

Broadlawns Medical Center

Financial Report

06.30.2009

McGladrey & Pullen

Certified Public Accountants

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Independent Auditor's Report on the Financial Statements and Supplementary Information

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the accompanying balance sheets of Broadlawns Medical Center (Medical Center) and Broadlawns Medical Center Foundation (Foundation), a discretely presented component unit, as of June 30, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As explained in Note 10 to the financial statements, the Medical Center changed its method of accounting for other postemployment benefits during the year ended June 30, 2009.

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, 2009 and 2008, and the results of their operations and their cash flows for the years 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 reports for the years ended June 30, 2009 and 2008, dated November 4, 2009 and November 5, 2008, respectively, 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 audits.

The management's discussion and analysis on pages 3 through 13 and required supplementary information on budget and budgetary accounting on page 40 and other postemployment benefit plan schedule of funding progress on page 41 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 audits were 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 accompanying 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, 2009 and 2008 of the Medical Center and the Foundation has been subjected to the auditing procedures applied in the audits 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 audits of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 4, 2009

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

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, 2009 and 2008. 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, 2009, 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, 2009 and 2008

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 \$1,647,134, which is a \$1,342,036 increase from last fiscal year, which ended with an increase in net assets of \$305,098.
- Total operating expenses for the current fiscal year were \$3,938,432 more than last fiscal year.
- Total operating revenue for the year was \$46,294,788, which is an increase of \$3,292,998.
- Net nonoperating revenue, which includes the property tax levy, increased \$1,987,470. An increase in the property tax levy accounted for \$1,757,054 of the total increase in net nonoperating revenue.
- During the fiscal year the Medical Center made capital investments totaling \$3,020,019. Capital investments were less than depreciation expense of \$4,264,282 by \$1,244,263. The following is a list of significant purchases and improvements:

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2009 Cost</u>
Neoprobe Sentinal Node Machine	Johnson & Johnson Health Care System, Inc.	Surgical Services	\$ 38,900
Ultrasound	Siemens Medical Solutions	Imaging Services	124,000
MS Office Licenses	Softchoice Corp.	Information Systems	90,596
Psych Seclusion Unit	Various	Psych Department	40,035
Basement Shoring	Midwest Basement Systems and various others	Doctor's Apartments	50,630
Elevator Drives	Kone Inc., Baker Elect and various others	East Building	112,957

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

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Net Assets

June 30, 2009: Total current assets are \$77,586,603, which is \$1,004,887 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$1,518,856, an increase in assets limited as to use or restricted of \$1,819,163, a decrease in grants and other receivables of \$254,427, and an increase in inventories, prepaids and other assets of \$441,600. The increases were partially offset by a decrease in net patient receivables of \$1,633,376 and a decrease in succeeding year's county property tax levy of \$1,282,012. Total noncurrent assets are \$42,718,324, which is \$16,091,822 more than last year. The increase resulted from an increase in noncurrent assets limited as to use or restricted of \$17,156,472, and a decrease in net capital assets of \$1,351,433.

Total current liabilities of \$58,572,136 are \$2,444,300 less than last fiscal year. The change is due to a decrease in deferred revenue for succeeding year's property taxes of \$1,282,012, a decrease in current maturities of capital lease obligations of \$639,892 and a decrease in accounts payable and other accrued expenses of \$1,425,006. The decreases were partially offset by an increase in accrued employee compensation and payroll taxes of \$974,756. Long-term liabilities of \$24,339,764 are \$17,893,875 more than last fiscal year. The increase is primarily due to new debt of approximately \$20,000,000 offset by principal payments and amortization of discounts of \$2,801,295.

Net assets total \$37,393,027, which is \$1,647,134 more than last fiscal year.

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.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

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

Table 1

Condensed Balance Sheet	June 30,		
	2009	2008	2007
Total current assets	\$ 77,586,603	\$ 76,581,716	\$ 74,091,989
Capital assets, net	19,650,712	21,002,145	20,083,196
Other assets, including board-designated investments	23,067,612	5,624,357	4,625,279
Total assets	\$ 120,304,927	\$ 103,208,218	\$ 98,800,464
Current liabilities	\$ 58,572,136	\$ 61,016,436	\$ 56,020,934
Long-term debt outstanding and other long-term liabilities	24,339,764	6,445,889	7,338,735
Total liabilities	82,911,900	67,462,325	63,359,669
Invested in capital assets, net of related debt	14,526,726	15,755,064	13,636,102
Restricted net assets	11,355,409	12,002,024	12,216,991
Unrestricted net assets	11,510,892	7,988,805	9,587,702
Total net assets	37,393,027	35,745,893	35,440,795
Total liabilities and net assets	\$ 120,304,927	\$ 103,208,218	\$ 98,800,464

Summary of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2009: 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, 2009, 2008 and 2007. Net patient revenue is \$39,187,694, which is \$1,994,555 more than last fiscal year. The change is a result of increased payment rates and a 6% decrease in patient days offset by a 4% increase in outpatient visits. Grants and contract revenue is \$5,126,699, which is \$1,366,025 more than last fiscal year. Salaries increased \$1,809,680 or 4% due mainly to annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits increased \$1,032,785 or 9% due mainly to an increase in health insurance costs and an increase in benefits related to salary costs. Supplies and other expenses increased \$168,643 or 0.5%. This increase was in the patient care areas and other professional services areas. Depreciation and amortization expense increased \$904,301 or 26% due to new equipment and clinic space being depreciated. Total tax revenue is \$47,897,442, which is \$1,757,054 more than last fiscal year. Noncapital grants and contributions increased \$992,223 or 330% due mainly to federal health care facility grants and donations received during the fiscal year.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

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, 2007 and 2006. 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.

Table 2

Revenue, Expenses and Changes in Net Assets	Year Ended June 30,		
	2009	2008	2007
Revenue:			
Net patient service revenue	\$ 39,187,694	\$ 37,193,139	\$ 33,849,941
Grants and contracts	5,126,699	3,760,674	3,451,815
Other	1,980,395	2,047,977	2,142,286
Total operating revenue	46,294,788	43,001,790	39,444,042
Expenses:			
Salaries and employee benefits	57,862,655	55,020,190	52,883,246
Supplies and other expenses	30,150,398	29,981,755	28,703,701
Physician fees and outside services	4,087,816	4,064,793	3,363,637
Depreciation and amortization	4,340,476	3,436,175	3,208,068
Operating expenses	96,441,345	92,502,913	88,158,652
Operating loss	(50,146,557)	(49,501,123)	(48,714,610)
Nonoperating revenue, net	51,793,691	49,806,221	56,062,639
Increase in net assets	\$ 1,647,134	\$ 305,098	\$ 7,348,029
Total revenue	\$ 98,795,132	\$ 93,117,257	\$ 95,892,778
Total expenses	\$ 97,147,998	\$ 92,812,159	\$ 88,544,749

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Patient and Medical Center Statistical Data

Year Ended June 30, 2009: Admissions of 4,362 patients for the current fiscal year are 377 less than last fiscal year. Average length of stay for acute patients is 3.1 days, which is 0.2 days less than last fiscal year. Average length of stay for mental health patients is 6.0 days, which is the same as last fiscal year. The combined decrease in admissions and slight decrease in length of stay results in a decrease in patient days of 1,053 days to 16,466 days for the fiscal year ended June 30, 2009.

The outpatient visits for fiscal year ended June 30, 2009 are 172,320, which is 7,300 more than last fiscal year.

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.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2009	2008	2007
Total patient days	16,466	17,519	18,134
Admissions	4,362	4,739	4,905
Discharges	4,357	4,734	4,901
Average length of stay (days):			
Acute	3.1	2.9	3.0
Mental health	6.0	6.0	5.7
Outpatient visits:			
Mental health	32,906	36,886	38,361
Walk-in and Peds Clinics	33,818	34,253	30,327
Emergency room	30,132	28,826	28,013
Specialty, Internal Medicine and Podiatry Clinics	27,638	24,086	24,991
Family Health Center	16,867	19,519	17,114
Primary Care Clinic	8,444	-	-
Oral Medicine	9,591	8,616	8,630
Women's Health Clinic	6,466	6,071	5,924
Addiction medicine	6,458	6,763	8,971
Total outpatient visits	172,320	165,020	162,331

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2009: 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 2009 the Medical Center recorded \$39,187,694 in net patient revenue representing 40.0% of total revenue. The \$39,187,694 in net patient revenue represents 30.9 % of gross patient charges compared to 31.5% 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, 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.

Table 4 presents the relative percentage of gross charges billed for patient services by payor for the last three fiscal years. There was no material change in the payor mix between the fiscal years ended June 30, 2008, 2007 and 2006. The IowaCare program began in July 2005. This service revenue is reported as Medicaid.

Table 4

Payor Mix by Percentages	Year Ended June 30,		
	2009	2008	2007
Medicare	14%	16%	15%
Medicaid	56	52	49
Third-party payors	5	5	6
Polk County Health Services, Inc.	2	3	4
Wellmark	4	4	3
Self pay, including charity care and bad debts	19	20	23
Total	100%	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Deductions from revenue consist of charity care totaling \$12,575,721, contractual adjustments totaling \$59,272,356 and bad debts totaling \$15,685,328. 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, 2009, 2008 and 2007. As a percentage of gross patient charges, charity care increased 1.0%, contractual adjustments increased 0.4% and bad debts decreased .9%, resulting in a decrease of .6% net patient revenue as compared to gross patient charges.

Table 5

Net Patient Revenue	Year Ended June 30,		
	2009	2008	2007
Gross patient revenue	\$ 126,721,099	\$ 118,204,116	\$ 115,392,856
Charity care	(12,575,721)	(10,578,315)	(8,632,981)
Contractual adjustments	(59,272,356)	(54,768,660)	(52,589,927)
Bad debt	(15,685,328)	(15,664,002)	(20,320,007)
Net patient revenue	\$ 39,187,694	\$ 37,193,139	\$ 33,849,941

Grant/Contract Revenue

Year Ended June 30, 2009: Grant and contract revenue for the year ended June 30, 2009 totaled \$2,730,722 and \$2,395,977, respectively, for a total of \$5,126,699, which represents 5.2% of total revenue compared to a total of \$3,760,674 in 2008.

