

Broadlawns Medical Center

Financial Report
June 30, 2011

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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, 2011 and 2010, 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.

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, 2011 and 2010, 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, 2011 and 2010, dated December 16, 2011 and November 5, 2010, 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, 2011 and 2010 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
December 16, 2011

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

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, 2011 and 2010. 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 the Medical Center's 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, 2011, 2010 and 2009.

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, 2011 and 2010

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 \$11,038,252, which is a \$6,668,177 increase from last fiscal year, which ended with an increase in net assets of \$4,370,075.
- Total operating expenses for the current fiscal year were \$3,237,989 more than last fiscal year.
- Total operating revenue for the year was \$56,490,391, which is an increase of \$8,374,135.
- Net nonoperating revenue, which includes the property tax levy, increased \$1,132,031. An increase in the property tax levy of \$1,193,224 was offset by a decrease in investment earnings.
- During the fiscal year the Medical Center made capital investments totaling \$13,179,464. Capital investments were more than depreciation expense of \$4,347,482 by \$8,831,982. The following is a list of significant purchases and improvements:

Capital Investments	Vendor	Department	2011 Cost
New Main Entrance & Walk in Clinic	Miscellaneous Vendors	Bldg, Bldg Equip, Land Improvements	\$ 4,377,398
MRI	GE Healthcare	Imaging Services	1,418,458
Furniture	Pigott Inc	Lobby, Financial Counseling, Registration	177,464
Surgical Saw & Instruments	Skryker Instrument	Surgery	109,763
Two Sterrad Sterilizers	J & J Healthcare	Supply, Processing & Distribution	91,373
Palm Vein Sensor	HT Systems	Registration	83,595

The source of funding of these projects is derived from operations and from Revenue Bonds issued in fiscal years 2010 and 2009.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

Net Assets

June 30, 2011: Total current assets are \$93,760,216, which is \$10,225,445 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$6,610,874, an increase in succeeding year's county property tax levy of \$1,719,116, an increase in third-party receivables of \$1,697,607 offset by a decrease in net patient receivables of \$140,560. Total noncurrent assets are \$59,674,592, which is \$2,196,278 more than last year. The increase resulted from an increase in net capital assets of \$8,814,895 which is offset by a decrease in noncurrent assets limited as to use or restricted of \$6,564,959.

Total current liabilities of \$68,949,129 are \$2,668,401 more than last fiscal year. The change is due to an increase in deferred revenue for succeeding year's property taxes of \$1,719,116 and an increase in current maturities of long-term debt of \$526,862. Long-term liabilities of \$31,733,678 are \$1,235,937 less than last fiscal year. The decrease is primarily due to the reclassification of debt to current and principal payments and amortization of discounts of \$49,110, capital lease payments of \$272,448 and the reduction of non-current accrued claims on self-insurance of \$586,510.

Net assets total \$52,752,361, which is \$10,989,259 more than last fiscal year.

June 30, 2010: Total current assets are \$85,456,695, which is \$7,870,092 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$6,128,927, an increase in succeeding year's county property tax levy of \$5,939,818. The increases were partially offset by a decrease in third-party receivables of \$2,382,447 and a decrease in net patient receivables of \$1,915,692. Total noncurrent assets are \$55,556,750, which is \$12,838,426 more than last year. The increase resulted from an increase in noncurrent assets limited as to use or restricted of \$2,011,068, and an increase in net capital assets of \$10,704,042.

Total current liabilities of \$66,280,728 are \$7,708,592 more than last fiscal year. The change is due to an increase in deferred revenue for succeeding year's property taxes of \$5,939,818 and an increase in accounts payable and other accrued expenses of \$2,178,811. Long-term liabilities of \$32,969,615 are \$8,629,851 more than last fiscal year. The increase is primarily due to new debt of approximately \$10,000,000 offset by principal payments and amortization of discounts of \$842,391, capital lease payments of \$277,068 and the reduction of non-current accrued claims on self-insurance of \$374,697.

Net assets total \$41,763,102, which is \$4,370,075 more than last fiscal year.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

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

Table 1

Condensed Balance Sheet	June 30,		
	2011	2010	2009
Total current assets	\$ 93,760,216	\$ 83,534,771	\$ 77,586,603
Capital assets, net	39,169,649	30,354,754	19,650,712
Other assets, including assets limited as to use or restricted	20,505,303	27,123,920	23,067,612
Total assets	\$ 153,435,168	\$ 141,013,445	\$ 120,304,927
Current liabilities	\$ 68,949,129	\$ 66,280,728	\$ 58,572,136
Long-term debt outstanding and other long-term liabilities	31,733,678	32,969,615	24,339,764
Total liabilities	100,682,807	99,250,343	82,911,900
Invested in capital assets, net of related debt	12,579,264	14,469,027	14,526,726
Restricted net assets	10,376,683	9,810,229	11,355,409
Unrestricted net assets	29,796,414	17,483,846	11,510,892
Total net assets	52,752,361	41,763,102	37,393,027
Total liabilities and net assets	\$ 153,435,168	\$ 141,013,445	\$ 120,304,927

Summary of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2011: 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, 2011, 2010 and 2009. Net patient revenue is \$44,664,108, which is \$3,716,380 more than last fiscal year. The change is a result of a 3% decrease in patient days and a 3% increase in outpatient visits. Grants and contract revenue is \$6,911,730, which is \$1,893,687 more than last fiscal year. Salaries increased \$1,783,157 or 4% due to attrition offset by annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits increased \$1,263,752 or 10% due mainly to an increase in health insurance costs. Supplies and other expenses increased \$311,022 or 1%. This increase was throughout the Medical Center. Depreciation and amortization expense increased \$122,275 or less than 3%. Total tax revenue is \$52,457,755, which is \$4,193,224 more than last fiscal year. Interest expenses increased \$59,538 or 4% due to the interest payments on the revenue bonds.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

Year Ended June 30, 2010: 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, 2010, 2009 and 2008. Net patient revenue is \$40,947,728, which is \$1,760,034 more than last fiscal year. The change is a result of increased payment rates and a 3% increase in patient days and a 2% increase in outpatient visits. Grants and contract revenue is \$5,018,043, which is \$108,656 less than last fiscal year. Salaries increased only \$241,120 or less than 1% due to attrition offset by annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits increased \$864,207 or 7% due mainly to an increase in health insurance costs. Supplies and other expenses decreased \$1,661,117 or 6%. This decrease was throughout the Medical Center. Depreciation and amortization expense increased \$19,130 or less than 1%. Total tax revenue is \$48,264,531, which is \$367,089 more than last fiscal year. Interest expenses increased \$738,842 or 105% due to the interest payments on the revenue bonds.

Table 2

Revenue, Expenses and Changes in Net Assets	Year Ended June 30,		
	2011	2010	2009
Revenue:			
Net patient service revenue	\$ 44,664,108	\$ 40,947,728	\$ 39,187,694
Grants and contracts	6,911,730	5,018,043	5,126,699
Other	4,914,553	2,150,485	1,980,395
Total operating revenue	56,490,391	48,116,256	46,294,788
Expenses:			
Salaries and employee benefits	62,014,891	58,967,982	57,862,655
Supplies and other expenses	28,800,303	28,489,281	30,150,398
Physician fees and outside services	2,943,995	3,137,219	4,087,816
Depreciation and amortization	4,481,881	4,359,606	4,340,476
Operating expenses	98,241,070	94,954,088	96,441,345
Operating loss	(41,750,679)	(46,837,832)	(50,146,557)
Nonoperating revenue, net	51,339,938	50,207,907	51,793,691
Capital contributions	1,400,000	1,000,000	-
Increase in net assets	\$ 10,989,259	\$ 4,370,075	\$ 1,647,134
Total revenue	\$ 109,335,362	\$ 100,778,496	\$ 98,795,132
Total expenses	\$ 99,746,103	\$ 96,408,421	\$ 97,147,998

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Patient and Medical Center Statistical Data

Year Ended June 30, 2011: Admissions of 3,852 patients for the current fiscal year are 327 less than last fiscal year. Average length of stay for acute patients is 3.1 days, which is 0.1 days less than last fiscal year. Average length of stay for mental health patients is 7.1 days, which is 0.8 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 514 days to 16,519 days for the fiscal year ended June 30, 2011.

The outpatient visits for fiscal year ended June 30, 2011 are 180,896, which is 4,659 more than last fiscal year.

Year Ended June 30, 2010: Admissions of 4,179 patients for the current fiscal year are 183 less than last fiscal year. Average length of stay for acute patients is 3.2 days, which is 0.1 days more than last fiscal year. Average length of stay for mental health patients is 6.3 days, which is 0.3 days more than last fiscal year. The combined decrease in admissions and slight increase in length of stay results in an increase in patient days of 567 days to 17,033 days for the fiscal year ended June 30, 2010.

The outpatient visits for fiscal year ended June 30, 2010 are 176,237, which is 3,917 more than last fiscal year.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2011	2010	2009
Total patient days	16,519	17,033	16,466
Admissions	3,852	4,179	4,362
Discharges	3,828	4,188	4,357
Average length of stay (days):			
Acute	3.1	3.2	3.1
Mental health	7.1	6.3	6.0
Outpatient visits:			
Mental health	33,415	31,639	32,906
Walk-in and Peds Clinics	31,317	33,941	33,818
Emergency room	33,664	31,835	30,132
Specialty, Internal Medicine and Podiatry Clinics	29,688	29,413	27,638
Family Health Center	17,771	17,553	16,867
Primary Care Clinic	13,175	10,586	8,444
Oral Medicine	8,477	8,396	9,591
Women's Health Clinic	6,103	6,041	6,466
Addiction medicine	7,286	6,833	6,458
Total outpatient visits	180,896	176,237	172,320

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2011: 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 2011 the Medical Center recorded \$44,664,108 in net patient revenue representing 40.8% of total revenue. The \$44,664,108 in net patient revenue represents 31.3% of gross patient charges compared to 29.4% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid and third-party payors based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Any patient falling under 200% of the federal poverty guidelines without a third-party payor is considered indigent and eligible for charity care

Year Ended June 30, 2010: 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 2010 the Medical Center recorded \$40,947,728 in net patient revenue representing 40.6% of total revenue. The \$40,947,728 in net patient revenue represents 29.4% of gross patient charges compared to 30.9% 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, 2011, 2010 and 2009. The IowaCare program began in July 2005, this service revenue is reported as Medicaid.

