

# **Broadlawns Medical Center**

Financial Report  
June 30, 2012

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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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, dated November 20, 2012 and December 16, 2011, 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 accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, and required supplementary information on budget and budgetary accounting on page 43 and the other postemployment benefit plan required supplementary information on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2012 and 2011 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 LLP*

Davenport, Iowa  
November 20, 2012

## **Broadlawns Medical Center**

### **Management's Discussion and Analysis Years Ended June 30, 2012 and 2011**

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#### **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, 2012 and 2011. 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.

Management's 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, 2012, 2011 and 2010.

#### **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, 2012 and 2011

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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 \$8,684,459, which is a \$2,304,800 decrease from last fiscal year, which ended with an increase in net assets of \$10,989,259.
- Total operating expenses for the current fiscal year were \$7,633,489 more than last fiscal year.
- Total operating revenue for the year was \$60,340,100, which is an increase of \$3,849,709.
- Net nonoperating revenue, which includes revenue from the property tax levy, increased \$1,918,003. An increase in the property tax levy of \$1,701,520 accounted for most of the increase.
- During the fiscal year the Medical Center made capital investments totaling \$6,711,401. Capital investments were more than depreciation expense of \$4,211,718 by \$2,499,683. The following is a list of significant purchases and improvements placed in service during the fiscal year:

Capital Investments	Vendor	Department	Amount
Medical Office Building and Equipment	Various	Clinics	\$ 8,831,233
Operating Room Renovation	Various	Surgery	2,023,605
Medical Surgical Pediatric Renovation	Various	Medical/Surgical/Pediatrics	1,598,042
Morgue Garage & Offices	Various	Polk County	988,310
Digital Mamography	Hologic/Browns Medical	Imaging	540,650
Pediatric Clinic	Various	Pediatric Clinic	490,235

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, 2012 and 2011

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#### Net Assets

June 30, 2012: Total current assets are \$99,284,188, which is \$5,523,972 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$3,662,954, an increase in patient receivables of \$982,885, an increase in third-party receivables of \$2,887,542 offset by a decrease in assets limited as to use or restricted required for current liabilities of \$2,421,926. Total noncurrent assets are \$63,008,187, which is \$3,333,235 more than last year. The increase resulted from an increase in net capital assets of \$2,465,693 and an increase in noncurrent assets limited as to use or restricted of \$911,682.

Total current liabilities of \$69,948,165 are \$999,036 more than last fiscal year. The change is due to an increase in accrued employee compensation and payroll taxes of \$1,372,643 offset by a decrease in accounts payable and other accrued expenses of \$695,933. Long-term liabilities of \$30,907,390 are \$826,288 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 \$913,112, capital lease payments of \$59,293 offset by an increase in the postemployment benefits of \$178,000.

Net assets total \$61,436,820, which is \$8,684,459 more than last fiscal year.

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.

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

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

**Table 1**

<b>Condensed Balance Sheet</b>	June 30,		
	2012	2011	2010
Total current assets	\$ 99,284,188	\$ 93,760,216	\$ 83,534,771
Capital assets, net	41,635,342	39,169,649	30,354,754
Other assets, including assets limited as to use or restricted	21,372,845	20,505,303	27,123,920
<b>Total assets</b>	<b>\$ 162,292,375</b>	<b>\$ 153,435,168</b>	<b>\$ 141,013,445</b>
Current liabilities	\$ 69,948,165	\$ 68,949,129	\$ 66,280,728
Long-term debt outstanding and other long-term liabilities	30,907,390	31,733,678	32,969,615
<b>Total liabilities</b>	<b>100,855,555</b>	<b>100,682,807</b>	<b>99,250,343</b>
Invested in capital assets, net of related debt	12,815,422	12,579,264	14,469,027
Restricted net assets	9,904,111	10,376,683	9,810,229
Unrestricted net assets	38,717,287	29,796,414	17,483,846
<b>Total net assets</b>	<b>61,436,820</b>	<b>52,752,361</b>	<b>41,763,102</b>
<b>Total liabilities and net assets</b>	<b>\$ 162,292,375</b>	<b>\$ 153,435,168</b>	<b>\$ 141,013,445</b>

### Summary of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2012: 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, 2012, 2011 and 2010. Net patient revenue is \$52,091,917, which is \$7,427,809 more than last fiscal year. The change is a result of a 5.6% increase in patient days and a 10.2% increase in outpatient visits. Grants and contract revenue is \$4,760,984, which is \$2,150,746 less than last fiscal year. Salaries increased \$2,094,931 or 4.4% due to the annual cost of living rate increases, increases required by the nursing union contract and a 2.5% increase in FTEs. Employee benefits increased \$778,835 or 5.4% due mainly to an increase in FTEs and an increase in the IPERS rate. Physician and outside services increased \$1,973,018 or 67% due to the additional patient volume and some open physician positions. Supplies and other expenses increased \$2,964,387 or 10.3%. This increase was throughout the Medical Center and related to increased patient volume. Total tax revenue is \$54,159,275, which is \$1,701,520 more than last fiscal year. Interest expenses increased \$390,609 or 26% due to a decrease in the amount of interest expense which was capitalized.

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

Year Ended June 30, 2011: 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.

**Table 2**

Revenue, Expenses and Changes in Net Assets	Year Ended June 30,		
	2012	2011	2010
Revenue:			
Net patient service revenue	\$ 52,091,917	\$ 44,664,108	\$ 40,947,728
Grants and contracts	4,760,984	6,911,730	5,018,043
Other	3,487,199	4,914,553	2,150,485
<b>Total operating revenue</b>	<b>60,340,100</b>	<b>56,490,391</b>	<b>48,116,256</b>
Expenses:			
Salaries and employee benefits	64,888,657	62,014,891	58,967,982
Supplies and other expenses	31,764,690	28,800,303	28,489,281
Physician fees and outside services	4,917,013	2,943,995	3,137,219
Depreciation and amortization	4,304,199	4,481,881	4,359,606
<b>Operating expenses</b>	<b>105,874,559</b>	<b>98,241,070</b>	<b>94,954,088</b>
<b>Operating loss</b>	<b>(45,534,459)</b>	<b>(41,750,679)</b>	<b>(46,837,832)</b>
Nonoperating revenue, net	53,257,941	51,339,938	50,207,907
Capital contributions	960,977	1,400,000	1,000,000
<b>Increase in net assets</b>	<b>\$ 8,684,459</b>	<b>\$ 10,989,259</b>	<b>\$ 4,370,075</b>
Total revenue	\$ 116,454,660	\$ 110,735,362	\$ 100,778,496
Total expenses	\$ 107,770,201	\$ 99,746,103	\$ 96,408,421

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

#### Patient and Medical Center Statistical Data

Year Ended June 30, 2012: Admissions of 3,568 patients for the current fiscal year are 284 less than last fiscal year. Average length of stay for acute patients is 3.3 days, which is 0.2 days more than last fiscal year. Average length of stay for mental health patients is 7.7 days, which is 0.6 days more than last fiscal year. The combined decrease in admissions and increase in length of stay results in an increase in patient days of 931 days to 17,450 days for the fiscal year ended June 30, 2012.

The outpatient visits for fiscal year ended June 30, 2012 are 202,155, which is 18,771 more than last fiscal year.

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.

**Table 3**

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2012	2011	2010
Total patient days	17,450	16,519	17,033
Admissions	3,568	3,852	4,179
Discharges	3,526	3,828	4,188
Average length of stay (days):			
Acute	3.3	3.1	3.2
Mental health	7.7	7.1	6.3
Outpatient visits:			
Mental health	38,308	35,903	31,639
Walk-in and Peds Clinics	31,571	31,317	33,941
Emergency room	35,135	33,664	31,835
Specialty, Internal Medicine and Podiatry Clinics	32,753	29,688	29,413
Family Health Center	19,082	17,771	17,553
Primary Care Clinic	21,529	13,175	10,586
Oral Medicine	9,192	8,477	8,396
Women's Health Clinic	6,772	6,103	6,041
Addiction medicine	7,813	7,286	6,833
<b>Total outpatient visits</b>	<b>202,155</b>	<b>183,384</b>	<b>176,237</b>

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

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#### Sources of Revenue

##### Net Patient Revenue

Year Ended June 30, 2012: 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 2012 the Medical Center recorded \$52,091,917 in net patient revenue representing 44.7% of total revenue. The \$52,091,917 in net patient revenue represents 31.0% of gross patient charges compared to 31.3% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid, IowaCare 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, 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, IowaCare 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

The IowaCare program began in July 2005, this service revenue is reported as Medicaid. During fiscal year ended June 30, 2012, the IowaCare program increased as a percentage of gross charges due to the increased number of counties cared for by Broadlawns under the statewide expansion. Table 4 presents the relative percentage of gross charges billed for patient services by payor for the last three fiscal years.

**Table 4**

Payor Mix by Percentages	Year Ended June 30,		
	2012	2011	2010
Medicare	11%	13%	13%
Medicaid:			
IowaCare	50	45	42
All other Medicaid	17	18	19
Third-party payors	5	4	5
Polk County Health Services, Inc.	3	4	3
Wellmark	3	3	3
Self pay, including charity care and bad debts	11	13	15
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

Deductions from revenue consist of charity care totaling \$10,472,582, contractual adjustments totaling \$93,719,161 and bad debts totaling \$11,834,307. 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, 2012, 2011 and 2010. As a percentage of gross patient charges, charity care decreased 2.1%, contractual adjustments increased 4.85% and bad debts decreased 2.2%, resulting in an increase of 1.2% for net patient revenue as compared to gross patient charges.

**Table 5**

Net Patient Revenue	Year Ended June 30,		
	2012	2011	2010
Gross patient revenue	\$ 168,117,967	\$ 142,611,311	\$ 139,141,876
Charity care	(10,472,582)	(10,762,871)	(11,347,861)
Contractual adjustments	(93,719,161)	(74,079,478)	(71,610,796)
Bad debt	(11,834,307)	(13,104,854)	(15,235,491)
<b>Net patient revenue</b>	<b>\$ 52,091,917</b>	<b>\$ 44,664,108</b>	<b>\$ 40,947,728</b>

#### Grant/Contract Revenue

Year Ended June 30, 2012: Grant and contract revenue for the year ended June 30, 2012 totaled \$2,070,632 and \$2,690,352, respectively, for a total of \$4,760,984, which represents 4.1% of total revenue compared to a total of \$6,911,730 in 2011.

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.

#### Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies and services provided to other entities during the years ended June 30, 2012 and 2011 and Medicaid incentive payments for meaningful use of electronic health records which were recognized during the year ended June 30, 2011. Other revenue totals \$3,487,199 and \$4,914,553, which represent 3.0% and 4.5% of total revenue for the years ended June 30, 2012 and 2011, respectively.

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

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#### Tax Revenue

Year Ended June 30, 2012: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2012, the Medical Center's tax revenue totaled \$54,159,275, which is an increase of \$1,701,520 or 3.2% more than the prior year. The tax revenue represented 46.6% of total 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.

