,841	\$ 961,694
Percentage of uncompensated care patients to all patients served based upon total charges	12.5%	13.6%

For the years ended April 30, 2013 and 2012, uncompensated care includes \$571,773,000 and \$549,007,000, respectively, of charges forgone for services provided under the System’s charity care policy. Using the System’s average ratio of cost to charges, the cost of charity care provided was approximately \$107,891,000 and \$112,062,000 for the years ended April 30, 2013 and 2012, respectively.

4. Net Patient Service Revenue

The System has contractual agreements with third-party payors (Medicare, Medicaid, and commercial insurance payors) that provide for prospective reimbursement at contractually established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

Most of the System’s Medicare patients are covered under the Medicare Prospective Payment System, which establishes predetermined rates for diagnosis-related groups, resource utilization groups, home health resource groups, case mix groups, and inpatient psychiatric per diems.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

4. Net Patient Service Revenue (continued)

Reimbursement for certain services subject to special reimbursement formulas under the Medicare program is subject to audit and settlement by a Medicare Administrative Contractor. Such audits and final settlements have been completed for all years through 2009 for Memorial Hospital Miramar and Memorial Hospital Pembroke, and through 2008 for all facilities. Medicare program beneficiaries accounted for approximately 19% of the System's gross patient charges in fiscal year 2013 and 20% in fiscal year 2012.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost-based prospective payment formula. The System's Medicaid cost reports have been audited by the Medicaid Administrative Contractor through 2008 for all facilities. Medicaid program beneficiaries accounted for approximately 15% of the System's gross patient charges in fiscal year 2013 and 14% in fiscal year 2012.

There were no material differences between original estimates and subsequent revisions, including final settlements, in fiscal year 2013.

As a result of the filing of the cost reports and the settlement of cost reports for prior years, the System increased reimbursement recorded in prior years by approximately \$11,297,000 in 2012.

Insurance and Other

The System has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the System under these agreements includes prospectively determined rates per discharge, allowances from established charges, and prospectively determined daily rates.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

4. Net Patient Service Revenue (continued)

The difference between gross patient charges and the contractually established rates, for the above programs, is accounted for as contractual adjustments. The System's gross patient charges, charity care write-offs, provision for doubtful accounts and contractual adjustments for the years ended April 30 are as follows (in thousands):

	2013	2012
Gross patient charges	\$ 7,384,130	\$ 7,050,026
Charity care	(571,773)	(549,007)
Provision for doubtful accounts	(348,068)	(412,687)
Contractual adjustments	(5,085,779)	(4,692,383)
Net patient service revenue	<u>\$ 1,378,510</u>	<u>\$ 1,395,949</u>

5. Other Funding Sources

The System receives funding from various components of the State Medicaid program, including the Low Income Pool program (LIP) and Medicaid per diem rates. The State's LIP distributes funding to the System in support of programs that provide coverage for uninsured and underinsured patients. The LIP is a federal matching program that provides the State with the opportunity to receive additional distributions based upon a fixed annual pool of \$1 billion distributed by the State based on the types and amount of programs provided by participating health care providers and for meeting specified quality metrics.

Total revenue recognized by the System from LIP and DSH funding was \$58,439,000 and \$47,574,000 for the years ended April 30, 2013 and 2012, respectively, and are reported as disproportionate share distributions in the accompanying statements of revenue and expense and changes in net position.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments

The book value of the System’s unrestricted bank accounts is \$95,386,000 and \$30,751,000 at April 30, 2013 and 2012, respectively. The book value of the System’s bank accounts restricted by donors, included in assets whose use is limited, is \$1,896,000 and \$1,895,000 at April 30, 2013 and 2012, respectively. These bank accounts are insured by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer by financial institutions, which comply with the requirements of Florida Statutes and have been designated as qualified public depositories by the State Treasurer.

The current portion of assets whose use is limited of \$5,958,000 and \$0 at April 30, 2013 and 2012, respectively, is included in other current assets in the accompanying statements of net position.

Cash Equivalents and Investments

At April 30, 2013 and 2012, respectively, the System’s cash equivalents and investments, including assets whose use is limited, are as follows (in thousands):

	Fair Value	
	2013	2012
Unrestricted cash equivalents	\$ 214,253	\$ 81,218
Unrestricted investments	920,380	824,709
Assets whose use is limited:		
By Board	17,679	105,077
Under self-insurance trust agreements	52,613	51,883
Externally restricted by donors	1,896	1,895
	\$ 1,206,821	\$ 1,064,782

Interest Rate Risk

To the extent possible, the System attempts to match investment maturities with known cash needs and anticipated cash flow requirements. The System’s investment policy segments its investment portfolio into pools with identified asset allocation percentages that attempt to match its liquidity requirements. Investments of bond reserves, construction funds, and other indenture-restricted funds have maturities set in accordance with the relevant documents.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments (continued)

At April 30, 2013 and 2012, respectively, the System had the following investments with the respective effective durations. (Fair value is in thousands and effective durations in years.)

	2013		2012	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Cash and SEC registered money				
market funds	\$ 133,363	N/A	\$ 55,052	N/A
U.S. Treasury	166,108	0.40	143,663	0.54
U.S. agencies	292,295	0.45	326,294	0.66
U.S. agency mortgage bonds	247,576	0.66	183,613	0.43
Asset-backed securities	6,173	0.00	82,640	0.00
Commercial paper	5,198	0.00	17,193	0.00
Corporate debt	287,965	0.60	197,441	0.40
Municipal securities	68,143	0.19	58,886	0.13
	\$ 1,206,821	2.30	\$ 1,064,782	2.16

Credit Risk

The System has adopted an investment policy that authorizes the following instruments for investment: (1) the trust fund known as the Local Government Surplus Funds Trust Fund as created by Florida Statutes; (2) bankers' acceptances; (3) commercial paper of prime quality rated by at least two nationally recognized debt rating agencies in the following manner: Moody's; Standard & Poors; A1+ or A1; Fitch, F1+ or F1 or secured by a letter of credit provided by a commercial bank that carries a credit rating in one of the two highest ratings; (4) interest-bearing time deposits or savings accounts at institutions that are Qualified Public Depositories; (5) negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States government; (6) obligations of federal agencies and instrumentalities; (7) interest-bearing notes, bonds, debentures, and other such evidence of indebtedness with a fixed maturity of any domestic listed corporation within the United States that when purchased carry ratings in one of the three highest classifications of at least two nationally recognized debt rating agencies or be secured by a letter of credit provided by a commercial bank not withstanding each investment manager will maintain an average

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments (continued)

portfolio credit quality of AA; (8) repurchase agreements and reverse repurchase agreements entered into with a member bank of the Federal Reserve System or a primary dealer in United States government securities provided such repurchase agreements and reverse repurchase agreements are fully collateralized by the types of securities disclosed in sections (5) and (6) above; (9) SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and (10) municipal bond investments that carry ratings in one of the top two classifications of at least two nationally recognized rating agencies or secured by bond insurance or a letter of credit by a commercial bank in one of the top two classifications.