Table 4

Payor Mix by Percentages	Year Ended June 30,		
	2011	2010	2009
Medicare	13%	13%	14%
Medicaid	63	61	56
Third-party payors	4	5	5
Polk County Health Services, Inc.	4	3	2
Wellmark	3	3	4
Self pay, including charity care and bad debts	13	15	19
Total	100%	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

Deductions from revenue consist of charity care totaling \$10,762,871, contractual adjustments totaling \$74,079,478 and bad debts totaling \$13,104,854. 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, 2011, 2010 and 2009. As a percentage of gross patient charges, charity care decreased .6%, contractual adjustments increased .1% and bad debts decreased 1.7%, resulting in an increase of 9% for net patient revenue as compared to gross patient charges.

Table 5

Net Patient Revenue	Year Ended June 30,		
	2011	2010	2009
Gross patient revenue	\$ 142,611,311	\$ 139,141,876	\$ 126,721,099
Charity care	(10,762,871)	(11,347,861)	(12,575,721)
Contractual adjustments	(74,079,478)	(71,610,796)	(59,272,356)
Bad debt	(13,104,854)	(15,235,491)	(15,685,328)
Net patient revenue	\$ 44,664,108	\$ 40,947,728	\$ 39,187,694

Grant/Contract Revenue

Year Ended June 30, 2011: Grant and contract revenue for the year ended June 30, 2011 totaled \$4,302,556 and \$2,609,174, respectively, for a total of \$6,911,730, which represents 6.3% of total revenue compared to a total of \$5,018,043 in 2010.

Year Ended June 30, 2010: Grant and contract revenue for the year ended June 30, 2010 totaled \$2,348,662 and \$2,669,381, respectively, for a total of \$5,018,043, which represents 5.0% of total revenue compared to a total of \$5,126,699 in 2009.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies and services provided to other entities and Medicaid incentive payments for meaningful use of electronic health records which were recognized during the year ended June 30, 2011. Other revenue totals \$4,914,553 and \$2,150,485, which represent 4.5% and 2.1% of total revenue for the years ended June 30, 2011 and 2010, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

Tax Revenue

Year Ended June 30, 2011: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2011, the Medical Center's tax revenue totaled \$52,457,755, which is an increase of \$4,193,224 or 8.7% more than the prior year. The tax revenue represented 48% of total revenue.

Year Ended June 30, 2010: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2010, the Medical Center's tax revenue totaled \$48,264,531, which is an increase of \$367,089 or less than 1% from the prior year. The tax revenue represented 47.9% of total revenue.

Table 6

Tax Receipts	2011	2010	2009	Increase (Decrease)	Levied Taxes June 30, 2011
Improvement and maintenance	\$ 36,968,314	\$ 35,283,270	\$ 33,579,711	\$ 1,685,044	\$ 34,120,768
FICA Fund	3,017,869	3,221,126	3,042,158	(203,257)	3,115,309
IPERS Fund	3,020,744	2,919,338	2,651,978	101,406	2,823,036
Tort (Insurance) Fund	9,450,828	6,840,797	8,623,595	2,610,031	-
Total taxes	\$ 52,457,755	\$ 48,264,531	\$ 47,897,442	\$ 4,193,224	\$ 40,059,113

Capital Assets

June 30, 2011: As of June 30, 2011 the Medical Center had \$39,169,649 invested in capital assets. Capital expenditures in 2011 were more than the 2011 depreciation expense, resulting in an increase of \$8,814,895 in net capital assets from 2010 to 2011.

June 30, 2010: As of June 30, 2010 the Medical Center had \$30,354,754 invested in capital assets. Capital expenditures in 2010 were more than the 2010 depreciation expense, resulting in an increase of \$10,704,042 in net capital assets from 2009 to 2010.

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.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2011 and 2010

Table 7

	June 30,		
	2011	2010	2009
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	9,732,306	3,730,305	1,627,079
Capital assets net of depreciation:			
Land improvements	2,502,430	2,439,803	1,302,890
Buildings	11,211,957	8,552,952	5,139,764
Building equipment	10,119,528	10,295,127	5,520,822
Fixed equipment	97,961	110,157	122,443
Vans	-	8,851	17,703
Major movable equipment	5,317,752	4,961,762	5,492,877
Equipment under capital lease	129,439	197,521	368,858
Total capital assets, net	\$ 39,169,649	\$ 30,354,754	\$ 19,650,712

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 \$30,042,539 as of June 30, 2011, \$30,364,097 as of June 30, 2010 and \$21,991,757 and as of June 30, 2009. The increase between 2009 and 2010 is due to the Medical Center issuing approximately \$10 million in Revenue Bonds during the year.

Fiscal Year 2012 Outlook

The Board of Trustees has approved and set the budget for the 2012 fiscal year. The budget projects a net operating income of \$730,824.

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, 2011 and 2010

House File 2526, which the Legislators passed, extended the IowaCare program which began 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 which also allows for federal matching dollars under the FMAP state match. The IowaCare program does not increase the resources available to provide services to this patient population. House File 2526 also included a \$18,000,000 non-restricted appropriation to Broadlawns Medical Center in the 2011-2012 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. For the 2011-2012 fiscal year the funding and FMAP dollars have been increased and the program will have a regional expansion of the provider network to include Federally Qualified Health Centers (FQHCs) and patient reassignment to improve access to care. Broadlawns Medical Center will have a significant role in the expansion as patients from other designated counties will utilize Broadlawns Medical Center as their medical home.

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, 2011 and 2010

Assets	Medical Center		Component Unit (Foundation)	
	2011	2010	2011	2010
Current Assets:				
Cash and cash equivalents	\$ 20,147,788	\$ 13,536,914	\$ 610,663	\$ 86,686
Investments	-	-	951,039	947,668
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	5,465,310	5,324,911	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles and contractals 2011 \$10,914,528; 2010 \$10,479,035	8,777,921	8,918,481	-	-
Property taxes	636,491	549,805	-	-
Succeeding year property taxes	54,333,315	52,614,199	-	-
Federal grants	494,970	424,500	-	-
Nonfederal grants	223,789	187,621	-	-
Other	144,898	131,816	-	-
Due from third-party payors	1,766,201	68,594	-	-
Inventories	754,600	769,878	-	-
Prepaid expenses and other assets	1,014,933	1,008,052	-	-
Total current assets	93,760,216	83,534,771	1,561,702	1,034,354
Noncurrent Assets:				
Assets limited as to use or restricted, net of current portion:				
Cash and cash equivalents	15,811,219	19,973,891	-	-
Investments	4,270,224	6,672,511	-	-
	20,081,443	26,646,402	-	-
Capital assets:				
Nondepreciable	9,790,582	3,788,581	-	-
Depreciable, net	29,379,067	26,566,173	473	473
	39,169,649	30,354,754	473	473
Other assets	423,860	477,518	-	-
Total noncurrent assets	59,674,952	57,478,674	473	473
	\$ 153,435,168	\$ 141,013,445	\$ 1,562,175	\$ 1,034,827

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2011	2010	2011	2010
Current Liabilities:				
Current maturities of long-term debt	\$ 1,027,990	\$ 501,128	\$ -	\$ -
Accounts payable and other accrued expenses	5,388,199	5,388,212	415,831	265,974
Accrued employee compensation and payroll taxes	6,529,582	5,806,111	-	-
Current portion of accrued claims on self-insurance	1,670,043	1,971,078	-	-
Deferred revenue for succeeding year property taxes	54,333,315	52,614,199	-	-
Total current liabilities	68,949,129	66,280,728	415,831	265,974
Noncurrent Liabilities:				
Other postemployment benefits	502,000	303,007	-	-
Accrued claims on self-insurance, less current portion	2,217,129	2,803,639	-	-
Long-term debt, less current maturities	29,014,549	29,862,969	-	-
Total noncurrent liabilities	31,733,678	32,969,615	-	-
Total liabilities	100,682,807	99,250,343	415,831	265,974

Commitments and Contingencies (Notes 5 and 8)

Net Assets:				
Invested in capital assets, net of related debt	12,579,264	14,469,027	473	473
Restricted:				
For debt service	3,287,919	3,245,362	-	-
For enabling legislation	7,030,449	6,505,541	-	-
For specific activities	58,315	59,326	1,338,716	964,194
Unrestricted	29,796,414	17,483,846	(192,845)	(195,814)
Total net assets	52,752,361	41,763,102	1,146,344	768,853
\$ 153,435,168	\$ 141,013,445	\$ 1,562,175	\$ 1,034,827	

Broadlawns Medical Center

**Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010**

	Medical Center		Component Unit (Foundation)	
	2011	2010	2011	2010
Operating revenue:				
Net patient service revenue, net	\$ 44,664,108	\$ 40,947,728	\$ -	\$ -
Contracts	2,609,174	2,669,381	-	-
Operating grants	4,302,556	2,348,662	-	-
Other	4,914,553	2,150,485	26,615	89,291
Total operating revenue	56,490,391	48,116,256	26,615	89,291
Operating expenses:				
Salaries and wages	47,630,642	45,847,485	-	-
Employee benefits	14,384,249	13,120,497	-	-
Physician fees and outside services	2,943,995	3,137,219	-	-
Supplies and other expenses	28,800,303	28,489,281	32,213	33,662
Depreciation and amortization	4,481,881	4,359,606	-	-
Total operating expenses	98,241,070	94,954,088	32,213	33,662
Operating income (loss)	(41,750,679)	(46,837,832)	(5,598)	55,629
Nonoperating revenue (expense):				
Property taxes	52,457,755	48,264,531	-	-
State appropriations	-	3,000,000	-	-
Noncapital grants and contributions	247,977	281,027	374,522	163,846
Investment earnings	73,325	116,682	8,567	6,279
Interest expense	(1,505,033)	(1,445,495)	-	-
Other, net	65,914	(8,838)	-	-
Total nonoperating revenue, net	51,339,938	50,207,907	383,089	170,125
Capital contributions	1,400,000	1,000,000	-	-
Change in net assets	10,989,259	4,370,075	377,491	225,754
Net assets:				
Beginning	41,763,102	37,393,027	768,853	543,099
Ending	\$ 52,752,361	\$ 41,763,102	\$ 1,146,344	\$ 768,853

See Notes to Basic Financial Statements.

