



ANNUAL REPORT

FOR THE FISCAL YEAR ENDED

April 30, 2020

Memorial Healthcare System Disclosure Representative:

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Important Information

In accordance with undertakings of the South Broward Hospital District d/b/a Memorial Healthcare System (the “Issuer”), regarding secondary market disclosure made pursuant to SEC Rule 15c2-12(b)(5)(i), by various continuing disclosure certificates, attached is the annual financial information (hereinafter collectively called the “Fiscal Year 2020 Annual Information”) and operating data for the Fiscal Year ended April 30, 2020 (“Fiscal Year 2020”). This information also satisfies the requirement for year-to-date financial information and operating data for the fiscal quarter ended April 30, 2020. Certain information regarding “Other Funding Sources” and “Subsequent Events” may be found in Notes 4 and 17 to the Issuer’s Audited Financial Statements for the Fiscal Year ending April 30, 2020, which are being posted contemporaneously with this report. The information in this Annual Report should be read in connection with the Audited Financial Statements (filed separately) including the Management's Discussion and Analysis, narratives and Notes to the Annual Financial Statements.

The provision of this information is not intended as an offer to sell any securities. It is provided solely to comply with the contractual undertakings made by the Issuer with respect to certain outstanding obligations of the Issuer, which contractual undertakings require the provision of limited financial information and operating data with respect to the Issuer. It is not intended to be and is not an update of all of the information included in the Issuer’s prior Official Statements. Other events may have occurred since the date of the Issuer’s prior Official Statements which might be material to investors in the Issuer’s bonds including, without limitation, changes in regulation of the healthcare industry and certain other risk factors. No representation is made as to whether any such other events have occurred with respect to the Issuer or its outstanding debt that might be material or important to owners of the Issuer’s outstanding debt. No representation is made as to the materiality or completeness of the Fiscal Year 2020 Annual Information. No representation is made that the Fiscal Year 2020 Annual Information is indicative of financial or operating results of the Issuer since the end of Fiscal Year 2020 or of future financial or operating results.

In connection with the sale of each bond issue, the Issuer delivered Official Statements. Capitalized terms used herein shall have the meanings ascribed to such terms in the applicable Official Statement.

This report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and any expression of opinion contained herein are subject to change without notice, and the delivery of this report will not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described.

This report may contain additional information that is not required to be provided under the terms of the continuing disclosure undertakings entered into by the Issuer. Any such additional information is provided on a voluntary basis and may be excluded from future reports without notice.

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER

Sources of Patient Revenue

The table below lists the approximate percentages of gross charges by category for the fiscal years ended April 30, 2019 and 2020.

<u>Percentage of Gross Charges</u>	<u>April 30, 2019</u>	<u>April 30, 2020</u>
Medicare	17.0%	16.6%
Medicaid	4.3%	4.2%
Managed Care	66.2%	66.9%
Other	<u>12.5%</u>	<u>12.3%</u>
Total	100.0%	100.0%

Levy and Collection of Taxes (\$ in Thousands)

The following table sets forth, for the fiscal years 2019 and 2020 the millage, assessed valuation, and gross taxes levied.

	<u>2019</u>	<u>2020</u>
Millage	0.1414	0.1260
Assessed Valuation	\$58,617,000	\$61,960,005
Taxes Levied	\$8,288	\$7,807

Maximum Annual Debt Service (\$ in Thousands)

The Issuer's Maximum Annual Debt Service for the Outstanding Indebtedness for both the fiscal years ended April 30, 2019 and 2020 was approximately \$43.9 million. The net income available for debt service and the Maximum Annual Debt Service on Outstanding Indebtedness is computed below for the years ended April 30, 2019 and 2020 as provided in Section 3.07 of the Master Trust Indenture ("MTI").

	Maximum Annual Debt Service Coverage	
	Fiscal Year Ended April 30	
	<u>2019</u>	<u>2020</u>
Net excess of revenue and net nonoperating gains over expenses	\$ 162,945	\$ 155,673
Average of unrestricted contributions and grants for the prior three years	2,384	1,990
Unrealized gains on investments	(35,432)	(45,348)
Interest expense	33,955	25,495
Depreciation and amortization expense	93,519	93,340
Loss on disposal of capital assets	742	1,650
Net income available for debt service	<u>\$ 258,113</u>	<u>\$ 232,800</u>
Maximum Annual Debt Service	43,867	43,867
Long Term Debt Service Coverage Ratio	5.88	5.31
Maximum Annual Debt Service	43,867	43,867
Percentage to adjust pursuant to MTI	110%	110%
Adjusted Maximum Annual Debt Service	\$ 48,254	\$ 48,254
Adjusted Long Term Debt Service Coverage Ratio	5.35	4.82

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Summary of Historical Financial Information (\$ in Thousands)

The following selected financial data as of April 30, 2019 and 2020 and for the years then ended are derived from the audited financial statements of the Issuer. The financial data presented should be read in conjunction with the financial statements and related notes for the respective fiscal year.

