

Broadlawns Medical Center

Financial and Compliance Report

06.30.2008

McGladrey & Pullen

Certified Public Accountants

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Independent Auditor's Report

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the accompanying balance sheet of Broadlawns Medical Center (Medical Center) as of June 30, 2008, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. We have also audited the balance sheet of Broadlawns Medical Center Foundation (Foundation), a discretely presented component unit, as of June 30, 2008, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Medical Center and Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Broadlawns Medical Center Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broadlawns Medical Center and Broadlawns Medical Center Foundation, a discretely presented component unit, as of June 30, 2008, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 5, 2008, on our consideration of Broadlawns Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 and required supplementary information on page 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Medical Center and the Foundation taken as a whole. The Medical Center and Foundation's financial statements for the year ended June 30, 2007, on which we expressed an unqualified opinion dated November 7, 2007, are not presented with the accompanying financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and other supplementary information as of and for the years ended June 30, 2008 and 2007 of the Medical Center and the Foundation has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Medical Center patient and statistical data, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 5, 2008

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Introduction

This section of the Broadlawns Medical Center (Medical Center) annual financial report presents management's discussion and analysis of the Medical Center's financial performance during the years ended June 30, 2008 and 2007. The purpose is to provide an objective analysis of the financial activities of the Medical Center based on currently known facts, decisions and conditions. Please read it in conjunction with the Medical Center's basic financial statements and the notes to basic financial statements.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the basic financial statements.

Required Financial Statements

The balance sheet offers short-term and long-term financial information about its activities. The balance sheet includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center. All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and changes in net assets. This statement measures the results from the Medical Center's operations over the past year and can be used to determine whether the Medical Center has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide answers to such questions as, "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Financial Analysis of the Medical Center

The balance sheet and the statement of revenue, expenses and changes in net assets report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net assets are one indication of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should be considered.

Our discussion and analysis of Broadlawns Medical Center's financial performance provides an overview of the Medical Center's financial activities for the fiscal years ended June 30, 2008 and 2007.

Organization

Broadlawns Medical Center is organized under Chapter 347 of the Iowa Code, not subject to taxes on income or property. The Medical Center is a county public hospital and receives tax support from the property tax levy. A seven-member elected Board of Trustees has the responsibility for overseeing Medical Center operations.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Broadlawns Medical Center Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Broadlawns Medical Center. The Foundation was formed to, among other things, raise funds for the general welfare, maintenance and improvement of the Medical Center. The Board of the Foundation is self-perpetuating and consists of citizens of Polk County. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Medical Center. Because these resources held by the Foundation have historically been for the benefit of the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements. Complete financial statements for the Foundation can be obtained from Albert White, Senior Vice President of Business Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Financial Highlights

- During the year the Medical Center increased its net assets by \$305,098, which is a \$7,042,931 decrease from last fiscal year, which ended with an increase in net assets of \$7,348,029.
- Total operating expenses for the current fiscal year were \$4,344,261 more than last fiscal year.
- Total operating revenue for the year was \$43,001,790, which is an increase of \$3,557,748.
- Net nonoperating revenue, which includes the property tax levy, decreased \$6,256,418. A decrease in the property tax levy accounted for \$6,052,608 of the total decrease in net nonoperating revenue.
- During the fiscal year the Medical Center made capital investments totaling \$4,450,806. Capital investments did exceed depreciation and amortization expense of \$3,436,175 by \$1,014,631. The following is a list of significant purchases and improvements:

Capital Investments	Vendor	Department	2008 Cost
PAC System	General Electric Systems	Imaging Service	\$ 632,079
Advia Chemistry System	Siemens Medical Solutions	Pathology	280,372
Central Monitoring System	General Electric Systems	Family Birthing Center	142,239
Endoscopy Video Equipment	Stryker Endoscopy	Surgical Services	135,000
11 Defibrillators	Zoll Medical Corporation	ICU	132,776
C-Arm Portable X-ray	Phillips Medical Systems	Imaging Service	114,894

The source of funding of these projects is derived from operations.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Net Assets

June 30, 2008: Total current assets are \$76,581,716, which is \$2,489,727 greater than last year. The difference is mainly due to an increase in succeeding year's county property tax levy of \$3,097,820, and an increase in due from third-party payors of \$1,880,760. The increases were partially offset by a decrease in cash and cash equivalents of \$621,735 and a decrease in assets limited as to use or restricted of \$2,415,804. Total noncurrent assets are \$26,626,502, which is \$1,918,027 more than last year. The increase resulted from an increase in net capital assets of \$918,949, and an increase in noncurrent assets limited as to use or restricted of \$1,035,783.

Total current liabilities of \$61,016,436 are \$4,995,502 more than last fiscal year. The change is due to an increase in deferred revenue for succeeding year's property taxes of \$3,097,820, and an increase in accounts payable and other accrued expenses of \$2,109,797. Long-term liabilities of \$6,445,889 are \$892,846 less than last fiscal year. The reduction is primarily due to principal payments and amortization of discounts of \$1,610,444 offset by new leases totaling \$306,307.

Net assets total \$35,745,893, which is \$305,098 more than last fiscal year.

June 30, 2007: Total current assets are \$74,091,989, which is \$893,612 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$3,256,346, an increase in net patient accounts receivable of \$4,006,997, and an increase in prepaid assets, mainly prepaid insurance, of \$562,807. The increases were partially offset by a decrease in succeeding year's county property tax levy receivable of \$5,567,598. Total noncurrent assets are \$24,708,475, which is \$286,948 less than last year. The decrease resulted from moving noncurrent assets limited as to use to current assets limited to use, which are to be used to satisfy current obligations.

Total current liabilities of \$56,020,934 are \$5,259,574 less than last fiscal year. The change is due to a decrease in deferred revenue for succeeding year's property taxes of \$5,567,598. Long-term liabilities of \$7,338,735 are \$1,481,791 less than last fiscal year. The reduction is primarily due to principal payments of \$1,607,259 offset by new leases totaling \$219,000.

Net assets total \$35,440,795, which is \$7,348,029 more than last fiscal year.

Broadlawns Medical Center

Management's Discussion and Analysis
Years Ended June 30, 2008 and 2007

A summary of the Medical Center's balance sheet is presented in Table 1 below:

Table 1

Condensed Balance Sheet	June 30,	
	2008	2007
Total current assets	\$ 76,581,716	\$ 74,091,989
Capital assets, net	21,002,145	20,083,196
Other assets, including board-designated investments	5,624,357	4,625,279
Total assets	\$ 103,208,218	\$ 98,800,464
Current liabilities	\$ 61,016,436	\$ 56,020,934
Long-term debt outstanding and other long-term liabilities	6,445,889	7,338,735
Total liabilities	67,462,325	63,359,669
Invested in capital assets, net of related debt	15,755,064	13,636,102
Restricted net assets	12,002,024	12,216,991
Unrestricted net assets	7,988,805	9,587,702
Total net assets	35,745,893	35,440,795
Total liabilities and net assets	\$ 103,208,218	\$ 98,800,464

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Summary of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2008: The following table presents a summary of the Medical Center's revenue, expenses and changes in net assets for the fiscal years ended June 30, 2008 and 2007. Net patient revenue is \$37,193,139, which is \$3,343,198 more than last fiscal year. The change is due to a 3.4% decrease in patient days offset by a 1.7% increase in outpatient visits. The balance of the increase is due to several factors, including an increase in the payment received for IowaCare patients and an increase in patient charges. Grants and contract revenue is \$3,760,674, which is \$308,859 more than last fiscal year. Salaries increased \$1,715,370 or 4.1% due mainly to annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits increased \$421,574 or 3.9% due mainly to the related increase in salaries and benefit costs. Supplies and other expenses increased \$1,278,054 or 4.5%. This increase was in the patient care areas and other professional services areas. The increase relates to the need for temporary staffing, the specialty supplies being used in surgery and clinics, and the increase in radiology procedures. Total tax revenue is \$46,140,388, which is \$6,052,608 less than last fiscal year.

Year Ended June 30, 2007: Net patient revenue is \$33,849,941, which is \$1,058,708 more than last fiscal year. The change is due to a 9.1% increase in patient days and a 3.7% decrease in outpatient visits. The balance of the increase is due to an increase in patient charges. Grants and contract revenue is \$3,451,815, which is \$277,021 more than last fiscal year. Salaries increased \$1,756,519 or 4.4% due mainly to annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits decreased \$300,672 or 2.7% due mainly to a \$526,885 decrease in workers compensation expense. Supplies and other expenses increased \$2,083,595. This increase was in the patient care areas and relates to the increased inpatient admissions and days. Property tax revenue totaled \$52,192,996, which is \$7,474,561 more than last fiscal year.

Table 2

Revenue, Expenses and Changes in Net Assets	Year Ended June 30,	
	2008	2007
Revenue:		
Net patient service revenue	\$ 37,193,139	\$ 33,849,941
Grants and contracts	3,760,674	3,451,815
Other	2,047,977	2,142,286
Total operating revenue	43,001,790	39,444,042
Expenses:		
Salaries and employee benefits	55,020,190	52,883,246
Supplies and other expenses	29,981,755	28,703,701
Physician fees and outside services	4,064,793	3,363,637
Depreciation	3,436,175	3,208,068
Operating expenses	92,502,913	88,158,652
Operating loss	(49,501,123)	(48,714,610)
Nonoperating revenue, net	49,806,221	56,062,639
Increase in net assets	\$ 305,098	\$ 7,348,029
Total revenue	\$ 93,117,257	\$ 95,892,778
Total expenses	\$ 92,812,159	\$ 88,544,749

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Patient and Medical Center Statistical Data

Year Ended June 30, 2008: Admissions of 4,739 patients for the current fiscal year are 166 less than last fiscal year. Average length of stay for acute patients is 2.9 days, which is 0.1 day less than last fiscal year. Average length of stay for mental health patients is 6.0 days, which is 0.3 days more than last fiscal year. The combined decrease in admissions and slight decrease in length of stay results in a decrease in patient days of 615 days to 17,519 days for the fiscal year ended June 30, 2008.

The outpatient visits for fiscal year ended June 30, 2008 are 165,020, which is 2,689 more than last fiscal year.

Year Ended June 30, 2007: Admissions of 4,905 patients for the current fiscal year are 696 more than last fiscal year. Average length of stay for acute patients is 3.0 days, which is the same as last fiscal year. Average length of stay for mental health patients is 5.7 days, which is .4 days less than last fiscal year. The combined increase in admissions and slight decrease in length of stay results in an increase in patient days of 1,507 days to 18,134 days for the fiscal year ended June 30, 2007.

The outpatient visits for fiscal year ended June 30, 2007 are 162,331, which is 6,181 less than last fiscal year.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,	
	2008	2007
Total patient days	17,519	18,134
Admissions	4,739	4,905
Discharges	4,734	4,901
Average length of stay (days):		
Acute	2.9	3.0
Mental health	6.0	5.7
Outpatient visits:		
Mental health	36,886	38,361
Walk-in and Peds Clinics	34,253	30,327
Emergency room	28,826	28,013
Specialty, Internal Medicine and Podiatry Clinics	24,086	24,991
Family Health Center	19,519	17,114
Oral Medicine	8,616	8,630
Women's Health Clinic	6,071	5,924
Addiction medicine	6,763	8,971
Total outpatient visits	165,020	162,331

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2008: The Medical Center is the safety net for the indigent uninsured and underinsured of Polk County and is dependent on two major sources of revenue, net patient revenue and property taxes. During the fiscal year 2008 the Medical Center recorded \$37,193,139 in net patient revenue representing 40.2% of total revenue. The \$37,193,139 in net patient revenue represents 31.5% of gross patient charges compared to 29.3% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid and third-party payors based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Any patient falling under 200% of the federal poverty guidelines without a third-party payor is considered indigent and eligible for charity care.

Year Ended June 30, 2007: During the fiscal year 2007 the Medical Center recorded \$33,849,941 in net patient revenue representing 35.4% of total revenue. The \$33,849,941 in net patient revenue represents 29.3% of gross patient charges compared to 33.4% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid and third-party payors based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Any patient falling under 200% of the federal poverty guidelines without a third-party payor is considered indigent and eligible for charity care.

Table 4 presents the relative percentage of gross charges billed for patient services by payor for the last two fiscal years. There was no material change in the payor mix between the fiscal years ended June 30, 2008 and 2007. The IowaCare program began in July 2005. This service revenue is reported as Medicaid.

Table 4

Payor Mix by Percentages	Year Ended June 30,	
	2008	2007
Medicare	16%	15%
Medicaid	52	49
Third-party payors	5	6
Polk County Health Services, Inc.	3	4
Wellmark	4	3
Self pay, including charity care and bad debts	20	23
Total	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Deductions from revenue consist of charity care totaling \$10,578,315, contractual adjustments totaling \$54,768,660, and bad debts totaling \$15,664,002. Table 5 presents the amounts of charity care, contractual adjustments, bad debts and net patient revenue as compared to gross patient charges for the years ended June 30, 2008 and 2007. As a percentage of gross patient charges, charity care increased 1.5%, contractual adjustments increased 0.7% and bad debts decreased 4.4%, resulting in an increase of 2.2% net patient revenue as compared to gross patient charges.

Table 5

Net Patient Revenue	Year Ended June 30,	
	2008	2007
Gross patient revenue	\$ 118,204,116	\$ 115,392,856
Charity care	(10,578,315)	(8,632,981)
Contractual adjustments	(54,768,660)	(52,589,927)
Bad debt	(15,664,002)	(20,320,007)
Net patient revenue	<u>\$ 37,193,139</u>	<u>\$ 33,849,941</u>

Grant/Contract Revenue

Year Ended June 30, 2008: Grant and contract revenue for the year ended June 30, 2008 totaled \$1,633,890 and \$2,126,784, respectively, for a total of \$3,760,674, which represents 4.1% of total revenue compared to a total of \$3,451,815 in 2007.