Broadlawns Medical Center

**Statements of Cash Flows
Years Ended June 30, 2011 and 2010**

	Medical Center		Component Unit (Foundation)	
	2011	2010	2011	2010
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 49,018,791	\$ 50,240,977	\$ -	\$ -
Payments to suppliers and contractors	(32,778,993)	(32,756,361)	-	-
Payments to employees	(61,291,420)	(58,518,557)	-	-
Other receipts and payments, net	5,931,140	2,251,931	144,259	(56,866)
Net cash provided by (used in) operating activities	(39,120,482)	(38,782,010)	144,259	(56,866)
Cash Flows from Noncapital Financing Activities:				
Property taxes	52,371,069	48,450,618	-	-
State appropriations	-	3,000,000	-	-
Noncapital grants and contributions	247,977	281,027	374,522	163,846
Other	65,914	(8,838)	-	-
Net cash provided by noncapital financing activities	52,684,960	51,722,807	374,522	163,846
Cash Flows from Capital and Related Financing Activities:				
Principal paid on long-term debt	(389,466)	(1,450,269)	-	-
Interest paid on long-term debt, net of interest capitalized	(1,417,386)	(1,357,848)	-	-
Proceeds from borrowings on long-term debt	-	9,786,770	-	-
Proceeds from sale of capital assets	500	4,000	-	-
Purchase of capital assets	(13,045,137)	(12,562,413)	-	-
Capital contributions	1,400,000	1,000,000	-	-
Net cash (used in) capital and related financing activities	(13,451,489)	(4,579,760)	-	-
Cash Flows from Investing Activities:				
Investment income	73,325	116,682	8,567	6,279
Purchase of investments	2,402,287	573,930	(3,371)	(806,279)
Net cash provided by (used in) investing activities	2,475,612	690,612	5,196	(800,000)
Net increase (decrease) in cash and cash equivalents	2,588,601	9,051,649	523,977	(693,020)
Cash and cash equivalents:				
Beginning	38,835,716	29,784,067	86,686	779,706
Ending	\$ 41,424,317	\$ 38,835,716	\$ 610,663	\$ 86,686

(Continued)

Broadlawns Medical Center

**Statements of Cash Flows (Continued)
Years Ended June 30, 2011 and 2010**

	Medical Center		Component Unit (Foundation)	
	2011	2010	2011	2010
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 20,147,788	\$ 13,536,914	\$ 610,663	\$ 86,686
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	5,465,310	5,324,911	-	-
Assets limited as to use or restricted, noncurrent	15,811,219	19,973,891	-	-
Total cash and cash equivalents	\$ 41,424,317	\$ 38,835,716	\$ 610,663	\$ 86,686
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (41,750,679)	\$ (46,837,832)	\$ (5,598)	\$ 55,629
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,481,881	4,359,606	-	-
Loss on disposal of capital assets	16,587	101,446	-	-
Changes in assets and liabilities:				
Patient receivables	140,560	1,915,692	-	-
Inventories, prepaid expenses, other assets and other receivables	(124,156)	(101,400)	-	-
Due from third-party payors	(1,697,607)	2,382,447	-	-
Accounts payable and accrued expenses	(187,068)	(601,969)	149,857	(112,495)
Net cash provided by (used in) operating activities	\$ (39,120,482)	\$ (38,782,010)	\$ 144,259	\$ (56,866)
Noncash Capital and Related Financing Activities, acquisition of capital assets included in accounts payable				
	\$ 2,406,280	\$ 2,540,607	\$ -	\$ -

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 \$13,104,854 and \$15,235,491 for the years ended June 30, 2011 and 2010, 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 receivable represents unpaid taxes for the 2011 fiscal year. The succeeding year property tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2012 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. Interest capitalized on construction during the years ended June 30, 2011 and 2010 was \$406,724 and \$312,834, respectively.

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.

Operating grants revenue: Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. Operating grants revenue for the year ended June 30, 2011 includes \$1,000,000 from an I-Jobs grant which is related to the construction project described in Note 5.

Contracts and other operating revenue: The basic financial statements include contracts and other operating revenue which primarily represent contracts with Polk County, contributions of medical supplies, and Medicaid electronic health records (EHR) incentive program payments. The Organization received approximately \$2,170,000 in EHR incentive payments from Medicaid for the year ended June 30, 2011 based on meeting certain requirements including utilizing an EHR system that demonstrates meaningful use. The Organization has recorded the incentive payments as other operating revenue due to the nature of the payments and a lack of authoritative guidance that prescribes how the incentive payments should be presented. Since the EHR System is an integral part of the Organization's operations, which is to provide medical services to its patients, the Organization has presented these payments as other operating revenue.

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.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

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. The component excludes unspent bond proceeds of \$3,452,154 and \$14,478,370 for the years ended June 30, 2011 and 2010, respectively.
- *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 \$739,520 and \$796,530 for IPERS contributions, \$5,514,972 and \$4,761,394 for tort immunity, and \$775,957 and \$947,617 for employer payroll taxes as of June 30, 2011 and 2010, 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.

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.

Approximately \$7,090,000 of unrestricted net assets were reclassified from unrestricted net assets to net assets invested in capital assets, net of related debt and to restricted net assets as of June 30, 2010 on the accompanying balance sheets to be consistent with classifications adopted as of June 30, 2011. The reclassifications had no impact on total assets or total net assets.

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 \$59,760,626 and \$54,661,299 for the years ended June 30, 2011 and 2010, 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.

Reclassifications: Certain items on the balance sheet as of June 30, 2010 have been reclassified to be consistent with classifications adopted during the year. The reclassifications had no impact on total assets or total net assets.

Broadlawns Medical Center

Notes to Basic Financial Statements

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.

The Medical Center has agreements with these third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *IowaCare*. Inpatient and outpatient services rendered to IowaCare program beneficiaries are reimbursed based on an annual appropriation amount with additional payments above this level to a claims payment maximum. Weekly reimbursement is based on service claims with a monthly fixed payment for disproportionate share (DSH) costs based on Medicare and Medicaid program formulas. The reimbursements received under the IowaCare program are included on the accompanying statement of revenues, expenses and changes in net assets as property taxes and state appropriations and are, therefore, not included in net patient service revenue.
- *Medicare*. Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary.
- *Medicaid*. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary.

The Medicare and Medicaid programs accounted for approximately 52% and 55% of the Medical Center's net patient service revenue for the years ended June 30, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, HMOs and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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, 2011 and 2010 is as follows:

	2011	2010
Gross patient service revenue:		
Inpatient	\$ 33,418,533	\$ 34,386,588
Outpatient	109,192,778	104,755,288
	<u>142,611,311</u>	<u>139,141,876</u>
Less charity care	10,762,871	11,347,861
Gross patient service revenue	<u>131,848,440</u>	<u>127,794,015</u>
Less provisions for bad debts	<u>13,104,854</u>	<u>15,235,491</u>
Less contractual and other adjustments:		
Employee discounts	66,279	63,475
Contractual adjustments under third-party reimbursement programs:		
IowaCare	48,997,755	43,313,438
Medicare	8,097,926	8,959,757
Medicaid	5,872,437	7,465,582
Magellan	1,957,504	1,687,068
Heritage	2,412,950	2,900,248
Wellmark	1,565,002	1,723,214
PCHS	2,243,135	2,619,636
Other	2,866,490	2,878,378
	<u>74,079,478</u>	<u>71,610,796</u>
Net patient service revenue	<u>\$ 44,664,108</u>	<u>\$ 40,947,728</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2011, the Medical Center has the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Farm Credit Bank	09/23/11	\$ 104,452
Federal Farm Credit Bank	10/03/11	100,867
Federal Home Loan Bank	07/27/11	101,552
Federal Home Loan Bank	11/21/12	102,219
Federal Home Loan Bank	12/14/12	102,449
Federal Home Loan Bank	12/09/11	100,932
Federal Home Loan Bank	06/08/12	100,761
Federal Home Loan Bank	07/30/12	100,607
Federal Home Loan Bank	03/08/13	306,879
Federal Home Loan Bank	08/28/12	100,732
Federal Home Loan Bank	06/14/13	305,702
Federal Home Loan Bank	10/30/12	100,549
Federal Home Loan Mgmt Corp	05/29/13	316,899
Federal Home Loan Mgmt Corp	01/09/13	101,664
Federal Home Loan Mgmt Corp	04/15/13	305,655
Federal National Mgmt Association	02/22/13	102,947
Federal National Mgmt Association	01/09/12	102,797
Federal National Mgmt Association	11/23/11	101,687
U S Treasury Note	02/15/12	101,656
U S Treasury Note	03/15/12	101,719
U S Treasury Note	04/15/12	100,813
U S Treasury Note	05/15/12	100,750
U S Treasury Note	09/15/12	100,926
U S Treasury Note	08/31/11	100,633
Federal Home Loan Bank	11/14/13	350,263
Federal Home Loan Bank	08/14/14	350,175
Federal National Mgmt Association	01/12/12	300,439
Artwork	NA	3,500
		<u>\$ 4,270,224</u>

Interest rate risk: In accordance with the Organization's investment policy, the Medical Center and Foundation strive to obtain a reasonable return. Neither policy limits 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, 2011, the Medical Center's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor Services</u>	<u>Standard & Poor's</u>
Federal Home Loan Mgmt Corp.	Aaa	AAA
Federal National Mgmt Association	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
Fed Farm Credit Bank	Aaa	AAA

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 Farm Credit Bank, 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, 2011, 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, 2011 and 2010 were designated as follows:

	2011	2010
Board designated for:		
Memorial funds	\$ 3,500	\$ 3,500
Building project	5,131,670	2,729,480
Self-insured retention funds:		
Medical malpractice	4,894,353	3,889,355
Workers' compensation	1,514,235	1,503,126
Health insurance trust	6,800,366	5,701,745
Equipment maintenance trust	119,249	161,133
Dental	284,992	199,916
Under terms of bond indentures (Note 6):		
Bond service	3,287,919	3,245,362
Project fund	3,452,154	14,478,370
Patient trust fund	5,292	7,206
Alumni fund	53,023	52,120
	<u>\$ 25,546,753</u>	<u>\$ 31,971,313</u>

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

	2011	2010
Assets limited as to use or restricted, required for current liabilities	\$ 5,465,310	\$ 7,246,835
Assets limited as to use or restricted	20,081,443	24,724,478
	<u>\$ 25,546,753</u>	<u>\$ 31,971,313</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

There are commitments totaling approximately \$1,581,000 to complete construction in progress projects as of June 30, 2011. The majority of the commitments and the construction in progress account as of June 30, 2011 represent costs incurred for renovations to the current hospital facilities and for the construction of a two-story medical office building and parking areas. Money in the Project Fund (see Note 4) will be used to fund these renovations.