	<u>Fiscal Year Ended April 30</u>	
	<u>2019</u>	<u>2020</u>
Cash, cash equivalents and investments	\$2,100,004	\$2,340,984
Designated investments	18,343	20,181
Patient accounts receivable, net	259,322	191,588
Total current assets	2,642,389	2,678,462
Total assets incl. Deferred outflows	\$3,731,665	\$3,747,124
Total current liabilities	541,620	428,827
Long term debt (excl. current portion)	690,315	676,939
Net position	\$2,247,050	\$2,403,656
LT Debt-to-Capitalization Ratio	24%	22%
Days Cash on Hand	400	427

	<u>Fiscal Year Ended April 30</u>	
	<u>2019</u>	<u>2020</u>
Total operating revenue	\$ 2,148,017	\$ 2,159,666
Total operating expenses	2,024,426	2,111,211
Income from operations	\$ 123,591	\$ 48,455
Non-operating gains, net (including depreciation expense of \$1,371 and \$1,406 in 2019 and 2020, respectively)	39,354	107,218
Excess of revenues and net non-operating gains over expenses and before Capital contributions	\$ 162,945	\$ 155,673
Capital contributions and grants	2,602	933
Net margin	7.59%	7.21%
Depreciation and amortization	\$92,148	\$91,934
Interest	\$33,955	\$25,495

Liquidity (\$ in Thousands)

The following table sets forth the Issuer's liquidity position and days cash on hand as of April 30, 2019 and 2020.

	<u>As of April 30</u>	
	<u>2019</u>	<u>2020</u>
Cash and cash equivalents	\$ 551,793	\$ 634,577
Investments	1,548,211	1,706,407
Designated Investments	18,343	20,181
Total Cash on Hand	\$ 2,118,347	\$ 2,361,165
Operating Expenses	2,024,426	2,111,211
Depreciation and amortization	(92,148)	(91,934)
Days Cash On Hand	400	427

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Capitalization (\$ in Thousands)

The following table sets forth the Issuer's capitalization as of April 30, 2019 and 2020.

	<u>As of April 30</u>	
	<u>2019</u>	<u>2020</u>
Long-term debt including Current portion	\$ 851,485	\$ 688,604
Capital lease obligations including Current portion	12	1,682
Total Long-term debt and Capital leases	\$ 851,497	\$ 690,286
Net Position	2,247,050	2,403,656
Total capitalization	\$ 3,098,547	\$ 3,098,942
Debt to Capitalization Ratio	27%	22%

HISTORICAL UTILIZATION STATISTICS

The table below presents certain historical utilization statistics of the Issuer.

		<u>Fiscal Year Ended April 30</u>	
		<u>2019</u>	<u>2020</u>
Admissions		72,331	65,271
Observation Discharges		<u>53,224</u>	<u>52,509</u>
Total		125,555	117,780
Patient Days	(1)	403,048	389,098
Observation Days		<u>80,097</u>	<u>84,548</u>
Total		483,145	473,646
Average Length of Stay (Days)	(1)	5.57	5.96
Average Daily Census	(2)	1,324	1,294
Percent of Occupancy	(2)	67.0%	65.4%
Licensed Beds	(3)	1,977	1,978
Hospital Outpatient Visits		561,419	531,519
Urgent Care Center (UCC) Visits	(4)	14,014	20,738
24/7 Care Center Visits		68,492	62,951
Memorial Primary Care (MPC) Visits		125,007	146,486
Home Health (HH) Visits		<u>63,391</u>	<u>42,727</u>
Total Outpatient, 24/7, UCC, MPC and HH Visits		832,323	804,421
Emergency Room Visits		395,964	376,699

(1) *Inpatients only*

(2) *Combined inpatient and observation patients*

(3) *Represents the weighted average number of licensed beds during the period*

(4) *Urgent Care Centers opened in December 2017 and November 2018*

(5) *South Broward Community Health Services (SBCHS) is now known as Memorial Primary Care (MPC)*