**Table 6**

<b>Tax Receipts</b>	2012	2011	2010	Increase (Decrease)	Levied Taxes June 30, 2013
Improvement and maintenance	\$ 37,997,661	\$ 36,814,233	\$ 35,283,270	\$ 1,183,428	\$ 37,642,359
FICA Fund	3,910,977	3,017,869	3,221,126	893,108	3,453,350
IPERS Fund	3,189,949	3,020,744	2,919,283	169,205	3,990,749
Unemployment	121,593	154,080	145	(32,487)	157,376
Tort (Insurance) Fund	8,939,095	9,450,828	6,840,797	(511,733)	9,442,019
<b>Total taxes</b>	<b>\$ 54,159,275</b>	<b>\$ 52,457,754</b>	<b>\$ 48,264,621</b>	<b>\$ 1,701,521</b>	<b>\$ 54,685,853</b>

#### Capital Assets

June 30, 2012: As of June 30, 2012 the Medical Center had \$41,635,342 invested in capital assets. Capital expenditures in 2012 were more than the 2012 depreciation expense, resulting in an increase of \$2,465,693 in net capital assets from 2011 to 2012.

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.

## Broadlawns Medical Center

### Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

**Table 7**

	June 30,		
	2012	2011	2010
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	135,677	9,732,306	3,730,305
Capital assets net of depreciation:			
Land improvements	3,264,475	2,502,430	2,439,803
Buildings	15,791,176	11,211,957	8,552,952
Building equipment	15,946,794	10,119,528	10,295,127
Fixed equipment	124,860	97,961	110,157
Vehicles	86,484	-	8,851
Major movable equipment	6,164,092	5,317,752	4,961,762
Equipment under capital lease	63,508	129,439	197,521
<b>Total capital assets, net</b>	<b>\$ 41,635,342</b>	<b>\$ 39,169,649</b>	<b>\$ 30,354,754</b>

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, hospital revenue 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 \$29,070,134 as of June 30, 2012, \$30,042,539 as of June 30, 2011 and \$30,364,097 as of June 30, 2010. The decrease between years represents payment of debt with no new debt being issued.

#### Fiscal Year 2013 Outlook

The Board of Trustees has approved and set the budget for the 2013 fiscal year. The budget projects an increase in net assets of \$1,908,767.

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, 2012 and 2011**

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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 \$23,000,000 nonrestricted appropriation to Broadlawns Medical Center in the 2012-2013 fiscal year, and up to a \$17,000,000 nonrestricted appropriation 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. During 2012-2013 fiscal year the funding and FMAP dollars were increased to allow the program to 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.

#### **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, 2012 and 2011

Assets	Medical Center		Component Unit (Foundation)	
	2012	2011	2012	2011
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 23,810,742	\$ 20,147,788	\$ 90,332	\$ 222,986
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,043,384	5,465,310	-	158,215
<b>Receivables:</b>				
Patient, less estimated allowances for uncollectibles and contractals 2012 \$14,495,974; 2011 \$10,914,528	9,760,806	8,777,921	-	-
Property taxes	439,189	636,491	-	-
Succeeding year property taxes	54,685,901	54,333,315	-	-
Federal grants	298,920	494,970	-	-
Nonfederal grants	192,098	223,789	-	-
Other	557,362	144,898	-	-
Due from third-party payors	4,653,743	1,766,201	-	-
Inventories	790,291	754,600	-	-
Prepaid expenses and other assets	1,051,752	1,014,933	-	-
<b>Total current assets</b>	<b>99,284,188</b>	<b>93,760,216</b>	<b>90,332</b>	<b>381,201</b>
<b>Noncurrent Assets:</b>				
Assets limited as to use or restricted, net of current portion:				
Cash and cash equivalents	15,326,768	15,811,219	185,551	229,462
Investments	5,666,357	4,270,224	352,934	951,039
	<b>20,993,125</b>	<b>20,081,443</b>	<b>538,485</b>	<b>1,180,501</b>
<b>Capital assets:</b>				
Nondepreciable	193,955	9,790,582	-	-
Depreciable, net	41,441,387	29,379,067	-	473
	<b>41,635,342</b>	<b>39,169,649</b>	<b>-</b>	<b>473</b>
Other assets	379,720	423,860	19,500	-
<b>Total noncurrent assets</b>	<b>63,008,187</b>	<b>59,674,952</b>	<b>557,985</b>	<b>1,180,974</b>
	<b>\$ 162,292,375</b>	<b>\$ 153,435,168</b>	<b>\$ 648,317</b>	<b>\$ 1,562,175</b>

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2012	2011	2012	2011
Current Liabilities:				
Current maturities of long-term debt	\$ 1,095,773	\$ 1,027,990	\$ -	\$ -
Accounts payable and other accrued expenses	4,692,266	5,388,199	-	415,831
Accrued employee compensation and payroll taxes	7,902,225	6,529,582	-	-
Current portion of accrued claims on self-insurance	1,572,000	1,670,043	-	-
Deferred revenue for succeeding year property taxes	54,685,901	54,333,315	-	-
<b>Total current liabilities</b>	<b>69,948,165</b>	<b>68,949,129</b>	<b>-</b>	<b>415,831</b>
Noncurrent Liabilities:				
Other postemployment benefits	680,000	502,000	-	-
Accrued claims on self-insurance, less current portion	2,253,029	2,217,129	-	-
Long-term debt, less current maturities	27,974,361	29,014,549	-	-
<b>Total noncurrent liabilities</b>	<b>30,907,390</b>	<b>31,733,678</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>100,855,555</b>	<b>100,682,807</b>	<b>-</b>	<b>415,831</b>

Commitments and Contingencies (Note 8)

Net Assets:				
Invested in capital assets, net of related debt	12,815,422	12,579,264	-	473
Restricted:				
For debt service	3,219,806	3,287,919	-	-
For enabling legislation	6,625,739	7,030,449	-	-
For specific activities	58,566	58,315	538,485	1,338,716
Unrestricted	38,717,287	29,796,414	109,832	(192,845)
<b>Total net assets</b>	<b>61,436,820</b>	<b>52,752,361</b>	<b>648,317</b>	<b>1,146,344</b>
<b>\$ 162,292,375</b>	<b>\$ 153,435,168</b>	<b>\$ 648,317</b>	<b>\$ 1,562,175</b>	

## Broadlawns Medical Center

### Statements of Revenue, Expenses and Changes in Net Assets Years Ended June 30, 2012 and 2011

	Medical Center		Component Unit (Foundation)	
	2012	2011	2012	2011
Operating revenue:				
Net patient service revenue	\$ 52,091,917	\$ 44,664,108	\$ -	\$ -
Contracts	2,690,352	2,609,174	-	-
Operating grants	2,070,632	4,302,556	-	-
Other	3,487,199	4,914,553	68,200	26,615
<b>Total operating revenue</b>	<b>60,340,100</b>	<b>56,490,391</b>	<b>68,200</b>	<b>26,615</b>
Operating expenses:				
Salaries and wages	49,725,573	47,630,642	-	-
Employee benefits	15,163,084	14,384,249	-	-
Physician fees and outside services	4,917,013	2,943,995	-	-
Supplies and other expenses	31,764,690	28,800,303	46,262	32,213
Depreciation and amortization	4,304,199	4,481,881	-	-
<b>Total operating expenses</b>	<b>105,874,559</b>	<b>98,241,070</b>	<b>46,262</b>	<b>32,213</b>
<b>Operating income (loss)</b>	<b>(45,534,459)</b>	<b>(41,750,679)</b>	<b>21,938</b>	<b>(5,598)</b>
Nonoperating revenue (expense):				
Property taxes	54,159,275	52,457,755	-	-
Noncapital grants and contributions	175,658	247,977	(780,731)	374,522
Investment earnings	58,425	73,325	7,250	8,567
Interest expense	(1,895,642)	(1,505,033)	-	-
Other, net	760,225	65,914	253,516	-
<b>Total nonoperating revenue, net</b>	<b>53,257,941</b>	<b>51,339,938</b>	<b>(519,965)</b>	<b>383,089</b>
Capital contributions	960,977	1,400,000	-	-
<b>Change in net assets</b>	<b>8,684,459</b>	<b>10,989,259</b>	<b>(498,027)</b>	<b>377,491</b>
Net assets:				
Beginning	52,752,361	41,763,102	1,146,344	768,853
Ending	\$ 61,436,820	\$ 52,752,361	\$ 648,317	\$ 1,146,344

See Notes to Basic Financial Statements.

**Broadlawns Medical Center**

**Statements of Cash Flows  
Years Ended June 30, 2012 and 2011**

	Medical Center		Component Unit (Foundation)	
	2012	2011	2012	2011
<b>Cash Flows from Operating Activities:</b>				
Receipts from and on behalf of patients	\$ 52,982,474	\$ 49,018,791	\$ -	\$ -
Payments to suppliers and contractors	(38,816,921)	(32,778,993)	-	-
Payments to employees	(63,516,014)	(61,291,420)	-	-
Other receipts and payments, net	3,509,904	5,931,140	(159,404)	144,259
<b>Net cash provided by (used in) operating activities</b>	<b>(45,840,557)</b>	<b>(39,120,482)</b>	<b>(159,404)</b>	<b>144,259</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Property taxes	54,356,577	52,371,069	-	-
Noncapital grants and contributions	175,658	247,977	(780,731)	374,522
Other	138,545	65,914	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>54,670,780</b>	<b>52,684,960</b>	<b>(780,731)</b>	<b>374,522</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal paid on long-term debt	(406,310)	(389,466)	-	-
Interest paid on long-term debt, net of interest capitalized	(1,952,780)	(1,417,386)	-	-
Proceeds from sale of capital assets	18,529	500	-	-
Purchase of capital assets	(5,356,354)	(13,045,137)	-	-
Capital contributions	960,977	1,400,000	-	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(6,735,938)</b>	<b>(13,451,489)</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>				
Investment income	58,425	73,325	7,250	8,567
(Purchase of) proceeds from investments	(1,396,133)	2,402,287	598,105	(3,371)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,337,708)</b>	<b>2,475,612</b>	<b>605,355</b>	<b>5,196</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>756,577</b>	<b>2,588,601</b>	<b>(334,780)</b>	<b>523,977</b>
<b>Cash and cash equivalents:</b>				
Beginning	41,424,317	38,835,716	610,663	86,686
Ending	\$ 42,180,894	\$ 41,424,317	\$ 275,883	\$ 610,663

(Continued)

**Broadlawns Medical Center**

**Statements of Cash Flows (Continued)  
Years Ended June 30, 2012 and 2011**

	Medical Center		Component Unit (Foundation)	
	2012	2011	2012	2011
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 23,810,742	\$ 20,147,788	\$ 90,332	\$ 222,986
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,043,384	5,465,310	-	158,215
Assets limited as to use or restricted, noncurrent	15,326,768	15,811,219	185,551	229,462
<b>Total cash and cash equivalents</b>	<b>\$ 42,180,894</b>	<b>\$ 41,424,317</b>	<b>\$ 275,883</b>	<b>\$ 610,663</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (45,534,459)	\$ (41,750,679)	\$ 21,938	\$ (5,598)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,304,199	4,481,881	-	-
Loss on disposal of capital assets	22,705	16,587	473	-
Changes in assets and liabilities:				
Patient receivables	(982,885)	140,560	-	-
Inventories, prepaid expenses, other assets and other receivables	(257,233)	(124,156)	(19,500)	-
Due from third-party payors	(2,887,542)	(1,697,607)	-	-
Accounts payable and accrued expenses	(505,342)	(187,068)	(162,315)	149,857
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (45,840,557)</b>	<b>\$ (39,120,482)</b>	<b>\$ (159,404)</b>	<b>\$ 144,259</b>
Noncash Capital and Related Financing Activities:				
Acquisition of capital assets included in accounts payable	\$ 1,051,233	\$ 2,406,280	\$ -	\$ -
Forgiveness of long-term debt	621,680	-	-	-
Forgiveness of accounts payable	-	-	253,516	-

See Notes to Basic Financial Statements.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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#### 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. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in estimates and assumptions in the near term would be material to the financial statements. Estimates that are particularly susceptible to significant changes in the near term and which require significant judgments by management include the allowances for doubtful accounts and contractual adjustments, third-party payor settlements, the liability for self-insured health and dental, malpractice and worker's compensation programs, the liability for other postemployment benefits assumptions, and depreciable lives of property and equipment.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

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.