Note 6. Long-Term Debt

Long-term debt as of June 30, 2011 and 2010 consists of the following:

	2011	2010
General obligation capital loan notes (2000), net of discount (A)	\$ 621,680	\$ 619,479
Hospital Revenue Bonds, Series 2008, net of discount (B)	9,800,610	9,797,575
Hospital Revenue Bonds, Series 2009, net of discount (C)	9,805,705	9,786,244
Hospital Revenue Bonds, Series 2009A, net of discount (D)	9,719,478	9,793,285
Capital lease obligation, equipment (E)	-	220,286
Capital lease obligation, equipment (F)	95,066	147,228
	<u>30,042,539</u>	<u>30,364,097</u>
Less current maturities	1,027,990	501,128
	<u>\$ 29,014,549</u>	<u>\$ 29,862,969</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. The Medical Center entered into an agreement with Polk County, Iowa for the rental of certain space at the Medical Center. In addition, the agreement permits the Medical Center to be released and discharged from its obligation related to the notes upon meeting certain requirements for capital asset additions and other requirements by December 31, 2011.
- (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 were 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 \$150,000 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 \$625,000 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) On November 13, 2009, the Medical Center issued Hospital Revenue Bonds, Series 2009A in the principal amount of \$10,000,000 to finance a portion of the cost of acquisition, 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 \$145,000 to \$845,000 through 2030 at interest rates ranging from 4.25% to 6.0%. The bonds are collateralized by net revenue of the Medical Center.
- (E) Capital lease obligation incurred for acquisition of equipment. Lease obligation was due in bi-annual installments of approximately \$225,000, which included interest at a rate of 4.4% and was paid in full as of June 30, 2011.
- (F) The Medical Center has lease agreements related to certain equipment which is classified as a capital lease. The lease expires in January 2013.

The Hospital has pledged future net revenue to repay the Hospital Revenue Bonds, Series 2008, 2009 and 2009A. Proceeds from the bonds were used to renovate and expand facilities of the Medical Center. The bonds are payable solely from net revenues and are payable through May 2030. Annual principal and interest payments on the bonds are expected to require less than 5% of annual net revenue. The total principal and interest remaining to be paid on the Hospital Revenue Bonds is \$49,575,318. Principal and interest paid for the current year and total net revenue of the Medical Center were \$1,960,388 and \$56,490,391, respectively.

The bond agreements require the Medical Center to comply with certain covenants. The covenants require the Medical Center to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio of 1.25.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

Long-term debt activity as of and for the years ended June 30, 2011 and 2010 is as follows:

	June 30, 2010	Borrowings	Payments and Amortization of Discount	June 30, 2011	Amounts Due Within 1 Year
Bonds payable:					
General obligation capital loan notes (2000)	\$ 619,479	\$ -	\$ (2,201)	\$ 621,680	\$ 621,680
Hospital Revenue Bonds, Series 2008	9,797,575	-	(3,035)	9,800,610	150,000
Hospital Revenue Bonds, Series 2009	9,786,244	-	(19,461)	9,805,705	50,000
Hospital Revenue Bonds, Series 2009A	9,793,285	-	73,807	9,719,478	145,000
Total bonds payable	29,996,583	-	49,110	29,947,473	966,680
Capital lease obligations, equipment	367,514	-	272,448	95,066	61,310
	\$ 30,364,097	\$ -	\$ 321,558	\$ 30,042,539	\$ 1,027,990
	June 30, 2009	Borrowings	Payments and Amortization of Discount	June 30, 2010	Amounts Due Within 1 Year
Bonds payable:					
General obligation capital loan notes (2000)	\$ 1,578,581	\$ -	\$ 959,102	\$ 619,479	\$ 113,698
Hospital Revenue Bonds, Series 2008	9,781,802	-	(15,773)	9,797,575	25,000
Hospital Revenue Bonds, Series 2009	9,774,894	-	(11,350)	9,786,244	-
Hospital Revenue Bonds, Series 2009A	-	9,786,770	(6,515)	9,793,285	90,000
Total bonds payable	21,135,277	9,786,770	925,464	29,996,583	228,698
Capital lease obligations, equipment	856,480	-	488,966	367,514	272,430
	\$ 21,991,757	\$ 9,786,770	\$ 1,414,430	\$ 30,364,097	\$ 501,128

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

Aggregate principal and interest maturities for the Medical Center's long-term debt, excluding the capital lease obligations, as of June 30, 2011 are as follows:

	Principal	Interest
Year ending June 30:		
2012	\$ 966,680	\$ 1,917,628
2013	1,035,000	1,823,150
2014	1,240,000	1,768,163
2015	1,440,000	1,701,526
2016	1,560,000	1,621,438
2017 - 2021	9,395,000	6,602,903
2022 - 2026	8,935,000	3,448,700
2027 - 2030	5,935,000	884,250
	<u>30,506,680</u>	<u>\$ 19,767,758</u>
Less unamortized discount	559,207	
	<u>\$ 29,947,473</u>	

The future minimum lease payments as of June 30, 2011 on the capital lease obligations are as follows:

	Equipment
Year ending June 30:	
2012	\$ 62,244
2013	36,309
Total minimum lease payments	<u>98,553</u>
Less amounts representing interest	3,487
Present value of minimum lease payments	<u>\$ 95,066</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, 2011, plan members were required to contribute 4.5% of their annual covered salary and the Medical Center was required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$3,077,754, \$2,816,792 and \$2,684,202, respectively, equal to the required contributions for each year.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments

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

Self-Insurance:

The Medical Center self-insures its professional liability with annual limits of \$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, 2010; and \$400,000 per claim and \$3,000,000 aggregate limit effective after April 15, 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 2012, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2011.

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 2011 and 2010.

The Medical Center has accrued liabilities of \$3,887,172 and \$4,774,717 for self-insured losses as of June 30, 2011 and 2010, 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
	2010	Additions	Reductions	2011	Due Within
					1 Year
Malpractice insurance	\$ 3,341,542	\$ 1,805,838	\$ 2,477,251	\$ 2,670,129	\$ 554,000
Workers' compensation insurance	672,708	-	228,708	444,000	343,000
Equipment maintenance insurance	20,467	179,075	191,895	7,647	7,647
Dental insurance	40,000	426,638	457,356	9,282	9,282
Health insurance	700,000	6,694,188	6,638,074	756,114	756,114
Total	\$ 4,774,717	\$ 9,105,739	\$ 9,993,284	\$ 3,887,172	\$ 1,670,043

Broadlawns Medical Center

Notes to Basic Financial Statements

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

	June 30, 2009	Additions	Reductions	June 30, 2010	Amounts Due Within 1 Year
Malpractice insurance	\$ 3,952,303	\$ 672,685	\$ 1,283,446	\$ 3,341,542	\$ 861,821
Workers' compensation insurance	802,449	151,527	281,268	672,708	348,790
Equipment maintenance insurance	20,133	134,086	133,752	20,467	20,467
Dental insurance	40,000	456,904	456,904	40,000	40,000
Health insurance	685,790	7,632,547	7,618,337	700,000	700,000
Total	\$ 5,500,675	\$ 9,047,749	\$ 9,773,707	\$ 4,774,717	\$ 1,971,078

Lease commitments:

The Medical Center leases equipment and real estate under operating agreements which expire through 2016. Rental expense under those agreements was approximately \$865,000 and \$837,000 for the years ended June 30, 2011 and 2010, respectively. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:	Equipment	Real Estate
2012	\$ 328,911	\$ 468,258
2013	164,340	434,913
2014	164,340	434,913
2015	164,340	434,913
2016	41,085	434,913
	\$ 863,016	\$ 2,207,910

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

Health care reform:

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the 2011 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 gross receivables from patients and third-party payors as of June 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	17%	18%
PCHS	16	7
Medicaid *	45	16
Private pay *	7	43
Other	15	16
Total	100%	100%

* Due to a change in the program, the receivables related to IowaCare are included in Medicaid for the year ended June 30, 2011 and are included in private pay for the year ended June 30, 2010.

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 guidance for current GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2011, the Medical Center contributed approximately \$38,000. Retirees receiving benefits contributed approximately \$16,000, 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 was the transition year of GASB Statement No. 45. 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 years ended June 30, 2011 and 2010, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligation:

	2011	2010
Annual required contribution	\$ 219,000	\$ 197,000
Interest on net OPEB obligation	14,000	8,055
Adjustment to annual required contribution	(12,007)	-
Annual OPEB cost/expense	220,993	205,055
Contributions and payments made	(22,000)	(81,048)
Increase in net OPEB obligation	198,993	124,007
Net OPEB obligation, July 1, 2010	303,007	179,000
Net OPEB obligation, June 30, 2011	<u>\$ 502,000</u>	<u>\$ 303,007</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 years 2011, 2010 and 2009 were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30:			
2011	\$ 220,993	9.95%	\$ 502,000
2010	\$ 205,055	39.53%	\$ 303,007
2009	\$ 197,000	9.14%	\$ 179,000

Funded status and funding progress: As of July 1, 2010, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,381,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$1,381,000. The covered payroll was \$46,906,532 and the ratio of the UAAL to the covered payroll was 2.94%.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 10. Other Postemployment Benefits (OPEB) (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, 2010 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 Statement during the year ended June 30, 2011:

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the Organization beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

As of June 30, 2011, 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. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued January 2010, will be effective for the Organization beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Organization beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the Organization beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

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

Broadlawns Medical Center

**Required Supplementary Information, Budget and Budgetary Accounting
Year Ended June 30, 2011**

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, 2011:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget	Budget to Actual Variance Positive (Negative)
\$ 98,241,070	\$ 10,590,062	\$ 108,782,139	\$ 111,210,733	\$ (2,428,594)

Broadlawns Medical Center

**Required Supplementary Information, Other Postemployment Benefit Plan
Year Ended June 30, 2011**

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	- %	\$ 41,466,780	2.81%
2010	7/1/2008	-	1,166,000	1,166,000	-	36,606,367	3.19
2011	7/1/2010	-	1,381,000	1,381,000	-	46,906,532	2.94

NOTE: Fiscal year 2009 was 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, 2010. 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, 2011**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 19,622,824	\$ 54,358	\$ 470,606	\$ -	\$ 20,147,788
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	5,460,018	5,292	-	-	5,465,310
Receivables:					
Patients, net	8,643,850	111,888	22,183	-	8,777,921
Property taxes	636,491	-	-	-	636,491
Succeeding year property taxes	54,333,315	-	-	-	54,333,315
Federal grants	494,970	-	-	-	494,970
Nonfederal grants	223,789	-	-	-	223,789
Other	1,428,733	-	-	1,283,835 (1)	144,898
Due from third-party payors	1,766,201	-	-	-	1,766,201
Inventories	754,600	-	-	-	754,600
Prepaid expenses and other assets	1,014,933	-	-	-	1,014,933
Total current assets	94,379,724	171,538	492,789	1,283,835	93,760,216
Noncurrent Assets:					
Assets limited as to use or restricted, net of current portion:					
Cash and cash equivalents	15,811,219	-	-	-	15,811,219
Investments	4,270,224	-	-	-	4,270,224
	20,081,443	-	-	-	20,081,443
Capital assets:					
Nondepreciable	9,790,582	-	-	-	9,790,582
Depreciable, net	29,375,805	-	3,262	-	29,379,067
	39,166,387	-	3,262	-	39,169,649
Other assets	423,860	-	-	-	423,860
Total noncurrent assets	59,671,690	-	3,262	-	59,674,952
	\$ 154,051,414	\$ 171,538	\$ 496,051	\$ 1,283,835	\$ 153,435,168