The System's bond indentures stipulate permitted "Eligible Investments" for related bond funds. To the extent permitted by law, the System must invest bond funds in (1) U.S. Treasury obligations; (2) certain direct or guaranteed obligations of federal agencies; (3) certificates of deposit; (4) registered money market funds rated in the two highest rating categories by Standard & Poor's (S&P) and Moody's Investors Service (Moody's); (5) commercial paper rated Prime-1 by Moody's and A-1 or better by S&P; (6) municipal securities rated in the two highest rating categories by S&P and Moody's; (7) repurchase agreements; (8) investment agreements, including Guaranteed Investment Certificates acceptable to any credit facility provider; and (9) federal funds and bankers' acceptances from banks rated Prime-1 or A3 by Moody's and A-1 or A by S&P.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments (continued)

At April 30, 2013 and 2012, respectively, the System's investment securities have the following credit ratings as shown below (in thousands):

	2013		2012	
	Fair Value	Credit Rating*	Fair Value	Credit Rating*
Cash and SEC registered money				
market funds	\$ 133,363	AAA	\$ 55,052	AAA
U.S. Treasury	166,108	TSY	143,663	TSY
U.S. agency discount notes	29,239	A-1+	16,198	A-1+
U.S. agency discount notes	3,808	AA+	-	-
U.S. agencies	259,248	AA+	310,096	AA+
U.S. agency mortgage bonds	2,247	AAA	1,591	AAA
U.S. agency mortgage bonds	245,329	AA+	182,022	AA+
Asset-backed securities	-	-	69,152	AAA
Asset-backed securities	-	-	12,976	AA+
Asset-backed securities	-	-	512	AA-
Asset-backed securities	2,174	A+	-	-
Asset-backed securities	3,999	A	-	-
Commercial paper	5,198	A-1+	6,797	A-1+
Commercial paper	-	-	10,396	A-1
Corporate debt	109,729	AAA	37,084	AAA
Corporate debt	77,067	AA+	78,365	AA+
Corporate debt	17,532	AA	17,560	AA
Corporate debt	26,606	AA-	25,291	AA-
Corporate debt	35,917	A+	23,093	A+
Corporate debt	10,461	A	16,048	A
Corporate debt	10,653	A-	-	-
Municipal securities	24,449	AAA	11,775	AAA
Municipal securities	20,318	AA+	19,243	AA+
Municipal securities	17,831	AA	17,492	AA
Municipal securities	5,477	AA-	5,129	AA-
Municipal securities	-	-	4,997	A+
Municipal securities	68	A	-	-
Municipal securities	-	-	190	BBB
Municipal securities	-	-	60	Not Rated
	\$ 1,206,821		\$ 1,064,782	

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk

The System's investment policy has established asset allocation and issuer limitations on the following investments, which are designated to reduce concentration of credit risk of the System's investments.

Local Government Surplus Funds Trust Fund. A maximum of 50% of the portfolio.

Bankers' acceptances. A maximum of 20% of the investment portfolio. Further limitations include original maturity of 210 days or less, maximum maturity of 180 days from date of purchase and no more than 5% in a single issuer.

Commercial paper. Maximum of 30% of the portfolio. Further limitations include maximum maturity of 270 days from date of purchase and no more than 5% in a single issuer.

Interest-bearing time deposits. A maximum of 30% of the portfolio further subject to total the lesser of 15% of the financial institution's capital or net worth or \$20 million and maximum maturity of one year. The financial institution must be a Qualified Public Depository.

Government securities. A maximum of 100% of the portfolio and minimum of 50% will be invested in government securities that include direct obligations of the U.S. Treasury, obligations guaranteed by the U.S. government, bonds, notes, debentures, and callable debt instruments issued or guaranteed by U.S. agencies. Further limitations include a 25% maximum limitation on adjustable interest rate and collateralized mortgage obligations and a 30-year maximum term.

Corporate debt. A maximum of 30% of the portfolio. Further limitations include no more than 10% in AAA-rated asset-backed securities, single industry concentration of 15%, no more than 5% to a single issuer and maximum maturity of 10 years. The maximum amount of corporate investments (total of commercial paper and corporate debt) will not exceed 50% of the investment portfolio. The maximum maturity of any corporate issue will not exceed 10 years.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments (continued)

Repurchase/reverse repurchase agreements. Maximum term six months and subject to Public Securities Association documentation requirements. A maximum of 50% of the portfolio may be in repurchase agreements.

SEC registered money market funds. A maximum of 50% of the portfolio.

Municipal securities. A maximum of 30% of the portfolio. Further limitations include no more than 5% in any one issuer and a maximum maturity of 10 years.

The System’s bond indentures stipulate permitted “eligible investments” for related bond funds. Asset allocation and issuer limitations are not stipulated in the related bond documents.

The following table shows the composition of the System’s investments at April 30, 2013 and 2012, respectively (in thousands):

	2013		2012	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Cash and SEC registered money market funds	\$ 133,363	11%	\$ 55,052	5%
U.S. Treasuries	166,108	14	143,663	13
U.S. agencies	292,295	24	326,294	31
U.S. agency mortgage bonds	247,576	21	183,613	17
Asset-backed securities	6,173	–	82,640	8
Commercial paper	5,198	–	17,193	2
Corporate debt	287,965	24	197,441	19
Municipal securities	68,143	6	58,886	5
	\$ 1,206,821	100%	\$ 1,064,782	100%

At April 30, 2013, investments in any one issuer representing 5% or more of the System’s total investments are as follows: \$198,029,058 (16%) invested in issues of the Federal National Mortgage Association; \$136,599,940 (11%) invested in issues of the Federal Home Loan

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

6. Cash, Cash Equivalents, and Investments (continued)

Mortgage Corporation; and \$81,952,606 (7%) invested in issues of the Government National Mortgage Corporation. The System's investment policy does not have an issuer limitation for U.S. Treasury securities.

At April 30, 2012, investments in any one issuer representing 5% or more of the System's total investments are as follows: \$213,947,000 (20%) invested in issues of the Federal National Mortgage Association; \$120,452,000 (11%) invested in issues of the Federal Home Loan Mortgage Corporation; \$65,983,000 (6%) invested in issues of the Government National Mortgage Corporation; and \$65,517,000 (6%) invested in the Federal Home Loan Bank. The System's investment policy does not have an issuer limitation for U.S. Treasury securities;

Custodial Credit Risk

Pursuant to Florida Statute 218.415, securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by, and all collateral obtained by the System, are properly designated as an asset of the System. The securities are held in an account separate and apart from the assets of the financial institution. At April 30, 2013 and 2012, the System's investment securities were held by U.S. Bank, a third-party custodian as required by the System's investment policy.