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.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies and services provided to other entities. Other revenue totals \$1,980,395 and \$2,047,977, which represent 2.0% and 2.2% of total revenue for the years ended June 30, 2009 and 2008, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Tax Revenue

Year Ended June 30, 2009: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2009, the Medical Center's tax revenue totaled \$47,897,442, which is an increase of \$1,757,054 or 3.8% from the prior year. The tax revenue represented 48.8% of total 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.

Table 6

Tax Receipts	2009	2008	2007	Increase (Decrease)	Levied Taxes June 30, 2010
Improvement and maintenance	\$ 33,579,711	\$ 31,852,143	\$ 30,643,240	\$ 1,727,568	\$ 34,120,768
FICA Fund	3,042,158	3,134,562	2,913,201	(92,404)	3,115,309
IPERS Fund	2,651,978	2,640,776	2,432,026	11,202	2,823,036
Tort (Insurance) Fund	8,623,595	8,512,907	16,204,529	110,688	-
Total taxes	\$ 47,897,442	\$ 46,140,388	\$ 52,192,996	\$ 1,757,054	\$ 40,059,113

Capital Assets

June 30, 2009: As of June 30, 2009 the Medical Center had \$19,650,712 invested in capital assets. Capital expenditures in 2009 were less than the 2009 depreciation expense, resulting in a decrease of \$1,351,433 in net capital assets from 2008 to 2009.

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, 2009 and 2008

Table 7

	June 30,		
	2009	2008	2007
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	1,627,079	1,070,280	1,331,328
Capital assets net of depreciation:			
Land improvements	1,302,890	1,454,757	1,607,003
Buildings	5,139,764	5,528,745	5,972,400
Building equipment	5,520,822	4,998,153	5,227,755
Fixed equipment	122,443	134,931	140,926
Vans	17,703	31,738	72,311
Major movable equipment	5,492,877	7,183,581	5,335,348
Equipment under capital lease	368,858	541,684	337,849
Total capital assets, net	\$ 19,650,712	\$ 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 \$21,991,757 as of June 30, 2009, \$5,247,081 as of June 30, 2008, \$6,551,218 as of June 30, 2007. The increase between 2008 and 2009 is due to the Medical Center issuing approximately \$20 million in Revenue Bonds during the year. 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 2010 Outlook

The Board of Trustees has approved and set the budget for the 2010 fiscal year. The budget projects a net operating income of \$438,762.

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, 2009 and 2008

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 Hospital and Clinics. 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 2009-2010 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 \$10,000,000 in additional tax-exempt revenue bonds during fiscal year 2010. The proceeds of the bonds will be used to fund a major construction project.

The Medical Center began the 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, 2009 and 2008

Assets	Medical Center		Component Unit (Foundation)	
	2009	2008	2009	2008
Current Assets:				
Cash and cash equivalents	\$ 7,407,987	\$ 5,889,131	\$ 779,706	\$ 532,494
Investments	-	137,575	141,389	-
Assets limited as to use or restricted, required for current liabilities:				
Cash and cash equivalents	6,719,649	5,089,948	-	-
Investments	189,462	-	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles and contractals 2009 \$10,178,048; 2008 \$10,535,221	10,834,173	12,467,549	-	-
Property taxes	735,892	533,157	-	-
Succeeding year property taxes	46,674,381	47,956,393	-	-
Federal grants	489,996	311,373	-	-
Nonfederal grants	181,700	168,242	-	-
Other	28,109	474,617	-	-
Due from third-party payors	2,451,041	2,121,118	-	-
Inventories	722,590	514,703	-	-
Prepaid expenses and other assets	1,151,623	917,910	-	-
Total current assets	77,586,603	76,581,716	921,095	532,494
Noncurrent Assets:				
Assets limited as to use or restricted:				
Cash and cash equivalents	15,466,969	1,665,973	-	-
Investments	7,246,441	3,890,965	-	-
	22,713,410	5,556,938	-	-
Capital assets:				
Nondepreciable	1,685,355	1,128,556	-	-
Depreciable, net	17,965,357	19,873,589	473	1,173
	19,650,712	21,002,145	473	1,173
Other assets	354,202	67,419	-	-
Total noncurrent assets	42,718,324	26,626,502	473	1,173
	\$ 120,304,927	\$ 103,208,218	\$ 921,568	\$ 533,667

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2009	2008	2009	2008
Current Liabilities:				
Current maturities of long-term debt	\$ 525,000	\$ 505,000	\$ -	\$ -
Current maturities of capital lease obligations	484,329	1,124,221	-	-
Accounts payable and other accrued expenses	3,209,401	4,634,407	378,469	337,022
Accrued employee compensation and payroll taxes	5,356,686	4,381,930	-	-
Current portion of accrued claims on self-insurance	2,322,339	2,414,485	-	-
Deferred revenue for succeeding year property taxes	46,674,381	47,956,393	-	-
Total current liabilities	58,572,136	61,016,436	378,469	337,022
Noncurrent Liabilities:				
Other postemployment benefits	179,000	-	-	-
Accrued claims on self-insurance, less current portion	3,178,336	2,828,029	-	-
Long-term debt, less current maturities	20,610,277	1,576,380	-	-
Long-term capital lease obligations, less current maturities	372,151	2,041,480	-	-
Total noncurrent liabilities	24,339,764	6,445,889	-	-
Total liabilities	82,911,900	67,462,325	378,469	337,022

Commitments and Contingencies (Notes 5 and 8)

Net Assets:				
Invested in capital assets, net of related debt	14,526,726	15,755,064	473	1,173
Restricted:				
For debt service	2,195,772	654,285	-	-
For capital acquisitions	441,790	1,078,174	-	-
For enabling legislation	8,658,027	10,207,265	-	-
For specific activities	59,820	58,848	800,348	473,939
Unrestricted	11,510,892	7,992,257	(257,722)	(278,467)
Total net assets	37,393,027	35,745,893	543,099	196,645
	\$ 120,304,927	\$ 103,208,218	\$ 921,568	\$ 533,667

Broadlawns Medical Center

**Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008**

	Medical Center		Component Unit (Foundation)	
	2009	2008	2009	2008
Operating revenue:				
Net patient service revenue, net	\$ 39,187,694	\$ 37,193,139	\$ -	\$ -
Contracts	2,395,977	2,126,784	-	-
Operating grants	2,730,722	1,633,890	-	-
Other	1,980,395	2,047,977	39,702	23,254
Total operating revenue	46,294,788	43,001,790	39,702	23,254
Operating expenses:				
Salaries and wages	45,606,365	43,796,685	-	-
Employee benefits	12,256,290	11,223,505	-	-
Physician fees and outside services	4,087,816	4,064,793	-	-
Supplies and other expenses	30,150,398	29,981,755	20,050	32,857
Depreciation and amortization	4,340,476	3,436,175	700	1,400
Total operating expenses	96,441,345	92,502,913	20,750	34,257
Operating income (loss)	(50,146,557)	(49,501,123)	18,952	(11,003)
Nonoperating revenue (expense):				
Property taxes	47,897,442	46,140,388	-	-
State appropriations	3,000,000	3,000,000	-	-
Noncapital grants and contributions	1,292,589	300,366	326,409	27,560
Investment earnings	234,759	584,545	1,093	3,262
Interest expense	(706,653)	(309,246)	-	-
Capital grants and contributions	-	20,839	-	-
Other, net	75,554	69,329	-	-
Total nonoperating revenue, net	51,793,691	49,806,221	327,502	30,822
Change in net assets	1,647,134	305,098	346,454	19,819
Net assets:				
Beginning	35,745,893	35,440,795	196,645	176,826
Ending	\$ 37,393,027	\$ 35,745,893	\$ 543,099	\$ 196,645

See Notes to Basic Financial Statements.

Broadlawns Medical Center

**Statements of Cash Flows
Years Ended June 30, 2009 and 2008**

	Medical Center		Component Unit (Foundation)	
	2009	2008	2009	2008
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 45,617,846	\$ 39,061,874	\$ -	\$ -
Payments to suppliers and contractors	(36,404,496)	(31,900,041)	-	-
Payments to employees	(56,887,899)	(55,401,368)	-	-
Other receipts and payments, net	1,980,395	2,073,308	61,099	(84,175)
Net cash provided by (used in) operating activities	(45,694,154)	(46,166,227)	61,099	(84,175)
Cash Flows from Noncapital Financing Activities:				
Property taxes	47,694,707	46,132,008	-	-
State appropriations	3,000,000	3,000,000	-	-
Noncapital grants and contributions	1,292,589	300,366	326,409	27,560
Other	75,554	69,329	-	-
Net cash provided by noncapital financing activities	52,062,850	49,501,703	326,409	27,560
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	-	20,839	-	-
Principal paid on long-term debt	(2,814,221)	(1,613,355)	-	-
Interest paid on long-term debt	(501,044)	(309,246)	-	-
Proceeds from borrowings on long-term debt	19,545,971	-	-	-
Proceeds from sale of capital assets	-	129,344	-	-
Purchase of capital assets	(2,477,245)	(4,144,499)	-	-
Net cash provided by (used in) capital and related financing activities	13,753,461	(5,916,917)	-	-
Cash Flows from Investing Activities:				
Investment income	234,759	584,545	1,093	3,262
Proceeds from sale of investments	137,575	1,500,683	-	-
Purchase of investments	(3,355,476)	(4,860)	(141,389)	-
Net cash provided by (used in) investing activities	(2,983,142)	2,080,368	(140,296)	3,262
Net increase (decrease) in cash and cash equivalents	17,139,015	(501,073)	247,212	(53,353)
Cash and cash equivalents:				
Beginning	12,645,052	13,146,125	532,494	585,847
Ending	\$ 29,784,067	\$ 12,645,052	\$ 779,706	\$ 532,494

(Continued)

Broadlawns Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2009 and 2008

	Medical Center		Component Unit (Foundation)	
	2009	2008	2009	2008
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 7,407,987	\$ 5,889,131	\$ 779,706	\$ 532,494
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	6,719,649	5,089,948	-	-
Assets limited as to use or restricted, noncurrent	15,466,969	1,665,973	-	-
Total cash and cash equivalents	\$ 29,594,605	\$ 12,645,052	\$ 779,706	\$ 532,494
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (50,146,557)	\$ (49,501,123)	\$ 18,952	\$ (11,003)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,340,476	3,436,175	700	1,400
Loss on disposal of capital assets	-	5,954	-	-
Changes in assets and liabilities:				
Patient receivables	1,633,376	(153,493)	-	-
Inventories, prepaid expenses, other assets and other receivables	(537,224)	(381,953)	-	-
Due from third-party payors	(329,923)	(1,880,760)	-	-
Accounts payable and accrued expenses	(654,302)	2,308,973	41,447	(74,572)
Net cash provided by (used in) operating activities	\$ (45,694,154)	\$ (46,166,227)	\$ 61,099	\$ (84,175)
Noncash Capital and Related Financing Activities:				
Capital lease obligations incurred for acquisition of capital assets	\$ -	\$ 306,307	\$ -	\$ -
Accounts payable incurred for acquisition of capital assets	435,604	-	-	-

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. The Organization has elected not to apply FASB guidance subsequent to November 30, 1989. 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 \$15,685,328 and \$15,664,002 for the years ended June 30, 2009 and 2008, respectively.