(1) To eliminate interdepartment 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	\$ 968,698	\$ -	\$ -	\$ -	\$ 968,698
Current maturities of capital lease obligations	59,292	-	-	-	59,292
Accounts payable and other accrued expenses	5,374,714	1,208,648	88,672	1,283,835 (1)	5,388,199
Accrued employee compensation and payroll taxes	6,445,214	29,907	54,461	-	6,529,582
Current portion of accrued claims on self-insurance	1,670,043	-	-	-	1,670,043
Deferred revenue for succeeding year property taxes	54,333,315	-	-	-	54,333,315
Total current liabilities	68,851,276	1,238,555	143,133	1,283,835	68,949,129
Noncurrent Liabilities:					
Other postemployment benefits	502,000	-	-	-	502,000
Accrued claims on self-insurance, less current portion	2,217,129	-	-	-	2,217,129
Long-term debt, less current maturities	28,978,776	-	-	-	28,978,776
Long-term capital lease obligations, less current maturities	35,773	-	-	-	35,773
Total noncurrent liabilities	31,733,678	-	-	-	31,733,678
Total liabilities	100,584,954	1,238,555	143,133	1,283,835	100,682,807
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	12,576,002	-	3,262	-	12,579,264
Restricted:					
For debt service	3,287,919	-	-	-	3,287,919
For enabling legislation	7,030,449	-	-	-	7,030,449
For specific activities	53,023	5,292	-	-	58,315
Unrestricted	30,519,067	(1,072,309)	349,656	-	29,796,414
Total net assets	53,466,460	(1,067,017)	352,918	-	52,752,361
	\$ 154,051,414	\$ 171,538	\$ 496,051	\$ 1,283,835	\$ 153,435,168

Broadlawns Medical Center

**Balance Sheet, by Department
June 30, 2010**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 12,793,966	\$ 49,107	\$ 693,841	\$ -	\$ 13,536,914
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	5,317,705	7,206	-	-	5,324,911
Receivables:					
Patients, net	8,907,553	-	10,928	-	8,918,481
Property taxes	549,805	-	-	-	549,805
Succeeding year property taxes	52,614,199	-	-	-	52,614,199
Federal grants	424,500	-	-	-	424,500
Nonfederal grants	187,621	-	-	-	187,621
Other	862,565	-	22,933	753,682 (1)	131,816
Due from third-party payors	207,287	(138,693)	-	-	68,594
Inventories	769,878	-	-	-	769,878
Prepaid expenses and other assets	1,008,052	-	-	-	1,008,052
Total current assets	83,643,131	(82,380)	727,702	753,682	83,534,771
Noncurrent Assets:					
Assets limited as to use or restricted, net of current portion:					
Cash and cash equivalents	19,973,891	-	-	-	19,973,891
Investments	6,672,511	-	-	-	6,672,511
	26,646,402	-	-	-	26,646,402
Capital assets:					
Nondepreciable	3,788,581	-	-	-	3,788,581
Depreciable, net	26,553,139	-	13,034	-	26,566,173
	30,341,720	-	13,034	-	30,354,754
Other assets	477,518	-	-	-	477,518
Total noncurrent assets	57,465,640	-	13,034	-	57,478,674
	\$ 141,108,771	\$ (82,380)	\$ 740,736	\$ 753,682	\$ 141,013,445

(1) To eliminate interdepartment 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	\$ 228,698	\$ -	\$ -	\$ -	\$ 228,698
Current maturities of capital lease obligations	272,430	-	-	-	272,430
Accounts payable and other accrued expenses	5,208,768	693,429	239,697	753,682 (1)	5,388,212
Accrued employee compensation and payroll taxes	5,712,233	25,935	67,943	-	5,806,111
Current portion of accrued claims on self-insurance	1,971,078	-	-	-	1,971,078
Deferred revenue for succeeding year property taxes	52,614,199	-	-	-	52,614,199
Total current liabilities	66,007,406	719,364	307,640	753,682	66,280,728
Noncurrent Liabilities:					
Other postemployment benefits	303,007	-	-	-	303,007
Accrued claims on self-insurance, less current portion	2,803,639	-	-	-	2,803,639
Long-term debt, less current maturities	29,767,886	-	-	-	29,767,886
Long-term capital lease obligations, less current maturities	95,083	-	-	-	95,083
Total noncurrent liabilities	32,969,615	-	-	-	32,969,615
Total liabilities	98,977,021	719,364	307,640	753,682	99,250,343
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	14,455,993	-	13,034	-	14,469,027
Restricted:					
For debt service	3,245,362	-	-	-	3,245,362
For capital acquisitions	-	-	-	-	-
For enabling legislation	6,505,541	-	-	-	6,505,541
For specific activities	52,120	7,206	-	-	59,326
Unrestricted	17,872,734	(808,950)	420,062	-	17,483,846
Total net assets	42,131,750	(801,744)	433,096	-	41,763,102
	\$ 141,108,771	\$ (82,380)	\$ 740,736	\$ 753,682	\$ 141,013,445

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department Year Ended June 30, 2011

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 42,649,347	\$ 893,465	\$ 1,188,975	\$ 67,679 (1)	\$ 44,664,108
Contracts	2,600,647	-	8,527	-	2,609,174
Operating grants	4,302,556	-	-	-	4,302,556
Other	4,971,855	-	-	57,302 (1)	4,914,553
Total operating revenue	54,524,405	893,465	1,197,502	124,981	56,490,391
Operating expenses:					
Salaries and wages	46,424,167	598,888	607,587	-	47,630,642
Employee benefits	13,806,032	338,290	239,927	-	14,384,249
Physician fees and outside services	2,943,995	-	-	-	2,943,995
Supplies and other expenses	28,282,608	221,827	420,849	124,981 (1)	28,800,303
Depreciation and amortization	4,472,109	-	9,772	-	4,481,881
Total operating expenses	95,928,911	1,159,005	1,278,135	124,981	98,241,070
Operating (loss)	(41,404,506)	(265,540)	(80,633)	-	(41,750,679)
Nonoperating revenue (expense):					
Property taxes	52,457,755	-	-	-	52,457,755
State appropriations	-	-	-	-	-
Noncapital grants and contributions	247,977	-	-	-	247,977
Investment earnings	72,853	17	455	-	73,325
Interest expense	(1,505,033)	-	-	-	(1,505,033)
Other, net	65,664	250	-	-	65,914
Total nonoperating revenue (expense), net	51,339,216	267	455	-	51,339,938
Capital contributions	1,400,000	-	-	-	1,400,000
Change in net assets	11,334,710	(265,273)	(80,178)	-	10,989,259
Net assets:					
Beginning	42,131,750	(801,744)	433,096	-	41,763,102
Ending	\$ 53,466,460	\$ (1,067,017)	\$ 352,918	\$ -	\$ 52,752,361

(1) To eliminate interdepartment transactions.

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department Year Ended June 30, 2010

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 39,197,108	\$ 414,824	\$ 1,399,364	\$ 63,568 (1)	\$ 40,947,728
Contracts	2,575,179	-	94,202	-	2,669,381
Operating grants	2,348,662	-	-	-	2,348,662
Other	2,169,363	-	-	18,878 (1)	2,150,485
Total operating revenue	46,290,312	414,824	1,493,566	82,446	48,116,256
Operating expenses:					
Salaries and wages	44,570,767	606,637	670,081	-	45,847,485
Employee benefits	12,616,341	271,810	232,346	-	13,120,497
Physician fees and outside services	3,137,219	-	-	-	3,137,219
Supplies and other expenses	27,869,788	200,334	501,605	82,446 (1)	28,489,281
Depreciation and amortization	4,349,065	-	10,541	-	4,359,606
Total operating expenses	92,543,180	1,078,781	1,414,573	82,446	94,954,088
Operating gain (loss)	(46,252,868)	(663,957)	78,993	-	(46,837,832)
Nonoperating revenue (expense):					
Property taxes	48,264,531	-	-	-	48,264,531
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	281,027	-	-	-	281,027
Investment earnings	115,751	28	903	-	116,682
Interest expense	(1,445,495)	-	-	-	(1,445,495)
Other, net	(7,859)	(979)	-	-	(8,838)
Total nonoperating revenue (expense), net	50,207,955	(951)	903	-	50,207,907
Capital contributions	1,000,000	-	-	-	1,000,000
Change in net assets	4,955,087	(664,908)	79,896	-	4,370,075
Net assets:					
Beginning	37,176,663	(136,836)	353,200	-	37,393,027
Ending	\$ 42,131,750	\$ (801,744)	\$ 433,096	\$ -	\$ 41,763,102

(1) To eliminate interdepartment transactions.

Broadlawns Medical Center

**Analysis of Net Patient Receivables
June 30, 2011 and 2010**

	2011		2010	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 8,759,149	45%	\$ 8,338,901	43%
31 - 60	2,810,541	14	2,997,932	16
61 - 90	1,971,819	10	2,143,919	11
91 - 120	1,661,838	9	1,718,840	9
121 - 150	867,166	4	664,985	3
151 - 180	3,535,466	18	3,532,939	18
	<u>19,605,979</u>	<u>100%</u>	<u>19,397,516</u>	<u>100%</u>
Allowance for doubtful accounts	2,332,962		2,327,681	
Allowance for charity care	1,191,136		1,258,163	
Allowance for contractual and other adjustments	7,303,960		6,893,191	
	<u>\$ 8,777,921</u>		<u>\$ 8,918,481</u>	
Medicare	\$ 1,467,231	17%	\$ 1,573,711	18%
PCHS	1,428,474	16	600,621	7
Medicaid *	3,982,147	45	1,412,080	16
Private pay *	594,334	7	3,871,938	43
Other	1,305,735	15	1,460,131	16
Total	<u>\$ 8,777,921</u>	<u>100%</u>	<u>\$ 8,918,481</u>	<u>100%</u>

* Due to a change in the program, the receivables related to IowaCare are included in Medicaid for the year ended June 30, 2011 and are included in private pay for the year ended June 30, 2010.