The System's bond indentures stipulate that all bond and trustee held funds be maintained in separate accounts with a bond trustee. U.S. Bank is the trustee for all the System's outstanding bonds and revenue certificate indebtedness. All bond and trustee held investments are held in accounts separate and apart from the assets of the financial institution.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

7. Capital Assets

A summary of the activity in the capital assets and the related accumulated depreciation accounts is as follows (in thousands):

	Balance at May 1, 2012	Additions	Transfers	Deletions	Balance at April 30, 2013
Land improvements	\$ 26,392	\$ –	\$ 126	\$ (55)	\$ 26,463
Buildings and improvements	1,023,079	1,141	6,213	–	1,030,433
Equipment	487,982	14,597	53,907	(13,151)	543,335
Depreciable assets	1,537,453	15,738	60,246	(13,206)	1,600,231
Accumulated depreciation	(758,213)	(114,768)	–	12,488	(860,493)
Net depreciable assets	779,240	(99,030)	60,246	(718)	739,738
Land	33,439	–	–	–	33,439
Construction in progress	26,306	88,627	(60,246)	–	54,687
Capital assets, net	<u>\$ 838,985</u>	<u>\$ (10,403)</u>	<u>\$ –</u>	<u>\$ (718)</u>	<u>\$ 827,864</u>

	Balance at May 1, 2011	Additions	Transfers	Deletions	Balance at April 30, 2012
Land improvements	\$ 15,273	\$ –	\$ 11,119	\$ –	\$ 26,392
Buildings and improvements	857,975	4,535	160,592	(23)	1,023,079
Equipment	389,699	9,454	101,088	(12,259)	487,982
Depreciable assets	1,262,947	13,989	272,799	(12,282)	1,537,453
Accumulated depreciation	(665,676)	(104,277)	–	11,740	(758,213)
Net depreciable assets	597,271	(90,288)	272,799	(542)	779,240
Land	34,404	–	179	(1,144)	33,439
Construction in progress	176,761	122,653	(272,978)	(130)	26,306
Capital assets, net	<u>\$ 808,436</u>	<u>\$ 32,365</u>	<u>\$ –</u>	<u>\$ (1,816)</u>	<u>\$ 838,985</u>

The System is currently engaged in expansion projects at its facilities. The estimated cost to complete all construction projects in process at April 30, 2013, is \$67,443,000.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

8. Self-Insurance

The System is exposed to various risks of loss related to professional liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and certain employee health plan costs; and natural disasters. The System believes it is more economical to manage its risks internally and set aside assets for claim settlement. Commercial insurance is carried on property, directors and officers, accidents, and vehicles. The System's commercial property insurance program excludes windstorm coverage.

The System, as a subdivision of the State, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28 of the Florida Statutes, for claims with occurrence dates subsequent to September 30, 1981, the System is not liable to pay a claim or judgment by any one person that exceeds the sum of \$200,000 or any claim or judgments, or portions thereof, which when totaled with all other claims or judgments paid by the State or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of \$300,000.

Chapter 768.28 of the Florida Statutes also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to, and approved by, the State Legislature. In addition, the System has \$20 million in claims bill insurance coverage, with a \$2 million self-insured retention, to cover any damages rendered against it as a result of the passage of a claims bill.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

8. Self-Insurance (continued)

The System's management estimates and accrues for the cost of unreported claims based on historical data and actuarial projections. The estimated claims liability has been discounted based on an interest rate of 1.5% at April 30, 2013 and 2012. The System has established a trust fund for the purpose of setting aside assets to fund future self-insurance losses. The trust assets can only be used for payment of losses and administrative expenses. Earnings on investments in the self-insurance trust are reported as nonoperating gains, net, in the statements of revenue and expenses and changes in net position and are retained as part of the fund. A rollforward of the System's claims liability for self-insurance claims is as follows (in thousands):

Year Ended April 30	Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Liability at End of Year	Estimated Amount Due Within One Year
2011	\$ 51,903	\$ 44,027	\$ (48,843)	\$ 47,087	\$ 7,249
2012	47,087	39,441	(49,343)	37,185	6,344
2013	37,185	31,854	(33,086)	35,953	16,288

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt

The following is a summary of long-term debt as of April 30 (in thousands):

	2013	2012
Series 2009 Hospital Revenue Bonds – \$150,000 authorized and issued:		
6.978% Term Bond due May 1, 2039	\$ 40,000	\$ 40,000
7.278% Term Bond due May 1, 2044	110,000	110,000
	150,000	150,000
Series 2008 Hospital Refunding Revenue Bonds – \$156,575 authorized and issued: Serial Bonds, interest rates of 4.00% to 5.25% maturing in amounts ranging from \$1,400 to \$4,000 through May 1, 2017	6,855	8,625
5.25% Term Bond due May 1, 2022	8,180	8,180
5.00% Term Bond due May 1, 2028	30,270	30,270
5.00% Term Bond due May 1, 2036	102,885	102,885
	148,190	149,960
Unamortized loss on defeasance, net	(4,215)	(4,496)
Unamortized discount, net	(2,034)	(2,122)
	141,941	143,342
Series 2007 Hospital Refunding Revenue Bonds – \$112,745 authorized and issued: Serial Bonds, interest rate of 4.75% maturing in amounts ranging from \$4,695 to \$6,595 through May 1, 2024	16,200	16,200
4.75% Term Bond due May 1, 2028	34,215	34,215
4.75% Term Bond due May 1, 2032	62,330	62,330
	112,745	112,745
Unamortized loss on defeasance, net	(5,440)	(5,729)
Unamortized premium, net	2,467	2,598
	109,772	109,614

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt (continued)

	2013	2012
Series 2006 Hospital Revenue and Refunding Revenue Bonds – \$120,000 authorized and issued: Serial Bonds, interest rates of 4.00% to 5.00% maturing in amounts ranging from \$930 to \$8,735 through May 1, 2023	\$ 50,150	\$ 50,150
4.375% Term Bond due May 1, 2025	7,440	7,440
4.50% Term Bond due May 1, 2030	20,865	20,865
5.00% Term Bond due May 1, 2035	27,595	27,595
4.50% Term Bond due May 1, 2037	13,950	13,950
	120,000	120,000
Unamortized loss on defeasance, net	(2,640)	(3,011)
Unamortized premium, net	2,020	2,104
	119,380	119,093
Series 2003A Refunding Revenue Bonds – \$39,945, and Series 2003B Revenue Bonds – \$5,065 authorized and issued: Serial Bonds, interest rates of 2.75% to 5.25% maturing in amounts ranging from \$380 to \$4,155, through May 1, 2015	2,425	7,040
Unamortized premium, net	254	400
Unamortized loss on defeasance, net	(117)	(176)
	2,562	7,264
Series 2001 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments of \$400 commencing May 1, 2002, through and including May 1, 2016, and a balloon payment of \$4,000 due on November 1, 2016. Interest is payable semiannually based on the following formula [(one month LIBOR + 0.55%)/1.5037]. The LIBOR rate at April 30, 2013 was 0.200%.	5,200	5,600

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt (continued)

	2013	2012
Series 2000 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments ranging from approximately \$206 to \$400 commencing May 1, 2002, through and including May 1, 2015, and a balloon payment of approximately \$6,300 due on November 1, 2015. The interest rate is fixed at 5.155%.	\$ 6,700	\$ 7,100
Series 1998 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments of \$400 through and including May 1, 2017, and a balloon payment of \$2,400 due May 1, 2018. The interest rate is fixed at 4.374%.	4,000	4,400
Less current portion	(7,790)	(7,585)
	\$ 531,765	\$ 538,828

During 2013 and 2012, interest cost of \$1,115,000 and \$2,499,000, respectively, was capitalized. During 2013 and 2012, interest earned on invested Revenue Certificates and bond proceeds was \$1,000 and is netted against capitalized interest. Capitalized interest is included in capital assets.

The Revenue Bonds are secured by gross patient charges and certain pledge funds and have been issued as parity debt under the Master Trust Indenture dated as of September 1, 2003 (Master Indenture).