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 2009 fiscal year. The succeeding year property tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2010 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 years ended June 30, 2009 and 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 \$684,035 and \$695,392 for IPERS contributions, \$7,135,527 and \$8,556,359 for tort immunity, and \$838,465 and \$955,514 for employer payroll taxes as of June 30, 2009 and 2008, respectively.
- *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 \$52,350,877 and \$42,666,575 for the years ended June 30, 2009 and 2008, respectively.

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, 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 years ended June 30, 2009 and 2008 is as follows:

	2009	2008
Gross patient service revenue:		
Inpatient	\$ 34,360,918	\$ 39,553,554
Outpatient	92,360,181	78,650,562
	<u>126,721,099</u>	<u>118,204,116</u>
Less charity care	12,575,721	10,578,315
Gross patient service revenue	<u>114,145,378</u>	<u>107,625,801</u>
Less provisions for bad debts	<u>15,685,328</u>	<u>15,664,002</u>
Less contractual and other adjustments:		
Employee discounts	89,427	39,941
Contractual adjustments under third-party reimbursement programs:		
IowaCare	39,775,156	32,088,260
Medicare	5,337,854	6,920,682
Medicaid	4,868,683	4,855,346
Magellan	1,640,977	1,501,450
Heritage	2,084,858	1,702,948
Wellmark	1,741,769	1,692,280
PCHS	1,101,612	1,729,152
Other	2,632,020	4,238,601
	<u>59,272,356</u>	<u>54,768,660</u>
Net patient service revenue	<u>\$ 39,187,694</u>	<u>\$ 37,193,139</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2009, the Medical Center has the following investments:

Investment	Maturities	Fair Value
U.S. Treasury	7/30/2009	\$ 99,992
Federal Home Loan Mgmt Corp	10/14/09	151,339
Federal Home Loan Mgmt Corp	11/18/09	101,159
Federal National Mgmt Association	12/28/09	101,429
Federal National Mgmt Association	1/19/10	103,240
Federal National Mgmt Association	2/10/10	152,841
Federal Home Loan Bank	3/12/10	105,175
Federal National Mgmt Association	5/17/10	103,862
Federal Home Loan Bank	6/11/10	149,846
Federal Home Loan Bank	7/16/10	100,981
Federal Home Loan Bank	8/10/10	103,333
Federal Home Loan Bank	9/30/10	101,370
Federal Home Loan Mgmt Corp	10/13/10	102,340
Federal National Mgmt Association	12/15/10	103,763
Federal Home Loan Mgmt Corp	1/18/11	103,723
Federal Home Loan Mgmt Corp	2/25/11	100,236
Federal Home Loan Bank	3/11/11	99,716
Federal Farm Credit Bank	4/21/11	99,232
Federal Home Loan Bank	07/29/11	70,000
Federal Home Loan Bank	01/20/12	300,000
Federal National Mgmt Association	08/03/12	350,000
Federal Home Loan Bank	08/18/09	98,808
Subtotal forward		\$ 2,802,385

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

Investment	Maturities	Fair Value
Subtotal forwarded		\$ 2,802,385
Certificates of deposit:		
Associated Bank Green Bay	07/21/09	240,000
Bank of Maumee Ohio	12/07/09	30,000
Bank of America	07/21/09	240,000
Carolina First Bank, Greenville, SC	10/30/09	240,000
Communityone Bank, N A Ashboro, NC	11/09/09	130,000
Eastside Coml Bank, Conyers, GA	10/30/09	240,000
First Nat Bank of the South	11/20/09	240,000
First PI Bank, Warren, Ohio	09/04/09	130,000
First Southern Bank, Batesville, AR	07/23/09	240,000
Goldman Sachs Bank, USA New York	11/04/09	240,000
Heritage Bank	07/27/09	130,000
Integra Bank Natl Assn, Evansville, IN	09/30/09	240,000
Irwin Un Bank & Tr Co, Columbus, IN	12/07/09	240,000
Midfirst Bank	08/21/09	240,000
Minnwest Bank, Centmontevideo, MN	08/03/09	240,000
North Ala Bank, Hazel Green	11/23/09	240,000
Peoples Bank of Wis, Harward	08/05/09	130,000
Southcoast Cmnty Bank, Mt Pleasant, SC	08/31/09	240,000
Trustatlantic Bank, Raleigh, NC	09/09/09	240,000
United Comm Bank Cal	12/22/09	240,000
Univest Natl Bank Tr, Souderton, PA	09/08/09	240,000
Viking Bank, Seattle, WA	10/30/09	240,000
Artwork	NA	3,500
Iowa Public Agency Investment Trust	Current	18
		<u>\$ 7,435,903</u>

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, 2009, 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, Federal Home Loan Mgmt Corp.	Aaa	AAA
FHLM Notes, Federal National Mgmt Association	Aaa	AAA
Fed Natl Mtg Notes, Federal Home Loan Bank	Aaa	AAA
Fed Farm Credit Bank	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 Federal Home Loan Bank, Federal Home Loan Mgmt Corp and Federal National Mgmt Association. The Foundation places no limit on the amount the Foundation may invest in any one issuer.

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, 2009, 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, 2009 and 2008 were designated as follows:

	<u>2009</u>	<u>2008</u>
Board designated for:		
Memorial funds	\$ 3,500	\$ 3,500
Plant replacement and expansion	-	624,803
Building project	1,307,028	-
Self-insured retention funds:		
Medical malpractice	3,354,633	4,447,692
Workers' compensation	1,426,375	1,164,645
Health insurance trust	4,900,592	2,358,194
Equipment maintenance trust	186,149	184,587
Dental	186,119	68,706
Under terms of a capital lease obligation, escrow agreement (Note 6)	441,790	1,078,174
Under terms of a capital lease obligation, debt service reserve (Note 6)	18	654,285
Under terms of bond indentures (Note 6):		
Bond service	2,195,754	-
Project fund	15,560,743	-
Patient trust fund	8,185	3,452
Alumni fund	51,635	58,848
	<u>\$ 29,622,521</u>	<u>\$ 10,646,886</u>

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

	<u>2009</u>	<u>2008</u>
Assets limited as to use or restricted, required for current liabilities	\$ 6,909,111	\$ 5,089,948
Assets limited as to use or restricted	22,713,410	5,556,938
	<u>\$ 29,622,521</u>	<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 years ended June 30, 2009 and 2008 was as follows:

	Medical Center			
	June 30, 2008	Additions	Transfers and Disposals	June 30, 2009
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	1,070,280	2,065,726	(1,508,927)	1,627,079
Total capital assets not being depreciated	1,128,556	2,065,726	(1,508,927)	1,685,355
Capital assets being depreciated:				
Land improvements	3,828,774	-	-	3,828,774
Buildings	18,058,566	-	38,734	18,097,300
Building equipment	20,380,063	182,375	1,258,236	21,820,674
Fixed equipment	567,573	-	-	567,573
Vans	236,842	-	-	236,842
Major moveable equipment	18,073,106	771,918	91,222	18,936,246
Equipment under capital lease	1,394,435	-	-	1,394,435
Total capital assets being depreciated	62,539,359	954,293	1,388,192	64,881,844
Less accumulated depreciation for:				
Land improvements	2,374,017	151,867	-	2,525,884
Buildings	12,529,821	427,715	-	12,957,536
Building equipment	15,381,910	917,942	-	16,299,852
Fixed equipment	432,642	12,488	-	445,130
Vans	205,104	14,035	-	219,139
Major moveable equipment	10,889,525	2,567,409	(13,565)	13,443,369
Equipment under capital lease	852,751	172,826	-	1,025,577
Total accumulated depreciation	42,665,770	4,264,282	(13,565)	46,916,487
Total capital assets, being depreciated, net	19,873,589	(3,309,989)	1,401,757	17,965,357
Capital assets, net	\$ 21,002,145	\$ (1,244,263)	\$ (107,170)	\$ 19,650,712
	Foundation			
	June 30, 2008	Additions	Transfers and Disposals	June 30, 2009
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	6,300	700	-	7,000
Capital assets, net	\$ 1,173	\$ (700)	\$ -	\$ 473

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	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, 2009 and 2008 included costs of \$15,753,777 related to capital leases. Accumulated amortization related to the capital leases as of June 30, 2009 and 2008 was \$11,514,408 and \$10,961,150, respectively. There are commitments totaling \$11,677,191 to complete construction in progress projects as of June 30, 2009. The majority of the construction in progress account as of June 30, 2009 represents costs incurred to construct an addition on the east side of the hospital.