Broadlawns Medical Center

Inventories

June 30, 2011 and 2010

	2011	2010
General stores	\$ 379,719	\$ 394,997
Pharmacy	374,881	374,881
	<u>\$ 754,600</u>	<u>\$ 769,878</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2011**

	Capital Assets			
	June 30, 2010	Additions	Transfers and Disposals	June 30, 2011
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	4,850,227	-	281,713	5,131,940
Buildings	14,985,518	-	3,205,083	18,190,601
Building equipment	21,007,140	35,761	1,025,450	22,068,351
Fixed equipment	567,573	-	-	567,573
Major moveable equipment	20,303,434	788,863	1,814,190	22,906,487
Equipment under capital lease	1,133,944	-	(17,896)	1,116,048
Construction in progress	3,730,305	12,354,840	(6,352,839)	9,732,306
	<u>66,616,351</u>	<u>13,179,464</u>	<u>(44,299)</u>	<u>79,751,516</u>
Mental health facility:				
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>80,995,719</u>	<u>13,179,464</u>	<u>(44,299)</u>	<u>94,130,884</u>
Residential facilities:				
Building equipment	1,518	-	-	1,518
Major moveable equipment	6,919	-	-	6,919
Equipment under capital lease	20,026	-	(6,230)	13,796
Total residential facilities	<u>28,463</u>	<u>-</u>	<u>(6,230)</u>	<u>22,233</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	236,842	-	-	236,842
Major moveable equipment	108,067	-	-	108,067
Total PATH	<u>345,844</u>	<u>-</u>	<u>-</u>	<u>345,844</u>
	<u>\$ 81,370,026</u>	<u>\$ 13,179,464</u>	<u>\$ (50,529)</u>	<u>\$ 94,498,961</u>

Accumulated Depreciation and Amortization

June 30, 2010	Current Provision	Deductions	June 30, 2011
\$ -	\$ -	\$ -	\$ -
2,410,424	219,086	-	2,629,510
8,905,814	370,688	-	9,276,502
11,706,771	1,030,247	-	12,737,018
457,416	12,196	-	469,612
15,345,856	2,255,458	(9,316)	17,591,998
936,423	68,082	(17,896)	986,609
-	-	-	-
<u>39,762,704</u>	<u>3,955,757</u>	<u>(27,212)</u>	<u>43,691,249</u>
-	-	-	-
271,476	-	-	271,476
4,486,853	175,390	-	4,662,243
5,546,539	206,563	-	5,753,102
586,427	-	-	586,427
<u>10,891,295</u>	<u>381,953</u>	<u>-</u>	<u>11,273,248</u>
<u>50,653,999</u>	<u>4,337,710</u>	<u>(27,212)</u>	<u>54,964,497</u>
1,518	-	-	1,518
6,919	-	-	6,919
20,026	-	(6,230)	13,796
<u>28,463</u>	<u>-</u>	<u>(6,230)</u>	<u>22,233</u>
936	-	-	936
227,990	8,852	-	236,842
103,884	920	-	104,804
<u>332,810</u>	<u>9,772</u>	<u>-</u>	<u>342,582</u>
<u>\$ 51,015,272</u>	<u>\$ 4,347,482</u>	<u>\$ (33,442)</u>	<u>\$ 55,329,312</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2010**

	Capital Assets			
	June 30, 2009	Additions	Transfers and Disposals	June 30, 2010
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,557,298	-	1,292,929	4,850,227
Buildings	11,137,199	-	3,848,319	14,985,518
Building equipment	15,276,923	6,534	5,723,683	21,007,140
Fixed equipment	567,573	-	-	567,573
Major moveable equipment	18,234,833	904,645	1,163,956	20,303,434
Equipment under capital lease	1,374,409	-	(240,465)	1,133,944
Construction in progress	1,627,079	14,191,841	(12,088,615)	3,730,305
	<u>51,813,524</u>	<u>15,103,020</u>	<u>(300,193)</u>	<u>66,616,351</u>
Mental health facility:				
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>66,192,892</u>	<u>15,103,020</u>	<u>(300,193)</u>	<u>80,995,719</u>
Residential facilities:				
Building equipment	1,518	-	-	1,518
Major moveable equipment	6,919	-	-	6,919
Equipment under capital lease	20,026	-	-	20,026
Total residential facilities	<u>28,463</u>	<u>-</u>	<u>-</u>	<u>28,463</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	236,842	-	-	236,842
Major moveable equipment	108,067	-	-	108,067
Total PATH	<u>345,844</u>	<u>-</u>	<u>-</u>	<u>345,844</u>
	<u>\$ 66,567,199</u>	<u>\$ 15,103,020</u>	<u>\$ (300,193)</u>	<u>\$ 81,370,026</u>

Accumulated Depreciation and Amortization

June 30, 2009	Current Provision	Deductions	June 30, 2010
\$ -	\$ -	\$ -	\$ -
2,254,890	155,534	-	2,410,424
8,646,074	259,740	-	8,905,814
10,957,423	749,348	-	11,706,771
445,130	12,286	-	457,416
12,747,829	2,638,121	(40,094)	15,345,856
1,005,551	85,525	(154,653)	936,423
-	-	-	-
36,056,897	3,900,554	(194,747)	39,762,704
-	-	-	-
270,994	482	-	271,476
4,311,462	175,391	-	4,486,853
5,339,975	206,564	-	5,546,539
586,427	-	-	586,427
10,508,858	382,437	-	10,891,295
46,565,755	4,282,991	(194,747)	50,653,999
1,518	-	-	1,518
6,919	-	-	6,919
20,026	-	-	20,026
28,463	-	-	28,463
936	-	-	936
219,139	8,851	-	227,990
102,194	1,690	-	103,884
322,269	10,541	-	332,810
\$ 46,916,487	\$ 4,293,532	\$ (194,747)	\$ 51,015,272

Broadlawns Medical Center

Patient Service Revenue

Years Ended June 30, 2011 and 2010

	2011		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical and pediatric	\$ 7,641,028	\$ 6,062,166	\$ 1,578,862
Mental health	7,137,854	7,136,385	1,469
Intensive care	2,344,120	2,344,120	-
Family birthing center	1,508,481	1,434,287	74,194
Residential facilities	894,989	894,989	-
	<u>19,526,472</u>	<u>17,871,947</u>	<u>1,654,525</u>
Other nursing services:			
Operating rooms	8,783,964	1,957,984	6,825,980
Medical and surgical supplies	3,274,017	1,075,852	2,198,165
Ambulatory care services:			
Specialty Clinic	2,334,541	5,397	2,329,144
Emergency	15,277,974	2,043,572	13,234,402
Family health center	2,294,385	3,565	2,290,820
Internal Medicine Clinics	635,931	438	635,493
Primary Care Clinic	1,869,602	-	1,869,602
Doctors Health Clinic	-	-	-
Peds Clinic	588,258	-	588,258
Walk-in Clinic	2,517,117	11,195	2,505,922
Dental clinics	1,181,987	-	1,181,987
Addiction Medicine	430,317	-	430,317
Women's Health Clinic	674,596	108	674,488
Mental health	4,827,670	25,858	4,801,812
PATH	1,188,975	-	1,188,975
	<u>45,879,334</u>	<u>5,123,969</u>	<u>40,755,365</u>
Other physician services:			
Anesthesiology	2,435,936	-	2,435,936
ENT	30,587	-	30,587
Family Practice	3,355,124	6,268	3,348,856
Internal Medicine	1,754,220	792	1,753,428
Neurology	467,288	-	467,288
Obstetrics and Gynecology	1,595,583	-	1,595,583
Ophthalmologists	425,432	-	425,432
Orthopedics	709,646	-	709,646
Pediatrics	765,496	12	765,484
Podiatry	1,716,969	-	1,716,969
Psychiatry	4,987,788	-	4,987,788
Surgery	860,584	-	860,584
Cardiology	111,788	5,958	105,830
Emergency Medicine	7,103,087	861,833	6,241,254
Medical Education	2,261,171	-	2,261,171
Other physician services	403,725	2,086	401,639
	<u>28,984,424</u>	<u>876,949</u>	<u>28,107,475</u>
Other professional services:			
Laboratory	13,162,205	3,497,859	9,664,346
Pharmacy	12,524,077	2,496,203	10,027,874
Radiology	17,754,588	2,065,862	15,688,726
Anesthesiology	-	-	-
Respiratory therapy	2,415,245	1,189,133	1,226,112
Diagnostic services	1,097,316	191,450	905,866
Physical and occupational therapy	1,192,764	91,861	1,100,903
Speech and hearing therapy	142,565	13,300	129,265
	<u>48,288,760</u>	<u>9,545,668</u>	<u>38,743,092</u>
Gross charges at established rates	<u>142,678,990</u>	<u>\$ 33,418,533</u>	<u>109,260,457</u>
Less interdepartment elimination	67,679		67,679
Charity care charges forgone, based on established rates	<u>10,762,871</u>		<u>\$ 109,192,778</u>
Total gross patient service revenue	<u>131,848,440</u>		
Provisions for contractual and other adjustments	74,079,478		
Provisions for bad debts	13,103,330		
Provisions for bad debts - Residential	1,524		
Total net patient services revenue	<u>\$ 44,664,108</u>		

2010		
Totals	Inpatients	Outpatients
\$ 8,136,557	\$ 6,948,039	\$ 1,188,518
6,373,503	6,372,050	1,453
2,384,652	2,384,652	-
1,768,723	1,720,323	48,400
456,850	456,850	-
<u>19,120,285</u>	<u>17,881,914</u>	<u>1,238,371</u>
8,614,957	1,980,398	6,634,559
3,485,357	1,254,866	2,230,491
2,637,094	2,347	2,634,747
15,275,416	2,274,123	13,001,293
2,380,785	3,125	2,377,660
785,700	424	785,276
1,109,251	-	1,109,251
73	-	73
732,826	-	732,826
2,715,602	12,309	2,703,293
1,196,858	-	1,196,858
414,784	-	414,784
662,415	-	662,415
4,860,138	20,842	4,839,296
1,399,364	-	1,399,364
<u>46,270,620</u>	<u>5,548,434</u>	<u>40,722,186</u>
2,286,585	-	2,286,585
109,630	-	109,630
3,020,534	7,546	3,012,988
1,968,699	702	1,967,997
438,937	(611)	439,548
1,660,462	-	1,660,462
401,361	-	401,361
679,096	68	679,028
878,251	-	878,251
1,735,387	65	1,735,322
4,179,497	762	4,178,735
820,253	-	820,253
161,540	16,406	145,134
5,867,423	858,507	5,008,916
2,511,236	488	2,510,748
397,968	259	397,709
<u>27,116,859</u>	<u>884,192</u>	<u>26,232,667</u>
12,474,947	3,549,943	8,925,004
11,969,305	2,838,980	9,130,325
17,645,661	2,086,908	15,558,753
-	-	-
2,269,367	1,272,815	996,552
1,055,584	185,429	870,155
1,143,141	115,442	1,027,699
139,675	22,531	117,144
<u>46,697,680</u>	<u>10,072,048</u>	<u>36,625,632</u>
139,205,444	<u>\$ 34,386,588</u>	104,818,856
63,568		63,568
<u>11,347,861</u>		<u>\$ 104,755,288</u>
127,794,015		
71,610,796		
15,193,465		
42,026		
<u>\$ 40,947,728</u>		