On September 12, 2003, the System executed and delivered the Master Indenture. Upon execution and delivery of the Master Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, respectively, and together with certain amended and unamended portions of the Trust Indenture became what is referred to in the Master Indenture as the Bond Indentures for the respective series of Revenue Bonds that were issued thereunder. After the execution and delivery of the Master Indenture, the System, pursuant to the Master Indenture, issued obligations to the trustee under the Trust Indenture, as bond trustee for each of the series of Revenue Bonds issued

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt (continued)

thereunder and to each of the Revenue Certificate holders to evidence their security under the Master Indenture. The Master Indenture provides that the System becomes part of an obligated group. The System is the only member of the obligated group. The obligations issued under the Master Indenture are payable solely from and are secured by a pledge of and a lien on the gross patient charges of the obligated group and any future member of the obligated group and certain accounts created under the Master Indenture, provided, however, the lien and pledge of the accounts under the Master Indenture does not extend to obligations issued for the benefit of the Revenue Certificate holders.

The Series 2003A Refunding Revenue Bonds were issued to provide funds, to refund the Series 1993 Refunding and Revenue Bonds, and the Series 2003B Revenue Bonds were issued to provide funds, together with other available funds, to pay the costs of acquisition, construction, and equipping of certain improvements to the hospital facilities, including the reimbursement of certain funds advanced by the System. The computations performed in accordance with GASB Statement No. 23 for the refunding of the 1993 Refunding and Revenue Bonds resulted in a loss on defeasance of \$1,559,000 and is reported in the accompanying statements of net position as a deduction from long-term debt. At April 30, 2013 and 2012, respectively, the unamortized value of the deferred amount was approximately \$117,000 and \$176,000. The deferred amount is being charged to operations through the year 2015 using an effective interest amortization method. The Series 2003A Refunding Revenue Bonds and the Series 2003B Revenue Bonds maturing after May 1, 2013, are callable at par and in such proportion within maturities as may be directed by the System.

The Series 2006 Hospital Revenue and Revenue Refunding Bonds were issued in the amount of \$120,000,000. The Series 2006 Hospital Revenue and Revenue Refunding Bonds were issued to (1) reimburse the System for prior capital expenditures for the acquisition, construction, and equipping of certain facilities and routine equipment purchased by the System; (2) refund all the Series 1996 Revenue Refunding Bonds; and (3) pay certain costs of issuance. The Series 2006 Hospital Revenue and Revenue Refunding Bonds were issued as fixed rate bonds and are callable after May 2, 2016 at par, without premium.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt (continued)

The System completed the refunding of its Series 1996 Hospital Refunding Revenue Bonds as a part of the Series 2006 Hospital Refunding Revenue Bonds to reduce its total debt service payments and to extend the maturity of the debt. On a matched-maturity basis, the cash flow savings, not including the funds held in related bond debt service accounts, was approximately \$7,056,000. The economic gain (the difference between the present values of the old and new debt service payments taken together with the return of certain bond fund monies) of the refunding on a matched-maturity basis was approximately \$2,652,000.

The computations performed in accordance with GASB Statement No. 23 for the refunding of the Series 1996 Revenue Refunding Bonds resulted in a loss on defeasance of approximately \$5,246,000 and is reported in the accompanying statements of net position as a deduction from long-term debt. At April 30, 2013 and 2012, respectively, the unamortized value of the deferred amount was approximately \$2,640,000 and \$3,011,000. The deferred amount is being charged to operations through the year 2021 using an effective interest amortization method.

The Series 2007 Hospital Refunding Revenue Bonds were issued in the amount of \$112,745,000. The Series 2007 Hospital Refunding Revenue Bonds were issued to (1) advance refund all the outstanding Series 2002 Revenue Bonds; (2) pay an issuer settlement amount to the provider of a rate lock agreement dated February 8, 2007; and (3) pay certain costs of issuance. The Series 2007 Hospital Refunding Revenue Bonds were issued as fixed rate bonds and are callable after May 1, 2017 at par, without premium. The computations performed in accordance with GASB Statement No. 23 for the advance refunding of the Series 2002 Hospital Revenue Bonds resulted in a loss on defeasance of approximately \$7,197,000 and is reported in the accompanying statements of net position as a deduction from long-term debt. At April 30, 2013 and 2012, respectively, the unamortized value of the deferred amount was approximately \$5,440,000 and \$5,729,000. The deferred amount is being charged to operations through the year 2032 using an effective interest amortization method.

On May 27, 2008, the Series 2008 Hospital Refunding Revenue Bonds were issued in the amount of \$156,575,000 to (1) pay prior to maturity the principal of and accrued interest on the Bank of America Loan Agreement, and (2) pay certain costs of issuance. On March 1, 2008, the System entered into a loan agreement with Bank of America, National Association and executed a promissory note as of March 24, 2008, to evidence debt incurred under the Bank of America Loan Agreement which debt was incurred for the purpose of refunding its (i) Series 2003C Refunding Revenue Bonds, (ii) Series 2004A Hospital Revenue Bonds, and (iii) Series 2004B

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt (continued)

Hospital Revenue Bonds. These prior bonds were issued as auction rate certificates all of which experienced failed auctions during the 2008 fiscal year. The loan agreement temporarily refunded the bonds until a permanent financing could be completed. The Series 2008 Hospital Refunding Revenue Bonds were issued as fixed rate bonds and are callable after May 1, 2018, at par, without premium.

On October 28, 2009, Series 2009 Hospital Revenue Bonds were issued in the amount of \$150,000,000 to provide funds to (1) acquire, construct, renovate, and equip certain of its health care facilities, including reimbursement of certain moneys advanced prior to issuance, and (2) pay certain costs of issuance. The Series 2009 Hospital Revenue Bonds were issued as fixed rate bonds and are callable on or after May 1, 2019 at par, without premium. The 2009 Hospital Revenue Bonds are issued as Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009. The System will be eligible, subject to certain conditions, to receive cash subsidy payments from the United States Department of the Treasury equal to 35% of the interest payable on the Series 2009 Hospital Revenue Bonds.

The fair value of the System's long-term debt, as calculated by an independent third party, was \$580,618,000 and \$584,878,000 at April 30, 2013 and 2012, respectively. The fair value of the System's long-term debt was based primarily on quoted market prices.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

9. Long-Term Debt (continued)

Maturities of long-term debt for the next five years and thereafter are (in thousands):

	Principal Payments	Estimated Interest Payments	Estimated Total Debt Service
Years ending April 30:			
2014	\$ 7,880	\$ 26,162	\$ 34,042
2015	3,365	25,807	29,172
2016	10,355	25,525	35,880
2017	12,800	25,198	37,998
2018	9,530	24,764	34,294
2019–2023	52,160	116,483	168,643
2024–2028	88,320	101,094	189,414
2029–2033	120,100	76,563	196,663
2034–2038	121,590	44,750	166,340
2039–2044	123,160	21,167	144,327
	<u>\$ 549,260</u>	<u>\$ 487,513</u>	<u>\$ 1,036,773</u>

For purposes of determining estimated future interest payments for the System's variable interest rate debt, estimated future interest payments were calculated using the rates in effect at April 30, 2013.