Year Ended June 30, 2007: Grant and contract revenue for the year ended June 30, 2007 totaled \$1,562,892 and \$1,888,923, respectively, for a total of \$3,451,815, which represents 3.6% of total revenue compared to a total of \$3,174,794 in 2006.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies and services provided to other entities. Other revenue totals \$2,047,977 and \$2,142,286, which represent 2.2% and 2.2% of total revenue for the years ended June 30, 2008 and 2007, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Tax Revenue

Year Ended June 30, 2008: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2008, the Medical Center's tax revenue totaled \$46,140,388, which was a decrease of \$6,052,608 or 11.6% from the prior year. The tax revenue represented 49.7% of total revenue. The decrease in tax revenue is due to the decrease in tort funds. The tort fund taxes were unusually high in 2007 since BMC increased the tort fund to cover shortfalls from previous years and expected tort expenses related to health insurance and malpractice insurance to increase. Some of these expected increases did not materialize resulting in a decrease in the amounts levied for 2008.

Year Ended June 30, 2007: For the year ended June 30, 2007, the Medical Center's tax revenue totaled \$52,192,996, which was an increase of \$7,474,561 or 16.7% from the prior year. The tax revenue represented 54.2% of total revenue. The increase in tax revenue is primarily due to the increase in tort funds. BMC increased the tort fund to cover shortfalls from previous years. In addition, the tort expenses related to health insurance and malpractice insurance were expected to increase at the time that the tax needs were submitted to the state. These substantial increases did not materialize in 2007.

Anticipated tax revenue for the next fiscal year 2009 is \$47,989,223.

Table 6

Tax Receipts	2008	2007	Increase (Decrease)	Levied Taxes June 30, 2009
Improvement and maintenance	\$ 31,852,143	\$ 30,643,240	\$ 1,208,903	\$ 33,644,088
FICA Fund	3,134,562	2,913,201	221,361	3,047,930
IPERS Fund	2,640,776	2,432,026	208,750	2,657,013
Tort (Insurance) Fund	8,512,907	16,204,529	(7,691,622)	8,640,192
Total taxes	\$ 46,140,388	\$ 52,192,996	\$ (6,052,608)	\$ 47,989,223

Capital Assets

June 30, 2008: As of June 30, 2008 the Medical Center had \$21,002,145 invested in capital assets. Capital expenditures in 2008 were more than the 2008 depreciation expense, resulting in an increase of \$918,949 in net capital assets from 2007 to 2008.

June 30, 2007: As of June 30, 2007 the Medical Center had \$20,083,196 invested in capital assets. Capital expenditures in 2007 were more than the 2007 depreciation expense, resulting in an increase of \$103,391 in net capital assets from 2006 to 2007.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

Table 7

	June 30,	
	2008	2007
Capital assets not being depreciated:		
Land	\$ 58,276	\$ 58,276
Construction in progress	1,070,280	1,331,328
Capital assets net of depreciation:		
Land improvements	1,454,757	1,607,003
Buildings	5,528,745	5,972,400
Building equipment	4,998,153	5,227,755
Fixed equipment	134,931	140,926
Vans	31,738	72,311
Major movable equipment	7,183,581	5,335,348
Equipment under capital lease	541,684	337,849
Total capital assets, net	\$ 21,002,145	\$ 20,083,196

Additional information relating to capital assets can be found in Note 5 to the basic financial statements.

Long-Term Debt

Long-term debt consists of general obligation capital loan notes, general obligation bonds and capital lease obligations described in more detail in Note 6 to the basic financial statements. The principal balance on the outstanding obligations net of unamortized discounts was \$5,247,081 as of June 30, 2008 and \$6,551,218 as of June 30, 2007. The decrease between 2007 and 2008 is attributable to the principal payments made during the current fiscal year less the increase of new capital leases for a chemistry system and PCA pumps totaling \$306,307.

Fiscal Year 2009 Outlook

The Board of Trustees has approved and set the budget for the 2009 fiscal year. The budget projects a net operating income of \$742,244.

Broadlawns Medical Center and Iowa Health Des Moines have entered into an affiliation agreement. Under the plan, Broadlawns Medical Center and Iowa Health Des Moines will remain independent, but will provide educational programs and mental health care together as well as search for ways to manage their facilities more effectively. This will improve medical care to the uninsured and underinsured patients in our community.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2008 and 2007

House File 841, which the Legislators passed, established the IowaCare program beginning July 1, 2005. The IowaCare program is a limited expansion of the Medicaid Program and includes reform initiatives targeted at IowaCare members and the Medicaid Program as a whole. The waiver has been approved by the Centers for Medicare and Medicaid Services (CMS). Under this waiver a funding mechanism has been established that allows the state to provide a limited medical benefit to those persons previously classified as "state papers" recipients, recipients of care at Broadlawns Medical Center in Polk County, at the state's four mental health institutions and at the University of Iowa. The benefit allows them to continue to receive medical services with financial participation by the federal government. The program is funded through appropriation of the state papers to the University of Iowa and a portion of the tax levy of Broadlawns Medical Center. The IowaCare program does not increase the resources available to provide services to this patient population. House File 841 also included a \$3,000,000 non-restricted appropriation to Broadlawns Medical Center in the 2008-2009 fiscal year. The IowaCare program allows the Medical Center to provide and receive reimbursement for health risk assessments and smoking cessation provided to IowaCare patients, pending approval of a program to deliver these services.

The Medical Center expects to issue a total of \$20,000,000 in tax-exempt revenue bonds during fiscal year 2009. The proceeds of the bonds will be used to retire existing debt and begin a major construction project.

The Medical Center expects to begin a major construction project in 2009. The main components of the project will include construction of a new emergency department on the east side of the Medical Center, renovation of a portion of the surgical and radiology departments and site work and construction of a two-story medical office building. Upgrading of the Medical Center's aging mechanical infrastructure will be completed as each portion of the project is completed, including replacement of all the Medical Center's chillers and cooling towers, electrical infrastructure to prevent power interruption to the whole Medical Center if power to one component is interrupted, the addition of a new emergency generator, and upgrades/replacements of other mechanical infrastructure. Cosmetic upgrades to existing public spaces are proposed throughout. This would include new finishes, wall protection and, in some cases, lighting.

Contacting the Medical Center's Financial Management

The financial report provides the citizens of Polk County, our patients, bondholders and creditors with a general overview of the Medical Center's finances and operations. If you have any questions about this report, please contact Albert White, Senior Vice President of Business Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Broadlawns Medical Center

Balance Sheets June 30, 2008

Assets	Medical Center	Component Unit (Foundation)
Current Assets:		
Cash and cash equivalents	\$ 5,889,131	\$ 532,494
Investments	137,575	-
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	5,089,948	-
Receivables:		
Patient, less estimated allowances for uncollectibles and contractals of \$10,535,221	12,467,549	-
Property taxes	533,157	-
Succeeding year property taxes	47,956,393	-
Federal grants	311,373	-
Nonfederal grants	168,242	-
Other	474,617	-
Due from third-party payors	2,121,118	-
Inventories	514,703	-
Prepaid expenses and other assets	917,910	-
Total current assets	76,581,716	532,494
Noncurrent Assets:		
Assets limited as to use or restricted:		
Cash and cash equivalents	1,665,973	-
Investments	3,890,965	-
	5,556,938	-
Capital assets:		
Nondepreciable	1,128,556	-
Depreciable, net	19,873,589	1,173
	21,002,145	1,173
Other assets	67,419	-
Total noncurrent assets	26,626,502	1,173
	\$ 103,208,218	\$ 533,667

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center	Component Unit (Foundation)
Current Liabilities:		
Current maturities of long-term debt	\$ 505,000	\$ -
Current maturities of capital lease obligations	1,124,221	-
Accounts payable and other accrued expenses	4,634,407	337,022
Accrued employee compensation and payroll taxes	4,381,930	-
Current portion of accrued claims on self-insurance	2,414,485	-
Deferred revenue for succeeding year property taxes	47,956,393	-
Total current liabilities	<u>61,016,436</u>	<u>337,022</u>
Noncurrent Liabilities:		
Accrued claims on self-insurance, less current portion	2,828,029	-
Long-term debt, less current maturities	1,576,380	-
Long-term capital lease obligations, less current maturities	2,041,480	-
Total noncurrent liabilities	<u>6,445,889</u>	<u>-</u>
Total liabilities	<u>67,462,325</u>	<u>337,022</u>
Commitments and Contingencies (Notes 5 and 8)		
Net Assets:		
Invested in capital assets, net of related debt	15,755,064	1,173
Restricted:		
For debt service	654,285	-
For capital acquisitions	1,078,174	-
For enabling legislation	10,207,265	-
For specific activities	62,300	473,939
Unrestricted	7,988,805	(278,467)
Total net assets	<u>35,745,893</u>	<u>196,645</u>
	<u>\$ 103,208,218</u>	<u>\$ 533,667</u>

Broadlawns Medical Center

**Statements of Revenue, Expenses and Changes in Net Assets
Year Ended June 30, 2008**

	Medical Center	Component Unit (Foundation)
Operating revenue:		
Net patient service revenue, net	\$ 37,193,139	\$ -
Contracts	2,126,784	-
Operating grants	1,633,890	-
Other	2,047,977	23,254
Total operating revenue	43,001,790	23,254
Operating expenses:		
Salaries and wages	43,796,685	-
Employee benefits	11,223,505	-
Physician fees and outside services	4,064,793	-
Supplies and other expenses	29,981,755	32,857
Depreciation and amortization	3,436,175	1,400
Total operating expenses	92,502,913	34,257
Operating (loss)	(49,501,123)	(11,003)
Nonoperating revenue (expense):		
Property taxes	46,140,388	-
State appropriations	3,000,000	-
Noncapital grants and contributions	300,366	27,560
Investment earnings	584,545	3,262
Interest expense	(309,246)	-
Capital grants and contributions	20,839	-
Other, net	69,329	-
Total nonoperating revenue, net	49,806,221	30,822
Change in net assets	305,098	19,819
Net assets:		
Beginning	35,440,795	176,826
Ending	\$ 35,745,893	\$ 196,645

See Notes to Basic Financial Statements.

Broadlawns Medical Center

**Statements of Cash Flows
Year Ended June 30, 2008**

	Medical Center	Component Unit (Foundation)
Cash Flows from Operating Activities:		
Receipts from and on behalf of patients	\$ 39,061,874	\$ -
Payments to suppliers and contractors	(31,900,041)	-
Payments to employees	(55,401,368)	-
Other receipts and payments, net	2,073,308	(84,175)
Net cash (used in) operating activities	(46,166,227)	(84,175)
Cash Flows from Noncapital Financing Activities:		
Property taxes	46,132,008	-
State appropriations	3,000,000	-
Noncapital grants and contributions	300,366	27,560
Other	69,329	-
Net cash provided by noncapital financing activities	49,501,703	27,560
Cash Flows from Capital and Related Financing Activities:		
Capital grants and contributions	20,839	-
Principal paid on long-term debt	(1,613,355)	-
Interest paid on long-term debt	(309,246)	-
Proceeds from sale of capital assets	129,344	-
Purchase of capital assets	(4,144,499)	-
Net cash (used in) capital and related financing activities	(5,916,917)	-
Cash Flows from Investing Activities:		
Investment income	584,545	3,262
Proceeds from sale of investments	1,500,683	-
Purchase of investments	(4,860)	-
Net cash provided by investing activities	2,080,368	3,262
Net (decrease) in cash and cash equivalents	(501,073)	(53,353)
Cash and cash equivalents:		
Beginning	13,146,125	585,847
Ending	\$ 12,645,052	\$ 532,494

(Continued)

Broadlawns Medical Center

Statements of Cash Flows (Continued)

Year Ended June 30, 2008

	Medical Center	Component Unit (Foundation)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and cash equivalents in current assets	\$ 5,889,131	\$ 532,494
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	5,089,948	-
Assets limited as to use or restricted, noncurrent	1,665,973	-
Total cash and cash equivalents	\$ 12,645,052	\$ 532,494
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities:		
Operating (loss)	\$ (49,501,123)	\$ (11,003)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	3,436,175	1,400
Loss on disposal of capital assets	5,954	-
Changes in assets and liabilities:		
Patient receivables	(153,493)	-
Inventories, prepaid expenses and other receivables	(381,953)	-
Due from third-party payors	(1,880,760)	-
Accounts payable and accrued expenses	2,308,973	(74,572)
Net cash (used in) operating activities	\$ (46,166,227)	\$ (84,175)
Noncash Capital and Related Financing Activities, capital lease obligations incurred for acquisition of capital assets	\$ 306,307	\$ -

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Broadlawns Medical Center (Medical Center) is a county public hospital created in 1917 and organized under the provisions of Chapter 347 of the Code of Iowa. As a county public hospital, the Medical Center is a political subdivision of the State of Iowa. The Medical Center is controlled by a seven-member Board of Trustees elected from qualified residents of Polk County, Iowa, for terms of six years. The Board of Trustees has all the power and duties granted to it by the General Assembly of Iowa.

The Medical Center provides primary and secondary health care services through the operation of an acute care hospital, various clinics and other comprehensive health care programs. Patients are primarily from Polk County, Iowa. Care is provided to any resident of Polk County, Iowa, including those lacking adequate financial resources.

Broadlawns Medical Center Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Broadlawns Medical Center. The Foundation was formed to, among other things, raise funds for the general welfare, maintenance and improvement of the Medical Center. The Board of the Foundation is self-perpetuating and consists of citizens of Polk County. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Medical Center. Because these resources held by the Foundation have historically been for the benefit of the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements. The Foundation has a June 30 fiscal year-end. Individual financial statements can be obtained from the Foundation's office at 1801 Hickman Road, Des Moines, Iowa 50314.