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 \$11,834,307 and \$13,104,854 for the years ended June 30, 2012 and 2011, 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 2012 fiscal year. The succeeding year property tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2013 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

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#### 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, 2012 and 2011 was none and \$406,724, 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 was related to a construction project and approximately \$773,000 from an earmark grant from the Health Resources and Services Administration.

Contracts and other operating revenue: The basic financial statements include contracts and other operating revenue which primarily represent contracts with Polk County and contributions of medical supplies.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

The electronic health records incentive program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under both the Medicare and Medicaid programs are for five and six years, respectively, based on a statutory formula. The Medicaid programs are determined on a state-by-state basis, which are approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Medical Center initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive reporting periods. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ from the initial payments under the program, although management does not anticipate material adjustments, as input data for the EHR incentive amounts has remained relatively consistent over time. The Medical Center accounts for the incentive payments under the gain contingency model, which means it has met the meaningful use criteria and receipt of the incentive payments was certain. Income from incentive payments is recognized as revenue after the Medical Center has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period. For the years ended June 30, 2012 and 2011, the Medical Center has recognized approximately none and \$2,170,000, respectively, of other operating revenue related to the EHR incentive program.

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. The Medical Center has been subject to such audits and will continue to be subject to additional audits in the future. The Medical Center has recorded an estimated liability as a reduction of due from third-party payors on the accompanying balance sheets as of June 30, 2012 and 2011, as a reserve for such audits. It is reasonably possible that the recorded estimates will change materially in the near term.

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. This component of net assets includes unspent bond proceeds of \$250,214 and \$3,452,154 for the years ended June 30, 2012 and 2011, 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 \$1,006,055 and \$739,520 for IPERS contributions, \$4,928,299 and \$5,514,972 for tort immunity, and \$691,385 and \$775,957 for employer payroll taxes as of June 30, 2012 and 2011, 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.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

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. Charity care services rendered by the Medical Center at established rates totaled \$10,472,582 and \$10,762,871 for the years ended June 30, 2012 and 2011, respectively.

Effective July 1, 2005, some of the patients who previously qualified for charity care became qualified for the IowaCare program. 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. During 2012-2013 fiscal year the funding and FMAP dollars were increased to allow the program to have a regional expansion of the provider network to include Federally Qualified Health Centers (FQHCs) and patient reassignment to improve access to care. Charges for patients eligible for the IowaCare program, net of the annual appropriation amount related to the IowaCare program, are written off as contractual adjustments.

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.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

State legislation requires the Medical Center to distribute certain property tax proceeds to the treasurer of state, which are then to be used for the IowaCare program. The amount distributed by the Medical Center plus a federal match is then available to be paid to the Medical Center as services are provided to patients included in the IowaCare program. For the years ended June 30, 2012 and 2011, the guaranteed appropriation available to the Medical Center for providing services to patients in the IowaCare program is \$57,000,000 and \$48,000,000, respectively. Total property taxes and IowaCare appropriation, is reported in the statements of revenue, expenses, and changes in net assets as follows:

	2012	2011
Property taxes and IowaCare appropriations:		
General fund	\$ 37,997,661	\$ 36,814,233
Payroll, tort and other	16,161,614	15,643,522
Total property taxes appropriation	<u>54,159,275</u>	<u>52,457,755</u>
Less allocation from Medical Center to treasurer of state for IowaCare program	(38,000,000)	(38,000,000)
Less allocation from Medical Center for pharmacy and DME services	<u>(2,000,000)</u>	-
	14,159,275	14,457,755
IowaCare appropriation	<u>57,000,000</u>	<u>48,000,000</u>
	<u>\$ 71,159,275</u>	<u>\$ 62,457,755</u>
Statements of revenue, expenses, and changes in net assets:		
Net patient service revenue	\$ 17,000,000	\$ 10,000,000
Property taxes	54,159,275	52,457,755
	<u>\$ 71,159,275</u>	<u>\$ 62,457,755</u>

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.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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#### 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 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 47% and 52% of the Medical Center's net patient service revenue for the years ended June 30, 2012 and 2011, 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.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

#### Note 2. Net Patient Service Revenue (Continued)

In 2011, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Iowa's Hospital Provider Tax Program. Under the Program, which is retroactive to July 1, 2010, a hospital is required to pay a quarterly provider tax assessment. The tax assessments collected by the State are used to fund a health care access improvement fund and are used to obtain federal matching funds, all of which must be distributed to Iowa hospitals to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Program increases inpatient DRG reimbursement rates and also implements several supplemental inpatient and outpatient methodologies. The Medical Center's additional reimbursement has been recorded in the accompanying financial statements as a reduction of contractual adjustment expense. Total assessments incurred by the Medical Center related to this Program amounted to approximately \$242,000 for each of the years ended June 30, 2012 and 2011, which is included in other operating expenses.

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.

A reconciliation of gross patient service revenue to net patient service revenue for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Gross patient service revenue:		
Inpatient	\$ 38,472,870	\$ 33,418,533
Outpatient	129,645,097	109,192,778
	168,117,967	142,611,311
Less charity care	10,472,582	10,762,871
<b>Gross patient service revenue</b>	<b>157,645,385</b>	<b>131,848,440</b>
Less provisions for bad debts	11,834,307	13,104,854
Less contractual and other adjustments:		
Employee discounts	141,598	66,279
Contractual adjustments under third-party reimbursement programs:		
IowaCare	63,660,681	48,997,755
Medicare	9,482,941	8,097,926
Medicaid	9,261,819	8,285,387
Magellan	2,312,679	1,957,504
Wellmark	1,560,058	1,565,002
PCHS	2,184,573	2,243,135
Other	5,114,812	2,866,490
	93,719,161	74,079,478
<b>Net patient service revenue</b>	<b>\$ 52,091,917</b>	<b>\$ 44,664,108</b>

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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#### Note 3. Cash and Investments

As of June 30, 2012, the Medical Center has the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Farm Credit Bank	02/22/16	\$ 300,978
Federal Farm Credit Bank	02/22/16	300,978
Federal Farm Credit Bank	02/22/16	300,978
Federal Home Loan Bank	07/30/12	100,085
Federal Home Loan Bank	08/28/12	100,732
Federal Home Loan Bank	10/30/12	100,549
Federal Home Loan Bank	11/21/12	102,219
Federal Home Loan Bank	12/14/12	103,042
Federal Home Loan Bank	03/08/13	306,879
Federal Home Loan Bank	06/14/13	307,117
Federal Home Loan Bank	08/28/13	301,134
Federal Home Loan Bank	02/24/15	299,814
Federal Home Loan Bank	02/24/15	299,814
Federal Home Loan Bank	02/24/15	299,814
Federal Home Loan Bank	02/21/17	290,365
Federal Home Loan Bank	02/21/17	300,378
Federal Home Loan Mgmt Corp	01/09/13	101,664
Federal Home Loan Mgmt Corp	04/15/13	305,655
Federal Home Loan Mgmt Corp	05/29/13	316,899
Federal Home Loan Mgmt Corp	09/19/14	300,777
Federal National Mgmt Association	02/22/13	100,925
Federal National Mgmt Association	07/12/13	320,478
Federal National Mgmt Association	10/30/14	301,329
U.S. Treasury Note	09/15/12	100,254
Artwork	NA	3,500
		<u>\$ 5,666,357</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

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#### 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, 2012, the Medical Center's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor Services</u>	<u>Standard &amp; Poor's</u>
Federal Home Loan Mgmt Corp.	Aaa	AAA
Federal National Mgmt Association	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
Federal 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, 2012, the Medical Center and Foundation's deposits and investments were not exposed to custodial credit risk.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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#### 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, 2012 and 2011 were designated as follows:

	2012	2011
Board designated for:		
Memorial funds	\$ 3,500	\$ 3,500
Building project	5,132,478	5,131,670
Self-insured retention funds:		
Medical malpractice	5,435,485	4,894,353
Workers' compensation	1,435,732	1,514,235
Health insurance trust	8,070,891	6,800,366
Equipment maintenance trust	88,347	119,249
Dental	341,490	284,992
Under terms of bond indentures (Note 6):		
Bond service	3,219,806	3,287,919
Project fund	250,214	3,452,154
Patient trust fund	5,470	5,292
Alumni fund	53,096	53,023
	<u>\$ 24,036,509</u>	<u>\$ 25,546,753</u>

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

	2012	2011
Assets limited as to use or restricted, required for current liabilities	\$ 3,043,384	\$ 5,465,310
Assets limited as to use or restricted	20,993,125	20,081,443
	<u>\$ 24,036,509</u>	<u>\$ 25,546,753</u>

Assets limited as to use or restricted for the Foundation as of June 30, 2012 and 2011 of \$538,485 and \$1,338,716, respectively, are designated primarily for departments of the Medical Center and specific health care related causes.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

#### Note 5. Capital Assets

Activity in capital assets and accumulated depreciation and amortization for the years ended June 30, 2012 and 2011 was as follows:

	Medical Center			
	June 30, 2011	Additions	Transfers and Disposals	June 30, 2012
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	9,732,306	4,568,885	(14,165,514)	135,677
<b>Total capital assets not being depreciated</b>	<b>9,790,582</b>	<b>4,568,885</b>	<b>(14,165,514)</b>	<b>193,953</b>
Capital assets being depreciated:				
Land improvements	5,403,416	122,359	916,079	6,441,854
Buildings	25,150,702	(9,752)	5,309,423	30,450,373
Building equipment	28,612,102	93,091	7,038,299	35,743,492
Fixed equipment	567,573	35,044	5,632	608,249
Vans	236,842	96,670	(2,617)	330,895
Major moveable equipment	23,607,900	1,805,104	833,396	26,246,400
Equipment under capital lease	1,129,844	-	(13,796)	1,116,048
<b>Total capital assets being depreciated</b>	<b>84,708,379</b>	<b>2,142,516</b>	<b>14,086,416</b>	<b>100,937,311</b>
Less accumulated depreciation for:				
Land improvements	2,900,986	276,393	-	3,177,379
Buildings	13,938,745	720,452	-	14,659,197
Building equipment	18,492,573	1,304,519	(394)	19,796,698
Fixed equipment	469,612	13,777	-	483,389
Vans	236,842	10,186	(2,617)	244,411
Major moveable equipment	18,290,149	1,820,460	(28,301)	20,082,308
Equipment under capital lease	1,000,405	65,931	(13,796)	1,052,540
<b>Total accumulated depreciation</b>	<b>55,329,312</b>	<b>4,211,718</b>	<b>(45,108)</b>	<b>59,495,922</b>
Total capital assets, being depreciated, net	29,379,067	(2,069,202)	14,131,524	41,441,389
<b>Capital assets, net</b>	<b>\$ 39,169,649</b>	<b>\$ 2,499,683</b>	<b>\$ (33,990)</b>	<b>\$ 41,635,342</b>
	Foundation			
	June 30, 2011	Additions	Transfers and Disposals	June 30, 2012
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ (7,473)	\$ -
Less accumulated depreciation for fixed equipment	7,000	-	(7,000)	-
<b>Capital assets, net</b>	<b>\$ 473</b>	<b>\$ -</b>	<b>\$ (473)</b>	<b>\$ -</b>

## Broadlawns Medical Center

### Notes to Basic Financial Statements

#### Note 5. Capital Assets (Continued)

	Medical Center			
	June 30, 2010	Additions	Transfers and Disposals	June 30, 2011
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	3,730,305	12,354,840	(6,352,839)	9,732,306
<b>Total capital assets not being depreciated</b>	<b>3,788,581</b>	<b>12,354,840</b>	<b>(6,352,839)</b>	<b>9,790,582</b>
Capital assets being depreciated:				
Land improvements	5,121,703	-	281,713	5,403,416
Buildings	21,945,619	-	3,205,083	25,150,702
Building equipment	27,550,891	35,761	1,025,450	28,612,102
Fixed equipment	567,573	-	-	567,573
Vans	236,842	-	-	236,842
Major moveable equipment	21,004,847	788,863	1,814,190	23,607,900
Equipment under capital lease	1,153,970	-	(24,126)	1,129,844
<b>Total capital assets being depreciated</b>	<b>77,581,445</b>	<b>824,624</b>	<b>6,302,310</b>	<b>84,708,379</b>
Less accumulated depreciation for:				
Land improvements	2,681,900	219,086	-	2,900,986
Buildings	13,392,667	546,078	-	13,938,745
Building equipment	17,255,764	1,236,809	-	18,492,573
Fixed equipment	457,416	12,196	-	469,612
Vans	227,991	8,851	-	236,842
Major moveable equipment	16,043,085	2,256,380	(9,316)	18,290,149
Equipment under capital lease	956,449	68,082	(24,126)	1,000,405
<b>Total accumulated depreciation</b>	<b>51,015,272</b>	<b>4,347,482</b>	<b>(33,442)</b>	<b>55,329,312</b>
Total capital assets, being depreciated, net	26,566,173	(3,522,858)	6,335,752	29,379,067
<b>Capital assets, net</b>	<b>\$ 30,354,754</b>	<b>\$ 8,831,982</b>	<b>\$ (17,087)</b>	<b>\$ 39,169,649</b>
	Foundation			
	June 30, 2010	Additions	Transfers and Disposals	June 30, 2011
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	7,000	-	-	7,000
<b>Capital assets, net</b>	<b>\$ 473</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 473</b>

## Broadlawns Medical Center

### Notes to Basic Financial Statements

#### Note 6. Long-Term Debt

Long-term debt as of June 30, 2012 and 2011 consists of the following:

	2012	2011
General obligation capital loan notes (2000), net of discount (A)	\$ -	\$ 621,680
Hospital Revenue Bonds, Series 2008, net of discount (B)	9,672,760	9,800,610
Hospital Revenue Bonds, Series 2009, net of discount (C)	9,771,749	9,805,705
Hospital Revenue Bonds, Series 2009A, net of discount (D)	9,589,852	9,719,478
Capital lease obligation, equipment (E)	35,773	95,066
	<u>29,070,134</u>	<u>30,042,539</u>
Less current maturities	1,095,773	1,027,990
	<u>\$ 27,974,361</u>	<u>\$ 29,014,549</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 matured in annual installments through fiscal year 2012. Interest, at rates ranging from 4.50% to 4.95%, was payable semiannually. The net revenue and receivables of the Medical Center were 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. The agreement released and discharged the Medical Center from its obligation related to the notes as certain requirements for capital asset additions and other requirements were met by December 31, 2011, which resulted in the forgiveness of the remaining unpaid principal balance of the notes plus accrued interest at that time.
- (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.
- (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) The Medical Center has lease agreements related to certain equipment which is classified as a capital lease. The lease expires in January 2013.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

#### Note 6. Long-Term Debt (Continued)

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 \$47,397,592. Principal and interest paid for the bonds during the current year and total net revenue of the Medical Center were \$2,185,188 and \$60,340,100, 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.

Long-term debt activity as of and for the years ended June 30, 2012 and 2011 is as follows:

	June 30, 2011	Borrowings	Payments and Amortization of Discount	June 30, 2012	Amounts Due Within 1 Year
Bonds payable:					
General obligation capital loan notes (2000)	\$ 621,680	\$ -	\$ 621,680	\$ -	\$ -
Hospital Revenue Bonds, Series 2008	9,800,610	-	127,850	9,672,760	575,000
Hospital Revenue Bonds, Series 2009	9,805,705	-	33,956	9,771,749	275,000
Hospital Revenue Bonds, Series 2009A	9,719,478	-	129,626	9,589,852	210,000
<b>Total bonds payable</b>	<b>29,947,473</b>	<b>-</b>	<b>913,112</b>	<b>29,034,361</b>	<b>1,060,000</b>
Capital lease obligations, equipment	95,066	-	59,293	35,773	35,773
	<b>\$ 30,042,539</b>	<b>\$ -</b>	<b>\$ 972,405</b>	<b>\$ 29,070,134</b>	<b>\$ 1,095,773</b>

	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
<b>Total bonds payable</b>	<b>29,996,583</b>	<b>-</b>	<b>49,110</b>	<b>29,947,473</b>	<b>966,680</b>
Capital lease obligations, equipment	367,514	-	272,448	95,066	61,310
	<b>\$ 30,364,097</b>	<b>\$ -</b>	<b>\$ 321,558</b>	<b>\$ 30,042,539</b>	<b>\$ 1,027,990</b>

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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#### Note 6. Long-Term Debt (Continued)

Aggregate principal and interest maturities for the Medical Center's long-term debt, including the capital lease obligations, as of June 30, 2012 are as follows:

	Principal	Interest
Year ending June 30:		
2013	\$ 1,095,773	\$ 1,819,459
2014	1,240,000	1,763,953
2015	1,415,000	1,697,941
2016	1,560,000	1,616,353
2017	1,645,000	1,526,988
2018 - 2022	10,030,000	6,009,900
2023 - 2027	8,245,000	2,887,325
2028 - 2030	4,345,000	499,900
	<u>29,575,773</u>	<u>\$ 17,821,819</u>
Less unamortized discount	505,639	
	<u>\$ 29,070,134</u>	

As of June 30, 2012 there is \$36,309 of future minimum lease payments on the capital lease obligations due in the year ending June 30, 2013 of which \$536 is interest.

#### 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, 2012, plan members were required to contribute 5.38% of their annual covered salary up to \$245,000; and the Medical Center was required to contribute 8.07% of annual covered payroll up to \$245,000 per individual salary. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$3,644,442, \$3,077,754 and \$2,816,792, 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 2013, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2012.

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 1.5% in 2012 and 4% in 2011.

The Medical Center has accrued liabilities of \$3,825,029 and \$3,887,172 for self-insured losses as of June 30, 2012 and 2011, 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,			Amounts	
	2011	Additions	Reductions	June 30, 2012	Due Within 1 Year
Malpractice insurance	\$ 2,670,129	\$ 18,447	\$ 275,806	\$ 2,412,770	\$ 398,000
Workers' compensation insurance	444,000	405,896	263,637	586,259	348,000
Equipment maintenance insurance	7,647	194,261	175,908	26,000	26,000
Dental insurance	9,282	531,836	501,118	40,000	40,000
Health insurance	756,114	7,478,278	7,474,392	760,000	760,000
<b>Total</b>	<b>\$ 3,887,172</b>	<b>\$ 8,628,718</b>	<b>\$ 8,690,861</b>	<b>\$ 3,825,029</b>	<b>\$ 1,572,000</b>

**Broadlawns Medical Center**

**Notes to Basic Financial Statements**

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

	June 30, 2010	Additions	Reductions	June 30, 2011	Amounts 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
<b>Total</b>	<b>\$ 4,774,717</b>	<b>\$ 9,105,739</b>	<b>\$ 9,993,284</b>	<b>\$ 3,887,172</b>	<b>\$ 1,670,043</b>

**Lease commitments:**

The Medical Center leases equipment and real estate under operating agreements which expire through 2016. Rental expense under those agreements was approximately \$797,000 and \$865,000 for the years ended June 30, 2012 and 2011, respectively. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:	Equipment	Real Estate
2013	\$ 164,340	\$ 434,913
2014	164,340	434,913
2015	164,340	434,913
2016	41,085	434,913
	<b>\$ 534,105</b>	<b>\$ 1,739,652</b>

**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. The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

##### Health care reform:

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that final regulations and interpretive guidelines have yet to be published, the Medical Center is unable to fully predict the impact of PPACA on its operations and financial results. If the law is implemented as adopted, the Organization's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of the Medical Center is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

#### 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 net receivables from patients and third-party payors as of June 30, 2012 and 2011 was as follows:

	2012	2011
Medicare	13%	17%
PCHS	7	7
Medicaid	17	16
Private pay	37	45
Other	26	15
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### 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.

**Broadlawns Medical Center**

**Notes to Basic Financial Statements**

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

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 2012, the Medical Center contributed approximately \$25,000. Retirees receiving benefits contributed approximately \$27,000, through their required contributions.

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, 2012 and 2011, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligation:

	2012	2011
Annual required contribution	\$ 226,000	\$ 219,000
Interest on net OPEB obligation	23,000	14,000
Adjustment to annual required contribution	(19,000)	(12,007)
Annual OPEB cost/expense	230,000	220,993
Contributions and payments made	(52,000)	(22,000)
Increase in net OPEB obligation	178,000	198,993
Net OPEB obligation, beginning of year	502,000	303,007
Net OPEB obligation, end of year	<u>\$ 680,000</u>	<u>\$ 502,000</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 2012, 2011 and 2010 were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30:			
2012	\$ 230,000	22.61%	\$ 680,000
2011	220,993	9.95%	502,000
2010	205,055	39.53%	303,007

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 \$45,677,336 and the ratio of the UAAL to the covered payroll was 3.02%.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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#### **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 implemented the following Governmental Accounting Standards Board (GASB) Statements during the year ended June 30, 2012:

*GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued January 2010, was effective for the Medical Center 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*. The implementation of GASB 57 had no effect on the Organization's financial statements.

*GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, was effective for the Medical Center beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied. The implementation of GASB 64 had no effect on the Organization's financial statements.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

As of June 30, 2012, the GASB has issued several Statements not yet implemented by the Organization. The Statements which might impact the Medical Center and Foundation (collectively the Organization) are as follows:

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 Medical Center 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 Medical Center 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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Medical Center beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

## Broadlawns Medical Center

### Notes to Basic Financial Statements

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the Medical Center beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the Medical Center beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the Medical Center beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

**Broadlawns Medical Center**

**Notes to Basic Financial Statements**

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Medical Center beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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, 2012**

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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, 2012:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget	Budget to Actual Variance, Over (Under) Budget
\$ 105,874,559	\$ 3,354,107	\$ 109,228,666	\$ 116,049,719	\$ (6,821,053)

**Broadlawns Medical Center**

**Required Supplementary Information, Other Postemployment Benefit Plan  
Year Ended June 30, 2012**

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	07/01/2008	\$ -	\$ 1,166,000	\$ 1,166,000	- %	\$ 41,466,780	2.81%
2010	07/01/2008	-	1,166,000	1,166,000	-	36,606,367	3.19
2011	07/01/2010	-	1,381,000	1,381,000	-	46,906,532	2.94
2012	07/01/2011	-	1,381,000	1,381,000	-	45,677,336	3.02

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**

**Combining Balance Sheet, by Department  
June 30, 2012**

<b>Assets</b>	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 23,471,245	\$ 72,371	\$ 267,126	\$ -	\$ 23,810,742
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,037,914	5,470	-	-	3,043,384
<b>Receivables:</b>					
Patients, net	9,604,138	135,279	21,389	-	9,760,806
Property taxes	439,189	-	-	-	439,189
Succeeding year property taxes	54,685,901	-	-	-	54,685,901
Federal grants	298,920	-	-	-	298,920
Nonfederal grants	192,098	-	-	-	192,098
Other	1,991,225	-	-	1,433,863 (1)	557,362
Due from third-party payors	4,653,743	-	-	-	4,653,743
Inventories	790,291	-	-	-	790,291
Prepaid expenses and other assets	1,051,752	-	-	-	1,051,752
<b>Total current assets</b>	<b>100,216,416</b>	<b>213,120</b>	<b>288,515</b>	<b>1,433,863</b>	<b>99,284,188</b>
<b>Noncurrent Assets:</b>					
Assets limited as to use or restricted, net of current portion:					
Cash and cash equivalents	15,326,768	-	-	-	15,326,768
Investments	5,666,357	-	-	-	5,666,357
	20,993,125	-	-	-	20,993,125
<b>Capital assets:</b>					
Nondepreciable	193,955	-	-	-	193,955
Depreciable, net	41,352,561	16,917	71,909	-	41,441,387
	41,546,516	16,917	71,909	-	41,635,342
Other assets	379,720	-	-	-	379,720
<b>Total noncurrent assets</b>	<b>62,919,361</b>	<b>16,917</b>	<b>71,909</b>	<b>-</b>	<b>63,008,187</b>
	<b>\$ 163,135,777</b>	<b>\$ 230,037</b>	<b>\$ 360,424</b>	<b>\$ 1,433,863</b>	<b>\$ 162,292,375</b>

(1) To eliminate interdepartment receivables and payables.

<b>Liabilities and Net Assets</b>	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
<b>Current Liabilities:</b>					
Current maturities of long-term debt	\$ 1,060,000	\$ -	\$ -	\$ -	\$ 1,060,000
Current maturities of capital lease obligations	35,773	-	-	-	35,773
Accounts payable and other accrued expenses	4,676,644	1,367,611	81,874	1,433,863 (1)	4,692,266
Accrued employee compensation and payroll taxes	7,796,325	42,358	63,542	-	7,902,225
Current portion of accrued claims on self-insurance	1,572,000	-	-	-	1,572,000
Deferred revenue for succeeding year property taxes	54,685,901	-	-	-	54,685,901
<b>Total current liabilities</b>	<b>69,826,643</b>	<b>1,409,969</b>	<b>145,416</b>	<b>1,433,863</b>	<b>69,948,165</b>
<b>Noncurrent Liabilities:</b>					
Other postemployment benefits	680,000	-	-	-	680,000
Accrued claims on self-insurance, less current portion	2,253,029	-	-	-	2,253,029
Long-term debt, less current maturities	27,974,361	-	-	-	27,974,361
<b>Total noncurrent liabilities</b>	<b>30,907,390</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,907,390</b>
<b>Total liabilities</b>	<b>100,734,033</b>	<b>1,409,969</b>	<b>145,416</b>	<b>1,433,863</b>	<b>100,855,555</b>
<b>Commitments and Contingencies</b>					
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	12,726,596	16,917	71,909	-	12,815,422
<b>Restricted:</b>					
For debt service	3,219,806	-	-	-	3,219,806
For enabling legislation	6,625,739	-	-	-	6,625,739
For specific activities	53,096	5,470	-	-	58,566
Unrestricted	39,776,507	(1,202,319)	143,099	-	38,717,287
<b>Total net assets</b>	<b>62,401,744</b>	<b>(1,179,932)</b>	<b>215,008</b>	<b>-</b>	<b>61,436,820</b>
	<b>\$ 163,135,777</b>	<b>\$ 230,037</b>	<b>\$ 360,424</b>	<b>\$ 1,433,863</b>	<b>\$ 162,292,375</b>

**Broadlawns Medical Center**

**Combining Balance Sheet, by Department  
June 30, 2011**

<b>Assets</b>	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
<b>Current Assets:</b>					
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
<b>Receivables:</b>					
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
<b>Total current assets</b>	<b>94,379,724</b>	<b>171,538</b>	<b>492,789</b>	<b>1,283,835</b>	<b>93,760,216</b>
<b>Noncurrent Assets:</b>					
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
	<b>20,081,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,081,443</b>
<b>Capital assets:</b>					
Nondepreciable	9,790,582	-	-	-	9,790,582
Depreciable, net	29,375,805	-	3,262	-	29,379,067
	<b>39,166,387</b>	<b>-</b>	<b>3,262</b>	<b>-</b>	<b>39,169,649</b>
Other assets	423,860	-	-	-	423,860
<b>Total noncurrent assets</b>	<b>59,671,690</b>	<b>-</b>	<b>3,262</b>	<b>-</b>	<b>59,674,952</b>
	<b>\$ 154,051,414</b>	<b>\$ 171,538</b>	<b>\$ 496,051</b>	<b>\$ 1,283,835</b>	<b>\$ 153,435,168</b>

(1) To eliminate interdepartment receivables and payables.

<b>Liabilities and Net Assets</b>	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
<b>Current Liabilities:</b>					
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
<b>Total current liabilities</b>	<b>68,851,276</b>	<b>1,238,555</b>	<b>143,133</b>	<b>1,283,835</b>	<b>68,949,129</b>
<b>Noncurrent Liabilities:</b>					
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
<b>Total noncurrent liabilities</b>	<b>31,733,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,733,678</b>
<b>Total liabilities</b>	<b>100,584,954</b>	<b>1,238,555</b>	<b>143,133</b>	<b>1,283,835</b>	<b>100,682,807</b>
<b>Commitments and Contingencies</b>					
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	12,576,002	-	(6,510)	-	12,569,492
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)	359,428	-	29,806,186
<b>Total net assets</b>	<b>53,466,460</b>	<b>(1,067,017)</b>	<b>352,918</b>	<b>-</b>	<b>52,752,361</b>
	<b>\$ 154,051,414</b>	<b>\$ 171,538</b>	<b>\$ 496,051</b>	<b>\$ 1,283,835</b>	<b>\$ 153,435,168</b>

## Broadlawns Medical Center

### Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department Year Ended June 30, 2012

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 50,041,546	\$ 1,043,490	\$ 1,040,343	\$ 33,462 (1)	\$ 52,091,917
Contracts	2,690,352	-	-	-	2,690,352
Operating grants	2,070,632	-	-	-	2,070,632
Other	3,534,858	-	-	47,659 (1)	3,487,199
<b>Total operating revenue</b>	<b>58,337,388</b>	<b>1,043,490</b>	<b>1,040,343</b>	<b>81,121</b>	<b>60,340,100</b>
Operating expenses:					
Salaries and wages	48,505,241	606,926	613,406	-	49,725,573
Employee benefits	14,604,577	328,577	229,930	-	15,163,084
Physician fees and outside services	4,917,013	-	-	-	4,917,013
Supplies and other expenses	31,298,283	215,881	331,647	81,121 (1)	31,764,690
Depreciation and amortization	4,293,094	5,029	6,076	-	4,304,199
<b>Total operating expenses</b>	<b>103,618,208</b>	<b>1,156,413</b>	<b>1,181,059</b>	<b>81,121</b>	<b>105,874,559</b>
<b>Operating (loss)</b>	<b>(45,280,820)</b>	<b>(112,923)</b>	<b>(140,716)</b>	<b>-</b>	<b>(45,534,459)</b>
Nonoperating revenue (expense):					
Property taxes	54,159,275	-	-	-	54,159,275
Noncapital grants and contributions	175,658	-	-	-	175,658
Investment earnings	58,111	8	306	-	58,425
Interest expense	(1,895,642)	-	-	-	(1,895,642)
Other, net	757,725	-	2,500	-	760,225
<b>Total nonoperating revenue, net</b>	<b>53,255,127</b>	<b>8</b>	<b>2,806</b>	<b>-</b>	<b>53,257,941</b>
Capital contributions	960,977	-	-	-	960,977
<b>Change in net assets</b>	<b>8,935,284</b>	<b>(112,915)</b>	<b>(137,910)</b>	<b>-</b>	<b>8,684,459</b>
Net assets:					
Beginning	53,466,460	(1,067,017)	352,918	-	52,752,361
Ending	\$ 62,401,744	\$ (1,179,932)	\$ 215,008	\$ -	\$ 61,436,820

(1) To eliminate interdepartment transactions.