Activity related to long-term debt is summarized as follows (in thousands):

	Year Ended April 30	
	2013	2012
Balance at beginning of year	\$ 546,413	\$ 552,970
Principal payments on long-term debt	(7,585)	(7,284)
Amortization of premiums, discounts, and loss on defeasance, net	727	727
Balance at end of year	<u>\$ 539,555</u>	<u>\$ 546,413</u>

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan

The System administers a single employer, noncontributory defined benefit pension plan covering substantially all full-time regular employees that were hired on or before October 31, 2011. The System adopted certain amendments to the Plan primarily affecting only those employees hired on or after May 1, 2010. The amendments include, among others, eliminating the nonreduced early retirement benefit in favor of a reduced early retirement benefit, and provides for a different benefit accrual rate. Effective November 1, 2011, the Plan was closed to new participants. The Plan does not issue a stand-alone financial report.

Employees are eligible for the Plan after completing one year of service and the attainment of age 21. Benefits are 100% vested after 5 years of service. Normal retirement age under the Plan is the earlier of age 65 with 5 years of service, age 62 with 20 years of service, or age 55 with 30 years of service. Normal retirement age for nonvested employees hired or re-hired after May 1, 2010 and prior to November 1, 2011, is age 65 with 5 years of service. The annual retirement benefit amount is based upon years of service and the participants' average earnings during the highest consecutive 5-year period in the 10 years preceding retirement or termination. The Board of Commissioners has the authority to establish and amend the benefit provisions of the Plan. Contributions by the System are actuarially determined amounts, which, together with investment earnings, are sufficient to fund the Plan. The actuarial assumptions used to determine the System's contributions to the Plan are subject to review by the State Division of Retirement and the System is required under Part VII of Chapter 112 of the Florida Statutes to fund the Plan in accordance with these actuarial assumptions. There are no employee contributions. Beginning with the Plan year ended April 30, 1996, liabilities and contributions are computed to take into account a complex funding arrangement in accordance with an agreement between the System and the State. The agreement includes contributions for employees not yet participating in the Plan under a phase-in approach. Data shown in this disclosure is for actual Plan participants except for the contribution amount, which includes the appropriate phase-in amount under the agreement.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

Listed below is information regarding payroll and participant data used in the calculation of current year actuarial information:

Participant data as of May 1, 2012:

Active	7,489
Retired	1,216
Terminated vested	<u>2,246</u>
Total	<u><u>10,951</u></u>

The Plan funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method with proration based on service. As of May 1, 2012, the prior years' amortization bases were eliminated and a "Fresh Start" level dollar amortization of the unfunded actuarial accrued liability was established. The "Fresh Start" initial amortization and future amortization bases will be amortized as a level dollar amount over the average future working lifetime of active participants (12 years). The significant actuarial assumptions used to compute the annual required contribution include a 7.5% rate of return on investments and an age-related salary increase scale (from 6.00% below age 35 to 4.50% for age 60 and older). The rate of return on investments and the projected salary increase rate include projected inflation of 2.5%.

The annual required contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of May 1, 2012. The System's annual pension cost for the years ended April 30, 2013, 2012, and 2011 was approximately \$33,031,000, \$29,899,000, and \$28,924,000, respectively. The actuarial value of the Plan assets at April 30, 2013, 2012 and 2011 was \$374,137,000, \$335,264,000, and \$306,235,000, respectively. The System's contributions to the Plan during the years ended April 30, 2013, 2012, and 2011 were equal to or in excess of 100% of annual pension cost. As of April 30, 2013, 2012, and 2011, the System's net pension obligation was zero.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

The Plan has adopted an investment policy that adheres to the investment guidelines and permissible investments outlined in Florida Statutes, Title XIV, Chapters 215.44 and 215.47. The policy has target percentages for certain asset classes and permits variances of +/- 5% as an allowable range. At April 30, 2013 and 2012, the authorized asset allocation and target percentages were:

Asset Class	Target Percent
Global equity:	
Value	27.5%
Growth	27.5
	55.0%
U.S. fixed income – core	35.0
Alternative investments – long/short equity hedge fund	10.0
	10.0
Total Plan	100.0%

The Plan provides the following guidelines and restrictions for the authorized asset classes:

(1) *Global equity (including dedicated emerging markets)*: The following list of investments may be purchased in a global equity portfolio: common and preferred stocks of issuers whose primary stock exchange listing, registration, or headquarters are located in the United States, or countries comprising the Morgan Stanley Capital International All Country World Index. The exception to this is stocks in emerging markets, subject to certain limitations. Other permissible investments include: securities convertible into common stock, including offerings under Securities Act Rule 144, limited to 20% of the portfolio at market value; warrants; ADRs listed on a major U.S. exchange; forward contracts for foreign currency to be used in defensive hedging only; World Equity Benchmarks (WEBs); Exchange Traded Funds; Initial Public Offerings (only after notification to the System’s Finance Committee and its Investment Consultant); no-load mutual funds; bank, trust, or insurance company pooled funds; and cash or cash equivalents.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

(2) *Fixed income*: The following list of investments may be purchased in the core fixed-income portfolio: U.S. Treasury obligations, Treasury Inflation Protected Bonds, Government Agencies and Government Sponsored Agency debentures and mortgage pass-throughs; mortgage-backed To-Be-Announced notes; collateralized mortgage obligations, limited to 25% of the portfolio; nonagency-issued mortgages originated per Florida Statutes 215.47(2)(b)(c)(d); commercial mortgage-backed securities; corporate bonds and other corporate obligations including equipment trust certificates; asset-backed securities; indexed notes, floaters, and other variable rate obligations; pooled accounts or other collective investment funds; certificates of deposit, bankers' acceptances, and commercial paper rated at least A-1 by S&P or P-1 by Moody's; mutual funds; municipal bonds; and complex tranches of collateralized mortgage obligations, asset-backed securities and commercial mortgage-backed securities (including interest only, principal only, super floaters, inverse floaters, and support bonds), limited to 10% of the portfolio at market value. Investments not listed above may be purchased only if the investment manager receives written approval from the System's Finance Committee.

(3) *Alternative investments – long/short equity hedge fund*: A hedge fund refers to any investment or interment strategy that is not a long-only portfolio of traditional equity. The Plan will generally invest in fund of fund vehicles that have at least yearly liquidity and reasonable levels of transparency.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

Interest Rate Risk

At April 30, 2013 and 2012, the Plan had the following investments with the respective effective durations. Fair values are determined primarily using quoted market prices or absent such, by other customary pricing methods by the custodian. (Fair values are in thousands and effective durations are in years.)