Significant accounting policies:

Basis of presentation: The financial statements include all funds of the above mentioned entities. The Medical Center does not have any other component units, agencies or organizations for which it is financially accountable under criteria set forth by the Governmental Accounting Standards Board (GASB), other than the Foundation which is discretely presented in these financial statements.

Accounting standards: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to health care proprietary funds of governmental organizations, including all relevant pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. Accordingly, the accounting policies conform with the Audit and Accounting Guide, *Health Care Organizations*, as it relates to governmental organizations.

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

Accrual basis of accounting: The accrual basis of accounting is used by the Medical Center and Foundation. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited or restricted. The temporary cash investments have original maturities of three months or less at date of issuance.

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was \$15,664,002 for the year ended June 30, 2008.

Receivables or payables related to estimated settlements on various risk contracts that the Medical Center participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories are stated at lower of cost or market, with cost determined using the first-in, first-out, or average cost method. Inventories are recorded as an expenditure at the time of consumption.

Property tax levy receivable/succeeding year property tax levy receivable: The property tax levy is recognized as a receivable on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors and is thereby an enforceable legal claim. Property taxes levy receivable represents unpaid taxes for the 2008 fiscal year. The succeeding year property tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2009 fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year county property tax levy receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Investments: Assets limited as to use or restricted and investments are recorded at fair value. Interest-bearing investments are intended to be held until maturity. Donated investments are reported at fair value at date of receipt, which becomes the asset cost. Realized gains or losses are determined based on the specific-identification method.

The Medical Center invests in Iowa Public Agency Investment Trust which is a 2a-7-Like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to 40 years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets. There was no interest capitalized on construction during the year ended June 30, 2008.

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Medical Center distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Medical Center, which is to provide medical services to the region. Other operating revenue consists of revenue from grants, contracts, cafeteria sales and other miscellaneous services. Operating expenses consist of salaries and wages, employee benefits, physician fees and outside services, depreciation and amortization, supplies and other. All revenue and expenses not meeting these criteria are considered nonoperating.

For the Foundation, operating revenue and expenses generally result from operations of the Foundation. Other operating revenue consists of contributions received. Operating expenses consist of salaries and wages, employee benefits, depreciation, supplies and other. All revenue and expenses not meeting these criteria are considered nonoperating.

Regulatory investigations: Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. During fiscal year 2007, the RACs identified and corrected a significant amount of improper overpayments to providers in the demonstration states, which did not include Iowa. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. CMS is in the process of rolling out this program nationally. As such, the Organization may be subject to such an audit at some time in the future.

Net assets: Net assets are classified in three components.

- *Invested in capital assets, net of related debt* – this component of net assets consists of capital assets net of accumulated depreciation and amortization and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted* – this component of net assets consists of constraints placed on net assets when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external constraints that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Organization, including amounts deposited as required by debt agreements. Net assets restricted through enabling legislation consist of \$695,392 for IPERS contributions, \$8,556,359 for tort immunity and \$955,514 for employer payroll taxes as of June 30, 2008.
- *Unrestricted net assets* – this component of net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”, above.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

It is the Medical Center's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Tax revenue: Tax revenue, generated from property taxes, is recognized in revenue during the year for which it is levied. The Medical Center may receive tax support for maintenance and operations, certain payroll and other expenses, and property and equipment improvements and replacements, subject to specified limits.

Charity care: The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Effective July 1, 2005, some of the patients who previously qualified for charity care became qualified for the IowaCare program. Charges for patients eligible for the IowaCare program are written off as contractual adjustments and are, therefore, not reported as net patient service revenue. Charity care and IowaCare services rendered by the Medical Center, at established rates, totaled \$42,666,575 for the year ended June 30, 2008.

Income taxes: The Medical Center and Foundation are organizations described in Section 501(c)(3) and 509(a)(3), respectively, of the Internal Revenue Code (the Code) and, therefore, are exempt from federal taxes on related income pursuant to Sections 501(a) and 509(a) of the Code.

Note 2. Net Patient Service Revenue

As a provider of health care services, the Medical Center generally grants credit to patients without requiring collateral or other securities; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies that are considered third-party payors.

A significant portion of net patient service revenue relates to patients covered by the IowaCare program (new in 2006), Medicare, Medicaid, Wellmark, Polk County Health Services, Inc. (PCHS) and other reimbursement agreements. Patient revenue is recorded at the Medical Center's established rates when patient services are performed.

Reimbursement by third-party payor programs under the provisions of case payment and cost reimbursement programs in effect generally result in amounts received being less than the established billing rates of the Medical Center. Amounts due from and to third-party payors represent settlement amounts due from and to Medicare and other programs based upon the application of reimbursement formulas, applicable law, regulations and program instructions.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue (Continued)

A reconciliation of gross patient service revenue to net patient service revenue for the year ended June 30, 2008 is as follows:

Gross patient service revenue:	
Inpatient	\$ 39,553,554
Outpatient	78,650,562
	<u>118,204,116</u>
Less charity care	10,578,315
Gross patient service revenue	<u>107,625,801</u>
Less provisions for bad debts	<u>15,664,002</u>
Less contractual and other adjustments:	
Employee discounts	39,941
Contractual adjustments under third-party reimbursement programs:	
IowaCare	32,088,260
Medicare	6,920,682
Medicaid	4,855,346
Magellan	1,501,450
Heritage	1,702,948
Wellmark	1,692,280
PCHS	1,729,152
Other	4,238,601
	<u>54,768,660</u>
Net patient service revenue	<u>\$ 37,193,139</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2008, the Medical Center has the following investments:

Investment	Maturities	Fair Value
FHLB Note	9/12/08	\$ 98,567
FHLB Note	10/14/08	149,279
FHLB Note	11/19/08	100,272
FHLB Note	12/12/08	150,878
FHLB Note	4/21/09	98,605
FHLB Note	6/12/09	101,308
FHLB Note	7/30/09	99,770
FHLB Note	8/18/09	98,807
FHLB Note	9/18/09	101,055
FHLB Note	3/12/10	105,175
FHLB Note	6/11/10	149,846
FHLM Note	1/12/09	98,250
FHLM Note	4/15/09	152,175
FHLM Note	10/14/09	151,339
FHLM Note	11/18/09	101,159
Fed Natl Mtg Note	7/15/08	194,249
Fed Natl Mtg Note	2/25/09	97,696
Fed Natl Mtg Note	3/30/09	97,273
Fed Natl Mtg Note	5/15/09	99,062
Fed Natl Mtg Note	12/28/09	101,429
Fed Natl Mtg Note	1/19/10	103,240
Fed Natl Mtg Note	2/10/10	152,841
Fed Natl Mtg Note	4/28/10	99,800
Fed Natl Mtg Note	5/17/10	103,862
Fed Natl Mtg Note	8/15/08	144,688
Artwork	NA	3,500
Iowa Public Agency Investment Trust	Current	1,074,415
		\$ 4,028,540

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Organization's investments have likely incurred a significant decline in fair value since June 30, 2008. In addition, certain non-readily marketable investments are significantly less liquid than they have been historically.

Interest rate risk: In accordance with the Organization's investment policy, the Medical Center and Foundation strive to obtain a reasonable return. Neither formal policies limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

Credit risk: The Iowa Code authorizes the Medical Center and Foundation to invest in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions; prime banker's acceptances that mature within 270 days and that are eligible for purchase by a federal reserve bank; commercial paper or other short-term corporate debt that matures within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking; repurchase agreements whose underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities; an open-end management investment company registered with federal securities and exchange commission under the Federal Investment Company Act of 1940; a joint investment trust organized pursuant to Chapter 28E prior to and existing in good standing on April 28, 1992, or is rated within the two highest classifications by at least one of the standard rating services approved by the superintendent of banking; and warrants or improvement certificates of a levee or drainage district. The Medical Center and Foundation's investment policies do not further limit its investment choices.

As of June 30, 2008, the Medical Center's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor Services</u>	<u>Standard & Poor's</u>
FHLB Notes	Aaa	AAA
FHLM Notes	Aaa	AAA
Fed Natl Mtg Notes	Aaa	AAA
Iowa Public Agency Investment Trust	Not Rated	Not Rated

Concentration of credit risk: The Medical Center places no limit on the amount the Medical Center may invest in any one issuer. More than 5% of the Medical Center's investments are in FHLB Notes, FHLM Notes and Federal National Mortgage Notes. The Foundation places no limit on the amount the Foundation may invest in any one issuer. The Foundation has no investments as of June 30, 2008.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the Medical Center and Foundation's policy to avoid default risks with financial institutions with which the Senior Vice President of Business Services deposits monies by determining in advance of the deposit that each depository in which monies are to be placed is an approved depository for purposes of Chapter 453 of Iowa Code. As of June 30, 2008, the Medical Center and Foundation's deposits and investments were not exposed to custodial credit risk.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 4. Assets Limited as to Use or Restricted

Assets limited as to use or restricted include assets set aside by the Board of Trustees for plant replacement and expansion, recognition of memorial contributions, funding of the Medical Center's self-insured retention fund, and by agreement with others. Assets limited as to use by the Board of Trustees may, at the Board's discretion, be subsequently used for other purposes. Assets limited as to use are classified as current assets, to the extent available, to meet current liabilities.

Assets limited as to use or restricted as of June 30, 2008 were designated as follows:

Board designated for:	
Memorial funds	\$ 3,500
Plant replacement and expansion	624,803
Self-insured retention funds:	
Medical malpractice	4,447,692
Workers' compensation	1,164,645
Health insurance trust	2,358,194
Equipment maintenance trust	184,587
Dental	68,706
Under terms of a capital lease obligation, escrow agreement (Note 6)	1,078,174
Under terms of a capital lease obligation, debt service reserve (Note 6)	654,285
Patient Trust Fund	3,452
Alumni Fund	58,848
Capital tax levy, restricted for capital assets	-
	<u>\$ 10,646,886</u>

These balances are presented in the accompanying balance sheets as summarized below:

Assets limited as to use or restricted, required for current liabilities	\$ 5,089,948
Assets limited as to use or restricted	5,556,938
	<u>\$ 10,646,886</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets

Activity in capital assets and accumulated depreciation and amortization for the year ended June 30, 2008 was as follows:

	Medical Center			
	June 30, 2007	Additions	Transfers and Disposals	June 30, 2008
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	1,331,328	2,029,188	(2,290,236)	1,070,280
Total capital assets not being depreciated	1,389,604	2,029,188	(2,290,236)	1,128,556
Capital assets being depreciated:				
Land improvements	3,828,774	-	-	3,828,774
Buildings	18,113,927	-	(55,361)	18,058,566
Building equipment	19,780,759	37,094	562,210	20,380,063
Fixed equipment	561,348	6,225	-	567,573
Vans	236,842	-	-	236,842
Major moveable equipment	14,715,371	2,071,992	1,285,743	18,073,106
Equipment under capital lease	1,091,176	306,307	(3,048)	1,394,435
Total capital assets being depreciated	58,328,197	2,421,618	1,789,544	62,539,359
Less accumulated depreciation for:				
Land improvements	2,221,771	152,246	-	2,374,017
Buildings	12,141,527	437,076	(48,782)	12,529,821
Building equipment	14,553,004	861,488	(32,582)	15,381,910
Fixed equipment	420,422	12,220	-	432,642
Vans	164,531	40,573	-	205,104
Major moveable equipment	9,380,023	1,790,484	(280,982)	10,889,525
Equipment under capital lease	753,327	102,472	(3,048)	852,751
Total accumulated depreciation	39,634,605	3,396,559	(365,394)	42,665,770
Total capital assets, being depreciated, net	18,693,592	(974,941)	2,154,938	19,873,589
Capital assets, net	\$ 20,083,196	\$ 1,054,247	\$ (135,298)	\$ 21,002,145
	Foundation			
	June 30, 2007	Additions	Transfers and Disposals	June 30, 2008
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	4,900	1,400	-	6,300
Capital assets, net	\$ 2,573	\$ (1,400)	\$ -	\$ 1,173

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

Capital assets as of June 30, 2008 included costs of \$15,753,777 related to capital leases. Accumulated amortization related to the capital leases as of June 30, 2008 was \$10,961,150. There are no significant commitments to complete construction in progress projects as of June 30, 2008. The majority of the construction in progress account as of June 30, 2008 represents costs incurred to construct a clinic on the third floor of the Medical Center.

Note 6. Debt

Long-term debt as of June 30, 2008 consists of the following:

General obligation capital loan notes (1998), net of discount (A)	\$ -
General obligation capital loan notes (2000), net of discount (B)	2,081,380
Capital lease obligation, buildings (C)	1,735,000
Capital lease obligations, equipment (C)	375,985
Capital lease obligation, equipment (D)	1,054,716
	<hr/>
	5,247,081
Less current maturities	1,629,221
	<hr/>
	<u>\$ 3,617,860</u>

- (A) On June 2, 1998, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$775,000 to fund renovations and improvements to the Medical Center. The notes mature in annual installments through fiscal year 2008. Interest, at rates ranging from 4.00% to 4.60%, is payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes.
- (B) On December 1, 2000, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$4,200,000 to fund demolition of a building, equipment acquisitions, infrastructure improvements, and renovation and remodeling at the Medical Center. The notes mature in annual installments through fiscal year 2012. Interest, at rates ranging from 4.50% to 4.95%, is payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes.
- (C) The Medical Center has lease agreements related to The Sands Center and for certain equipment which are classified as capital leases. The Sands Center building lease expires in 2011 and the other leases expire at various dates through 2013.

