

Broadlawns Medical Center

Financial Report
June 30, 2013

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Independent Auditor's Report

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Broadlawns Medical Center (Medical Center), and Broadlawns Medical Center Foundation (Foundation), a discretely presented component unit, as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Broadlawns Medical Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Broadlawns Medical Center and its discretely presented component unit, Broadlawns Medical Center Foundation, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 13 and the Budget and Budgetary Accounting schedule and Other Postemployment Benefit Plan schedule of funding progress on pages 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked "unaudited", the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2013 and 2012 dated November 8, 2013 and November 20, 2012, respectively, on our consideration of Broadlawns Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Broadlawns Medical Center's internal control over financial reporting and compliance.

McGladrey LLP

Davenport, Iowa
November 8, 2013

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

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, 2013 and 2012. 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 position. 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 statement of net position and the statement of revenue, expenses and changes in net position report information about the Medical Center's activities. These two statements report the net position of the Medical Center and changes in them. Increases or decreases in the Medical Center's net position 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, 2013, 2012 and 2011.

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, 2013 and 2012

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 Mikki Stier, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Financial Highlights

- During the year the Medical Center increased its net position by \$10,058,967, which is a \$1,374,508 increase from last fiscal year, which ended with an increase in net position of \$8,684,459.
- Total operating expenses for the current fiscal year were \$8,781,769 more than last fiscal year.
- Total operating revenue for the year was \$71,830,735, which is an increase of \$11,490,635.
- Net nonoperating revenue, which includes revenue from the property tax levy, decreased \$409,155. An increase in the property tax levy of \$434,169 was offset by a decrease of \$695,674 in nonoperating income due to the elimination of debt with Polk County, which occurred in the year ended June 30, 2012.
- During the fiscal year the Medical Center made capital investments totaling \$1,220,297. Capital investments were less than depreciation expense of \$4,243,461 by \$3,023,164. The following is a list of significant purchases and improvements placed in service during the fiscal year:

Capital Investments	Vendor	Department	Amount
Front Corridor renovation	Various	General Building	\$ 173,990
Core Network Switch	Vital Support Systems	Infrastructure	134,320
Sleep lab equipment & renovation	Various	Sleep Lab	102,545
Surgical Laser	Gyrus Acmi	Surgery	78,263
Capnography Monitor	Drager Medical	Imaging	57,720
Family Health Center renovation	Various	Family Health Center	55,302

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

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

Net Position

June 30, 2013: Total current assets are \$116,798,109, which is \$17,513,921 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$13,935,875, an increase in succeeding year property taxes of \$2,032,478, and an increase in third-party receivables of \$1,728,194. Total noncurrent assets are \$56,098,588, which is \$6,909,599 less than last year. The decrease resulted from a decrease in net capital assets of \$3,155,834, a decrease in noncurrent assets limited as to use or restricted of \$3,374,045, and a decrease in other assets of \$379,720. The decrease in noncurrent assets limited as to use or restricted included a reduction in funding the self insurance trust accounts and the write-off of the remaining revenue bond issue costs. The funding of the self insurance trust accounts meets actuarial recommendations.

Total current liabilities of \$14,776,044 are \$486,220 less than last fiscal year. The change is due to a decrease in accounts payable and other accrued expenses of \$629,371 offset by an increase in current maturities of long-term debt of \$144,227. Noncurrent liabilities of \$29,906,487 are \$1,000,903 less than last fiscal year. The decrease is primarily due to the reclassification of debt to current and principal payments and amortization of discounts which total \$1,007,001, capital lease payments of \$35,773 offset by an increase in the postemployment benefits of \$231,000.

Deferred inflow of resources totaled \$56,718,379 relates to revenue for the succeeding year's property taxes which is \$2,032,478 more than last fiscal year.

Net position totaled \$71,495,787, which is \$10,058,967 more than last fiscal year.