	2013		2012	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Domestic investments:				
Equities	\$ 55,356	N/A	\$ 44,890	N/A
U.S. Treasury and agency obligations	64,227	2.09	71,463	2.22
Corporate debt	39,662	2.04	29,583	1.40
Commercial mortgage securities	7,484	0.26	4,393	0.11
Collateralized mortgage obligations	4,466	0.13	1,136	0.02
Asset-backed securities	4,526	0.08	6,391	0.05
Municipal bonds	—	—	7,010	0.52
SEC registered money market funds	21,159	N/A	37,262	N/A
Preferred securities	233	N/A	29	N/A
International investments:				
Equities	93,571	N/A	73,662	N/A
Dodge & Cox Global Stock Fund	54,708	N/A	44,126	N/A
Alternative investments:				
Long/short equity hedge fund	32,652	N/A	—	—
Other:				
Cash	768	N/A	18	N/A
Due from brokers	650	N/A	720	N/A
Advance contribution	—	—	(99)	N/A
	\$ 379,462		\$ 320,584	

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

Credit Risk

At April 30, 2013 and 2012, the Plan's investment securities have the following credit ratings as shown below (in thousands):

	2013		2012	
	Fair Value	Credit Rating *	Fair Value	Credit Rating *
Domestic investments:				
Equities	\$ 55,356	Not Rated	\$ 44,890	Not Rated
U.S. Treasury	35,654	AA+	34,856	AAA
U.S. agencies	831	AA+	1,594	AAA
U.S. agencies	632	A	673	A
U.S. agency mortgage bonds	27,110	AA+	34,340	AAA
Corporate debt	991	AA+	938	AA+
Corporate debt	798	AA	551	AA
Corporate debt	2,227	AA-	433	AA-
Corporate debt	3,853	A+	738	A+
Corporate debt	4,440	A	2,550	A
Corporate debt	8,766	A-	9,623	A-
Corporate debt	7,034	BBB+	7,495	BBB+
Corporate debt	6,661	BBB	4,532	BBB
Corporate debt	4,196	BBB-	2,699	BBB-
Corporate debt	349	BB+	—	—
Corporate debt	347	Not Rated	24	Not Rated
Commercial mortgage securities	7,484	AAA	4,206	AAA
Commercial mortgage securities	—	—	187	Not Rated
Collateralized mortgage obligations	—	—	143	AAA
Collateralized mortgage obligations	3,617	AA+	—	—
Collateralized mortgage obligations	87	BBB-	—	—

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

	2013		2012	
	Fair Value	Credit Rating *	Fair Value	Credit Rating *
Domestic investments (continued)				
Collateralized mortgage obligations	\$ 148	CCC	\$ 330	CCC
Collateralized mortgage obligations	12	CC	302	CC
Collateralized mortgage obligations	579	D	146	D
Collateralized mortgage obligations	23	Not Rated	215	Not Rated
Asset-backed securities	3,246	AAA	4,132	AAA
Asset-backed securities	508	A	-	-
Asset-backed securities	-	-	157	BB+
Asset-backed securities	-	-	93	B
Asset-backed securities	399	CCC	293	CCC
Asset-backed securities	-	-	62	CC
Asset-backed securities	274	D	272	D
Asset-backed securities	99	Not Rated	1,382	Not Rated
Municipal bonds	-	-	586	AAA
Municipal bonds	-	-	182	AA+
Municipal bonds	-	-	248	AA
Municipal bonds	-	-	2,095	AA-
Municipal bonds	-	-	2,770	A+
Municipal bonds	-	-	752	A-
Municipal bonds	-	-	377	Not Rated
SEC registered money market Funds	21,159	AAA	37,262	AAA
Preferred securities	110	C	29	C
Preferred securities	123	Not Rated	-	-

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

	2013		2012	
	Fair Value	Credit Rating *	Fair Value	Credit Rating *
International investments:				
Equities	\$ 93,571	Not Rated	\$ 73,662	Not Rated
Dodge & Cox Global Stock Fund	54,708	Not Rated	44,126	Not Rated
Alternative investments:				
Long/short equity hedge fund	32,652	Not Rated	-	-
Other:				
Cash	768	-	18	-
Due from brokers	650	-	720	-
Advance contribution	-	-	(99)	-
	<u>\$ 379,462</u>		<u>\$ 320,584</u>	

*Standard & Poors' rating

Concentration of Credit Risk

The Plan's investment policy has established asset allocation and issuer limitations on the following investments, which are designated to reduce concentration of credit risk of the Plan's investments.

Global equity investments in any individual company may not represent more than 5% at cost and 8% at the market value. Investment in any individual company on a "total Plan" basis shall not exceed 3%. The maximum exposure to emerging markets equity from global and dedicated emerging markets is 20% of total Plan assets.

No more than 10% of the bond portfolio at market value shall be invested in the securities of any one issuer, with the exception of the U.S. government. No more than 3% of the portfolio may be invested in one bond, with the exception being securities issued or guaranteed by the U.S. government. No more than 50% of the portfolio shall have exposure to nongovernment guaranteed agency obligations (at market value). Fixed income securities should be rated BBB- (or its equivalent) or higher at time of purchase by a nationally recognized statistical

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

rating agency. The minimum dollar-weighted average quality rating of the portfolio is “A.” Asset backed securities, mortgage-backed securities, and collateralized mortgage obligations should be rated “AAA” (or its equivalent) at the time of purchase by a nationally recognized statistical rating agency. For split ratings, the higher rating will be used to determine compliance with these guidelines. If issues are downgraded to noninvestment grade, the investment manager will determine the appropriate action based on the perceived risk and expected return of the position and will inform the System’s management and the investment consultant in writing of the action that was taken. The duration of the portfolio must be within +/- 10% of the indicated index. The maximum effective maturity of any single security should not exceed 40 years.

Investments in long/short equity hedge funds require the manager to use a prime broker relationship when shorting stocks. The Plan seeks investments that provide liquidity such that a significant withdrawal is available (>75% of the investment) at least once per year. Reasonable levels of transparency are expected in order to monitor underlying investments. Strategies that cause total leverage to exceed 2.5:1 and fund of funds managers that employ leverage at the fund of funds level shall be avoided. At no time will the Plan invest in a fund where the amount of dollars-at-risk exceeds the initial investment amount.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

The following table shows the composition of the Plan's investments at April 30, 2013 and 2012 (in thousands):

	2013		2012	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Domestic investments:				
Equities	\$ 55,356	15%	\$ 44,890	14%
U.S. government and agency obligations	64,227	17	71,463	22
Corporate debt	39,662	10	29,583	9
Commercial mortgage securities	7,484	2	4,393	1
Collateralized mortgage obligations	4,466	1	1,136	1
Asset-backed securities	4,526	1	6,391	2
Municipal bonds	-	-	7,010	2
SEC registered money market funds	21,159	6	37,262	12
Preferred securities	233	-	29	-
International investments:				
Equities	93,571	25	73,662	23
Dodge & Cox Global Stock Fund	54,708	14	44,126	14
Alternative investments:				
Long/short equity hedge fund	32,652	9	-	-
Other:				
Cash	768	-	18	-
Due from brokers	650	-	720	-
Advance contribution	-	-	(99)	-
	\$ 379,462	100%	\$ 320,584	100%

At April 30, 2013 and 2012, there was no single investment representing 20% or more of the Plan's total investments.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

Custodial Risk

GASB Statement No. 40 requires disclosure of deposits and investments exposed to custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of April 30, 2013 and 2012, the Plan's investment portfolio was held by a single third-party custodian.

Foreign Currency Risk

GASB Statement No. 40 requires disclosure of deposits or investments exposed to foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's exposure to foreign currency derives from its positions in foreign currency denominated equities in its global equity portfolios. Global equities have a target percentage of 55% of Plan assets. The following table shows the Plan's exposure to foreign currencies as of April 30, 2013 and 2012 (in thousands of U.S. dollars).