The Medical Center was required to deposit \$610,000 in an improvement fund under the terms of The Sands Center lease agreement. This money must be used for rental payments under the lease to the extent that no other revenue is available. Any amount, however, on deposit in excess of \$305,000 not required for such payments may be borrowed from the improvement fund to pay current operating expenses of the Medical Center. The improvement fund must be replenished by the end of the fiscal year if the borrowing is made during the first quarter of a fiscal year or else by the end of the next succeeding fiscal year if the borrowing is made during the second, third or fourth quarter of a fiscal year. As of June 30, 2008, the Medical Center had no outstanding borrowings from the improvement fund. The amount on deposit in the improvement fund is \$654,285 as of June 30, 2008.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

The term of the lease agreement requires the Medical Center to comply with certain covenants. The covenants restrict the amount of debt and capital expenditures the Medical Center can incur during the year. The covenants also require the Medical Center to maintain certain financial ratios. The Medical Center was not in compliance with certain covenants and appropriate waivers were obtained.

- (D) Capital lease obligation incurred for acquisition of equipment. Lease obligation is due in bi-annual installments of approximately \$225,000, which includes interest at a rate of 4.4% through December 2010. A portion of the proceeds from the borrowing are unspent and are on deposit in an escrow account as of June 30, 2008. This escrow, with a balance of \$1,078,174, is included in assets limited as to use or restricted, cash and cash equivalents, on the accompanying balance sheet.

Long-term debt activity as of and for the year ended June 30, 2008 is as follows:

	June 30, 2007	Borrowings	Payments and Amortization of Discount	June 30, 2008	Amounts Due Within 1 Year
Notes payable:					
General obligation capital loan notes (1998)	\$ 94,289	\$ -	\$ 94,289	\$ -	\$ -
General obligation capital loan notes (2000)	2,514,180	-	432,800	2,081,380	505,000
Total notes payable	2,608,469	-	527,089	2,081,380	505,000
Capital lease obligations:					
Equipment	1,677,749	306,307	553,355	1,430,701	574,221
Buildings	2,265,000	-	530,000	1,735,000	550,000
Total capital lease obligations	3,942,749	306,307	1,083,355	3,165,701	1,124,221
	\$ 6,551,218	\$ 306,307	\$ 1,610,444	\$ 5,247,081	\$ 1,629,221

Aggregate principal and interest maturities for the Medical Center's long-term debt, excluding the capital lease obligations, as of June 30, 2008 are as follows:

Year ending June 30:	Principal	Interest
2009	\$ 505,000	\$ 101,383
2010	525,000	77,395
2011	550,000	52,195
2012	510,000	25,245
	2,090,000	\$ 256,218
Less unamortized discount	8,620	
	\$ 2,081,380	

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

The future minimum lease payments as of June 30, 2008 on the capital lease obligations are as follows:

	The Sands Center	Equipment	Total
Year ending June 30:			
2009	\$ 632,481	\$ 629,269	\$ 1,261,750
2010	637,044	516,243	1,153,287
2011	634,454	287,409	921,863
2012	-	62,244	62,244
2013	-	36,309	36,309
Total minimum lease payments	1,903,979	1,531,474	3,435,453
Less amounts representing interest	168,979	100,773	269,752
Present value of minimum lease payments	\$ 1,735,000	\$ 1,430,701	\$ 3,165,701

Note 7. Retirement System

The Medical Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

During the fiscal year ended June 30, 2008, plan members were required to contribute 3.90% of their annual covered salary and the Medical Center was required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2008 and 2007 were \$2,453,564 and \$2,228,657, respectively, equal to the required contributions for each year.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments

Broadlawns Medical Center is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks, except those self-insured by the Medical Center, are covered by the purchase of commercial insurance. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Insurance:

The Medical Center self-insures its professional liability with annual limits through April 14, 2007 of \$250,000 per claim and \$750,000 in aggregate and \$1,000,000 per claim and \$3,000,000 in aggregate after April 14, 2007. Thereafter, excess liability insurance coverage is maintained on a claims-made basis, with an annual aggregate liability limit of \$35,000,000. The Medical Center also self-insures workers' compensation, with limits of \$250,000 per claim and \$3,000,000 aggregate limit through April 14, 2006, and \$450,000 per claim and \$3,000,000 aggregate limit through April 14, 2007 and 2008. The Medical Center is self-insured for dental insurance with a limit of \$1,000 per covered person per year, and is self-insured for employee health expenses with limits of \$200,000 per covered person per year and \$1,000,000 during such person's lifetime. The Medical Center has insurance coverage for general liability and automobile liability, with aggregate limits of \$2,000,000 and \$1,000,000, respectively.

The Medical Center has a revocable trust for each self-insurance plan for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of professional liability losses, related expenses and the cost of administering the trust. Income earned on trust fund assets (primarily U.S. treasury securities and money market funds invested in government securities) is included in nonoperating revenue. In addition, the Medical Center has a letter of credit agreement with a financial institution, which allows for draws of up to approximately \$738,600 through April 2009, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2008.

The annual provision for professional liability losses and expenses included in the accompanying statement of revenue, expenses and changes in net assets is based on the actuarially determined estimate of the present value of liabilities and related expenses resulting from asserted and unasserted incidents, discounted at 4% in 2008.

The Medical Center has accrued liabilities of \$5,242,514 for self-insured losses as of June 30, 2008. These accrued liabilities are based on management's evaluation of the merits of various claims, historical experience and consultation with external insurance consultants and include estimates for incurred but not reported claims. Losses estimated to be settled within one year have been classified as current liabilities.

	June 30, 2007	Additions	Reductions	June 30, 2008	Amounts Due Within 1 Year
Malpractice insurance	\$ 2,793,848	\$ 1,006,952	\$ 528,664	\$ 3,272,136	\$ 777,650
Workers' compensation insurance	828,156	408,435	297,713	938,878	605,335
Equipment maintenance insurance	75,000	196,438	231,438	40,000	40,000
Dental insurance	58,556	394,876	392,432	61,000	61,000
Health insurance	906,600	6,289,558	6,265,658	930,500	930,500
Total	\$ 4,662,160	\$ 8,296,259	\$ 7,715,905	\$ 5,242,514	\$ 2,414,485

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments (Continued)

Lease commitments:

The Medical Center leases equipment under operating agreements which expire in 2012 and real estate under operating agreements which expire through 2011. Rental expense under those agreements was approximately \$579,161 for the year ended June 30, 2008. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:	Equipment	Real Estate
2009	\$ 160,761	\$ 392,000
2010	161,581	392,000
2011	161,581	392,000
2012	134,651	-
	<u>\$ 618,574</u>	<u>\$ 1,176,000</u>

The Medical Center has data processing service agreements which expired in 2007. The agreements required monthly payments, which were subject to adjustment monthly based upon actual usage.

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Medical Center is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Medical Center's financial position.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 9. Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements or who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The mix of receivables from patients and third-party payors as of June 30, 2008 was as follows:

Medicare	25%
PCHS	7
Medicaid	21
Private pay	25
Other	22
Total	100%

Note 10. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Medical Center adopted the following statements during the year ended June 30, 2008:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. This Statement had no effect on the financial statements.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues. This Statement had no effect on the financial statements.

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement had no effect on the financial statements.

As of June 30, 2008, the GASB has issued several Statements not yet implemented by the Medical Center. The Statements which might impact the Medical Center and Foundation (collectively the Organization) are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Organization beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 10. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the Organization beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This Statement requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Organization beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the Organization beginning with its year ending June 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Organization beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 11. Subsequent Events

On June 17, 2008, Broadlawns Medical Center's Board approved the issuance of hospital revenue bonds in an aggregate principal amount not to exceed \$30,000,000 for the purpose of paying the cost of certain projects at the Medical Center. The Medical Center plans to issue three \$10,000,000 bond series, which are tentatively planned for November 2008 (dependent on market conditions), January 2009 and January 2010.

The proceeds from these bond issues are intended to fund a portion of the cost of construction, equipping and furnishing an addition to the hospital facilities for a new emergency department, an MRI suite, and public entrances and public access/registration/reception areas. The proceeds will be used for renovations to the current hospital facilities including but not limited to the surgery department, radiology department, walk-in clinic, relocation of the mental health outpatient services, mechanical and electrical upgrades, and other improvements to the existing hospital facilities. Also, proceeds will be used for a new two-story medical office building connected to the existing hospital facilities, parking areas, landscaping and related site improvements.

In October 2008, the Medical Center plans to issue \$10,000,000 of Hospital Revenue Bonds, Series 2008. The Medical Center is issuing these bonds to finance a portion of the projects discussed above, refund the outstanding principal amount of General Obligation Refunding Bonds, Series 1998A, fund a debt service reserve fund, and pay costs of issuance of the Series 2008 Bonds and costs related thereto. It is expected that the bonds will be due in annual installments ranging from \$25,000 to \$1,600,000 through 2028 at interest rates to be determined at the time of issuance.

Broadlawns Medical Center

**Required Supplementary Information, Budget and Budgetary Accounting
Year Ended June 30, 2008**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. During the current year, there were no budget amendments. The budgetary basis is non-GAAP basis adjusted for depreciation and amortization, equipment improvements, lease payments and restricted expenses.

The following is a comparison of actual expenses to budget for the year ended June 30, 2008:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget
\$ 92,502,913	\$ 1,490,054	\$ 94,463,904	\$ 97,667,778

Broadlawns Medical Center

Combining Balance Sheet, by Department
June 30, 2008

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 5,185,705	\$ 97,746	\$ 605,680	\$ -	\$ 5,889,131
Investments	137,575	-	-	-	137,575
Assets limited as to use or restricted, required for current liabilities; cash and cash equivalents	5,086,496	3,452	-	-	5,089,948
Receivables:					
Patients, net	12,216,225	195,864	55,021	(439) (1)	12,467,549
Property taxes	533,157	-	-	-	533,157
Succeeding year property taxes	47,956,393	-	-	-	47,956,393
Federal grants	311,373	-	-	-	311,373
Nonfederal grants	168,242	-	-	-	168,242
Other	494,519	-	-	19,902 (1)	474,617
Due from third-party payors	2,021,138	99,980	-	-	2,121,118
Inventories	514,703	-	-	-	514,703
Prepaid expenses and other assets	917,910	-	-	-	917,910
Total current assets	75,543,436	397,042	660,701	19,463	76,581,716
Noncurrent Assets:					
Assets limited as to use or restricted:					
Cash and cash equivalents	1,665,973	-	-	-	1,665,973
Investments	3,890,965	-	-	-	3,890,965
	5,556,938	-	-	-	5,556,938
Capital assets:					
Nondepreciable	1,128,556	-	-	-	1,128,556
Depreciable, net	19,816,721	2,567	54,301	-	19,873,589
	20,945,277	2,567	54,301	-	21,002,145
Other assets	67,419	-	-	-	67,419
Total noncurrent assets	26,569,634	2,567	54,301	-	26,626,502
	\$ 102,113,070	\$ 399,609	\$ 715,002	\$ 19,463	\$ 103,208,218

(1) To eliminate intercompany receivables and payables.

Liabilities and Net Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 505,000	\$ -	\$ -	\$ -	\$ 505,000
Current maturities of capital lease obligations	1,124,221	-	-	-	1,124,221
Accounts payable and other accrued expenses	4,208,105	239,410	206,355	19,463 (1)	4,634,407
Accrued employee compensation and payroll taxes	4,297,217	38,787	45,926	-	4,381,930
Current portion of accrued claims on self-insurance	2,414,485	-	-	-	2,414,485
Deferred revenue for succeeding year property taxes	47,956,393	-	-	-	47,956,393
Total current liabilities	60,505,421	278,197	252,281	19,463	61,016,436
Noncurrent Liabilities:					
Accrued claims on self-insurance, less current portion	2,828,029	-	-	-	2,828,029
Long-term debt, less current maturities	1,576,380	-	-	-	1,576,380
Long-term capital lease obligations, less current maturities	2,041,480	-	-	-	2,041,480
Total noncurrent liabilities	6,445,889	-	-	-	6,445,889
Total liabilities	66,951,310	278,197	252,281	19,463	67,462,325
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	15,698,196	2,567	54,301	-	15,755,064
Restricted:					
For debt service	654,285	-	-	-	654,285
For capital acquisitions	1,078,174	-	-	-	1,078,174
For enabling legislation	10,207,265	-	-	-	10,207,265
For specific activities	58,848	-	-	-	58,848
Unrestricted	7,464,992	118,845	408,420	-	7,992,257
Total net assets	35,161,760	121,412	462,721	-	35,745,893
	\$ 102,113,070	\$ 399,609	\$ 715,002	\$ 19,463	\$ 103,208,218

Broadlawns Medical Center

**Combining Balance Sheet, by Department
June 30, 2007**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 5,842,449	\$ 134,095	\$ 534,322	\$ -	\$ 6,510,866
Investments	132,715	-	-	-	132,715
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	6,545,857	9,088	-	-	6,554,945
Investments	950,807	-	-	-	950,807
Receivables:					
Patients, net	12,203,711	101,603	12,679	3,937 (1)	12,314,056
Property taxes	524,777	-	-	-	524,777
Succeeding year property taxes	44,858,573	-	-	-	44,858,573
Federal grants	223,269	-	-	-	223,269
Nonfederal grants	145,572	-	-	-	145,572
Other	381,823	-	-	147,547 (1)	234,276
Due from third-party payors	223,532	16,826	-	-	240,358
Inventories	458,130	-	-	-	458,130
Prepaid expenses and other assets	943,645	-	-	-	943,645
Total current assets	73,434,860	261,612	547,001	151,484	74,091,989
Noncurrent Assets:					
Assets limited as to use or restricted:					
Cash and cash equivalents	80,314	-	-	-	80,314
Investments	4,440,841	-	-	-	4,440,841
	4,521,155	-	-	-	4,521,155
Capital assets:					
Nondepreciable	1,389,604	-	-	-	1,389,604
Depreciable, net	18,571,120	6,283	116,189	-	18,693,592
	19,960,724	6,283	116,189	-	20,083,196
Other assets	104,124	-	-	-	104,124
Total noncurrent assets	24,586,003	6,283	116,189	-	24,708,475
	\$ 98,020,863	\$ 267,895	\$ 663,190	\$ 151,484	\$ 98,800,464

(1) To eliminate intercompany receivables and payables.