Note 6. Long-Term Debt

Long-term debt as of June 30, 2009 and 2008 consists of the following:

	2009	2008
General obligation capital loan notes (2000), net of discount (A)	\$ 1,578,581	\$ 2,081,380
Hospital Revenue Bonds, Series 2008, net of discount (B)	9,781,802	-
Hospital Revenue Bonds, Series 2009, net of discount (C)	9,774,894	-
Capital lease obligation, buildings (D)	-	1,735,000
Capital lease obligations, equipment (D)	209,840	375,985
Capital lease obligation, equipment (E)	646,640	1,054,716
	<u>21,991,757</u>	<u>5,247,081</u>
Less current maturities	1,009,329	1,629,221
	<u>\$ 20,982,428</u>	<u>\$ 3,617,860</u>

- (A) 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.
- (B) On December 30, 2008, the Medical Center issued Hospital Revenue Bonds, Series 2008 in the principal amount of \$10,000,000 to finance a portion of the cost of construction, equipping and furnishing an addition to the hospital facilities for a new emergency department, an MRI suite, public entrances and public access/registration/reception areas. The proceeds will also be used for renovations to the current hospital facilities, construction of a two-story medical office building and parking areas, landscaping and related site improvements to the existing hospital facilities, fund a debt service reserve fund and pay costs of issuance. The bonds are due in annual installments ranging from \$25,000 to \$1,270,000 through 2023 at interest rates ranging from 5.5% to 7.0%. The bonds are collateralized by net revenue of the Medical Center.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

(C) On March 26, 2009, the Medical Center issued Hospital Revenue Bonds, Series 2009 in the principal amount of \$10,000,000 to finance a portion of the cost of construction, equipping and furnishing an addition to the current hospital facilities for a new emergency department, an MRI suite, public entrances and public access/registration/reception areas. The proceeds will also be used for renovations to the current hospital facilities, construction of a two-story medical office building and parking areas, landscaping and related site improvements to the existing hospital facilities, fund a debt service reserve fund and pay costs of issuance. The bonds are due in annual installments ranging from \$50,000 to \$1,005,000 through 2029 at interest rates ranging from 5.25% to 7.0%. The bonds are collateralized by net revenue of the Medical Center.

(D) 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 was paid off in 2009 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, 2009, the Medical Center had no outstanding borrowings from the improvement fund. The amounts on deposit in the improvement fund are \$18 and \$654,285 as of June 30, 2009 and 2008, respectively.

(E) 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, 2009. This escrow, with a balance of \$441,790, is included in assets limited as to use or restricted, cash and cash equivalents, on the accompanying balance sheets.

Long-term debt activity as of and for the years ended June 30, 2009 and 2008 is as follows:

	June 30, 2008	Borrowings	Payments and Amortization of Discount	June 30, 2009	Amounts Due Within 1 Year
Bonds payable:					
General obligation capital loan notes (2000)	\$ 2,081,380	\$ -	\$ 502,799	\$ 1,578,581	\$ 525,000
Hospital Revenue Bonds, Series 2008	-	9,773,915	(7,887)	9,781,802	-
Hospital Revenue Bonds, Series 2009	-	9,772,056	(2,838)	9,774,894	-
Total bonds payable	2,081,380	19,545,971	492,074	21,135,277	525,000
Capital lease obligations:					
Equipment	1,430,701	-	574,221	856,480	484,329
Buildings	1,735,000	-	1,735,000	-	-
Total capital lease obligations	3,165,701	-	2,309,221	856,480	484,329
	\$ 5,247,081	\$ 19,545,971	\$ 2,801,295	\$ 21,991,757	\$ 1,009,329

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

	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, 2009 are as follows:

Year ending June 30:	Principal	Interest
2010	\$ 525,000	\$ 1,373,423
2011	575,000	1,348,223
2012	710,000	1,319,835
2013	825,000	1,283,340
2014	925,000	1,237,278
2015 - 2019	6,150,000	5,225,060
2020 - 2024	7,455,000	2,938,308
2025 - 2029	4,420,000	965,300
	21,585,000	\$ 15,690,767
Less unamortized discount	449,723	
	\$ 21,135,277	

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

The future minimum lease payments as of June 30, 2009 on the capital lease obligations are as follows:

	<u>Equipment</u>
Year ending June 30:	
2010	\$ 516,243
2011	287,409
2012	62,244
2013	<u>36,310</u>
Total minimum lease payments	902,206
Less amounts representing interest	<u>45,726</u>
Present value of minimum lease payments	<u>\$ 856,480</u>

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, 2009, plan members were required to contribute 4.10% of their annual covered salary and the Medical Center was required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$2,684,202, \$2,453,564 and \$2,228,657, respectively, equal to the required contributions for each year.

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.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

Self-Insurance:

The Medical Center self-insures its professional liability with annual limits of \$750,000 in aggregate and \$1,000,000 per claim and \$3,000,000 in aggregate. 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 \$450,000 per claim and \$3,000,000 aggregate limit through April 14, 2009; and \$550,000 per claim and \$3,000,000 aggregate limit through April 14, 2010. The Medical Center is self-insured for dental insurance with a limit of \$1,200 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 2010, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2009.

The annual provision for professional liability losses and expenses included in the accompanying statements 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 2009 and 2008.

The Medical Center has accrued liabilities of \$5,679,675 and \$5,242,514 for self-insured losses as of June 30, 2009 and 2008, respectively. 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,		June 30,		Amounts
	2008	Additions	Reductions	2009	Due Within 1 Year
Malpractice insurance	\$ 3,272,136	\$ 2,684,666	\$ 2,004,499	\$ 3,952,303	\$ 1,095,504
Workers' compensation insurance	938,878	129,782	266,211	802,449	480,912
Equipment maintenance insurance	40,000	359,959	379,826	20,133	20,133
Dental insurance	61,000	405,990	426,990	40,000	40,000
Other postemployment benefits	-	197,000	18,000	179,000	-
Health insurance	930,500	6,556,754	6,801,464	685,790	685,790
Total	\$ 5,242,514	\$ 10,334,151	\$ 9,896,990	\$ 5,679,675	\$ 2,322,339

Broadlawns Medical Center

Notes to Basic Financial Statements

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

	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

Lease commitments:

The Medical Center leases equipment under operating agreements which expire in 2016 and real estate under operating agreements which expire through 2011. Rental expense under those agreements was approximately \$679,000 and \$579,000 for the years ended June 30, 2009 and 2008, respectively. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:	Equipment	Real Estate
2010	\$ 312,529	\$ 392,000
2011	353,629	392,000
2012	322,091	-
2013	164,400	-
2014	164,400	-
2015 - 2016	205,500	-
	\$ 1,522,548	\$ 784,000

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, 2009 and 2008 was as follows:

	2009	2008
Medicare	25%	25%
PCHS	13	7
Medicaid	15	21
Private pay	31	25
Other	16	22
Total	100%	100%

Note 10. Other Postemployment Benefits (OPEB)

Plan description and funding policy: The Medical Center sponsors a single-employer health care plan that provides self-insured medical, prescription drug and dental benefits to all active and retired employees and their eligible dependents until age 65. Benefits terminate upon attaining Medicare eligibility.

Eligible retirees receive health care coverage through the Medical Center's self-insured plan.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

Funding policy: The Medical Center, with assistance from the third-party administrator, establishes and amends contribution requirements for both active and retiree members on an annual basis.

The current funding policy of the Medical Center is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2009, the Medical Center contributed approximately \$18,000. Retirees receiving benefits contributed approximately \$44,000, through their required contributions.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 10. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation: The Medical Center's annual other postemployment benefit cost expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Fiscal year 2009 is the year in which GASB Statement No. 45 is effective. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Medical Center's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligation:

Annual required contribution	\$ 197,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost/expense	<u>197,000</u>
Contributions and payments made	<u>18,000</u>
Increase in net OPEB obligation	179,000
Net OPEB obligation, July 1, 2008	-
Net OPEB obligation, June 30, 2009	<u><u>\$ 179,000</u></u>

The Medical Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal year 2009 is as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30:			
2009	\$ 197,000	9.14%	\$ 179,000

Funded status and funding progress: As of July 1, 2008, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,166,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$1,166,000. The covered payroll was \$41,466,780 and the ratio of the UAAL to the covered payroll was 2.81%.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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

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

In the July 1, 2008 actuarial valuation, projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% of investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 11%, reduced by decrements of .5% annually to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payroll. The amortization of UAAL is done over a period of 30 years on an open basis.

Note 11. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Medical Center adopted the following statements during the year ended June 30, 2009:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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. As a result, the Medical Center has recorded a liability of \$179,000 and added footnote disclosures pertaining to the plan. See Note 10.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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. This statement had no effect on the financial statements.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. 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. This Statement had no effect on the financial statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 11. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

As of June 30, 2009, 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. 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. 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.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the Organization beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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

Note 12. Subsequent Events

In November 2009, the Medical Center intends to issue Hospital Revenue Bonds, Series 2009A in the principal amount of \$10,000,000 for the purpose of paying the cost of the projects described below. The Series 2009A Bonds are due in annual installments through 2030 at interest rates ranging from 4.25% to 6.0%.

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, public entrances and public access/registration/reception areas. The proceeds will also 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 construction of a new two-story medical office building connected to the existing hospital facilities, parking areas, landscaping and related site improvements.

Broadlawns Medical Center

**Required Supplementary Information, Budget and Budgetary Accounting
Year Ended June 30, 2009**

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 was one 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, 2009:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget	Budget to Actual Variance Positive (Negative)
\$ 96,441,345	\$ 2,093,247	\$ 98,534,592	\$ 98,053,582	\$ (481,010)

Broadlawns Medical Center

**Required Supplementary Information, Other Postemployment Benefit Plan
Year Ended June 30, 2009**

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7/1/2008	\$ -	\$ 1,166,000	\$ 1,166,000	0.00%	\$ 41,466,780	2.81%

NOTE: Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2008. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 5.0%-11.0%; with an ultimate rate of 5%; discount rate of 4.5%.
4. The amortization method is open period, level percentage.