	Fair Value	
	2013	2012
Australian Dollar	\$ 5,232	\$ 4,426
British Sterling Pound	19,856	15,293
Canadian Dollar	2,346	3,370
Danish Kroner	2,493	2,094
EMU (Euro)	17,128	12,147
Hong Kong Dollar	7,058	6,201
Japanese Yen	14,666	11,588
Singapore Dollar	4,296	3,196
Swedish Krona	1,889	1,769
Swiss Franc	17,599	12,754
Thailand Bhat	1,008	814
Total pension investments subject to foreign currency risk	\$ 93,571	\$ 73,652

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

Funded Status and Funding Progress

The funded status of the Plan as of May 1, 2012, the most recent actuarial valuation date, is as follows (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
\$ 374,137	\$ 457,821	\$ 83,684	81.7%	\$ 464,209	18.0%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

10. Pension Plan (continued)

Additional information as of the latest actuarial valuation is as follows:

Valuation date	May 1, 2012; Liabilities as of April 30, 2013	
Actuarial cost method	Projected Unit Credit Actuarial Cost Method	
Amortization method	Level dollars amount, closed	
Remaining amortization period	12 years – based on average future working lifetime of active participants	
Asset valuation method	Five-year smoothing of market value	
Actuarial assumptions:		
Investment rate of return*	7.5%	
Projected salary increases*	Age-based rates based on plan experience	
	<u>Attained age</u>	<u>Percentage increase</u>
	Less than 35	6.00%
	35-39	5.75
	40-44	5.50
	45-49	5.25
	50-54	5.00
	55-59	4.75
	60 or older	4.50
Cost-of-living adjustments	Not applicable	

*Includes inflation at 2.5%.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

11. Regulatory Matters

In May 1984, the State Legislature enacted the Health Care Consumer Protection and Awareness Act (the Act). The Act empowered the State Health Care Board (HCB) to levy assessments on all hospitals in the State. In 1992, the State Legislature transferred the authority to levy assessments to AHCA. The amount of the assessment is 1.5% of adjusted inpatient operating revenue and 1.0% of adjusted outpatient operating revenue.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

12. Other Noncurrent Liabilities

Other noncurrent liabilities primarily consist of accrued disability expenses, AHCA and other assessments, and early retirement benefits.

Activity related to other noncurrent liabilities is summarized as follows (in thousands):

	Year Ended April 30	
	2013	2012
Balance at beginning of year	\$ 67,711	\$ 69,051
AHCA assessments	17,505	18,219
Physician contracts	–	1,686
Disability (income) expense	(5,091)	759
Payments	(19,925)	(22,004)
Balance at end of year	\$ 60,200	\$ 67,711

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

13. Leases

Effective July 1, 1995, the System entered into a lease (the Lease) of Pembroke Pines Hospital from HCA Inc. and affiliates. During 2006, HCA Inc. sold the facility to Hospital Realty, LLC.

The System operates the facility under the name of Memorial Hospital Pembroke. The Lease is for a period of 10 years with two successive optional 10-year terms. Either party may elect not to renew the Lease at the end of the first and second 10-year term. During fiscal year 2005, the System exercised its option to renew the Lease for the first of the two successive optional 10-year terms. In May 2007, the System and Hospital Realty, LLC renegotiated the lease and extended the lease term through June 30, 2025.

The Lease, as renegotiated, calls for base rent of \$4,300,000 annually through June 30, 2008. Thereafter, the base rent increased by the prior year's base rent multiplied by 101.5%.

The System has noncancelable operating lease commitments including the Memorial Hospital Pembroke lease, office space, medical equipment, data processing equipment, and system support services, the expense for which was approximately \$17,395,000 and \$18,303,000 for the years ended April 30, 2013 and 2012, respectively. At April 30, 2013, future minimum lease payments by year under the noncancelable operating leases are as follows (in thousands):

Years Ending April 30:	
2014	\$ 14,304
2015	12,277
2016	10,311
2017	7,774
2018	9,724
2019–2023	27,521
2024–2028	11,891

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

14. Nonoperating Gains, Net

Nonoperating gains and losses consist of activities that are peripheral, incidental or not considered to be central to the provision of health care services as follows (in thousands):

	Year Ended April 30	
	2013	2012
Ad valorem tax revenue, net	\$ 24,533	\$ 17,251
Investment income and other, net	26,029	40,111
Interest	(31,130)	(29,417)
Interest subsidy	3,747	3,747
	\$ 23,179	\$ 31,692

Ad valorem tax revenue is unrestricted as to use and is recorded on an accrual basis in the year that taxes are levied. Ad valorem tax revenue is unrestricted as to use and is recorded on an accrual basis in the year that taxes are levied and are net of tax expenses. An integral component of the System's tax expenses relate to the funding of Medicaid inpatient services for days 11 through 45 for residents who reside in the System's tax district, regardless of which hospital they are treated at (Medicaid match). During 2013, the State legislature changed the funding of the Medicaid match, which resulted in a one-time \$10.8 million reduction to the tax expenses.

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

15. Net Position

A summary of the activity in the net position accounts for the years ended April 30, 2013 and 2012, is as follows (in thousands):

	Net Investment in Capital Assets	Restricted by Donors	Restricted Under Self- Insurance Trust Agreements	Unrestricted	Total Net Position
Balance at May 1, 2012	\$ 279,683	\$ 1,895	\$ 53,777	\$ 1,073,736	\$ 1,409,091
Excess of revenue and net nonoperating gains over expenses	-	-	-	110,754	110,754
Net decrease in capital assets, net	(1,827)	-	-	(9,294)	(11,121)
Net transfers to and from unrestricted	-	-	732	10,389	11,121
Contributions and grants	-	1	-	6,017	6,018
Balance at April 30, 2013	<u>\$ 277,856</u>	<u>\$ 1,896</u>	<u>\$ 54,509</u>	<u>\$ 1,191,602</u>	<u>\$ 1,525,863</u>

	Net Investment in Capital Assets	Restricted by Donors	Restricted Under Self- Insurance Trust Agreements	Unrestricted	Total Net Position
Balance at May 1, 2011	\$ 240,063	\$ 1,924	\$ 52,366	\$ 1,004,611	\$ 1,298,964
Excess of revenue and net nonoperating gains over expenses	-	-	-	107,345	107,345
Net increase in capital assets, net	30,549	-	-	-	30,549
Principal payments on long-term debt and capital leases	9,071	-	-	-	9,071
Net transfers to and from unrestricted	-	(30)	1,412	(41,002)	(39,620)
Contributions and grants	-	1	-	2,781	2,782
Balance at April 30, 2012	<u>\$ 279,683</u>	<u>\$ 1,895</u>	<u>\$ 53,778</u>	<u>\$ 1,073,735</u>	<u>\$ 1,409,091</u>

Required Supplementary Information

South Broward Hospital District
d/b/a Memorial Healthcare System

Schedule of Funding Progress (Unaudited)
(In Thousands)

Year Ended April 30	Actuarial Value of Assets	Actuarial Accrued Liability*	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
2008	\$ 232,328	\$ 256,634	\$ 24,306	90.5%	\$ 325,691	7.5%
2009	216,838	312,744	95,906	69.3	360,160	26.6
2010	276,000	344,203	68,203	80.2	399,400	17.1
2011	306,235	384,397	78,162	79.7	421,333	18.6
2012	335,264	413,669	78,405	81.0	440,349	17.8
2013	374,137	457,821	83,684	81.7	464,209	18.0

* The Actuarial Accrued Liability for each year ended April 30 is based on a beginning of the year (May 1) valuation projected forward to year-end (April 30).