Liabilities and Net Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 530,000	\$ -	\$ -	\$ -	\$ 530,000
Current maturities of capital lease obligations	1,052,307	-	-	-	1,052,307
Accounts payable and other accrued expenses	2,431,276	102,903	141,915	151,484 (1)	2,524,610
Accrued employee compensation and payroll taxes	4,677,837	37,830	47,441	-	4,763,108
Current portion of accrued claims on self-insurance	2,292,336	-	-	-	2,292,336
Deferred revenue for succeeding year property taxes	44,858,573	-	-	-	44,858,573
Total current liabilities	55,842,329	140,733	189,356	151,484	56,020,934
Noncurrent Liabilities:					
Accrued claims on self-insurance, less current portion	2,369,824	-	-	-	2,369,824
Long-term debt, less current maturities	2,078,469	-	-	-	2,078,469
Long-term capital lease obligations, less current maturities	2,890,442	-	-	-	2,890,442
Total noncurrent liabilities	7,338,735	-	-	-	7,338,735
Total liabilities	63,181,064	140,733	189,356	151,484	63,359,669
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	13,513,630	6,283	116,189	-	13,636,102
Restricted:					
For debt service	658,205	-	-	-	658,205
For capital acquisitions	2,046,318	-	-	-	2,046,318
For enabling legislation	9,450,970	-	-	-	9,450,970
For specific activities	52,410	9,088	-	-	61,498
Unrestricted	9,118,266	111,791	357,645	-	9,587,702
Total net assets	34,839,799	127,162	473,834	-	35,440,795
	\$ 98,020,863	\$ 267,895	\$ 663,190	\$ 151,484	\$ 98,800,464

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department
Year Ended June 30, 2008

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 34,755,030	\$ 1,170,431	\$ 1,409,992	\$ 142,314 (1)	\$ 37,193,139
Contracts	2,008,498	-	118,286	-	2,126,784
Operating grants	1,633,890	-	-	-	1,633,890
Other	2,067,354	-	-	19,377 (1)	2,047,977
Total operating revenue	40,464,772	1,170,431	1,528,278	161,691	43,001,790
Operating expenses:					
Salaries and wages	42,339,540	714,781	742,364	-	43,796,685
Employee benefits	10,788,913	212,741	221,851	-	11,223,505
Physician fees and outside services	4,064,793	-	-	-	4,064,793
Supplies and other expenses	29,387,119	239,424	516,903	161,691 (1)	29,981,755
Depreciation and amortization	3,370,571	3,716	61,888	-	3,436,175
Total operating expenses	89,950,936	1,170,662	1,543,006	161,691	92,502,913
Operating (loss)	(49,486,164)	(231)	(14,728)	-	(49,501,123)
Nonoperating revenue (expense):					
Property taxes	46,140,388	-	-	-	46,140,388
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	300,366	-	-	-	300,366
Investment earnings	580,813	117	3,615	-	584,545
Interest expense	(309,246)	-	-	-	(309,246)
Capital grants and contributions	20,839	-	-	-	20,839
Other, net	74,965	(5,636)	-	-	69,329
Total nonoperating revenue (expense), net	49,808,125	(5,519)	3,615	-	49,806,221
Change in net assets	321,961	(5,750)	(11,113)	-	305,098
Net assets:					
Beginning	34,839,799	127,162	473,834	-	35,440,795
Ending	\$ 35,161,760	\$ 121,412	\$ 462,721	\$ -	\$ 35,745,893

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department
Year Ended June 30, 2007

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 31,342,532	\$ 1,154,593	\$ 1,455,774	\$ 102,958 (1)	\$ 33,849,941
Contracts	1,877,101	-	11,822	-	1,888,923
Operating grants	1,562,892	-	-	-	1,562,892
Other	2,161,163	-	-	18,877 (1)	2,142,286
Total operating revenue	36,943,688	1,154,593	1,467,596	121,835	39,444,042
Operating expenses:					
Salaries and wages	40,715,286	704,776	661,253	-	42,081,315
Employee benefits	10,399,506	207,336	195,089	-	10,801,931
Physician fees and outside services	3,363,637	-	-	-	3,363,637
Supplies and other expenses	28,075,500	238,920	511,116	121,835 (1)	28,703,701
Depreciation and amortization	3,137,931	3,651	66,486	-	3,208,068
Total operating expenses	85,691,860	1,154,683	1,433,944	121,835	88,158,652
Operating income (loss)	(48,748,172)	(90)	33,652	-	(48,714,610)
Nonoperating revenue (expense):					
Property taxes	52,192,996	-	-	-	52,192,996
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	195,874	-	-	-	195,874
Investment earnings	980,020	90	3,999	-	984,109
Interest expense	(386,097)	-	-	-	(386,097)
Capital grants and contributions	9,633	-	-	-	9,633
Other, net	64,863	1,261	-	-	66,124
Total nonoperating revenue, net	56,057,289	1,351	3,999	-	56,062,639
Change in net assets	7,309,117	1,261	37,651	-	7,348,029
Net assets:					
Beginning	27,530,682	125,901	436,183	-	28,092,766
Ending	\$ 34,839,799	\$ 127,162	\$ 473,834	\$ -	\$ 35,440,795

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Analysis of Net Patient Receivables
June 30, 2008 and 2007

	2008		2007	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 8,536,152	37%	\$ 10,296,769	36%
31 - 60	4,064,135	18	5,966,976	21
61 - 90	2,592,260	11	3,234,425	11
91 - 120	1,760,132	8	1,656,257	6
121 - 150	1,177,670	5	1,829,603	6
151 - 180	4,872,421	21	5,746,697	20
	<u>23,002,770</u>	<u>100%</u>	<u>28,730,727</u>	<u>100%</u>
Allowance for doubtful accounts	2,167,305		2,096,227	
Allowance for charity care	1,718,155		1,739,096	
Allowance for contractual and other adjustments	6,649,761		12,581,348	
	<u>\$ 12,467,549</u>		<u>\$ 12,314,056</u>	
Medicare	\$ 3,136,113	25%	\$ 2,505,778	20%
PCHS	902,263	7	607,086	5
Medicaid	2,625,621	21	2,673,553	22
Private pay	3,122,850	25	3,802,459	31
Other	2,680,702	22	2,725,180	22
Total	<u>\$ 12,467,549</u>	<u>100%</u>	<u>\$ 12,314,056</u>	<u>100%</u>

Broadlawns Medical Center

Inventories
June 30, 2008 and 2007

	2008	2007
General stores	\$ 304,811	\$ 240,381
Pharmacy	209,892	217,749
	<u>\$ 514,703</u>	<u>\$ 458,130</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2008**

	Capital Assets			
	June 30, 2007	Additions	Transfers and Disposals	June 30, 2008
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,557,298	-	-	3,557,298
Buildings	11,153,826	-	(55,361)	11,098,465
Building equipment	13,237,008	37,094	562,210	13,836,312
Fixed equipment	561,348	6,225	-	567,573
Major moveable equipment	14,011,525	2,071,992	1,285,743	17,369,260
Equipment under capital lease	1,071,150	306,307	(3,048)	1,374,409
Construction in progress	1,331,328	2,029,188	(2,290,236)	1,070,280
	<u>44,961,693</u>	<u>4,450,806</u>	<u>(500,692)</u>	<u>48,911,807</u>
Mental health facility under capital lease:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	6,541,298	-	-	6,541,298
Major moveable equipment	586,427	-	-	586,427
	<u>14,379,368</u>	<u>-</u>	<u>-</u>	<u>14,379,368</u>
Total Medical Center	<u>59,341,061</u>	<u>4,450,806</u>	<u>(500,692)</u>	<u>63,291,175</u>
Residential facilities:				
Building equipment	1,518	-	-	1,518
Major moveable equipment	7,826	-	-	7,826
Equipment under capital lease	20,026	-	-	20,026
Total residential facilities	<u>29,370</u>	<u>-</u>	<u>-</u>	<u>29,370</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	236,842	-	-	236,842
Major moveable equipment	109,593	-	-	109,593
Total PATH	<u>347,370</u>	<u>-</u>	<u>-</u>	<u>347,370</u>
	<u>\$ 59,717,801</u>	<u>\$ 4,450,806</u>	<u>\$ (500,692)</u>	<u>\$ 63,667,915</u>

Accumulated Depreciation and Amortization

June 30, 2007	Current Provision	Deductions	June 30, 2008
\$ -	\$ -	\$ -	\$ -
1,952,705	151,282	-	2,103,987
8,180,847	261,685	(48,782)	8,393,750
9,624,034	654,674	(32,582)	10,246,126
420,422	12,220	-	432,642
8,719,870	1,769,356	(280,982)	10,208,244
739,048	99,023	(3,048)	835,023
-	-	-	-
29,636,926	2,948,240	(365,394)	32,219,772
-	-	-	-
269,066	964	-	270,030
3,960,680	175,391	-	4,136,071
4,927,238	206,360	-	5,133,598
586,427	-	-	586,427
9,743,411	382,715	-	10,126,126
39,380,337	3,330,955	(365,394)	42,345,898
983	267	-	1,250
7,826	-	-	7,826
14,278	3,449	-	17,727
23,087	3,716	-	26,803
749	187	-	936
164,531	40,573	-	205,104
65,901	21,128	-	87,029
231,181	61,888	-	293,069
\$ 39,634,605	\$ 3,396,559	\$ (365,394)	\$ 42,665,770

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2007**

	Capital Assets			
	June 30, 2006	Additions	Transfers and Disposals	June 30, 2007
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,557,298	-	-	3,557,298
Buildings	11,103,453	-	50,373	11,153,826
Building equipment	13,084,520	79,184	73,304	13,237,008
Fixed equipment	477,024	-	84,324	561,348
Major moveable equipment	10,612,871	1,472,240	1,926,414	14,011,525
Equipment under capital lease	969,467	218,683	(117,000)	1,071,150
Construction in progress	2,134,862	1,469,491	(2,273,025)	1,331,328
	<u>41,977,705</u>	<u>3,239,598</u>	<u>(255,610)</u>	<u>44,961,693</u>
Mental health facility under capital lease:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	6,541,298	-	-	6,541,298
Major moveable equipment	987,145	-	(400,718)	586,427
	<u>14,780,086</u>	<u>-</u>	<u>(400,718)</u>	<u>14,379,368</u>
Total Medical Center	<u>56,757,791</u>	<u>3,239,598</u>	<u>(656,328)</u>	<u>59,341,061</u>
Residential facilities:				
Building equipment	18,181	-	(16,663)	1,518
Major moveable equipment	48,355	-	(40,529)	7,826
Equipment under capital lease	68,354	-	(48,328)	20,026
Total residential facilities	<u>134,890</u>	<u>-</u>	<u>(105,520)</u>	<u>29,370</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	212,456	35,405	(11,019)	236,842
Major moveable equipment	132,400	-	(22,807)	109,593
Total PATH	<u>345,791</u>	<u>35,405</u>	<u>(33,826)</u>	<u>347,370</u>
	<u>\$ 57,238,472</u>	<u>\$ 3,275,003</u>	<u>\$ (795,674)</u>	<u>\$ 59,717,801</u>

Accumulated Depreciation and Amortization

June 30, 2006	Current Provision	Deductions	June 30, 2007
\$ -	\$ -	\$ -	\$ -
1,800,783	151,922	-	1,952,705
7,911,753	269,094	-	8,180,847
9,000,136	624,352	(454)	9,624,034
425,115	11,022	(15,715)	420,422
7,259,521	1,578,271	(117,922)	8,719,870
777,201	78,847	(117,000)	739,048
-	-	-	-
27,174,509	2,713,508	(251,091)	29,636,926
-	-	-	-
268,102	964	-	269,066
3,785,289	175,391	-	3,960,680
4,720,143	207,095	-	4,927,238
987,145	-	(400,718)	586,427
9,760,679	383,450	(400,718)	9,743,411
36,935,188	3,096,958	(651,809)	39,380,337
17,444	202	(16,663)	983
48,355	-	(40,529)	7,826
59,157	3,449	(48,328)	14,278
124,956	3,651	(105,520)	23,087
562	187	-	749
126,272	49,279	(11,020)	164,531
71,689	17,020	(22,808)	65,901
198,523	66,486	(33,828)	231,181
\$ 37,258,667	\$ 3,167,095	\$ (791,157)	\$ 39,634,605