Broadlawns Medical Center

Balance Sheet, by Department

June 30, 2009

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 6,698,249	\$ 44,709	\$ 665,029	\$ -	\$ 7,407,987
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	6,711,464	8,185	-	-	6,719,649
Investments	189,462	-	-	-	189,462
Receivables:					
Patients, net	10,591,635	221,288	21,250	-	10,834,173
Property taxes	735,892	-	-	-	735,892
Succeeding year property taxes	46,674,381	-	-	-	46,674,381
Federal grants	489,996	-	-	-	489,996
Nonfederal grants	181,700	-	-	-	181,700
Other	872,442	-	-	844,333 (1)	28,109
Due from third-party payors	2,275,234	175,807	-	-	2,451,041
Inventories	722,590	-	-	-	722,590
Prepaid expenses and other assets	1,151,623	-	-	-	1,151,623
Total current assets	77,294,668	449,989	686,279	844,333	77,586,603
Noncurrent Assets:					
Assets limited as to use or restricted:					
Cash and cash equivalents	15,466,969	-	-	-	15,466,969
Investments	7,246,441	-	-	-	7,246,441
	22,713,410	-	-	-	22,713,410
Capital assets:					
Nondepreciable	1,685,355	-	-	-	1,685,355
Depreciable, net	17,941,782	-	23,575	-	17,965,357
	19,627,137	-	23,575	-	19,650,712
Other assets	354,202	-	-	-	354,202
Total noncurrent assets	42,694,749	-	23,575	-	42,718,324
	\$ 119,989,417	\$ 449,989	\$ 709,854	\$ 844,333	\$ 120,304,927

(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	\$ 525,000	\$ -	\$ -	\$ -	\$ 525,000
Current maturities of capital lease obligations	484,329	-	-	-	484,329
Accounts payable and other accrued expenses	3,186,990	556,645	310,099	844,333 (1)	3,209,401
Accrued employee compensation and payroll taxes	5,279,951	30,180	46,555	-	5,356,686
Current portion of accrued claims on self-insurance	2,322,339	-	-	-	2,322,339
Deferred revenue for succeeding year property taxes	46,674,381	-	-	-	46,674,381
Total current liabilities	58,472,990	586,825	356,654	844,333	58,572,136
Noncurrent Liabilities:					
Other postemployment benefits	179,000	-	-	-	179,000
Accrued claims on self-insurance, less current portion	3,178,336	-	-	-	3,178,336
Long-term debt, less current maturities	20,610,277	-	-	-	20,610,277
Long-term capital lease obligations, less current maturities	372,151	-	-	-	372,151
Total noncurrent liabilities	24,339,764	-	-	-	24,339,764
Total liabilities	82,812,754	586,825	356,654	844,333	82,911,900
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	14,503,151	-	23,575	-	14,526,726
Restricted:					
For debt service	2,195,772	-	-	-	2,195,772
For capital acquisitions	441,790	-	-	-	441,790
For enabling legislation	8,658,027	-	-	-	8,658,027
For specific activities	51,635	8,185	-	-	59,820
Unrestricted	11,326,288	(145,021)	329,625	-	11,510,892
Total net assets	37,176,663	(136,836)	353,200	-	37,393,027
	\$ 119,989,417	\$ 449,989	\$ 709,854	\$ 844,333	\$ 120,304,927

Broadlawns Medical Center

**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 Statements of Revenue, Expenses and Changes in Net Assets, by Department
Year Ended June 30, 2009**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 36,986,215	\$ 922,818	\$ 1,395,376	\$ 116,715 (1)	\$ 39,187,694
Contracts	2,286,316	-	109,661	-	2,395,977
Operating grants	2,730,722	-	-	-	2,730,722
Other	1,999,272	-	-	18,877 (1)	1,980,395
Total operating revenue	44,002,525	922,818	1,505,037	135,592	46,294,788
Operating expenses:					
Salaries and wages	44,138,406	741,352	726,607	-	45,606,365
Employee benefits	11,817,535	198,455	240,300	-	12,256,290
Physician fees and outside services	4,087,816	-	-	-	4,087,816
Supplies and other expenses	29,429,185	238,736	618,069	135,592 (1)	30,150,398
Depreciation and amortization	4,307,184	2,567	30,725	-	4,340,476
Total operating expenses	93,780,126	1,181,110	1,615,701	135,592	96,441,345
Operating (loss)	(49,777,601)	(258,292)	(110,664)	-	(50,146,557)
Nonoperating revenue (expense):					
Property taxes	47,897,442	-	-	-	47,897,442
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	1,292,589	-	-	-	1,292,589
Investment earnings	233,572	44	1,143	-	234,759
Interest expense	(706,653)	-	-	-	(706,653)
Other, net	75,554	-	-	-	75,554
Total nonoperating revenue (expense), net	51,792,504	44	1,143	-	51,793,691
Change in net assets	2,014,903	(258,248)	(109,521)	-	1,647,134
Net assets:					
Beginning	35,161,760	121,412	462,721	-	35,745,893
Ending	\$ 37,176,663	\$ (136,836)	\$ 353,200	\$ -	\$ 37,393,027

(1) To eliminate intercompany transactions.

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

**Analysis of Net Patient Receivables
June 30, 2009 and 2008**

	2009		2008	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 9,071,861	43%	\$ 8,536,152	37%
31 - 60	3,327,536	16	4,064,135	18
61 - 90	2,188,150	10	2,592,260	11
91 - 120	1,174,795	6	1,760,132	8
121 - 150	1,174,554	6	1,177,670	5
151 - 180	4,075,325	19	4,872,421	21
	<u>21,012,221</u>	<u>100%</u>	<u>23,002,770</u>	<u>100%</u>
Allowance for doubtful accounts	2,193,498		2,167,305	
Allowance for charity care	1,500,298		1,718,155	
Allowance for contractual and other adjustments	6,484,252		6,649,761	
	<u>\$ 10,834,173</u>		<u>\$ 12,467,549</u>	
Medicare	\$ 2,711,807	25%	\$ 3,136,113	25%
PCHS	1,404,930	13	902,263	7
Medicaid	1,597,388	15	2,625,621	21
Private pay	3,385,008	31	3,122,850	25
Other	1,735,040	16	2,680,702	22
Total	<u>\$ 10,834,173</u>	<u>100%</u>	<u>\$ 12,467,549</u>	<u>100%</u>

Broadlawns Medical Center

Inventories
June 30, 2009 and 2008

	2009	2008
General stores	\$ 347,710	\$ 304,811
Pharmacy	<u>374,880</u>	<u>209,892</u>
	<u>\$ 722,590</u>	<u>\$ 514,703</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2009**

	Capital Assets			
	June 30, 2008	Additions	Transfers and Disposals	June 30, 2009
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,557,298	-	-	3,557,298
Buildings	11,098,465	-	38,734	11,137,199
Building equipment	13,836,312	182,375	1,258,236	15,276,923
Fixed equipment	567,573	-	-	567,573
Major moveable equipment	17,369,260	771,918	93,655	18,234,833
Equipment under capital lease	1,374,409	-	-	1,374,409
Construction in progress	1,070,280	2,065,726	(1,508,927)	1,627,079
	<u>48,911,807</u>	<u>3,020,019</u>	<u>(118,302)</u>	<u>51,813,524</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>63,291,175</u>	<u>3,020,019</u>	<u>(118,302)</u>	<u>66,192,892</u>
Residential facilities:				
Building equipment	1,518	-	-	1,518
Major moveable equipment	7,826	-	(907)	6,919
Equipment under capital lease	20,026	-	-	20,026
Total residential facilities	<u>29,370</u>	<u>-</u>	<u>(907)</u>	<u>28,463</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	236,842	-	-	236,842
Major moveable equipment	109,593	-	(1,526)	108,067
Total PATH	<u>347,370</u>	<u>-</u>	<u>(1,526)</u>	<u>345,844</u>
	<u>\$ 63,667,915</u>	<u>\$ 3,020,019</u>	<u>\$ (120,735)</u>	<u>\$ 66,567,199</u>

Accumulated Depreciation and Amortization

June 30, 2008	Current Provision	Deductions	June 30, 2009
\$ -	\$ -	\$ -	\$ -
2,103,987	150,903	-	2,254,890
8,393,750	252,324	-	8,646,074
10,246,126	711,297	-	10,957,423
432,642	12,488	-	445,130
10,208,244	2,550,718	(11,133)	12,747,829
835,023	170,528	-	1,005,551
-	-	-	-
<u>32,219,772</u>	<u>3,848,258</u>	<u>(11,133)</u>	<u>36,056,897</u>
-	-	-	-
270,030	964	-	270,994
4,136,071	175,391	-	4,311,462
5,133,598	206,377	-	5,339,975
586,427	-	-	586,427
<u>10,126,126</u>	<u>382,732</u>	<u>-</u>	<u>10,508,858</u>
<u>42,345,898</u>	<u>4,230,990</u>	<u>(11,133)</u>	<u>46,565,755</u>
1,250	268	-	1,518
7,826	-	(907)	6,919
17,727	2,299	-	20,026
<u>26,803</u>	<u>2,567</u>	<u>(907)</u>	<u>28,463</u>
936	-	-	936
205,104	14,035	-	219,139
87,029	16,690	(1,525)	102,194
<u>293,069</u>	<u>30,725</u>	<u>(1,525)</u>	<u>322,269</u>
<u>\$ 42,665,770</u>	<u>\$ 4,264,282</u>	<u>\$ (13,565)</u>	<u>\$ 46,916,487</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
-	-	-	-
<u>29,636,926</u>	<u>2,948,240</u>	<u>(365,394)</u>	<u>32,219,772</u>
-	-	-	-
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
<u>9,743,411</u>	<u>382,715</u>	<u>-</u>	<u>10,126,126</u>
<u>39,380,337</u>	<u>3,330,955</u>	<u>(365,394)</u>	<u>42,345,898</u>
983	267	-	1,250
7,826	-	-	7,826
14,278	3,449	-	17,727
<u>23,087</u>	<u>3,716</u>	<u>-</u>	<u>26,803</u>
749	187	-	936
164,531	40,573	-	205,104
65,901	21,128	-	87,029
<u>231,181</u>	<u>61,888</u>	<u>-</u>	<u>293,069</u>
<u>\$ 39,634,605</u>	<u>\$ 3,396,559</u>	<u>\$ (365,394)</u>	<u>\$ 42,665,770</u>