Broadlawns Medical Center

**Provisions for Contractual and Other Adjustments
Years Ended June 30, 2011 and 2010**

	2011	2010
Employee discounts	\$ 66,279	\$ 63,475
Contractual adjustments under third-party reimbursement programs:		
IowaCare	48,997,755	43,313,438
Medicare	8,097,926	8,959,757
Medicaid	5,872,437	7,465,582
Magellan	1,957,504	1,687,068
Heritage	2,412,950	2,900,248
Wellmark	1,565,002	1,723,214
PCHS	2,243,135	2,619,636
Other	2,866,490	2,878,378
	\$ 74,079,478	\$ 71,610,796

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2011 and 2010

	2011	2010
Grants:		
Broadlawns Medical Center:		
Women, Infants, and Children Program, State of Iowa	\$ 1,941,718	\$ 1,700,093
WIC Breast Pump Program	81,777	62,011
Bioterrorism grant	32,294	30,901
Farmers Market Nutrition Program, State of Iowa (IDALS)	3,899	2,499
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	254,617	261,021
Magellan, Meth Funds (Iowa Plan)	21,218	21,007
Area Health Education Center Grant	193,995	201,056
I-Jobs	1,000,000	-
Earmark Grant	773,038	70,074
Total grants	4,302,556	2,348,662
Contracts:		
Polk County Health Services:		
Day Treatment	40,000	80,000
Community Access Program, Case Management	1,305,399	1,189,897
Community Access Program, Service Coordination	358,804	363,500
ISA Nurse Practitioner	8,527	94,202
Addiction Medicine	312,018	312,018
Other:		
Family Planning Iowa Empowerment, ISDPH	-	(2,894)
Medical and Dental Education, University of Iowa	318,593	328,491
IowaCare, State of Iowa	265,833	304,167
Total contracts	2,609,174	2,669,381
Other:		
Meaningful Use of Electronic Health Records incentive payments	2,170,132	-
Family Practice Program, Iowa Methodist Medical Center	120,200	115,717
Contribution of medical supplies	1,170,378	863,903
Cafeteria	680,358	680,358
Refunds and rebates	158,599	246,319
Sales and supplies, services, and salvage	479,544	117,955
Purchase discounts	3,701	1,753
Des Moines Consortium contribution	37,025	33,167
Research	69,856	74,096
Miscellaneous	24,760	17,217
Total other	4,914,553	2,150,485
Total other operating revenue	\$ 11,826,283	\$ 7,168,528

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2011 and 2010**

	2011			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 726,767	\$ -	\$ 80,288	\$ 807,055
Medical, surgical, and pediatric	2,476,055	-	342,322	2,818,377
Mental health administration	627,542	-	6,221	633,763
Mental health	1,918,390	-	161,923	2,080,313
Intensive care	782,553	-	53,651	836,204
Family birthing center	872,647	-	80,343	952,990
Operating rooms	955,259	-	696,129	1,651,388
Central services	208,719	-	1,512,671	1,721,390
Specialty clinics	590,069	-	788,278	1,378,347
Emergency services	2,075,828	-	284,623	2,360,451
Family health center	475,342	-	134,998	610,340
Internal Medicine Clinic	184,720	-	20,590	205,310
Internal Medicine Continuity Clinic	-	-	8,247	8,247
Primary Care Clinic	245,227	-	20,148	265,375
Women's Health Clinic	194,169	-	68,472	262,641
Peds Clinic	165,466	-	12,876	178,342
Walk-in Clinic	452,005	-	43,062	495,067
Pain Clinic	79,078	-	1,200	80,278
Dental clinics	642,965	9,405	213,639	866,009
Addiction Medicine	203,580	-	3,725	207,305
Mental health, clinical services	2,291,888	-	204,418	2,496,306
Residential facilities	55,273	-	9,737	65,010
PATH	-	-	301,726	301,726
Less interdepartment transactions	-	-	67,679	67,679
Total nursing and medical services	16,223,542	9,405	4,981,608	21,214,555
Physician Services:				
Anesthesiology	522,343	167,103	82,683	772,129
ENT	-	54,678	-	54,678
Family Practice	1,484,407	-	177,647	1,662,054
Internal Medicine	734,107	440,687	9,844	1,184,638
Neurology	196,533	-	6,027	202,560
Obstetrics & Gynecology	658,794	6,900	4,030	669,724
Oncology	398	-	244	642
Ophthalmologists	89,435	60,699	1,250	151,384
Orthopedics	681,830	27,555	8,963	718,348
Pediatrics	401,893	38,654	4,706	445,253
Podiatry	625,549	-	8,433	633,982
Psychiatry	2,381,133	121,450	34,400	2,536,983
Surgery	579,186	277,825	15,198	872,209
Cardiology	-	65,645	-	65,645
Emergency Medicine	2,857,730	52,665	18,741	2,929,136
Medical Education	915,107	180,755	12,822	1,108,684
Other physician services	277,590	9,621	-	287,211
Total physician services	\$ 12,406,035	\$ 1,504,237	\$ 384,988	\$ 14,295,260

2010

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	700,331	\$ -	\$ 76,643	\$ 776,974
	2,415,034	-	425,511	2,840,545
	606,565	-	8,329	614,894
	1,891,732	-	89,531	1,981,263
	784,674	-	79,304	863,978
	878,490	-	69,405	947,895
	978,340	-	653,393	1,631,733
	215,888	-	1,636,843	1,852,731
	875,174	-	1,061,063	1,936,237
	1,952,404	-	240,437	2,192,841
	524,081	-	123,122	647,203
	74,067	-	9,445	83,512
	77,624	-	19,756	97,380
	211,783	-	18,718	230,501
	189,441	-	54,129	243,570
	163,636	-	13,761	177,397
	486,269	-	40,780	527,049
	85,712	-	4,851	90,563
	670,730	11,469	187,098	869,297
	193,945	-	4,970	198,915
	2,048,183	-	217,701	2,265,884
	82,768	-	8,169	90,937
	-	-	347,104	347,104
	-	-	63,568	63,568
	16,106,871	11,469	5,326,495	21,444,835
	537,682	140,554	89,788	768,024
	-	109,817	-	109,817
	621,999	-	35,885	657,884
	684,355	388,164	6,062	1,078,581
	188,296	-	1,585	189,881
	644,633	20,871	10,357	675,861
	6,896	-	118	7,014
	86,089	59,789	3,567	149,445
	663,727	111,284	32,287	807,298
	352,249	72,663	8,828	433,740
	557,773	-	19,357	577,130
	1,890,443	237,714	103,040	2,231,197
	598,287	248,024	24,898	871,209
	-	74,583	-	74,583
	3,667,282	12,633	37,385	3,717,300
	748,846	150,695	13,603	913,144
	129,016	24,780	-	153,796
\$	11,377,573	\$ 1,651,571	\$ 386,760	\$ 13,415,904

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2011 and 2010**

	2011			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,172,102	\$ 219,042	\$ 1,582,727	\$ 2,973,871
Pharmacy	1,621,649	-	8,507,865	10,129,514
Radiology	1,016,818	1,100,000	663,153	2,779,971
Anesthesiology	230,162	-	502	230,664
Respiratory therapy	576,074	-	133,759	709,833
Diagnostic services	117,214	-	22,087	139,301
Physical and Occupational Therapy	366,123	-	67,552	433,675
Medical information management	1,362,815	-	46,381	1,409,196
Social services	425,302	-	24,914	450,216
Registration	1,396,503	-	143,604	1,540,107
Women, Infants and Children Program	893,597	-	476,260	1,369,857
Special services	-	-	5,335	5,335
Medical education	1,588,073	111,311	401,860	2,101,244
Library	53,484	-	74,802	128,286
Medical services	388,333	-	280,878	669,211
Managed care	140,447	-	11,184	151,631
Bureau of Refugee Services	207,860	-	139,840	347,700
Speech and hearing	7,883	-	67,551	75,434
Residential facilities	457,107	-	38,648	495,755
PATH	558,834	-	-	558,834
Total other professional services	12,580,380	1,430,353	12,688,902	26,699,635
General services:				
Dietary	-	-	2,060,304	2,060,304
Plant operations	1,081,881	-	1,826,099	2,907,980
Environmental services	890,273	-	449,344	1,339,617
Laundry and linen	55,249	-	197,312	252,561
Risk management	128,590	-	65,566	194,156
Security	71,001	-	425,059	496,060
Residential facilities	-	-	62,247	62,247
PATH	-	-	32,153	32,153
Total general services	\$ 2,226,994	\$ -	\$ 5,118,084	\$ 7,345,078

2010

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,086,965	\$ 211,650	\$ 1,548,234	\$ 2,846,849
	1,529,194	-	7,559,928	9,089,122
	925,070	1,091,667	1,164,871	3,181,608
	249,806	-	1,544	251,350
	543,924	-	161,628	705,552
	153,373	-	17,320	170,693
	321,801	-	70,569	392,370
	1,261,969	-	45,622	1,307,591
	376,414	-	18,001	394,415
	1,239,937	-	149,108	1,389,045
	809,812	-	363,750	1,173,562
	-	-	6,527	6,527
	1,459,183	170,862	392,969	2,023,014
	50,418	-	82,060	132,478
	309,920	-	153,583	463,503
	105,253	-	13,531	118,784
	210,442	-	97,188	307,630
	8,179	-	65,978	74,157
	459,623	-	45,625	505,248
	604,424	-	-	604,424
	11,705,707	1,474,179	11,958,036	25,137,922
	-	-	2,031,149	2,031,149
	1,013,400	-	1,652,819	2,666,219
	814,075	-	504,056	1,318,131
	63,507	-	214,041	277,548
	150,129	-	71,618	221,747
	430,970	-	17,479	448,449
	-	-	61,552	61,552
	-	-	32,968	32,968
\$	2,472,081	\$ -	\$ 4,585,682	\$ 7,057,763