Broadlawns Medical Center

Patient Service Revenue

Years Ended June 30, 2008 and 2007

	2008		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical and pediatric	\$ 8,230,974	\$ 7,089,401	\$ 1,141,573
Mental health	5,321,834	5,312,468	9,366
Intensive care	1,875,353	1,875,353	-
Family birthing center	1,954,707	1,922,737	31,970
Residential facilities	1,170,431	1,170,431	-
	<u>18,553,299</u>	<u>17,370,390</u>	<u>1,182,909</u>
Other nursing services:			
Operating rooms	7,370,966	1,839,208	5,531,758
Medical and surgical supplies	2,565,935	1,423,957	1,141,978
Ambulatory care services:			
Specialty Clinic	1,805,620	10,582	1,795,038
Emergency	12,219,790	2,360,632	9,859,158
Family health center	2,372,574	8,377	2,364,197
Primary care	826,951	1,779	825,172
Doctors Health Clinic	1,055	45	1,010
Peds Clinic	868,402	2,105	866,297
Walk-in Clinic	2,320,766	9,234	2,311,532
Dental clinics	1,107,290	-	1,107,290
Chemical dependency	400,803	-	400,803
Family Planning	517,409	3,045	514,364
Mental health	4,208,699	21,604	4,187,095
PATH	1,409,992	-	1,409,992
	<u>37,996,252</u>	<u>5,680,568</u>	<u>32,315,684</u>
Other physician services:			
Anesthesiology	1,859,735	282,809	1,576,926
ENT	112,034	7,780	104,254
Family Practice	2,118,833	9,554	2,109,279
Internal Medicine	1,671,804	962,116	709,688
Neurology	317,784	11,506	306,278
Obstetrics & Gynecology	1,588,362	1,261,161	327,201
Ophthalmologists	237,517	75	237,442
Orthopedics	565,029	110,019	455,010
Pediatrics	811,069	-	811,069
Podiatry	1,300,557	237,192	1,063,365
Psychiatry	3,798,051	945,661	2,852,390
Surgery	712,538	254,928	457,610
Cardiology	151,902	39,182	112,720
Emergency Medicine	4,580,593	865,943	3,714,650
Medical Education	2,065,771	187,990	1,877,781
Other physician services	402,203	40,416	361,787
	<u>22,293,782</u>	<u>5,216,332</u>	<u>17,077,450</u>
Other professional services:			
Laboratory	9,944,038	3,646,022	6,298,016
Pharmacy	12,447,025	3,176,365	9,270,660
Radiology	13,102,291	2,326,427	10,775,864
Anesthesiology	24,198	21,323	2,875
Respiratory therapy	2,467,539	1,889,001	578,538
Diagnostic services	691,615	120,756	570,859
Physical therapy	735,247	100,187	635,060
Speech and hearing therapy	91,144	6,183	84,961
	<u>39,503,097</u>	<u>11,286,264</u>	<u>28,216,833</u>
Gross charges at established rates	118,346,430	\$ 39,553,554	78,792,876
Less intercompany elimination	142,314		142,314
Charity care charges forgone, based on established rates	10,578,315		\$ 78,650,562
Total gross patient service revenue	107,625,801		
Provisions for contractual and other adjustments	54,768,660		
Provisions for bad debts	15,664,002		
Total net patient services revenue	<u>\$ 37,193,139</u>		

2007		
Totals	Inpatients	Outpatients
\$ 8,436,526	\$ 7,305,575	\$ 1,130,951
5,819,174	5,693,477	125,697
2,410,953	2,410,953	-
2,694,296	2,662,505	31,791
1,154,593	1,154,593	-
<u>20,515,542</u>	<u>19,227,103</u>	<u>1,288,439</u>
5,914,047	1,662,199	4,251,848
2,008,865	1,281,604	727,261
1,942,029	4,175	1,937,854
11,656,009	2,381,721	9,274,288
2,089,276	11,906	2,077,370
773,409	2,184	771,225
1,249	1,249	-
700,256	4,735	695,521
2,014,321	11,860	2,002,461
1,023,962	-	1,023,962
542,899	-	542,899
335,141	151	334,990
5,679,790	363,090	5,316,700
1,455,774	-	1,455,774
<u>36,137,027</u>	<u>5,724,874</u>	<u>30,412,153</u>
1,159,690	538,426	621,264
80,652	8,904	71,748
2,015,546	93,123	1,922,423
1,503,875	888,544	615,331
100,769	9,614	91,155
1,824,843	1,344,672	480,171
83,024	190	82,834
446,792	124,346	322,446
867,202	40,245	826,957
1,279,707	87,957	1,191,750
3,193,940	935,690	2,258,250
635,652	319,677	315,975
158,140	54,963	103,177
4,726,257	600,790	4,125,467
1,788,565	251,605	1,536,960
271,084	68,811	202,273
<u>20,135,738</u>	<u>5,367,557</u>	<u>14,768,181</u>
9,595,277	3,899,359	5,695,918
11,776,051	3,044,886	8,731,165
11,694,913	2,443,319	9,251,594
2,084,039	1,054,314	1,029,725
2,379,230	1,927,737	451,493
545,051	115,259	429,792
538,502	94,719	443,783
94,444	10,392	84,052
<u>38,707,507</u>	<u>12,589,985</u>	<u>26,117,522</u>
115,495,814	\$ 42,909,519	72,586,295
102,958		102,958
<u>8,632,981</u>		<u>\$ 72,483,337</u>
106,759,875		
52,589,927		
<u>20,320,007</u>		
<u>\$ 33,849,941</u>		

Broadlawns Medical Center

Provisions for Contractual and Other Adjustments
 Years Ended June 30, 2008 and 2007

	2008	2007
Employee discounts	\$ 39,941	\$ 46,977
Contractual adjustments under third-party reimbursement programs:		
IowaCare	32,088,260	29,065,554
Medicare	6,920,682	5,908,737
Medicaid	4,855,346	4,973,374
Magellan	1,501,450	692,637
Heritage	1,702,948	584,834
Wellmark	1,692,280	668,538
PCHS	1,729,152	1,203,665
Other	4,238,601	9,445,611
	<u>\$ 54,768,660</u>	<u>\$ 52,589,927</u>

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2008 and 2007

	2008	2007
Grants:		
Broadlawns Medical Center:		
Family Planning, Iowa State Department of Public Health	\$ -	\$ (686)
Women, Infants, and Children Program, State of Iowa	1,176,098	1,164,270
WIC Breast Pump Program	41,656	44,593
Bioterrorism grant	17,892	17,865
Farmers Market Nutrition Program, State of Iowa (IDALS)	4,012	4,217
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	221,851	231,208
Magellan, Meth Funds (Iowa Plan)	21,639	21,639
Blood Pressure, University of Iowa	29,135	63,273
Earmark Grant	121,607	15,013
Bicycle Safety Grant	-	1,500
Total grants	1,633,890	1,562,892
Contracts:		
Polk County Health Services:		
Day Treatment	80	40,000
Y Shelter, Community Counselors	-	-
Community Access Program, Case Management	837,668	808,305
Community Access Program, Service Coordination	307,318	225,441
ISA Nurse Practitioner	118,286	11,822
Addiction Medicine	299,904	278,639
Other:		
Family Planning Iowa Empowerment, ISDPH	16,000	16,000
Medical and Dental Education, University of Iowa	342,437	316,945
IowaCare, State of Iowa	205,091	191,771
Total contracts	2,126,784	1,888,923
Other:		
Family Practice Program, Iowa Methodist Medical Center	117,832	96,800
Contribution of medical supplies	889,075	1,076,737
Cafeteria	599,537	599,537
Refunds and rebates	179,244	114,886
Sales and supplies, services, and salvage	180,602	127,162
Purchase discounts	1,041	9,148
Consulting, behavioral health	5,475	59,210
Des Moines Consortium contribution	46,383	40,834
Miscellaneous	28,788	17,972
Total other	2,047,977	2,142,286
Total other operating revenue	\$ 5,808,651	\$ 5,594,101

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2008 and 2007

	2008			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 736,302	\$ -	\$ 78,980	\$ 815,282
Medical, surgical and pediatric	2,392,952	-	1,414,032	3,806,984
Mental health administration	726,409	-	5,229	731,638
Mental health	1,794,442	-	65,366	1,859,808
Intensive care	806,835	-	63,969	870,804
Family birthing center	1,035,162	-	79,820	1,114,982
Operating rooms	875,515	198,450	850,206	1,924,171
Central services	263,344	-	1,323,323	1,586,667
Specialty clinics	647,280	-	753,364	1,400,644
Emergency services	1,855,551	-	359,691	2,215,242
Family health center	612,925	-	156,994	769,919
Internal Medicine Clinic	56,654	-	2,308	58,962
Doctors Health Clinic	151,228	-	21,446	172,674
Peds Clinic	179,120	-	26,813	205,933
Walk-in Clinic	416,943	-	45,431	462,374
Homeless outreach	-	-	-	-
Dental clinics	605,925	25,329	145,593	776,847
Addiction Medicine	202,913	-	3,321	206,234
Mental health, clinical services	2,210,959	-	235,895	2,446,854
Residential facilities	59,716	-	11,210	70,926
PATH	-	-	376,400	376,400
Less intercompany transactions	-	-	142,314	142,314
Total nursing and medical services	15,630,175	223,779	5,877,077	21,731,031
Physician services:				
Anesthesiology	119,073	732,680	84,172	935,925
ENT	-	204,510	-	204,510
Family Practice	668,498	2,828	4,231	675,557
Internal Medicine	732,523	326,191	16,111	1,074,825
Neurology	164,270	-	2,724	166,994
Obstetrics & Gynecology	471,563	123,085	7,721	602,369
Oncology	922	-	-	922
Ophthalmologists	28,296	52,000	1,419	81,715
Orthopedics	556,197	97,085	16,191	669,473
Pediatrics	527,448	31,260	7,444	566,152
Podiatry	538,201	-	8,915	547,116
Psychiatry	2,142,944	139,832	27,901	2,310,677
Surgery	375,412	604,994	3,383	983,789
Cardiology	(117)	53,433	-	53,316
Emergency Medicine	2,216,651	2,250	28,457	2,247,358
Medical Education	1,059,686	205,365	32,038	1,297,089
Other physician services	-	19,623	348,124	367,747
Total physician services	\$ 9,601,567	\$ 2,595,136	\$ 588,831	\$ 12,785,534

2007

Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$ 803,784	\$ -	\$ 103,665	\$ 907,449
2,125,272	-	741,859	2,867,131
889,975	-	3,284	893,259
1,729,651	-	109,463	1,839,114
742,101	-	100,785	842,886
1,020,544	-	94,758	1,115,302
737,295	60,697	541,042	1,339,034
289,746	-	940,508	1,230,254
745,909	-	535,627	1,281,536
1,768,340	-	304,299	2,072,639
540,884	-	147,985	688,869
36,108	-	-	36,108
153,256	-	23,104	176,360
144,201	-	15,261	159,462
410,515	-	47,373	457,888
-	-	-	-
544,703	5,490	136,716	686,909
190,889	-	3,599	194,488
2,175,438	-	213,164	2,388,602
71,675	-	8,057	79,732
-	-	376,484	376,484
-	-	102,958	102,958
15,120,286	66,187	4,344,075	19,530,548
534,280	535,343	88,561	1,158,184
-	206,256	-	206,256
690,501	840	18,742	710,083
775,024	315,805	9,612	1,100,441
115,545	-	3,121	118,666
397,091	86,026	6,655	489,772
15,372	-	598	15,970
24,491	30,485	396	55,372
613,302	-	2,390	615,692
427,874	34,353	7,872	470,099
264,630	2,625	10,817	278,072
1,791,128	77,364	27,838	1,896,330
181,153	592,368	1,705	775,226
3,895	42,755	-	46,650
2,139,007	-	28,750	2,167,757
740,944	208,950	23,395	973,289
-	19,857	59,177	79,034
\$ 8,714,237	\$ 2,153,027	\$ 289,629	\$ 11,156,893

Broadlawns Medical Center

Certain Operating Expenses Information (Continued)
 Years Ended June 30, 2008 and 2007

	2008			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,065,713	\$ 198,195	\$ 1,545,867	\$ 2,809,775
Pharmacy	1,487,722	-	7,657,724	9,145,446
Radiology	915,643	992,431	1,030,401	2,938,475
Anesthesiology	71,095	-	1,700	72,795
Respiratory therapy	545,035	-	167,031	712,066
Diagnostic services	135,245	-	23,436	158,681
Physical therapy	288,337	-	27,729	316,066
Medical information management	1,516,221	-	124,528	1,640,749
Social services	354,162	-	21,159	375,321
Registration	1,242,574	-	392,382	1,634,956
Women, Infants and Children Program	668,892	-	185,003	853,895
Special services	-	-	26,888	26,888
Medical education	1,426,272	55,252	518,423	1,999,947
Library	48,267	-	78,643	126,910
Medical services	291,473	-	238,935	530,408
Family planning	163,247	-	37,614	200,861
Managed care	157,167	-	3,269	160,436
Bureau of Refugee Services	164,771	-	24,920	189,691
Speech and hearing	7,539	-	34,209	41,748
Residential facilities	467,383	-	71,342	538,725
PATH	686,088	-	-	686,088
Total other professional services	11,702,846	1,245,878	12,211,203	25,159,927
General services:				
Dietary	-	-	1,954,912	1,954,912
Facility management	18,030	-	3,808	21,838
Plant operations	1,036,957	-	2,191,176	3,228,133
Environmental services	967,291	-	556,073	1,523,364
Laundry and linen	69,598	-	220	69,818
Risk management	173,843	-	57,613	231,456
Security	417,333	-	17,123	434,456
Residential facilities	-	-	62,221	62,221
PATH	-	-	28,504	28,504
Total general services	\$ 2,683,052	\$ -	\$ 4,871,650	\$ 7,554,702

2007

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,035,755	\$ 189,735	\$ 1,537,136	\$ 2,762,626
	1,451,839	-	7,549,305	9,001,144
	866,486	808,478	685,857	2,360,821
	22,800	-	3,929	26,729
	519,838	-	127,668	647,506
	115,368	-	39,035	154,403
	210,911	-	34,573	245,484
	1,427,818	-	116,568	1,544,386
	335,364	-	15,483	350,847
	1,249,935	-	298,860	1,548,795
	663,662	-	185,596	849,258
	-	-	4,467	4,467
	1,367,734	146,210	458,488	1,972,432
	55,882	-	70,129	126,011
	541,546	-	167,508	709,054
	81,523	-	10,698	92,221
	167,001	-	4,009	171,010
	146,695	-	17,218	163,913
	7,299	-	40,481	47,780
	480,646	-	82,764	563,410
	585,042	-	-	585,042
	11,333,144	1,144,423	11,449,772	23,927,339
	-	-	1,867,946	1,867,946
	260,947	-	26,236	287,183
	990,772	-	1,908,302	2,899,074
	960,356	-	607,918	1,568,274
	64,362	-	94	64,456
	188,696	-	46,007	234,703
	405,823	-	22,185	428,008
	-	-	61,124	61,124
	-	-	26,723	26,723
\$	2,870,956	\$ -	\$ 4,566,535	\$ 7,437,491