Broadlawns Medical Center

Patient Service Revenue Years Ended June 30, 2009 and 2008

	2009		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical and pediatric	\$ 7,640,568	\$ 6,648,785	\$ 991,783
Mental health	5,022,497	5,016,460	6,037
Intensive care	2,270,295	2,270,295	-
Family birthing center	2,014,908	1,968,123	46,785
Residential facilities	922,818	922,818	-
	<u>17,871,086</u>	<u>16,826,481</u>	<u>1,044,605</u>
Other nursing services:			
Operating rooms	7,938,366	1,951,033	5,987,333
Medical and surgical supplies	2,950,319	1,296,383	1,653,936
Ambulatory care services:			
Specialty Clinic	2,108,075	3,242	2,104,833
Emergency	13,539,191	2,305,051	11,234,140
Family health center	2,095,048	6,672	2,088,376
Internal Medicine Clinics	740,788	1,464	739,324
Primary Care Clinic	770,716	-	770,716
Doctors Health Clinic	92	-	92
Peds Clinic	877,799	2,163	875,636
Walk-in Clinic	2,592,948	14,792	2,578,156
Dental clinics	1,303,054	-	1,303,054
Addiction Medicine	374,840	-	374,840
Women's Health Clinic	700,400	1,112	699,288
Mental health	4,313,818	19,924	4,293,894
PATH	1,395,376	-	1,395,376
	<u>41,700,830</u>	<u>5,601,836</u>	<u>36,098,994</u>
Other physician services:			
Anesthesiology	2,106,384	-	2,106,384
ENT	124,814	110	124,704
Family Practice	3,027,959	16,106	3,011,853
Internal Medicine	1,876,417	225,918	1,650,499
Neurology	410,619	5,833	404,786
Obstetrics & Gynecology	1,815,405	557,128	1,258,277
Ophthalmologists	429,257	-	429,257
Orthopedics	673,657	22,888	650,769
Pediatrics	842,580	-	842,580
Podiatry	1,573,984	68,995	1,504,989
Psychiatry	4,047,914	351,857	3,696,057
Surgery	800,802	62,160	738,642
Cardiology	199,571	32,533	167,038
Emergency Medicine	5,147,328	847,656	4,299,672
Medical Education	2,218,238	27,067	2,191,171
Other physician services	289,998	7,191	282,807
	<u>25,584,927</u>	<u>2,225,442</u>	<u>23,359,485</u>
Other professional services:			
Laboratory	11,470,042	3,628,553	7,841,489
Pharmacy	11,640,645	2,738,334	8,902,311
Radiology	14,609,566	1,861,519	12,748,047
Anesthesiology	248	-	248
Respiratory therapy	1,834,055	1,190,244	643,811
Diagnostic services	849,674	144,808	704,866
Physical and Occupational Therapy	1,143,207	126,762	1,016,445
Speech and hearing therapy	133,534	16,939	116,595
	<u>41,680,971</u>	<u>9,707,159</u>	<u>31,973,812</u>
Gross charges at established rates	126,837,814	\$ 34,360,918	92,476,896
Less intercompany elimination	116,715		116,715
Charity care charges forgone, based on established rates	12,575,721		\$ 92,360,181
Total gross patient service revenue	114,145,378		
Provisions for contractual and other adjustments	59,272,356		
Provisions for bad debts	15,685,328		
Total net patient services revenue	\$ 39,187,694		

2008		
Totals	Inpatients	Outpatients
\$ 8,230,974	\$ 7,089,401	\$ 1,141,573
5,321,834	5,312,468	9,366
1,875,353	1,875,353	-
1,954,707	1,922,737	31,970
1,170,431	1,170,431	-
<u>18,553,299</u>	<u>17,370,390</u>	<u>1,182,909</u>
7,370,966	1,839,208	5,531,758
2,565,935	1,423,957	1,141,978
1,805,620	10,582	1,795,038
12,219,790	2,360,632	9,859,158
2,372,574	8,377	2,364,197
826,951	1,779	825,172
-	-	-
1,055	45	1,010
868,402	2,105	866,297
2,320,766	9,234	2,311,532
1,107,290	-	1,107,290
400,803	-	400,803
517,409	3,045	514,364
4,208,699	21,604	4,187,095
1,409,992	-	1,409,992
<u>37,996,252</u>	<u>5,680,568</u>	<u>32,315,684</u>
1,859,735	282,809	1,576,926
112,034	7,780	104,254
2,118,833	9,554	2,109,279
1,671,804	962,116	709,688
317,784	11,506	306,278
1,588,362	1,261,161	327,201
237,517	75	237,442
565,029	110,019	455,010
811,069	-	811,069
1,300,557	237,192	1,063,365
3,798,051	945,661	2,852,390
712,538	254,928	457,610
151,902	39,182	112,720
4,580,593	865,943	3,714,650
2,065,771	187,990	1,877,781
402,203	40,416	361,787
<u>22,293,782</u>	<u>5,216,332</u>	<u>17,077,450</u>
9,944,038	3,646,022	6,298,016
12,447,025	3,176,365	9,270,660
13,102,291	2,326,427	10,775,864
24,198	21,323	2,875
2,467,539	1,889,001	578,538
691,615	120,756	570,859
735,247	100,187	635,060
91,144	6,183	84,961
<u>39,503,097</u>	<u>11,286,264</u>	<u>28,216,833</u>
118,346,430	<u>\$ 39,553,554</u>	78,792,876
142,314		142,314
<u>10,578,315</u>		<u>\$ 78,650,562</u>
107,625,801		
54,768,660		
15,664,002		
<u>\$ 37,193,139</u>		

Broadlawns Medical Center

**Provisions for Contractual and Other Adjustments
Years Ended June 30, 2009 and 2008**

	2009	2008
Employee discounts	\$ 89,427	\$ 39,941
Contractual adjustments under third-party reimbursement programs:		
IowaCare	39,775,156	32,088,260
Medicare	5,337,854	6,920,682
Medicaid	4,868,683	4,855,346
Magellan	1,640,977	1,501,450
Heritage	2,084,858	1,702,948
Wellmark	1,741,769	1,692,280
PCHS	1,101,612	1,729,152
Other	2,632,020	4,238,601
	<u>\$ 59,272,356</u>	<u>\$ 54,768,660</u>

Broadlawns Medical Center

Other Operating Revenue Years Ended June 30, 2009 and 2008

	2009	2008
Grants:		
Broadlawns Medical Center:		
Women, Infants, and Children Program, State of Iowa	\$ 1,376,801	\$ 1,176,098
WIC Breast Pump Program	63,699	41,656
Bioterrorism grant	21,392	17,892
Farmers Market Nutrition Program, State of Iowa (IDALS)	3,153	4,012
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	274,854	221,851
Magellan, Meth Funds (Iowa Plan)	21,639	21,639
Area Health Education Center Grant	127,717	29,135
Earmark Grant	841,467	121,607
Total grants	2,730,722	1,633,890
Contracts:		
Polk County Health Services:		
Day Treatment	40,000	80
Community Access Program, Case Management	1,004,796	837,668
Community Access Program, Service Coordination	334,812	307,318
ISA Nurse Practitioner	109,661	118,286
Community Access Program, Flood Counseling	4,040	-
Addiction Medicine	307,407	299,904
Other:		
Family Planning Iowa Empowerment, ISDPH	-	16,000
Medical and Dental Education, University of Iowa	355,895	342,437
IowaCare, State of Iowa	239,366	205,091
Total contracts	2,395,977	2,126,784
Other:		
Family Practice Program, Iowa Methodist Medical Center	122,200	117,832
Contribution of medical supplies	725,534	889,075
Cafeteria	599,537	599,537
Refunds and rebates	217,068	179,244
Sales and supplies, services, and salvage	127,229	180,602
Purchase discounts	1,699	1,041
Consulting, behavioral health	-	5,475
Des Moines Consortium contribution	35,000	46,383
Research	130,795	-
Miscellaneous	21,333	28,788
Total other	1,980,395	2,047,977
Total other operating revenue	\$ 7,107,094	\$ 5,808,651

Broadlawns Medical Center

Certain Operating Expenses Information Years Ended June 30, 2009 and 2008

	2009			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 813,080	\$ -	\$ 89,064	\$ 902,144
Medical, surgical, and pediatric	2,472,580	-	788,638	3,261,218
Mental health administration	663,787	-	6,260	670,047
Mental health	1,780,540	-	144,285	1,924,825
Intensive care	817,826	-	67,386	885,212
Family birthing center	938,692	-	86,934	1,025,626
Operating rooms	1,020,421	56,550	739,957	1,816,928
Central services	238,123	-	1,554,358	1,792,481
Specialty clinics	905,342	-	925,558	1,830,900
Emergency services	1,864,198	-	294,941	2,159,139
Family health center	569,175	-	150,228	719,403
Internal Medicine Clinic	60,000	-	7,134	67,134
Internal Medicine Continuity Clinic	80,185	-	18,462	98,647
Primary Care Clinic	175,084	-	13,912	188,996
Women's Health Clinic	171,739	-	45,035	216,774
Peds Clinic	172,740	-	16,439	189,179
Walk-in Clinic	450,330	-	50,243	500,573
Pain Clinic	66,876	-	1,553	68,429
Dental clinics	677,762	30,930	183,028	891,720
Addiction Medicine	209,328	-	3,782	213,110
Mental health, clinical services	2,096,004	-	214,555	2,310,559
Residential facilities	90,151	-	8,019	98,170
PATH	-	-	473,844	473,844
Less intercompany transactions	-	-	116,715	116,715
Total nursing and medical services	16,333,963	87,480	5,766,900	22,188,343
Physician Services:				
Anesthesiology	431,219	240,493	88,353	760,065
ENT	-	179,187	-	179,187
Family Practice	813,442	17,679	77,953	909,074
Internal Medicine	765,157	375,136	9,498	1,149,791
Neurology	149,427	-	28,539	177,966
Obstetrics & Gynecology	705,556	7,300	9,213	722,069
Oncology	6,407	-	525	6,932
Ophthalmologists	61,302	68,492	300	130,094
Orthopedics	374,825	425,531	42,764	843,120
Pediatrics	444,436	35,399	7,915	487,750
Podiatry	596,804	-	12,428	609,232
Psychiatry	1,685,013	601,474	84,908	2,371,395
Surgery	574,763	387,729	6,712	969,204
Cardiology	-	52,198	-	52,198
Emergency Medicine	2,906,488	-	24,866	2,931,354
Medical Education	901,348	218,569	26,071	1,145,988
Other physician services	87,796	123,751	39	211,586
Total physician services	\$ 10,503,983	\$ 2,732,938	\$ 420,084	\$ 13,657,005