South Broward Hospital District
d/b/a Memorial Healthcare System

Schedule of Employer Contributions (Unaudited)

Year Ended April 30	Annual Required Contribution*	Percentage Contributed
2008	\$ 18,914,000	100%
2009	23,615,000	100
2010	28,260,000	100
2011	28,924,000	100
2012	29,899,000	100
2013	33,031,000	100

* Annual Required Contribution consists of Normal Cost plus amortization of Unfunded Actuarial Accrued Liability (Funding Excess) and expenses as of the end of the year (i.e., interest is incorporated).

South Broward Hospital District
d/b/a Memorial Healthcare System

Notes to Pension Disclosure Required Supplementary
Information (Unaudited)

The information presented in the schedules on pages 75 and 76 included as Pension Disclosure Required Supplementary Information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	May 1, 2012; Liabilities as of April 30, 2013	
Actuarial cost method	Projected Unit Credit Actuarial Cost Method	
Amortization method	Level dollars amount, closed	
Remaining amortization period	12 years – based on average future working lifetime of active participants	
Asset valuation method	Five-year smoothing of market value	
Actuarial assumptions:		
Investment rate of return*	7.5%	
Projected salary increases*	Age-based rates based on plan experience	
	<u>Attained Age</u>	<u>Percentage Increase</u>
	Less than 35	6.00%
	35-39	5.75
	40-44	5.50
	45-49	5.25
	50-54	5.00
	55-59	4.75
	60 or older	4.50
Cost-of-living adjustments	Not applicable	

*Includes inflation at 2.5%.

Supplementary Information

South Broward Hospital District
d/b/a Memorial Healthcare System

Combining Statements of Net Position – System

April 30, 2013
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations, Eliminations	Combined
Assets						
Current assets:						
Cash and cash equivalents	\$ 50	\$ –	\$ –	\$ –	\$ 281,257	\$ 281,307
Investments	–	–	–	–	948,712	948,712
Patient accounts receivable, net	82,293	49,568	13,326	19,123	(3,587)	160,723
Ad valorem taxes receivable	–	–	–	–	447	447
Inventories	16,789	5,759	2,452	2,239	745	27,984
Other current assets	12,364	4,153	2,284	2,261	33,824	54,886
Total current assets	111,496	59,480	18,062	23,623	1,261,398	1,474,059
Assets whose use is limited, net of current portion:						
By Board for employee disability	–	–	–	–	17,679	17,679
Under self-insurance trust agreements	–	–	–	–	48,551	48,551
Externally restricted by donors	1,896	–	–	–	–	1,896
Total assets whose use is limited, net of current portion	1,896	–	–	–	66,230	68,126
Due from Memorial Healthcare System	76,864	505,966	–	–	(582,830)	–
Capital assets, net	354,162	163,367	20,978	101,737	187,620	827,864
Deferred charges, net	–	–	–	–	6,648	6,648
Other assets	147	4	9	–	6,834	6,994
Total assets	\$ 544,565	\$ 728,817	\$ 39,049	\$ 125,360	\$ 945,900	\$ 2,383,691

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations, Eliminations	Combined
Liabilities and net position						
Current liabilities:						
Accounts payable and accrued expenses	\$ 24,874	\$ 11,749	\$ 7,216	\$ 5,696	\$ 44,086	\$ 93,621
Accrued compensation and payroll taxes	44,127	17,562	5,959	6,965	21,823	96,436
Estimated third-party payor settlements	4,438	1,639	611	4,659	138	11,485
Current portion of long-term debt	—	—	—	—	7,790	7,790
Current portion of capital lease obligations	18	11	6	16	697	748
Current portion of estimated claims liability	—	—	—	—	16,288	16,288
Other current liabilities	10,408	3,693	2,025	1,637	2,067	19,830
Total current liabilities	83,865	34,654	15,817	18,973	92,889	246,198
Due to Memorial Healthcare System	—	—	18,173	(36,395)	18,222	—
Long-term portion of estimated claims liability	—	—	—	—	19,665	19,665
Other noncurrent liabilities	33,792	14,353	4,036	4,344	3,675	60,200
Long-term debt	—	—	—	—	531,765	531,765
Total liabilities	117,657	49,007	38,026	(13,078)	666,216	857,828
Net position:						
Net investment in capital assets	354,144	163,357	20,971	101,722	(362,338)	277,856
Restricted:						
By donors	1,896	—	—	—	—	1,896
Under self-insurance trust agreements	—	—	—	—	54,509	54,509
Unrestricted	70,868	516,453	(19,948)	36,716	587,513	1,191,602
Total net position	426,908	679,810	1,023	138,438	279,684	1,525,863
Total liabilities and net position	\$ 544,565	\$ 728,817	\$ 39,049	\$ 125,360	\$ 945,900	\$2,383,691

South Broward Hospital District
d/b/a Memorial Healthcare System

Combining Statement of Revenue and
Expenses and Changes in Net Position – System

Year Ended April 30, 2013
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations	Eliminations	Combined
Revenue:							
Net patient service revenue	\$ 701,232	\$ 397,761	\$ 100,843	\$ 142,230	\$ 36,444	\$ –	\$ 1,378,510
Disproportionate share distributions	35,143	7,934	10,922	3,153	1,287	–	58,439
Other revenue	29,184	7,853	3,298	3,218	14,900	(14,471)	43,982
Total revenue	<u>765,559</u>	<u>413,548</u>	<u>115,063</u>	<u>148,601</u>	<u>52,631</u>	<u>(14,471)</u>	<u>1,480,931</u>
Expenses:							
Salaries and wages	344,209	154,468	53,426	57,214	52,021	(1,363)	659,975
Employee benefits	71,166	30,728	11,265	11,596	7,063	(303)	131,515
Professional fees	23,952	6,305	3,707	2,829	1,163	(142)	37,814
Supplies	142,936	66,657	17,538	18,456	2,847	(133)	248,301
Purchased services	49,766	25,003	11,272	8,247	3,931	(1,462)	96,757
Facilities	32,835	12,687	9,399	5,500	5,034	(1,953)	63,502
Depreciation and amortization	65,753	27,163	7,391	9,941	4,400	(2,312)	112,336
Other	23,939	11,605	3,910	4,803	(288)	(813)	43,156
Total expenses	<u>754,556</u>	<u>334,616</u>	<u>117,908</u>	<u>118,586</u>	<u>76,171</u>	<u>(8,481)</u>	<u>1,393,356</u>
Income (loss) from operations	11,003	78,932	(2,845)	30,015	(23,540)	(5,990)	87,575
Non-operating gains (losses), net	(22,541)	(5,630)	(389)	(5,109)	50,858	5,990	23,179
Excess (deficiency) of revenues and net non-operating gains over expenses	(11,538)	73,302	(3,234)	24,906	27,318	–	110,754
Contributions and grants	5,975	17	16	10	–	–	6,018
Increase (decrease) in net position	(5,563)	73,319	(3,218)	24,916	27,318	–	116,772
Net position at the beginning of the year	432,471	606,491	4,241	113,522	252,366	–	1,409,091
Net position at the end of the year	<u>\$ 426,908</u>	<u>\$ 679,810</u>	<u>\$ 1,023</u>	<u>\$ 138,438</u>	<u>\$ 279,684</u>	<u>\$ –</u>	<u>\$ 1,525,863</u>

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