Broadlawns Medical Center

Certain Operating Expenses Information (Continued)
 Years Ended June 30, 2008 and 2007

	2008			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 358,062	\$ -	\$ 587,661	\$ 945,723
Accounting	743,260	-	229,355	972,615
Payroll	70,021	-	25	70,046
Information services	785,398	-	1,026,610	1,812,008
Patient accounting	700,698	-	858,224	1,558,922
Patient advocate	175,226	-	26,643	201,869
Telecommunication	169,761	-	224,256	394,017
Planning	319,071	-	269,175	588,246
Print shop	36,171	-	165,936	202,107
Purchasing, receiving and stores	199,996	-	16,852	216,848
Human resources	256,536	-	169,911	426,447
Occupational health	120,887	-	100,565	221,452
Residential facilities	187,682	-	51,344	239,026
PATH	56,276	-	31,924	88,200
Total fiscal and administrative services	4,179,045	-	3,758,481	7,937,526
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	2,369,374	2,369,374
FICA	-	-	2,885,356	2,885,356
Health insurance	-	-	4,703,579	4,703,579
Life insurance	-	-	364,769	364,769
Unemployment compensation	-	-	29,337	29,337
Workers' compensation	-	-	402,081	402,081
Other benefits	-	-	34,417	34,417
Insurance	-	-	1,933,446	1,933,446
Medical Center dues	-	-	157,338	157,338
Consulting fees	-	-	479,724	479,724
	-	-	13,359,421	13,359,421
Depreciation and amortization	\$ -	\$ -	\$ 3,370,571	\$ 3,370,571

2007

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	330,966	\$ -	\$ 568,893	\$ 899,859
	761,535	-	192,964	954,499
	69,965	-	1,480	71,445
	735,424	-	1,493,457	2,228,881
	661,556	-	1,411,070	2,072,626
	206,112	-	44,229	250,341
	167,827	-	225,246	393,073
	275,329	-	237,823	513,152
	36,177	-	153,842	190,019
	189,942	-	110,865	300,807
	253,236	-	150,895	404,131
	125,957	-	66,231	192,188
	152,455	-	44,332	196,787
	76,211	-	28,847	105,058
	4,042,692	-	4,730,174	8,772,866
	-	-	2,156,226	2,156,226
	-	-	2,747,249	2,747,249
	-	-	4,949,129	4,949,129
	-	-	348,212	348,212
	-	-	30,077	30,077
	-	-	68,962	68,962
	-	-	99,651	99,651
	-	-	2,686,662	2,686,662
	-	-	161,505	161,505
	-	-	372,521	372,521
	-	-	13,620,194	13,620,194
\$	-	\$ -	\$ 3,137,931	\$ 3,137,931

Broadlawns Medical Center

Certain Operating Expenses Information (Continued)
 Years Ended June 30, 2008 and 2007

	2008			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 40,348	\$ 40,348
FICA	-	-	49,543	49,543
Health and life insurance	-	-	122,850	122,850
Insurance	-	-	27,879	27,879
Depreciation and amortization	-	-	3,716	3,716
Rent of building and equipment	-	-	15,428	15,428
Total residential facilities	-	-	259,764	259,764
PATH:				
Employee benefits:				
IPERS	-	-	43,842	43,842
FICA	-	-	51,308	51,308
Health and life insurance	-	-	126,701	126,701
Insurance	-	-	22,928	22,928
Depreciation and amortization	-	-	61,888	61,888
Rent of building and equipment	-	-	57,147	57,147
Total PATH	-	-	363,814	363,814
Less intercompany transactions	-	-	19,377	19,377
	-	-	344,437	344,437
Total fiscal and administrative services and unassigned expenses	4,179,045	-	21,092,674	25,271,719
Total operating expenses	\$ 43,796,685	\$ 4,064,793	\$ 44,641,435	\$ 92,502,913

2007

		2007			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ -	\$ -	\$ 38,734	\$ 38,734		
-	-	50,139	50,139		
-	-	118,463	118,463		
-	-	27,879	27,879		
-	-	3,651	3,651		
-	-	14,764	14,764		
-	-	253,630	253,630		
-	-	33,696	33,696		
-	-	47,796	47,796		
-	-	113,597	113,597		
-	-	22,928	22,928		
-	-	66,486	66,486		
-	-	56,134	56,134		
-	-	340,637	340,637		
-	-	18,877	18,877		
-	-	321,760	321,760		
4,042,692	-	22,063,689	26,106,381		
\$ 42,081,315	\$ 3,363,637	\$ 42,713,700	\$ 88,158,652		

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function
Year Ended June 30, 2008

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 34,755,030	\$ 1,170,431	\$ 1,409,992	\$ 142,314 (1)	\$ 37,193,139
Contracts	2,008,498	-	118,286	-	2,126,784
Operating grants	1,633,890	-	-	-	1,633,890
Other	2,067,354	-	-	19,377 (1)	2,047,977
Total operating revenue	40,464,772	1,170,431	1,528,278	161,691	43,001,790
Operating expenses:					
Nursing and medical services	21,426,019	70,926	376,400	142,314 (1)	21,731,031
Physician services	12,785,534	-	-	-	12,785,534
Other professional service	23,935,114	538,725	686,088	-	25,159,927
General services	7,463,977	62,221	28,504	-	7,554,702
Fiscal and administrative service and unassigned expenses	20,969,721	495,074	390,126	19,377 (1)	21,835,544
Depreciation and amortization	3,370,571	3,716	61,888	-	3,436,175
Total operating expenses	89,950,936	1,170,662	1,543,006	161,691	92,502,913
Operating (loss)	(49,486,164)	(231)	(14,728)	-	(49,501,123)
Nonoperating revenue (expense):					
Property taxes	46,140,388	-	-	-	46,140,388
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	300,366	-	-	-	300,366
Investment earnings	580,813	117	3,615	-	584,545
Interest expense	(309,246)	-	-	-	(309,246)
Capital grants and contributions	20,839	-	-	-	20,839
Other, net	74,965	(5,636)	-	-	69,329
Total nonoperating revenue (expense), net	49,808,125	(5,519)	3,615	-	49,806,221
Change in net assets	321,961	(5,750)	(11,113)	-	305,098
Net assets:					
Beginning	34,839,799	127,162	473,834	-	35,440,795
Ending	\$ 35,161,760	\$ 121,412	\$ 462,721	\$ -	\$ 35,745,893

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function Year Ended June 30, 2007

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 31,342,532	\$ 1,154,593	\$ 1,455,774	\$ 102,958 (1)	\$ 33,849,941
Contracts	1,877,101	-	11,822	-	1,888,923
Operating grants	1,562,892	-	-	-	1,562,892
Other	2,161,163	-	-	18,877 (1)	2,142,286
Total operating revenue	36,943,688	1,154,593	1,467,596	121,835	39,444,042
Operating expenses:					
Nursing and medical services	19,177,290	79,732	376,484	102,958 (1)	19,530,548
Physician services	11,156,893	-	-	-	11,156,893
Other professional service	22,778,887	563,410	585,042	-	23,927,339
General services	7,349,644	61,124	26,723	-	7,437,491
Fiscal and administrative service and unassigned expenses	22,091,215	446,766	379,209	18,877 (1)	22,898,313
Depreciation and amortization	3,137,931	3,651	66,486	-	3,208,068
Total operating expenses	85,691,860	1,154,683	1,433,944	121,835	88,158,652
Operating income (loss)	(48,748,172)	(90)	33,652	-	(48,714,610)
Nonoperating revenue (expense):					
Property taxes	52,192,996	-	-	-	52,192,996
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	195,874	-	-	-	195,874
Investment earnings	980,020	90	3,999	-	984,109
Interest expense	(386,097)	-	-	-	(386,097)
Capital grants and contributions	9,633	-	-	-	9,633
Other, net	64,863	1,261	-	-	66,124
Total nonoperating revenue, net	56,057,289	1,351	3,999	-	56,062,639
Change in net assets	7,309,117	1,261	37,651	-	7,348,029
Net assets:					
Beginning	27,530,682	125,901	436,183	-	28,092,766
Ending	\$ 34,839,799	\$ 127,162	\$ 473,834	\$ -	\$ 35,440,795

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

**Patient and Medical Center Statistical Data
Years Ended June 30, 2008 and 2007
(Unaudited)**

	2008	2007
Patient days:		
Medical, surgical and pediatric	7,650	7,400
Obstetrics	767	965
Intensive care unit	1,158	1,269
Mental health	7,176	7,572
Nursery	768	928
Total patient days	17,519	18,134
Admissions	4,739	4,905
Discharges	4,734	4,901
Average length of stay (days):		
Acute	2.9	3.0
Mental health	6.0	5.7
Outpatient visits:		
Emergency room	28,826	28,013
Walk-in clinic	25,987	23,129
Specialty clinics	10,790	11,492
Pediatric clinic	8,266	7,198
Internal medicine clinic	7,220	8,181
Podiatry clinic	6,076	5,318
Women's health clinic	6,071	5,924
Family health center	19,519	17,114
Mental health	36,886	38,361
Oral medicine	8,616	8,630
Addiction medicine	6,763	8,971
	165,020	162,331

Broadlawns Medical Center

Organization Data
Year Ended June 30, 2008

	Expiration of Term
Board of Trustees:	
Mr. Frank Harrison, Chair	December 31, 2010
Ms. Janet Metcalf, Vice Chair	December 31, 2010
Ms. Mary Fuller, Secretary	December 31, 2012
Mr. Paul Gillispie, Treasurer	December 31, 2008
Members:	
Ms. Cindy Gray	December 31, 2008
Ms. Jean Logan, RN PhD	December 31, 2010
Ms. Karen Ellis	December 31, 2012
President and Chief Executive Officer, Mr. Jody Jenner	
Senior Vice President of Business Services, Mr. Albert White	

Broadlawns Medical Center

Self-Insured Retention Funds
Year Ended June 30, 2008

	Amount Funded from BMC	Claims Paid
Malpractice Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2007	\$ -	\$ -
August 31, 2007	-	-
September 30, 2007	-	-
October 31, 2007	-	124,425
November 30, 2007	-	-
December 31, 2007	-	-
January 31, 2008	-	-
February 28, 2008	-	-
March 31, 2008	-	-
April 30, 2008	-	-
May 31, 2008	-	-
June 30, 2008	-	-
	<u>\$ -</u>	<u>\$ 124,425</u>
Malpractice Fund:		
LOC Wells Fargo Trust, NA, beginning balance		
July 31, 2007	\$ -	\$ -
August 31, 2007	-	-
September 30, 2007	-	-
October 31, 2007	-	-
November 30, 2007	-	-
December 31, 2007	-	-
January 31, 2008	-	-
February 28, 2008	-	-
March 31, 2008	-	-
April 30, 2008	-	-
May 31, 2008	-	-
June 30, 2008	-	-
	<u>\$ -</u>	<u>\$ -</u>
Malpractice Fund:		
LOC Wells Fargo Trust, NA, beginning balance		
July 31, 2007	\$ -	\$ -
August 31, 2007	-	-
September 30, 2007	-	-
October 31, 2007	-	-
November 30, 2007	-	-
December 31, 2007	-	-
January 31, 2008	-	-
February 28, 2008	-	-
March 31, 2008	-	-
April 30, 2008	-	-
May 31, 2008	-	-
June 30, 2008	-	-
	<u>\$ -</u>	<u>\$ -</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 3,423,494
\$ 3,469	\$ 12,476	\$ 595	\$ -	3,433,096
-	7,944	3,840	-	3,444,880
-	11,057	3,918	-	3,459,855
3,433	17,811	1,776	(50,000)	3,301,584
-	11,494	(167)	-	3,312,911
-	15,831	1,528	-	3,330,270
17,365	11,202	2,814	-	3,326,921
-	10,432	139	-	3,337,492
-	9,210	543	-	3,347,245
-	13,276	3,983	-	3,364,504
-	13,565	(2,541)	-	3,375,528
-	14,019	1,000	-	3,390,547
<u>\$ 24,267</u>	<u>\$ 148,317</u>	<u>\$ 17,428</u>	<u>\$ (50,000)</u>	<u>\$ 3,390,547</u>
				\$ 820,643
\$ 250	\$ 3,256	\$ -	\$ -	823,649
-	3,375	-	-	827,024
-	3,370	-	-	830,394
250	3,201	-	-	833,345
-	3,159	-	-	836,504
-	2,904	-	-	839,408
1,250	2,909	-	-	841,067
-	2,663	-	-	843,730
-	1,903	-	-	845,633
-	1,751	-	-	847,384
-	1,318	-	-	848,702
-	1,277	-	-	849,979
<u>\$ 1,750</u>	<u>\$ 31,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,979</u>
				\$ 196,492
\$ 250	\$ 780	\$ -	\$ -	197,022
-	807	-	-	197,829
-	806	-	-	198,635
250	766	-	-	199,151
-	755	-	-	199,906
-	694	-	-	200,600
1,250	695	-	-	200,045
-	635	-	-	200,680
-	453	-	-	201,133
-	417	-	-	201,550
-	314	-	-	201,864
-	302	-	-	202,166
<u>\$ 1,750</u>	<u>\$ 7,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,166</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2008