## 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
<b>Total operating revenue</b>	<b>54,524,405</b>	<b>893,465</b>	<b>1,197,502</b>	<b>124,981</b>	<b>56,490,391</b>
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
<b>Total operating expenses</b>	<b>95,928,911</b>	<b>1,159,005</b>	<b>1,278,135</b>	<b>124,981</b>	<b>98,241,070</b>
<b>Operating (loss)</b>	<b>(41,404,506)</b>	<b>(265,540)</b>	<b>(80,633)</b>	<b>-</b>	<b>(41,750,679)</b>
Nonoperating revenue (expense):					
Property taxes	52,457,755	-	-	-	52,457,755
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
<b>Total nonoperating revenue, net</b>	<b>51,339,216</b>	<b>267</b>	<b>455</b>	<b>-</b>	<b>51,339,938</b>
Capital contributions	1,400,000	-	-	-	1,400,000
<b>Change in net assets</b>	<b>11,334,710</b>	<b>(265,273)</b>	<b>(80,178)</b>	<b>-</b>	<b>10,989,259</b>
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**

**Analysis of Net Patient Receivables  
June 30, 2012 and 2011**

	2012		2011	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 12,072,877	50%	\$ 8,759,149	45%
31 - 60	3,193,022	13	2,810,541	14
61 - 90	2,903,232	12	1,971,819	10
91 - 120	1,796,343	7	1,661,838	9
121 - 150	1,002,616	4	867,166	4
151 - 180	3,288,690	14	3,535,466	18
	<u>24,256,780</u>	<u>100%</u>	<u>19,605,979</u>	<u>100%</u>
Allowance for doubtful accounts	2,407,000		2,332,962	
Allowance for charity care	1,252,195		1,191,136	
Allowance for contractual and other adjustments	10,836,779		7,303,960	
	<u>\$ 9,760,806</u>		<u>\$ 8,777,921</u>	
Medicare	\$ 1,253,306	13%	\$ 1,467,231	17%
PCHS	690,446	7	1,428,474	16
Medicaid	1,706,768	18	3,982,147	45
Private pay	3,633,783	37	594,334	7
Other	2,476,503	25	1,305,735	15
<b>Total</b>	<u>\$ 9,760,806</u>	<u>100%</u>	<u>\$ 8,777,921</u>	<u>100%</u>

**Broadlawns Medical Center**

**Inventories**

**June 30, 2012 and 2011**

	<b>2012</b>	2011
General stores	<b>\$ 350,139</b>	\$ 379,719
Pharmacy	<b>440,152</b>	374,881
	<b><u>\$ 790,291</u></b>	<b><u>\$ 754,600</u></b>

**Broadlawns Medical Center**

**Changes in Capital Assets and Accumulated Depreciation and Amortization  
Year Ended June 30, 2012**

	Capital Assets			
	June 30, 2011	Additions	Transfers and Disposals	June 30, 2012
<b>Medical Center:</b>				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	5,131,940	122,359	916,079	6,170,378
Buildings	18,190,601	(9,752)	5,309,423	23,490,272
Building equipment	22,068,351	93,091	7,038,299	29,199,741
Fixed equipment	567,573	35,044	5,632	608,249
Major moveable equipment	22,906,487	1,805,104	833,396	25,544,987
Equipment under capital lease	1,116,048	-	-	1,116,048
Construction in progress	9,732,306	4,568,885	(14,165,514)	135,677
	<u>79,751,516</u>	<u>6,614,731</u>	<u>(62,685)</u>	<u>86,303,562</u>
<b>Mental health facility:</b>				
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>
<b>Total Medical Center</b>	<u>94,130,884</u>	<u>6,614,731</u>	<u>(62,685)</u>	<u>100,682,930</u>
<b>Residential facilities:</b>				
Building equipment	1,518	-	-	1,518
Major moveable equipment	6,919	-	-	6,919
Vehicles	-	21,946	13,796	35,742
Equipment under capital lease	13,796	-	(13,796)	-
<b>Total residential facilities</b>	<u>22,233</u>	<u>21,946</u>	<u>-</u>	<u>44,179</u>
<b>Positive Alternative to Hospitalization (PATH):</b>				
Building equipment	935	-	-	935
Vehicles	236,842	74,724	(16,413)	295,153
Major moveable equipment	108,067	-	-	108,067
<b>Total PATH</b>	<u>345,844</u>	<u>74,724</u>	<u>(16,413)</u>	<u>404,155</u>
	<u>\$ 94,498,961</u>	<u>\$ 6,711,401</u>	<u>\$ (79,098)</u>	<u>\$ 101,131,264</u>

Accumulated Depreciation and Amortization

June 30, 2011	Current Provision	Deductions	June 30, 2012
\$ -	\$ -	\$ -	\$ -
2,629,510	276,393	-	2,905,903
9,276,502	545,061	-	9,821,563
12,737,018	1,185,088	(394)	13,921,712
469,612	13,777	-	483,389
17,591,998	1,819,540	(28,301)	19,383,237
986,609	65,931	-	1,052,540
-	-	-	-
<u>43,691,249</u>	<u>3,905,790</u>	<u>(28,695)</u>	<u>47,568,344</u>
-	-	-	-
271,476	-	-	271,476
4,662,243	175,391	-	4,837,634
5,753,102	119,431	-	5,872,533
586,427	-	-	586,427
<u>11,273,248</u>	<u>294,822</u>	<u>-</u>	<u>11,568,070</u>
<u>54,964,497</u>	<u>4,200,612</u>	<u>(28,695)</u>	<u>59,136,414</u>
1,518	-	-	1,518
6,919	-	-	6,919
-	5,029	13,796	18,825
13,796	-	(13,796)	-
<u>22,233</u>	<u>5,029</u>	<u>-</u>	<u>27,262</u>
935	-	-	935
236,842	5,157	(16,413)	225,586
104,805	920	-	105,725
<u>342,582</u>	<u>6,077</u>	<u>(16,413)</u>	<u>332,246</u>
<u>\$ 55,329,312</u>	<u>\$ 4,211,718</u>	<u>\$ (45,108)</u>	<u>\$ 59,495,922</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
<b>Medical Center:</b>				
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>
<b>Mental health facility:</b>				
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>
<b>Total Medical Center</b>	<u>80,995,719</u>	<u>13,179,464</u>	<u>(44,299)</u>	<u>94,130,884</u>
<b>Residential facilities:</b>				
Building equipment	1,518	-	-	1,518
Major moveable equipment	6,919	-	-	6,919
Equipment under capital lease	20,026	-	(6,230)	13,796
<b>Total residential facilities</b>	<u>28,463</u>	<u>-</u>	<u>(6,230)</u>	<u>22,233</u>
<b>Positive Alternative to Hospitalization (PATH):</b>				
Building equipment	935	-	-	935
Vans	236,842	-	-	236,842
Major moveable equipment	108,067	-	-	108,067
<b>Total PATH</b>	<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

### Patient Service Revenue

Years Ended June 30, 2012 and 2011

	2012		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical and pediatric	\$ 8,173,824	\$ 6,046,477	\$ 2,127,347
Mental health	7,871,580	7,871,580	-
Intensive care	3,025,562	3,025,562	-
Family birthing center	1,866,720	1,803,920	62,800
Residential facilities	1,045,189	1,045,189	-
	<u>21,982,875</u>	<u>19,792,728</u>	<u>2,190,147</u>
Other nursing services:			
Operating rooms	10,531,988	2,313,846	8,218,142
Medical and surgical supplies	3,159,635	904,493	2,255,142
Ambulatory care services:			
Specialty Clinic	2,709,478	4,042	2,705,436
Emergency	16,476,800	2,398,195	14,078,605
Family health center	2,602,913	5,887	2,597,026
Internal Medicine Clinics	648,719	476	648,243
Primary Care Clinic	3,024,619	-	3,024,619
Peds Clinic	556,170	-	556,170
Walk-in Clinic	3,022,335	4,976	3,017,359
Dental clinics	1,240,996	-	1,240,996
Addiction Medicine	727,961	-	727,961
Women's Health Clinic	780,511	111	780,400
Mental health	5,011,768	38,870	4,972,898
PATH	1,040,343	-	1,040,343
	<u>51,534,236</u>	<u>5,670,896</u>	<u>45,863,340</u>
Other physician services:			
Anesthesiology	2,551,146	-	2,551,146
ENT	199,224	-	199,224
Family Practice	4,839,306	2,086	4,837,220
Internal Medicine	2,050,694	614	2,050,080
Neurology	623,306	-	623,306
Obstetrics and Gynecology	1,528,872	-	1,528,872
Ophthalmologists	140,980	-	140,980
Orthopedics	595,735	-	595,735
Optometry	497,047	90	496,957
Pediatrics	714,009	357	713,652
Podiatry	1,662,108	-	1,662,108
Psychiatry	5,309,505	-	5,309,505
Surgery	945,419	-	945,419
Cardiology	96,344	-	96,344
Emergency Medicine	9,717,491	1,264,619	8,452,872
Medical Education	2,553,258	-	2,553,258
Other physician services	437,646	528	437,118
	<u>34,462,090</u>	<u>1,268,294</u>	<u>33,193,796</u>
Other professional services:			
Laboratory	18,154,471	4,633,118	13,521,353
Pharmacy	13,085,980	2,622,954	10,463,026
Radiology	21,528,197	2,483,036	19,045,161
Respiratory therapy	3,141,242	1,577,465	1,563,777
Diagnostic services	1,617,177	237,138	1,380,039
Physical and occupational therapy	2,465,829	163,816	2,302,013
Speech and hearing therapy	179,332	23,425	155,907
	<u>60,172,228</u>	<u>11,740,952</u>	<u>48,431,276</u>
<b>Gross charges at established rates</b>	<b>168,151,429</b>	<b>\$ 38,472,870</b>	<b>129,678,559</b>
Less interdepartment elimination	33,462		33,462
Charity care charges forgone, based on established rates	10,472,582		\$ 129,645,097
<b>Total gross patient service revenue</b>	<b>157,645,385</b>		
Provisions for contractual and other adjustments	93,719,161		
Provisions for bad debts	11,832,608		
Provisions for bad debts - Residential	1,699		
<b>Total net patient services revenue</b>	<b>\$ 52,091,917</b>		

2011		
Totals	Inpatients	Outpatients
\$ 7,641,028	\$ 6,062,166	\$ 1,578,862
7,137,854	7,136,385	1,469
2,344,120	2,344,120	-
1,508,481	1,434,287	74,194
894,989	894,989	-
<u>19,526,472</u>	<u>17,871,947</u>	<u>1,654,525</u>
8,783,964	1,957,984	6,825,980
3,274,017	1,075,852	2,198,165
2,334,541	5,397	2,329,144
15,277,974	2,043,572	13,234,402
2,294,385	3,565	2,290,820
635,931	438	635,493
1,869,602	-	1,869,602
588,258	-	588,258
2,517,117	11,195	2,505,922
1,181,987	-	1,181,987
430,317	-	430,317
674,596	108	674,488
4,827,670	25,858	4,801,812
1,188,975	-	1,188,975
<u>45,879,334</u>	<u>5,123,969</u>	<u>40,755,365</u>
2,435,936	-	2,435,936
30,587	-	30,587
3,355,124	6,268	3,348,856
1,754,220	792	1,753,428
467,288	-	467,288
1,595,583	-	1,595,583
425,432	-	425,432
709,646	-	709,646
765,496	12	765,484
1,716,969	-	1,716,969
4,987,788	-	4,987,788
860,584	-	860,584
111,788	5,958	105,830
7,103,087	861,833	6,241,254
2,261,171	-	2,261,171
403,725	2,086	401,639
<u>28,984,424</u>	<u>876,949</u>	<u>28,107,475</u>
13,162,205	3,497,859	9,664,346
12,524,077	2,496,203	10,027,874
17,754,588	2,065,862	15,688,726
2,415,245	1,189,133	1,226,112
1,097,316	191,450	905,866
1,192,764	91,861	1,100,903
142,565	13,300	129,265
<u>48,288,760</u>	<u>9,545,668</u>	<u>38,743,092</u>
142,678,990	<u>\$ 33,418,533</u>	109,260,457
67,679		67,679
<u>10,762,871</u>		<u>\$ 109,192,778</u>
131,848,440		
74,079,478		
13,103,330		
1,524		
<u>\$ 44,664,108</u>		