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2011 and 2010**

	2011			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 435,365	\$ -	\$ 905,546	\$ 1,340,911
Accounting	659,820	-	190,076	849,896
Payroll	79,962	-	591	80,553
Information services	872,362	-	1,273,279	2,145,641
Patient accounting	729,572	-	804,525	1,534,097
Patient advocate	153,830	-	8,315	162,145
Telecommunication	186,136	-	238,263	424,399
Planning	485,620	-	417,216	902,836
Minor equipment	-	-	212	212
Print shop	41,412	-	213,741	255,153
Purchasing, receiving and stores	129,040	-	42,032	171,072
Human resources	205,440	-	121,554	326,994
Occupational health	79,871	-	32,796	112,667
Residential facilities	86,508	-	65,885	152,393
PATH	48,753	-	17,685	66,438
Total fiscal and administrative services	4,193,691	-	4,331,716	8,525,407
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees				
Retirement System (IPERS)	-	-	2,998,526	2,998,526
FICA	-	-	3,103,698	3,103,698
Health insurance	-	-	7,134,618	7,134,618
Life insurance	-	-	337,313	337,313
Unemployment compensation	-	-	124,969	124,969
Workers' compensation	-	-	62,863	62,863
Other benefits	-	-	44,045	44,045
Insurance	-	-	882,350	882,350
Medical Center dues	-	-	165,471	165,471
Consulting fees	-	-	189,891	189,891
	-	-	15,043,744	15,043,744
Depreciation and amortization	\$ -	\$ -	\$ 4,472,109	\$ 4,472,109

2010

2010				
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total	
\$ 508,470	\$ -	\$ 245,211	\$	753,681
713,693	-	216,946		930,639
71,418	-	840		72,258
848,166	-	1,121,468		1,969,634
695,019	-	768,647		1,463,666
161,259	-	21,211		182,470
176,843	-	231,845		408,688
459,131	-	404,150		863,281
-	-	-		-
39,759	-	184,294		224,053
98,645	-	6,433		105,078
202,094	-	111,003		313,097
80,853	-	52,356		133,209
64,246	-	38,628		102,874
65,657	-	28,018		93,675
4,185,253	-	3,431,050		7,616,303
-	-	2,744,022		2,744,022
-	-	2,945,936		2,945,936
-	-	6,146,096		6,146,096
-	-	375,099		375,099
-	-	129,940		129,940
-	-	237,174		237,174
-	-	38,074		38,074
-	-	2,210,187		2,210,187
-	-	166,804		166,804
-	-	303,270		303,270
-	-	15,296,602		15,296,602
\$ -	\$ -	\$ 4,349,065	\$	4,349,065

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2011 and 2010**

	2011			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 37,278	\$ 37,278
FICA	-	-	40,439	40,439
Health and life insurance	-	-	260,573	260,573
Insurance	-	-	27,923	27,923
Depreciation and amortization	-	-	-	-
Rent of building and equipment	-	-	17,387	17,387
Total residential facilities	-	-	383,600	383,600
PATH:				
Employee benefits:				
IPERS	-	-	41,949	41,949
FICA	-	-	45,391	45,391
Health and life insurance	-	-	152,587	152,587
Insurance	-	-	19,166	19,166
Depreciation and amortization	-	-	9,772	9,772
Rent of building and equipment	-	-	50,119	50,119
Total PATH	-	-	318,984	318,984
Less interdepartment transactions	-	-	57,302	57,302
	-	-	261,682	261,682
Total fiscal and administrative services and unassigned expenses	4,193,691	-	24,492,851	28,686,542
Total operating expenses	\$ 47,630,642	\$ 2,943,995	\$ 47,666,433	\$ 98,241,070

2010

		2010			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ -	\$ -	\$ 32,875	\$ 32,875		
-	-	37,222	37,222		
-	-	201,713	201,713		
-	-	27,879	27,879		
-	-	-	-		
-	-	18,481	18,481		
-	-	318,170	318,170		
-	-	39,895	39,895		
-	-	46,549	46,549		
-	-	145,902	145,902		
-	-	22,928	22,928		
-	-	10,541	10,541		
-	-	70,587	70,587		
-	-	336,402	336,402		
-	-	18,878	18,878		
-	-	317,524	317,524		
4,185,253	-	23,712,411	27,897,664		
\$ 45,847,485	\$ 3,137,219	\$ 45,969,384	\$ 94,954,088		

Broadlawns Medical Center

**Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function
Year Ended June 30, 2011**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 42,649,347	\$ 893,465	\$ 1,188,975	\$ 67,679 (1)	\$ 44,664,108
Contracts	2,600,647	-	8,527	-	2,609,174
Operating grants	4,302,556	-	-	-	4,302,556
Other	4,971,855	-	-	57,302 (1)	4,914,553
Total operating revenue	54,524,405	893,465	1,197,502	124,981	56,490,391
Operating expenses:					
Nursing and medical services	20,915,498	65,010	301,726	67,679 (1)	21,214,555
Physician services	14,295,260	-	-	-	14,295,260
Other professional service	25,645,046	495,755	558,834	-	26,699,635
General services	7,250,678	62,247	32,153	-	7,345,078
Fiscal and administrative service and unassigned expenses	23,350,320	535,993	375,650	57,302 (1)	24,204,661
Depreciation and amortization	4,472,109	-	9,772	-	4,481,881
Total operating expenses	95,928,911	1,159,005	1,278,135	124,981	98,241,070
Operating (loss)	(41,404,506)	(265,540)	(80,633)	-	(41,750,679)
Nonoperating revenue (expense):					
Property taxes	52,457,755	-	-	-	52,457,755
State appropriations	-	-	-	-	-
Noncapital grants and contributions	247,977	-	-	-	247,977
Investment earnings	72,853	17	455	-	73,325
Interest expense	(1,505,033)	-	-	-	(1,505,033)
Other, net	65,664	250	-	-	65,914
Total nonoperating revenue (expense), net	51,339,216	267	455	-	51,339,938
Capital contribution	1,400,000	-	-	-	1,400,000
Change in net assets	11,334,710	(265,273)	(80,178)	-	10,989,259
Net assets:					
Beginning	42,131,750	(801,744)	433,096	-	41,763,102
Ending	\$ 53,466,460	\$ (1,067,017)	\$ 352,918	\$ -	\$ 52,752,361

(1) To eliminate interdepartment transactions.

Broadlawns Medical Center

**Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function
Year Ended June 30, 2010**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 39,197,108	\$ 414,824	\$ 1,399,364	\$ 63,568 (1)	\$ 40,947,728
Contracts	2,575,179	-	94,202	-	2,669,381
Operating grants	2,348,662	-	-	-	2,348,662
Other	2,169,363	-	-	18,878 (1)	2,150,485
Total operating revenue	46,290,312	414,824	1,493,566	82,446	48,116,256
Operating expenses:					
Nursing and medical services	21,070,362	90,937	347,104	63,568 (1)	21,444,835
Physician services	13,415,904	-	-	-	13,415,904
Other professional service	24,028,250	505,248	604,424	-	25,137,922
General services	6,963,243	61,552	32,968	-	7,057,763
Fiscal and administrative service and unassigned expenses	22,716,356	421,044	419,536	18,878 (1)	23,538,058
Depreciation and amortization	4,349,065	-	10,541	-	4,359,606
Total operating expenses	92,543,180	1,078,781	1,414,573	82,446	94,954,088
Operating income (loss)	(46,252,868)	(663,957)	78,993	-	(46,837,832)
Nonoperating revenue (expense):					
Property taxes	48,264,531	-	-	-	48,264,531
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	281,027	-	-	-	281,027
Investment earnings	115,751	28	903	-	116,682
Interest expense	(1,445,495)	-	-	-	(1,445,495)
Other, net	(7,859)	(979)	-	-	(8,838)
Total nonoperating revenue (expense), net	50,207,955	(951)	903	-	50,207,907
Capital contribution	1,000,000	-	-	-	1,000,000
Change in net assets	4,955,087	(664,908)	79,896	-	4,370,075
Net assets:					
Beginning	37,176,663	(136,836)	353,200	-	37,393,027
Ending	\$ 42,131,750	\$ (801,744)	\$ 433,096	\$ -	\$ 41,763,102

(1) To eliminate interdepartment transactions.

Broadlawns Medical Center

**Patient and Medical Center Statistical Data
Years Ended June 30, 2011 and 2010
(Unaudited)**

	2011	2010
Patient days:		
Medical, surgical and pediatric	5,710	6,616
Obstetrics	590	635
Intensive care unit	943	959
Mental health	8,791	8,223
Nursery	485	600
Total patient days	16,519	17,033
Admissions	3,852	4,179
Discharges	3,828	4,188
Average length of stay (days):		
Acute	3.1	3.2
Mental health	7.1	6.3
Outpatient visits:		
Emergency room	33,664	31,835
Walk-in clinic	25,390	26,657
Specialty clinics	8,343	8,727
Pediatric clinic	5,927	7,284
Internal medicine clinic	6,601	7,393
Pain clinic	2,839	1,738
Ortho clinic	3,589	3,296
Surgery clinic	1,434	1,418
Primary care clinic	13,175	10,586
Podiatry clinic	6,882	6,841
Women's health clinic	6,103	6,041
Family health center	17,771	17,553
Mental health	33,415	31,639
Oral medicine	8,477	8,396
Addiction medicine	7,286	6,833
	180,896	176,237

Broadlawns Medical Center

**Organization Data
Year Ended June 30, 2011**

	Expiration of Term
Board of Trustees:	
Mr. Dave Harkness, Chair	December 31, 2012
Ms. Janet Metcalf, Vice Chair	December 31, 2016
Ms. Jean Logan, RN PhD	December 31, 2016
Ms. Mary Fuller, Secretary	December 31, 2012
Members:	
Ms. Cynthia Gray	December 31, 2014
Ms. Mary Krieg, RNC, PhD	December 31, 2016
Mr. Michael D. Treinen, Treasurer	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, 2011**

	Special Supplemental Nutrition Program for Women, Infants, and Children #5880A031
<hr/>	
Revenue:	
Managed care	\$ -
Other state	-
Other federal	2,023,495
County government	-
Total revenue	<u>2,023,495</u>
Expenses:	
Salaries	824,751
Personnel benefits	314,794
Travel	514
Staff training	12,570
Space costs:	
Cash	238,672
In-kind	-
Supplies	53,578
Telephone	1,949
Other expenses	-
Total allowable expenses	<u>1,446,828</u>
Distribution of management and general	738,304
Total expenses	<u>2,185,132</u>
	<u>\$ (161,637)</u>

	Magellan MBC Iowa Plan OP Chem Dep SVCS			
Non-IDPH PCHS Chem Dep	DPH Funded Clients Non-Medicaid		Management and General	Total
\$ -	\$ 258,373		\$ -	\$ 258,373
-	-		-	-
-	17,462		-	2,040,957
312,018	-		-	312,018
312,018	275,835		-	2,611,348
74,794	74,794		122,839	1,097,178
18,699	18,699		39,782	391,974
-	-		-	514
248	248		124	13,190
-	-		70,307	308,979
15,672	15,672		-	31,344
1,237	1,237		10,822	66,874
-	-		2,589	4,538
-	-		637,615	637,615
110,650	110,650		884,078	2,552,206
72,887	72,887		(884,078)	-
183,537	183,537		-	2,552,206
\$ 128,481	\$ 92,298		\$ -	\$ 59,142