	Amount Funded from BMC	Claims Paid
Workers' Compensation Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2007	\$ 36,750	\$ 11,940
August 31, 2007	36,750	19,518
September 30, 2007	36,750	9,583
October 31, 2007	36,750	33,404
November 30, 2007	36,750	67,218
December 31, 2007	36,750	38,190
January 31, 2008	36,750	8,420
February 28, 2008	36,750	10,865
March 31, 2008	36,750	12,710
April 30, 2008	36,750	17,977
May 31, 2008	36,750	399,471
June 30, 2008	36,750	(409,741)
	<u>\$ 441,000</u>	<u>\$ 219,555</u>
Self Insured Dental Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2007	\$ -	\$ 23,687
August 31, 2007	20,943	34,879
September 30, 2007	325	19,890
October 31, 2007	61,115	26,080
November 30, 2007	-	27,855
December 31, 2007	20,908	27,913
January 31, 2008	57,871	28,507
February 28, 2008	357	38,484
March 31, 2008	74,949	30,554
April 30, 2008	-	39,374
May 31, 2008	37,779	42,176
June 30, 2008	99,411	25,917
	<u>\$ 373,658</u>	<u>\$ 365,316</u>
Health Insurance Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2007	\$ 9,600	\$ 366,581
August 31, 2007	10,190	533,421
September 30, 2007	12,013	428,819
October 31, 2007	12,013	870,266
November 30, 2007	-	654,847
December 31, 2007	608,800	112,103
January 31, 2008	4,904,203	463,540
February 28, 2008	8,904	509,573
March 31, 2008	10,024	444,352
April 30, 2008	-	467,969
May 31, 2008	-	388,029
June 30, 2008	-	341,885
	<u>\$ 5,575,747</u>	<u>\$ 5,581,385</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 913,500
\$ 250	\$ 3,345	\$ -	\$ -	941,405
-	3,526	-	-	962,163
-	3,576	-	-	992,906
250	3,422	-	-	999,424
-	3,406	-	-	972,362
-	3,116	-	-	974,038
1,250	3,203	-	-	1,004,321
-	2,935	-	-	1,033,141
-	2,184	-	-	1,059,365
-	1,971	-	-	1,080,109
-	1,456	-	-	718,844
2,195	1,505	-	-	1,164,645
<u>\$ 3,945</u>	<u>\$ 33,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,164,645</u>
				\$ 86,952
\$ 2,261	\$ 248	\$ -	\$ -	61,252
2,019	217	-	-	45,514
1,993	111	-	-	24,067
876	84	-	-	58,310
4,053	119	-	-	26,521
2,158	56	-	-	17,414
1,426	65	-	-	45,417
4,320	16	-	-	2,986
2,136	18	-	-	45,263
203	95	-	-	5,781
3,956	25	-	-	(2,547)
2,258	17	-	-	68,706
<u>\$ 27,659</u>	<u>\$ 1,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,706</u>
				\$ 3,121,560
\$ 54,121	\$ 10,321	\$ -	\$ -	2,720,779
193,730	10,974	-	-	2,014,792
55,306	8,158	-	-	1,550,838
54,265	7,779	-	-	646,099
54,811	5,083	-	-	(58,476)
55,557	1,360	-	-	384,024
58,049	918	-	-	4,767,556
56,428	2,768	-	-	4,213,227
54,372	6,842	-	-	3,731,369
57,895	5,222	-	-	3,210,727
70,075	3,186	-	-	2,755,809
58,829	3,099	-	-	2,358,194
<u>\$ 823,438</u>	<u>\$ 65,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,358,194</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2008

	Amount Funded from BMC	Claims Paid
Equipment Maintenance Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2007	\$ 26,840	\$ -
August 31, 2007	26,840	-
September 30, 2007	26,840	-
October 31, 2007	26,840	-
November 30, 2007	26,840	-
December 31, 2007	26,840	-
January 31, 2008	26,840	-
February 28, 2008	26,840	-
March 31, 2008	26,840	-
April 30, 2008	26,840	-
May 31, 2008	26,840	-
June 30, 2008	26,840	-
	<u>\$ 322,080</u>	<u>\$ -</u>
Equipment Maintenance Fund:		
Bank of America, beginning balance		
July 31, 2007	\$ -	\$ 7,535
August 31, 2007	-	5,715
September 30, 2007	-	66,120
October 31, 2007	-	20,413
November 30, 2007	-	2,059
December 31, 2007	-	18,063
January 31, 2008	-	29,575
February 28, 2008	-	1,706
March 31, 2008	-	16,410
April 30, 2008	-	10,893
May 31, 2008	-	47,811
June 30, 2008	-	3,637
	<u>\$ -</u>	<u>\$ 229,937</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 44,251
\$ -	\$ 215	\$ -	\$ -	71,306
250	182	-	-	98,078
-	181	-	(40,000)	85,099
-	81	-	(50,000)	62,020
250	172	-	-	88,782
-	272	-	(50,000)	65,894
1,000	310	-	(50,000)	42,044
-	108	-	-	68,992
-	132	-	(40,000)	55,964
-	67	-	-	82,871
-	77	-	-	109,788
-	148	-	-	136,776
<u>\$ 1,500</u>	<u>\$ 1,945</u>	<u>\$ -</u>	<u>\$ (230,000)</u>	<u>\$ 136,776</u>
				\$ 47,748
\$ -	\$ -	\$ -	\$ -	40,213
-	-	-	-	34,498
-	-	-	40,000	8,378
-	-	-	50,000	37,965
-	-	-	-	35,906
-	-	-	50,000	67,843
-	-	-	50,000	88,268
-	-	-	-	86,562
-	-	-	40,000	110,152
-	-	-	-	99,259
-	-	-	-	51,448
-	-	-	-	47,811
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ 47,811</u>

Broadlawns Medical Center

Schedule of Revenue, Expenses and Balances - Completed Contracts
 Year Ended June 30, 2008

	Special Supplemental Nutrition Program for Women, Infants, and Children #5886A031 and #5887A031
<hr/>	
Revenue:	
Managed care	\$ -
Other state	-
Other federal	1,221,766
County government	-
Total revenue	<u>1,221,766</u>
 Expenses:	
Salaries	606,830
Personnel benefits	237,906
Travel	250
Staff training	3,736
Space costs:	
Cash	88,556
In-kind	-
Supplies	25,299
Telephone	1,593
Other expenses	-
Total allowable expenses	<u>964,170</u>
Distribution of management and general	470,934
Total expenses	<u>1,435,104</u>
	<u>\$ (213,338)</u>

Non-IDPH PCHS Chem Dep	Magellan MBC Iowa Plan OP Chem Dep SVCS DPH Funded Clients Non-Medicaid	Management and General	Total
\$ -	\$ 221,851	\$ -	\$ 221,851
-	-	-	-
-	21,639	-	1,243,405
299,904	-	-	299,904
299,904	243,490	-	1,765,160
76,284	76,284	110,883	870,281
23,975	23,976	40,698	326,555
-	-	9	259
286	285	143	4,450
-	-	8,878	97,434
51,157	51,158	-	102,315
1,043	1,042	1,895	29,279
-	-	-	1,593
-	-	510,882	510,882
152,745	152,745	673,388	1,943,048
101,227	101,227	(673,388)	-
253,972	253,972	-	1,943,048
\$ 45,932	\$ (10,482)	\$ -	\$ (177,888)

Broadlawns Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008**

Program Description	Federal CFDA Number	Grant Number	Program Expenditures
U.S. Department of Health and Human Services:			
Passed through Iowa Department of Public Health:			
Magellan Behavioral Health, Inc.:			
Iowa Plan for Behavioral Health	93.959	N/A	\$ 65,890
Health Resources and Services Administration, Health Care and Other Facilities (Direct Award)	93.887	1C76HF03589-01-00	121,607
Passed through University of Iowa, Improving Adherence to Blood Pressure Guidelines	93.837	5R01HL070740-05	29,135
Passed through U.S. Human Resources & Service Administration:			
Bioterrorism Hospital Preparedness	93.889	5887BHP01 07-08BMC	15,243
Bioterrorism Hospital Preparedness	93.003	5887BHP01 06-07BMC	2,649
Total U.S. Department of Health and Human Services			<u>234,524</u>
U.S. Department of Agriculture:			
Passed through Iowa Department of Public Health/ Division of Family and Community Health:			
Special Supplemental Nutrition Program for Women, Infants and Children			
	10.557	5887A031	392,855
	10.557	5888A031	783,244
Breast Pump Reimbursement	10.557	5887A031	41,656
Passed through Iowa Department of Agriculture and Land Stewardship:			
Iowa Farmers Market Nutrition Program	10.572	1191-05-31	4,012
Total U.S. Department of Agriculture			<u>1,221,767</u>
			<u>\$ 1,456,291</u>

See Note to Schedule of Expenditures of Federal Awards.

Broadlawns Medical Center

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1. General

The purpose of the schedule of expenditures of federal awards (Schedule) is to present a summary of those activities of Broadlawns Medical Center (Medical Center) for the year ended June 30, 2008, which have been financed by the United States government. For the purposes of the Schedule, federal awards include all federal assistance entered into directly between the Medical Center and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. The Schedule does not include payments received under Medicare and Medicaid reimbursement programs. Because the Schedule presents only a selected portion of the activities of the Medical Center, it is not intended to, and does not, present the financial position, revenue and expenses, changes in net assets, and cash flows of the Medical Center.

Deductions or expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursements.

Broadlawns Medical Center

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Current Number	Comment	Status
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Other findings related to required statutory reporting:

07-IV-F	The Medical Center had deposits in depositories that were in excess of limits set by the Board of Trustees.	Corrective action taken.
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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the financial statements of Broadlawns Medical Center as of and for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, the financial statements of Broadlawns Medical Center Foundation were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not extend to those financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit we considered Broadlawns Medical Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Broadlawns Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Broadlawns Medical Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 08-II-A.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Broadlawns Medical Center's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the Medical Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

Broadlawns Medical Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Medical Center's responses, and accordingly, we express no opinion on them.

However, we noted certain immaterial instances of noncompliance that we have reported to management of Broadlawns Medical Center in a separate letter dated November 5, 2008.

We also noted certain matters that we reported to management of Broadlawns Medical Center in a separate letter dated November 5, 2008.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 5, 2008

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

Scope of Report

The Broadlawns Medical Center Foundation, a discretely presented component unit, was not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States or the OMB Circular A-133, *Compliance Supplement*. Accordingly, our audit, described here, does not extend to the Foundation.

Compliance

We have audited the compliance of Broadlawns Medical Center with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2008. Broadlawns Medical Center's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Broadlawns Medical Center's management. Our responsibility is to express an opinion on Broadlawns Medical Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Broadlawns Medical Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Broadlawns Medical Center's compliance with those requirements.

In our opinion, Broadlawns Medical Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Broadlawns Medical Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Broadlawns Medical Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Broadlawns Medical Center's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 5, 2008

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes No

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

(A) Significant Deficiencies in Internal Control

Finding: The Medical Center does not have a system in place to monitor and review patient accounts with credit balances.

Condition: During our audit testing, it was noted incorrect and duplicate postings were made to the individual patient's account resulting in improper credit balances. Currently, no one is monitoring and/or reviewing credit balances in patient accounts receivable in a timely matter.

Context: Pervasive to all patient accounts with credit balances.

Effect: Misstatement of contractual expenses and net patient receivables.

Recommendation: The Medical Center management should regularly monitor and review accounts receivable credit balances for validity in a timely matter to ensure that proper posting to accounts receivable is taking place.

Response and Corrective Action Plan: The Medical Center has made three changes after reviewing this audit finding: 1) work ques have been established for daily review by a credit balance clerk; 2) the PFS Director and Director of Budget and Reimbursement will review the credit balance report on a monthly basis looking for changes and age of accounts; 3) as an additional control measure, the accounts receivable clerks may not process an adjustment batch (debits or credits) for more than \$500 and all batches are balanced at the end of each workday.

(B) Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiencies in Internal Control

None reported.

(B) Instances of Noncompliance

None Reported

IV. Other Findings Related to Required Statutory Reporting

08-IV-A – Certified Budget:

Disbursements during the year ended June 30, 2008 did not exceed the amount budgeted.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

08-IV-B – Questionable Expenditures:

No expenditures that may not meet the requirements of public purpose as defined in Attorney General's opinion dated April 25, 1979 were noted.

08-IV-C – Travel Expense:

No expenditures of the Medical Center money for travel expenses of spouses of Medical Center's officials and/or employees were noted.

08-IV-D – Business Transactions:

No business transactions between the Medical Center and Medical Center officials were noted.

08-IV-E – Board Minutes:

No transactions were found that we believe should have been approved in the Board minutes but were not.

08-IV-F – Deposits and Investments:

No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Medical Center's investment policy were noted.

08-IV-G – Publication of Bills Allowed and Salaries:

Chapter 347.13(14) of the Code of Iowa states "There shall be published quarterly in each of the official newspapers of the county as selected by the Board of Supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...." The Medical Center published a schedule of bills allowed and a schedule of salaries paid as required by the Code.

08-IV-H – Mileage Rate for Travel

While the mileage rate used by the Medical Center is not in excess of the amount allowable under Federal Internal Revenue Service rules, this rate was not approved by the Board as required under Chapter 70A.9 of the Code of Iowa.

Recommendation: The Medical Center should on a yearly basis have the Board of Trustees approve a reimbursement rate paid for mileage expenses not to exceed the Federal Internal Revenue Service rate.

Response and Corrective Action Plan: Annually the Board of Trustees of the Medical Center will approve the mileage rate to be used when reimbursing Medical Center employees for automobile expenses. This rate will not exceed the mileage rate approved by the Internal Revenue Service.

Conclusion: Response accepted.

Broadlawns Medical Center

Corrective Action Plan
Year Ended June 30, 2008

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiency in Internal Controls over Financial Reporting:				
08-II-A	The Medical Center does not have a system in place to monitor and review patient accounts with credit balances.	See response and corrective action plan at 08-II-A	June 30, 2009	Deb Shelabarger John Gumm
Other Findings Related to Required Statutory Reporting:				
08-IV-H	The mileage rate used by the Medical Center was not approved by the Board as required under Chapter 70A.9 of the Code of Iowa.	See response and corrective action plan at 08-IV-H	June 30, 2009	Deb Shelabarger