**Broadlawns Medical Center**

**Provisions for Contractual and Other Adjustments  
Years Ended June 30, 2012 and 2011**

	<b>2012</b>	2011
Employee discounts	\$ 141,598	\$ 66,279
Contractual adjustments under third-party reimbursement programs:		
IowaCare	63,660,681	48,997,755
Medicare	9,482,941	8,097,926
Medicaid	9,261,819	8,285,387
Magellan	2,312,679	1,957,504
Wellmark	1,560,058	1,565,002
PCHS	2,184,573	2,243,135
Other	5,114,812	2,866,490
	<b>\$ 93,719,161</b>	<b>\$ 74,079,478</b>

## Broadlawns Medical Center

### Other Operating Revenue

Years Ended June 30, 2012 and 2011

	2012	2011
Grants:		
Broadlawns Medical Center:		
Women, Infants, and Children Program, State of Iowa	\$ 1,601,798	\$ 1,941,718
WIC Breast Pump Program	59,688	81,777
Bioterrorism grant	7,680	32,294
Farmers Market Nutrition Program, State of Iowa (IDALS)	6,756	3,899
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	241,122	254,617
Magellan, Meth Funds (Iowa Plan)	21,204	21,218
Area Health Education Center Grant and other	132,384	193,995
I-Jobs	-	1,000,000
Earmark Grant	-	773,038
<b>Total grants</b>	<b>2,070,632</b>	<b>4,302,556</b>
Contracts:		
Polk County Health Services:		
Day Treatment	40,000	40,000
Community Access Program, Case Management	1,433,353	1,305,399
Community Access Program, Service Coordination	324,858	358,804
ISA Nurse Practitioner	-	8,527
Addiction Medicine	312,018	312,018
Other:		
Medical and Dental Education, University of Iowa	314,290	318,593
IowaCare, State of Iowa	265,833	265,833
<b>Total contracts</b>	<b>2,690,352</b>	<b>2,609,174</b>
Other:		
Electronic Health Records incentive payments, Medicaid program	-	2,170,132
Family Practice Program, Iowa Methodist Medical Center	127,800	120,200
Contribution of medical supplies	1,669,742	1,170,378
Cafeteria	676,700	680,358
Refunds and rebates	149,005	158,599
Sales and supplies, services, and salvage	778,139	479,544
Purchase discounts	785	3,701
Des Moines Consortium contribution	35,000	37,025
Research	35,249	69,856
Miscellaneous	14,779	24,760
<b>Total other</b>	<b>3,487,199</b>	<b>4,914,553</b>
<b>Total other operating revenue</b>	<b>\$ 8,248,183</b>	<b>\$ 11,826,283</b>

**Broadlawns Medical Center**

**Certain Operating Expenses Information  
Years Ended June 30, 2012 and 2011**

	2012			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 778,464	\$ -	\$ 93,768	\$ 872,232
Medical, surgical, and pediatric	2,574,974	-	546,751	3,121,725
Mental health administration	704,554	-	10,752	715,306
Mental health	1,892,192	-	507,323	2,399,515
Intensive care	845,281	-	66,159	911,440
Family birthing center	933,367	-	76,971	1,010,338
Operating rooms	938,479	-	782,165	1,720,644
Central services	259,278	-	1,580,164	1,839,442
Specialty clinics	532,376	-	1,036,970	1,569,346
Emergency services	2,106,693	-	443,797	2,550,490
Family health center	492,955	-	118,565	611,520
Internal Medicine Clinic	200,462	-	36,040	236,502
Internal Medicine Continuity Clinic	759	-	3,791	4,550
Primary Care Clinic	477,377	-	36,243	513,620
Women's Health Clinic	162,454	-	78,222	240,676
Peds Clinic	144,911	-	14,799	159,710
Walk-in Clinic	518,100	-	39,886	557,986
Pain Clinic	72,107	-	1,644	73,751
Dental clinics	648,170	19,253	217,761	885,184
Addiction Medicine	199,451	-	4,392	203,843
Mental health, clinical services	2,501,095	-	209,579	2,710,674
Residential facilities	8,841	-	6,443	15,284
PATH	-	-	219,802	219,802
Less interdepartment transactions	-	-	33,462	33,462
<b>Total nursing and medical services</b>	<b>16,992,340</b>	<b>19,253</b>	<b>6,098,525</b>	<b>23,110,118</b>
Physician Services:				
Anesthesiology	133,166	1,130,789	74,000	1,337,955
ENT	-	198,533	-	198,533
Family Practice	2,203,574	101,169	403,528	2,708,271
Internal Medicine	845,101	505,019	5,054	1,355,174
Neurology	251,802	-	10,966	262,768
Obstetrics & Gynecology	682,244	7,850	7,627	697,721
Oncology	-	-	743	743
Ophthalmologists	(485)	87,293	1,575	88,383
Orthopedics	674,964	-	8,235	683,199
Pediatrics	402,045	38,969	2,184	443,198
Podiatry	636,627	-	20,428	657,055
Psychiatry	2,596,565	112,711	32,323	2,741,599
Surgery	554,739	378,710	11,777	945,226
Cardiology	-	80,228	-	80,228
Emergency Medicine	3,011,281	-	19,931	3,031,212
Medical Education	911,178	270,703	14,315	1,196,196
Other physician services	286,929	137,549	-	424,478
<b>Total physician services</b>	<b>\$ 13,189,730</b>	<b>\$ 3,049,523</b>	<b>\$ 612,686</b>	<b>\$ 16,851,939</b>

2011

Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$ 726,767	\$ -	\$ 80,288	\$ 807,055
2,476,055	-	342,322	2,818,377
627,542	-	6,221	633,763
1,918,390	-	161,923	2,080,313
782,553	-	53,651	836,204
872,647	-	80,343	952,990
955,259	-	696,129	1,651,388
208,719	-	1,512,671	1,721,390
590,069	-	788,278	1,378,347
2,075,828	-	284,623	2,360,451
475,342	-	134,998	610,340
184,720	-	20,590	205,310
-	-	8,247	8,247
245,227	-	20,148	265,375
194,169	-	68,472	262,641
165,466	-	12,876	178,342
452,005	-	43,062	495,067
79,078	-	1,200	80,278
642,965	9,405	213,639	866,009
203,580	-	3,725	207,305
2,291,888	-	204,418	2,496,306
55,273	-	9,737	65,010
-	-	301,726	301,726
-	-	67,679	67,679
16,223,542	9,405	4,981,608	21,214,555
522,343	167,103	82,683	772,129
-	54,678	-	54,678
1,484,407	-	177,647	1,662,054
734,107	440,687	9,844	1,184,638
196,533	-	6,027	202,560
658,794	6,900	4,030	669,724
398	-	244	642
89,435	60,699	1,250	151,384
681,830	27,555	8,963	718,348
401,893	38,654	4,706	445,253
625,549	-	8,433	633,982
2,381,133	121,450	34,400	2,536,983
579,186	277,825	15,198	872,209
-	65,645	-	65,645
2,857,730	52,665	18,741	2,929,136
915,107	180,755	12,822	1,108,684
277,590	9,621	-	287,211
\$ 12,406,035	\$ 1,504,237	\$ 384,988	\$ 14,295,260

**Broadlawns Medical Center**

**Certain Operating Expenses Information  
Years Ended June 30, 2012 and 2011**

	2012			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,246,385	\$ 226,277	\$ 1,869,737	\$ 3,342,399
Pharmacy	1,875,128	-	8,336,081	10,211,209
Radiology	1,034,084	1,452,083	1,075,212	3,561,379
Anesthesiology	64,882	-	357	65,239
Respiratory therapy	611,220	-	143,427	754,647
Diagnostic services	124,268	-	13,868	138,136
Physical and Occupational Therapy	440,008	-	85,861	525,869
Medical information management	1,273,844	-	19,824	1,293,668
Social services	448,922	-	27,427	476,349
Registration	1,440,487	-	153,093	1,593,580
Women, Infants and Children Program	916,341	-	252,440	1,168,781
Special services	-	-	(1,949)	(1,949)
Medical education	1,623,359	169,877	400,828	2,194,064
Library	48,035	-	89,949	137,984
Medical services	449,299	-	386,667	835,966
Managed care	168,821	-	18,031	186,852
Bureau of Refugee Services	231,960	-	178,155	410,115
Speech and hearing	8,776	-	52,619	61,395
Residential facilities	495,803	-	39,207	535,010
PATH	582,538	-	-	582,538
<b>Total other professional services</b>	<b>13,084,160</b>	<b>1,848,237</b>	<b>13,140,834</b>	<b>28,073,231</b>
General services:				
Dietary	-	-	2,163,303	2,163,303
Plant operations	1,158,390	-	1,944,467	3,102,857
Environmental services	1,017,974	-	661,935	1,679,909
Laundry and linen	51,425	-	216,491	267,916
Risk management	128,437	-	119,905	248,342
Security	74,041	-	431,814	505,855
Residential facilities	-	-	61,798	61,798
PATH	-	-	34,307	34,307
<b>Total general services</b>	<b>\$ 2,430,267</b>	<b>\$ -</b>	<b>\$ 5,634,020</b>	<b>\$ 8,064,287</b>

2011

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,172,102	\$ 219,042	\$ 1,582,727	\$ 2,973,871
	1,621,649	-	8,507,865	10,129,514
	1,016,818	1,100,000	663,153	2,779,971
	230,162	-	502	230,664
	576,074	-	133,759	709,833
	117,214	-	22,087	139,301
	366,123	-	67,552	433,675
	1,362,815	-	46,381	1,409,196
	425,302	-	24,914	450,216
	1,396,503	-	143,604	1,540,107
	893,597	-	476,260	1,369,857
	-	-	5,335	5,335
	1,588,073	111,311	401,860	2,101,244
	53,484	-	74,802	128,286
	388,333	-	280,878	669,211
	140,447	-	11,184	151,631
	207,860	-	139,840	347,700
	7,883	-	67,551	75,434
	457,107	-	38,648	495,755
	558,834	-	-	558,834
	12,580,380	1,430,353	12,688,902	26,699,635
	-	-	2,060,304	2,060,304
	1,081,881	-	1,826,099	2,907,980
	890,273	-	449,344	1,339,617
	55,249	-	197,312	252,561
	128,590	-	65,566	194,156
	71,001	-	425,059	496,060
	-	-	62,247	62,247
	-	-	32,153	32,153
\$	2,226,994	\$ -	\$ 5,118,084	\$ 7,345,078