2008

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	736,302	\$ -	\$ 78,980	\$ 815,282
	2,392,952	-	1,414,032	3,806,984
	726,409	-	5,229	731,638
	1,794,442	-	65,366	1,859,808
	806,835	-	63,969	870,804
	1,035,162	-	79,820	1,114,982
	875,515	198,450	850,206	1,924,171
	263,344	-	1,323,323	1,586,667
	647,280	-	753,364	1,400,644
	1,855,551	-	359,691	2,215,242
	612,925	-	156,994	769,919
	56,654	-	2,308	58,962
	151,228	-	21,446	172,674
	-	-	-	-
	163,247	-	37,614	200,861
	179,120	-	26,813	205,933
	416,943	-	45,431	462,374
	-	-	-	-
	605,925	25,329	145,593	776,847
	202,913	-	3,321	206,234
	2,210,959	-	235,895	2,446,854
	59,716	-	11,210	70,926
	-	-	376,400	376,400
	-	-	142,314	142,314
	15,793,422	223,779	6,199,319	22,216,520
	119,073	732,680	84,172	935,925
	-	204,510	-	204,510
	668,498	2,828	4,231	675,557
	732,523	326,191	16,111	1,074,825
	164,270	-	2,724	166,994
	471,563	123,085	7,721	602,369
	922	-	-	922
	28,296	52,000	1,419	81,715
	556,197	97,085	16,191	669,473
	527,448	31,260	7,444	566,152
	538,201	-	8,915	547,116
	2,142,944	139,832	27,901	2,310,677
	375,412	604,994	3,383	983,789
	(117)	53,433	-	53,316
	2,216,651	2,250	28,457	2,247,358
	1,059,686	205,365	32,038	1,297,089
	-	19,623	348,124	367,747
\$	9,601,567	\$ 2,595,136	\$ 588,831	\$ 12,785,534

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2009 and 2008**

	2009			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,062,498	\$ 205,268	\$ 1,636,914	\$ 2,904,680
Pharmacy	1,532,636	-	7,146,796	8,679,432
Radiology	915,440	1,000,000	1,042,405	2,957,845
Anesthesiology	239,800	-	17,559	257,359
Respiratory therapy	529,079	-	155,986	685,065
Diagnostic services	158,329	-	22,747	181,076
Physical and Occupational Therapy	325,011	-	17,126	342,137
Medical information management	1,400,609	-	50,194	1,450,803
Social services	393,602	-	18,972	412,574
Registration	1,264,833	-	153,320	1,418,153
Women, Infants and Children Program	722,365	-	201,755	924,120
Special services	-	-	3,101	3,101
Medical education	1,600,002	62,130	496,713	2,158,845
Library	49,554	-	81,400	130,954
Medical services	310,026	-	293,618	603,644
Managed care	114,569	-	2,398	116,967
Bureau of Refugee Services	178,465	-	74,177	252,642
Speech and hearing	7,863	-	44,517	52,380
Residential facilities	498,448	-	66,743	565,191
PATH	676,425	-	-	676,425
Total other professional services	11,979,554	1,267,398	11,526,441	24,773,393
General services:				
Dietary	-	-	1,912,283	1,912,283
Facility management	-	-	-	-
Plant operations	1,014,448	-	2,371,057	3,385,505
Environmental services	842,975	-	555,045	1,398,020
Laundry and linen	64,035	-	156,536	220,571
Risk management	155,370	-	50,478	205,848
Security	445,076	-	16,138	461,214
Residential facilities	-	-	70,109	70,109
PATH	-	-	27,564	27,564
Total general services	\$ 2,521,904	\$ -	\$ 5,159,210	\$ 7,681,114

2008

2008				
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total	
\$ 1,065,713	\$ 198,195	\$ 1,545,867	\$	2,809,775
1,487,722	-	7,657,724		9,145,446
915,643	992,431	1,030,401		2,938,475
71,095	-	1,700		72,795
545,035	-	167,031		712,066
135,245	-	23,436		158,681
288,337	-	27,729		316,066
1,516,221	-	124,528		1,640,749
354,162	-	21,159		375,321
1,242,574	-	392,382		1,634,956
668,892	-	185,003		853,895
-	-	26,888		26,888
1,426,272	55,252	518,423		1,999,947
48,267	-	78,643		126,910
291,473	-	238,935		530,408
157,167	-	3,269		160,436
164,771	-	24,920		189,691
7,539	-	34,209		41,748
467,383	-	71,342		538,725
686,088	-	-		686,088
11,539,599	1,245,878	12,173,589		25,159,927
-	-	1,954,912		1,954,912
18,030	-	3,808		21,838
1,036,957	-	2,191,176		3,228,133
967,291	-	556,073		1,523,364
69,598	-	220		69,818
173,843	-	57,613		231,456
417,333	-	17,123		434,456
-	-	62,221		62,221
-	-	28,504		28,504
\$ 2,683,052	\$ -	\$ 4,871,650	\$	7,554,702

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2009 and 2008**

	2009			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 356,208	\$ -	\$ 341,287	\$ 697,495
Accounting	737,058	-	205,173	942,231
Payroll	70,874	-	30	70,904
Information services	832,797	-	1,180,858	2,013,655
Patient accounting	760,404	-	795,173	1,555,577
Patient advocate	158,013	-	10,950	168,963
Telecommunication	172,512	-	236,901	409,413
Planning	407,420	-	416,531	823,951
Print shop	39,935	-	179,671	219,606
Purchasing, receiving and stores	199,363	-	26,195	225,558
Human resources	231,674	-	132,662	364,336
Occupational health	97,768	-	65,507	163,275
Residential facilities	152,753	-	49,573	202,326
PATH	50,182	-	27,610	77,792
Total fiscal and administrative services	4,266,961	-	3,668,121	7,935,082
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	2,603,170	2,603,170
FICA	-	-	2,964,179	2,964,179
Health insurance	-	-	5,676,841	5,676,841
Life insurance	-	-	328,088	328,088
Unemployment compensation	-	-	83,888	83,888
Workers' compensation	-	-	124,428	124,428
Other benefits	-	-	36,941	36,941
Insurance	-	-	3,021,110	3,021,110
Medical Center dues	-	-	165,857	165,857
Consulting fees	-	-	308,209	308,209
	-	-	15,312,711	15,312,711
Depreciation and amortization	\$ -	\$ -	\$ 4,307,184	\$ 4,307,184

2008

2008				
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total	
\$ 358,062	\$ -	\$ 587,661	\$	945,723
743,260	-	229,355		972,615
70,021	-	25		70,046
785,398	-	1,026,610		1,812,008
700,698	-	858,224		1,558,922
175,226	-	26,643		201,869
169,761	-	224,256		394,017
319,071	-	269,175		588,246
36,171	-	165,936		202,107
199,996	-	16,852		216,848
256,536	-	169,911		426,447
120,887	-	100,565		221,452
187,682	-	51,344		239,026
56,276	-	31,924		88,200
4,179,045	-	3,758,481		7,937,526
-	-	2,369,374		2,369,374
-	-	2,885,356		2,885,356
-	-	4,703,579		4,703,579
-	-	364,769		364,769
-	-	29,337		29,337
-	-	402,081		402,081
-	-	34,417		34,417
-	-	1,933,446		1,933,446
-	-	157,338		157,338
-	-	479,724		479,724
-	-	13,359,421		13,359,421
\$ -	\$ -	\$ 3,370,571	\$	3,370,571

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2009 and 2008**

	2009			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 38,952	\$ 38,952
FICA	-	-	47,354	47,354
Health and life insurance	-	-	112,149	112,149
Insurance	-	-	28,279	28,279
Depreciation and amortization	-	-	2,567	2,567
Rent of building and equipment	-	-	16,013	16,013
Total residential facilities	-	-	245,314	245,314
PATH:				
Employee benefits:				
IPERS	-	-	42,080	42,080
FICA	-	-	51,235	51,235
Health and life insurance	-	-	146,985	146,985
Insurance	-	-	22,928	22,928
Depreciation and amortization	-	-	30,725	30,725
Rent of building and equipment	-	-	66,123	66,123
Total PATH	-	-	360,076	360,076
Less intercompany transactions	-	-	18,877	18,877
	-	-	341,199	341,199
Total fiscal and administrative services and unassigned expenses	4,266,961	-	23,874,529	28,141,490
Total operating expenses	\$ 45,606,365	\$ 4,087,816	\$ 46,747,164	\$ 96,441,345

2008

2008			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$ -	\$ -	\$ 40,348	\$ 40,348
-	-	49,543	49,543
-	-	122,850	122,850
-	-	27,879	27,879
-	-	3,716	3,716
-	-	15,428	15,428
-	-	259,764	259,764
-	-	43,842	43,842
-	-	51,308	51,308
-	-	126,701	126,701
-	-	22,928	22,928
-	-	61,888	61,888
-	-	57,147	57,147
-	-	363,814	363,814
-	-	19,377	19,377
-	-	344,437	344,437
4,179,045	-	21,092,674	25,271,719
\$ 43,796,685	\$ 4,064,793	\$ 44,641,435	\$ 92,502,913

Broadlawns Medical Center

**Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function
Year Ended June 30, 2009**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 36,986,215	\$ 922,818	\$ 1,395,376	\$ 116,715 (1)	\$ 39,187,694
Contracts	2,286,316	-	109,661	-	2,395,977
Operating grants	2,730,722	-	-	-	2,730,722
Other	1,999,272	-	-	18,877 (1)	1,980,395
Total operating revenue	44,002,525	922,818	1,505,037	135,592	46,294,788
Operating expenses:					
Nursing and medical services	21,733,044	98,170	473,844	116,715 (1)	22,188,343
Physician services	13,657,005	-	-	-	13,657,005
Other professional service	23,531,777	565,191	676,425	-	24,773,393
General services	7,583,441	70,109	27,564	-	7,681,114
Fiscal and administrative service and unassigned expenses	22,967,675	445,073	407,143	18,877 (1)	23,801,014
Depreciation and amortization	4,307,184	2,567	30,725	-	4,340,476
Total operating expenses	93,780,126	1,181,110	1,615,701	135,592	96,441,345
Operating (loss)	(49,777,601)	(258,292)	(110,664)	-	(50,146,557)
Nonoperating revenue (expense):					
Property taxes	47,897,442	-	-	-	47,897,442
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	1,292,589	-	-	-	1,292,589
Investment earnings	233,572	44	1,143	-	234,759
Interest expense	(706,653)	-	-	-	(706,653)
Other, net	75,554	-	-	-	75,554
Total nonoperating revenue (expense), net	51,792,504	44	1,143	-	51,793,691
Change in net assets	2,014,903	(258,248)	(109,521)	-	1,647,134
Net assets:					
Beginning	35,161,760	121,412	462,721	-	35,745,893
Ending	\$ 37,176,663	\$ (136,836)	\$ 353,200	\$ -	\$ 37,393,027

(1) To eliminate intercompany transactions.

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

**Patient and Medical Center Statistical Data
Years Ended June 30, 2009 and 2008
(Unaudited)**

	2009	2008
Patient days:		
Medical, surgical and pediatric	7,134	7,650
Obstetrics	747	767
Intensive care unit	1,067	1,158
Mental health	6,778	7,176
Nursery	740	768
Total patient days	16,466	17,519
Admissions	4,362	4,739
Discharges	4,357	4,734
Average length of stay (days):		
Acute	3.1	2.9
Mental health	6.0	6.0
Outpatient visits:		
Emergency room	30,132	28,826
Walk-in clinic	26,024	25,987
Specialty clinics	13,947	10,790
Pediatric clinic	7,794	8,266
Internal medicine clinic	7,472	7,220
Primary care clinic	8,444	-
Podiatry clinic	6,219	6,076
Women's health clinic	6,466	6,071
Family health center	16,867	19,519
Mental health	32,906	36,886
Oral medicine	9,591	8,616
Addiction medicine	6,458	6,763
	172,320	165,020

Broadlawns Medical Center

**Organization Data
Year Ended June 30, 2009**

	Expiration of Term
Board of Trustees:	
Ms. Jean Logan, RN PhD, Chair	December 31, 2010
Ms. Janet Metcalf, Vice Chair	December 31, 2010
Ms. Mary Fuller, Secretary	December 31, 2012
Mr. Frank Harrison, Treasurer	December 31, 2010
Members:	
Ms. Cynthia Gray	December 31, 2014
Ms. Judi Lahart	December 31, 2014
President and Chief Executive Officer, Mr. Jody Jenner	
Senior Vice President of Business Services, Mr. Albert White	

Broadlawns Medical Center

**Schedule of Revenue, Expenses and Balances - Completed Contracts
Year Ended June 30, 2009**

	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	656,034
Personnel benefits	264,734
Travel	306
Staff training	6,455
Space costs:	
Cash	92,730
In-kind	-
Supplies	37,885
Telephone	1,541
Other expenses	-
Total allowable expenses	<u>1,059,685</u>
Distribution of management and general	<u>517,510</u>
Total expenses	<u><u>\$ (355,429)</u></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
	78,758	78,758	113,960	927,510
	23,995	23,995	42,545	355,269
	-	-	-	306
	426	426	213	7,520
	-	-	5,349	98,079
	51,157	51,158	-	102,315
	1,087	1,087	2,766	42,825
	-	-	-	1,541
	-	-	556,650	556,650
	155,423	155,424	721,483	2,092,015
	101,987	101,986	(721,483)	-
	257,410	257,410	-	2,092,015
\$	42,494	\$ (13,920)	\$ -	\$ (326,855)

Broadlawns Medical Center

Compliance Report

06.30.2009

McGladrey & Pullen

Certified Public Accountants

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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 and Broadlawns Medical Center Foundation, a discretely presented component unit, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 2009. 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 the discretely presented component unit.

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.

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, 2009 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.

However, we noted certain immaterial instances of noncompliance that we have reported to management of Broadlawns Medical Center in the attached schedule of findings and questioned costs.

We also noted certain matters that we reported to management of Broadlawns Medical Center in a separate letter dated November 4, 2009.

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.

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 4, 2009

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

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, 2009. 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-III-A.

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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Broadlawns Medical Center and Broadlawns Medical Center Foundation, a discretely presented component unit, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 2009. Our audit was performed for the purpose of forming an opinion on 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 OMB Circular A-133 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.

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 4, 2009

Broadlawns Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009**

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	\$ 81,632
Health Resources and Services Administration, Health Care and Other Facilities (Direct Award)	93.887	1C76HF03589-01-00	841,467
Passed through the Des Moines University:			
Health Resources and Services Administration, Area Health Education Centers	93.824	5U76hp08261-02-01	127,717
Passed through U.S. Human Resources & Service Administration:			
Bioterrorism Hospital Preparedness	93.889	5889BT01 08-09BMC	10,030
Bioterrorism Hospital Preparedness	93.003	5888BHP01 07-08BMC	11,362
Total U.S. Department of Health and Human Services			<u>1,072,208</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	5889A031	860,196
	10.557	5888A031	504,419
Breast Pump Reimbursement	10.557	5887A031	48,875
Passed through Iowa Department of Agriculture and Land Stewardship:			
Iowa Farmers Market Nutrition Program	10.572	1191-05-31	3,153
Total U.S. Department of Agriculture			<u>1,416,643</u>
			<u>\$ 2,488,851</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, 2009

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, 2009, 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, 2009

Current Number	Comment	Status
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.	Corrected
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.	Not Corrected, See 09-IV-H

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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
93.887	Healthcare and Other Facilities

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, 2009

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

(A) Internal Control Findings

None reported.

(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

09-III-A

U.S. Department of Health and Human Services
Health Resources and Services Administration
Healthcare and Other Facilities
(CFDA 93.887)
Federal Award year: 2009

Finding: The Medical Center did not ensure they were in compliance with the Procurement and Suspension and Debarment compliance requirement.

Criteria: The Office of Management and Budget Circular A-133 states, *Nonfederal entities are prohibited from contracting with or making subawards for goods and services that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred.*

Condition: The Medical Center has contracted with providers of goods and services in excess of \$25,000, covered transactions, and has made subawards of federal funding and did not verify that the provider or subrecipient was not suspended or debarred.

Questioned costs: None

Context: The expenditures associated with the health care and other facilities that meet the criteria of covered transactions.

Effect: Potential questioned costs.

Recommendation: We recommend the Medical Center implement procedures to ensure providers are not suspended or debarred.

Response and Corrective Action Plan: The Medical Center will implement procedures to ensure providers are not suspended or debarred.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

IV. Other Findings Related to Required Statutory Reporting

09-IV-A – Certified Budget:

Finding: Expenditures during the year ended June 30, 2009 exceeded the amount budgeted.

Recommendation: The budget should be amended in accordance with Chapter 331.435 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response and Corrective Action Plan: The Medical Center will monitor actual expenses on a monthly basis and file a budget amendment when the projected expenses are expected to exceed the approved budgeted expenses.

Conclusion: Response accepted.

09-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.

09-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.

09-IV-D – Business Transactions:

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

09-IV-E – Board Minutes:

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

09-IV-F – Deposits and Investments:

Chapter 12C.6 of the Code of Iowa states that funds invested in time certificates of deposit shall draw interest at a rate which is not less than the minimum rate established by the State Rate Setting Committee.

The interest rate on a certificate of deposit held by the Medical Center was less than the rate established by the State Rate Setting Committee.

Recommendation: The Medical Center should only invest in certificates of deposits that are greater than the statutory rates established by the State Rate Setting Committee.

Response and Corrective Action Plan: When renewing certificates of deposit in the future, the Medical Center will ensure that the certificates being offered by the bank are not less than the minimum state rate.

Conclusion: Response accepted

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

09-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....”

While the Medical Center published a schedule of salaries paid as required by the Code, there were no quarterly publications of the schedule of bills allowed.

Recommendation: The Medical Center should publish on a quarterly basis the schedule of bills allowed.

Response and Corrective Action Plan: The Medical Center has developed a plan to get previous filings up to date and to remain current in the future. This plan has been included in the performance improvement plan of the accounting department.

Conclusion: Response accepted.

09-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 by under Chapter 70A.9 of the Code of Iowa.

Recommendation: The Medical Center should on an annual 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: The Board of Trustees of the Medical Center will approve using the Internal Revenue Service mileage rate at the beginning of each calendar year.

Conclusion: Response accepted.

Broadlawns Medical Center

Corrective Action Plan Year Ended June 30, 2009

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Findings and Questioned Costs for Federal Awards:				
09-III-A	The Medical Center did not ensure vendors used were not suspended or debarred.	See response and corrective action plan at 09-III-A	June 30, 2009	Deb Shelabarger
Other Findings Related to Required Statutory Reporting:				
09-IV-A	Expenditures during the year ended June 30, 2009 exceeded the amount budgeted.	See response and corrective action plan at 09-IV-A	June 30, 2009	John Gumm
09-IV-F	The interest rate on a certificate of deposit held by the Medical Center was less than the rate as established by the State Rate Setting Committee.	See response and corrective action plan at 09-IV-F	June 30, 2009	Deb Shelabarger
09-IV-G	While the Medical Center published a schedule of salaries paid as required by the Code, there were no quarterly publications of the schedule of bills allowed.	See response and corrective action plan at 09-IV-G	June 30, 2009	Deb Shelabarger
09-IV-H	While the mileage rate used by the Medical Center is not in excess of the amount allowable under Federal IRS rules, this rate was not approved by the Board, as required by under Chapter 70A.9 of the Code of Iowa.	See response and corrective action plan at 09-IV-H	June 30, 2009	Deb Shelabarger