**Broadlawns Medical Center**

**Certain Operating Expenses Information  
Years Ended June 30, 2012 and 2011**

	2012			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 534,891	\$ -	\$ 858,797	\$ 1,393,688
Accounting	617,331	-	173,743	791,074
Payroll	80,961	-	555	81,516
Information services	823,194	-	1,437,176	2,260,370
Patient accounting	704,198	-	758,411	1,462,609
Patient advocate	121,732	-	15,625	137,357
Telecommunication	194,560	-	229,710	424,270
Planning	346,991	-	326,011	673,002
Minor equipment	-	-	1,042	1,042
Print shop	39,776	-	239,054	278,830
Purchasing, receiving and stores	148,748	-	54,941	203,689
Human resources	232,487	-	141,850	374,337
Occupational health	51,057	-	31,122	82,179
Residential facilities	102,282	-	61,390	163,672
PATH	30,868	-	20,152	51,020
<b>Total fiscal and administrative services</b>	<b>4,029,076</b>	<b>-</b>	<b>4,349,579</b>	<b>8,378,655</b>
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	3,556,736	3,556,736
FICA	-	-	3,189,774	3,189,774
Health insurance	-	-	6,880,484	6,880,484
Life insurance	-	-	351,063	351,063
Unemployment compensation	-	-	75,307	75,307
Workers' compensation	-	-	501,004	501,004
Other benefits	-	-	50,209	50,209
Insurance	-	-	1,371,194	1,371,194
Medical Center dues	-	-	168,317	168,317
Consulting fees	-	-	332,765	332,765
	-	-	16,476,853	16,476,853
Depreciation and amortization	\$ -	\$ -	\$ 4,293,094	\$ 4,293,094

2011

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	435,365	\$ -	\$ 905,546	\$ 1,340,911
	659,820	-	190,076	849,896
	79,962	-	591	80,553
	872,362	-	1,273,279	2,145,641
	729,572	-	804,525	1,534,097
	153,830	-	8,315	162,145
	186,136	-	238,263	424,399
	485,620	-	417,216	902,836
	-	-	212	212
	41,412	-	213,741	255,153
	129,040	-	42,032	171,072
	205,440	-	121,554	326,994
	79,871	-	32,796	112,667
	86,508	-	65,885	152,393
	48,753	-	17,685	66,438
	4,193,691	-	4,331,716	8,525,407
	-	-	2,998,526	2,998,526
	-	-	3,103,698	3,103,698
	-	-	7,134,618	7,134,618
	-	-	337,313	337,313
	-	-	124,969	124,969
	-	-	62,863	62,863
	-	-	44,045	44,045
	-	-	882,350	882,350
	-	-	165,471	165,471
	-	-	189,891	189,891
	-	-	15,043,744	15,043,744
\$	-	\$ -	\$ 4,472,109	\$ 4,472,109

**Broadlawns Medical Center**

**Certain Operating Expenses Information  
Years Ended June 30, 2012 and 2011**

	2012			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 47,553	\$ 47,553
FICA	-	-	43,383	43,383
Health and life insurance	-	-	237,641	237,641
Insurance	-	-	27,925	27,925
Depreciation and amortization	-	-	5,029	5,029
Rent of building and equipment	-	-	19,118	19,118
<b>Total residential facilities</b>	-	-	<b>380,649</b>	<b>380,649</b>
PATH:				
Employee benefits:				
IPERS	-	-	40,153	40,153
FICA	-	-	41,366	41,366
Health and life insurance	-	-	148,411	148,411
Insurance	-	-	19,167	19,167
Depreciation and amortization	-	-	6,076	6,076
Rent of building and equipment	-	-	38,219	38,219
<b>Total PATH</b>	-	-	<b>293,392</b>	<b>293,392</b>
Less interdepartment transactions	-	-	47,659	47,659
	-	-	<b>245,733</b>	<b>245,733</b>
<b>Total fiscal and administrative services and unassigned expenses</b>	<b>4,029,076</b>	-	<b>25,745,908</b>	<b>29,774,984</b>
<b>Total operating expenses</b>	<b>\$ 49,725,573</b>	<b>\$ 4,917,013</b>	<b>\$ 51,231,973</b>	<b>\$ 105,874,559</b>

2011

		2011			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other		Total
\$	-	\$ -	\$ 37,278	\$	37,278
	-	-	40,439		40,439
	-	-	260,573		260,573
	-	-	27,923		27,923
	-	-	-		-
	-	-	17,387		17,387
	-	-	383,600		383,600
	-	-	41,949		41,949
	-	-	45,391		45,391
	-	-	152,587		152,587
	-	-	19,166		19,166
	-	-	9,772		9,772
	-	-	50,119		50,119
	-	-	318,984		318,984
	-	-	57,302		57,302
	-	-	261,682		261,682
	4,193,691	-	24,492,851		28,686,542
\$	47,630,642	\$ 2,943,995	\$ 47,666,433	\$	98,241,070

**Broadlawns Medical Center**

**Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function  
Year Ended June 30, 2012**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
<b>Operating revenue:</b>					
Net patient service revenue	\$ 50,041,546	\$ 1,043,490	\$ 1,040,343	\$ 33,462 (1)	\$ 52,091,917
Contracts	2,690,352	-	-	-	2,690,352
Operating grants	2,070,632	-	-	-	2,070,632
Other	3,534,858	-	-	47,659 (1)	3,487,199
<b>Total operating revenue</b>	<b>58,337,388</b>	<b>1,043,490</b>	<b>1,040,343</b>	<b>81,121</b>	<b>60,340,100</b>
<b>Operating expenses:</b>					
Nursing and medical services	22,908,494	15,284	219,802	33,462 (1)	23,110,118
Physician services	16,851,939	-	-	-	16,851,939
Other professional service	26,955,683	535,010	582,538	-	28,073,231
General services	7,968,182	61,798	34,307	-	8,064,287
Fiscal and administrative service and unassigned expenses	24,640,816	539,292	338,336	47,659 (1)	25,470,785
Depreciation and amortization	4,293,094	5,029	6,076	-	4,304,199
<b>Total operating expenses</b>	<b>103,618,208</b>	<b>1,156,413</b>	<b>1,181,059</b>	<b>81,121</b>	<b>105,874,559</b>
<b>Operating (loss)</b>	<b>(45,280,820)</b>	<b>(112,923)</b>	<b>(140,716)</b>	<b>-</b>	<b>(45,534,459)</b>
<b>Nonoperating revenue (expense):</b>					
Property taxes	54,159,275	-	-	-	54,159,275
Noncapital grants and contributions	175,658	-	-	-	175,658
Investment earnings	58,111	8	306	-	58,425
Interest expense	(1,895,642)	-	-	-	(1,895,642)
Other, net	757,725	-	2,500	-	760,225
<b>Total nonoperating revenue (expense), net</b>	<b>53,255,127</b>	<b>8</b>	<b>2,806</b>	<b>-</b>	<b>53,257,941</b>
Capital contribution	960,977	-	-	-	960,977
<b>Change in net assets</b>	<b>8,935,284</b>	<b>(112,915)</b>	<b>(137,910)</b>	<b>-</b>	<b>8,684,459</b>
<b>Net assets:</b>					
Beginning	53,466,460	(1,067,017)	352,918	-	52,752,361
Ending	\$ 62,401,744	\$ (1,179,932)	\$ 215,008	\$ -	\$ 61,436,820

(1) To eliminate interdepartment transactions.

## 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
<b>Operating revenue:</b>					
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
<b>Total operating revenue</b>	<b>54,524,405</b>	<b>893,465</b>	<b>1,197,502</b>	<b>124,981</b>	<b>56,490,391</b>
<b>Operating expenses:</b>					
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
<b>Total operating expenses</b>	<b>95,928,911</b>	<b>1,159,005</b>	<b>1,278,135</b>	<b>124,981</b>	<b>98,241,070</b>
<b>Operating (loss)</b>	<b>(41,404,506)</b>	<b>(265,540)</b>	<b>(80,633)</b>	<b>-</b>	<b>(41,750,679)</b>
<b>Nonoperating revenue (expense):</b>					
Property taxes	52,457,755	-	-	-	52,457,755
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
<b>Total nonoperating revenue (expense), net</b>	<b>51,339,216</b>	<b>267</b>	<b>455</b>	<b>-</b>	<b>51,339,938</b>
Capital contribution	1,400,000	-	-	-	1,400,000
<b>Change in net assets</b>	<b>11,334,710</b>	<b>(265,273)</b>	<b>(80,178)</b>	<b>-</b>	<b>10,989,259</b>
<b>Net assets:</b>					
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**

**Patient and Medical Center Statistical Data  
Years Ended June 30, 2012 and 2011  
(Unaudited)**

	2012	2011
Patient days:		
Medical, surgical and pediatric	5,805	5,710
Obstetrics	730	590
Intensive care unit	1,227	943
Mental health	9,151	8,791
Nursery	537	485
<b>Total patient days</b>	<b>17,450</b>	<b>16,519</b>
Admissions	3,568	3,852
Discharges	3,526	3,828
Average length of stay (days):		
Acute	3.3	3.1
Mental health	7.7	7.1
Outpatient visits:		
Emergency room	35,135	33,664
Walk-in clinic	26,161	25,390
Specialty clinics	9,857	8,343
Pediatric clinic	5,410	5,927
Internal medicine clinic	6,823	6,601
Pain clinic	3,102	2,839
Ortho clinic	3,635	3,589
Surgery clinic	1,395	1,434
Primary care clinic	21,529	13,175
Podiatry clinic	7,941	6,882
Women's health clinic	6,772	6,103
Family health center	19,082	17,771
Mental health	38,308	35,903
Oral medicine	9,192	8,477
Addiction medicine	7,813	7,286
	<b>202,155</b>	<b>183,384</b>

**Broadlawns Medical Center**

**Organization Data  
Year Ended June 30, 2012**

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

	Special Supplemental Nutrition Program for Women, Infants, and Children #5880A031
<hr/>	
Revenue:	
Managed care	\$ -
Other federal	1,668,242
County government	-
<b>Total revenue</b>	<u>1,668,242</u>
 Expenses:	
Salaries	843,459
Personnel benefits	284,697
Travel	573
Staff training	160
Space costs:	
Cash	138,583
In-kind	-
Supplies	38,430
Telephone	1,258
Other expenses	-
<b>Total allowable expenses</b>	<u>1,307,160</u>
Distribution of management and general	294,639
<b>Total expenses</b>	<u>1,601,799</u>
	<u>\$ 66,443</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		-	1,685,704
312,018	-		-	312,018
312,018	275,835		-	2,256,095
74,794	74,794		122,839	1,115,886
18,699	18,698		39,782	361,876
-	-		-	573
248	247		124	779
-	-		70,307	208,890
15,672	15,673		-	31,345
1,237	1,238		10,822	51,727
-	-		2,589	3,847
-	-		637,615	637,615
110,650	110,650		884,078	2,412,538
72,887	72,887		(440,413)	-
183,537	183,537		443,665	2,412,538
\$ 128,481	\$ 92,298		\$ (443,665)	\$ (156,443)