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 \$15,262,264 are \$646,450 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. Noncurrent 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 which total \$913,112, capital lease payments of \$59,293 offset by an increase in the postemployment benefits of \$178,000.

Deferred inflow of resources totaled \$54,685,901 relates to revenue for the succeeding year's property taxes which is \$352,586 more than last fiscal year.

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

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

A summary of the Medical Center's statements of net position are presented in Table 1 below:

Table 1

Condensed Statements of Net Position	June 30,		
	2013	2012	2011
Total current assets	\$ 116,798,109	\$ 99,284,188	\$ 93,760,216
Capital assets, net	38,479,508	41,635,342	39,169,649
Other assets, including assets limited as to use or restricted	17,619,080	21,372,845	20,505,303
Total assets	\$ 172,896,697	\$ 162,292,375	\$ 153,435,168
Current liabilities	\$ 14,776,044	\$ 15,262,264	\$ 14,615,814
Long-term debt outstanding and other long-term liabilities	29,906,487	30,907,390	31,733,678
Total liabilities	44,682,531	46,169,654	46,349,492
Deferred inflow of resources, revenue for succeeding year property taxes	56,718,379	54,685,901	54,333,315
Net investment in capital assets	10,452,148	12,815,422	12,579,264
Restricted	9,190,211	9,904,111	10,376,683
Unrestricted	51,853,428	38,717,287	29,796,414
Total net position	71,495,787	61,436,820	52,752,361
Total liabilities, deferred inflow, and net position	\$ 172,896,697	\$ 162,292,375	\$ 153,435,168

Summary of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2013: The following table presents a summary of the Medical Center's revenue, expenses and changes in net position for the fiscal years ended June 30, 2013, 2012 and 2011. Net patient revenue is \$58,987,763, which is \$6,895,846 more than last fiscal year. The change is a result of a 4.3% increase in patient days and a 6.0% increase in outpatient visits. Grants and contract revenue is \$5,238,567, which is \$477,583 more than last fiscal year. Other revenue is \$7,604,405, which is \$4,117,206 more than last year. The increase in Other Revenue is mainly due to the Electronic Health Record funds of \$3,585,694 recognized this year. Salaries increased \$2,338,783 or 4.7% due to the annual cost of living rate increases, increases required by the nursing union contract and a 3.4% increase in FTEs. Employee benefits increased \$1,032,413 or 6.8% due mainly to an increase in FTEs and an increase in the IPERS rate. Physician and outside services increased \$217,789 or 4.4% due to the additional patient volume and some open physician positions. Supplies and other expenses increased \$4,825,748 or 15.2%. This increase was throughout the Medical Center and related to increased patient volume. Property tax revenue is \$54,593,444, which is \$434,169 more than last fiscal year. Interest expense decreased \$79,270 or 4.2% due to reduction of debt principal outstanding.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

Year Ended June 30, 2012: The following table presents a summary of the Medical Center's revenue, expenses and changes in net position for the fiscal years ended June 30, 2013, 2012 and 2011. 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.

Table 2

Revenue, Expenses and Changes in Net Position	Year Ended June 30,		
	2013	2012	2011
Revenue:			
Net patient service revenue	\$ 58,987,763	\$ 52,091,917	\$ 44,664,108
Grants and contracts	5,238,567	4,760,984	6,911,730
Other	7,604,405	3,487,199	4,914,553
Total operating revenue	71,830,735	60,340,100	56,490,391
Expenses:			
Salaries and employee benefits	68,259,853	64,888,657	62,014,891
Supplies and other expenses	36,590,438	31,764,690	28,800,303
Physician fees and outside services	5,134,802	4,917,013	2,943,995
Depreciation and amortization	4,671,235	4,304,199	4,481,881
Operating expenses	114,656,328	105,874,559	98,241,070
Operating loss	(42,825,593)	(45,534,459)	(41,750,679)
Nonoperating revenue, net	52,848,786	53,257,941	51,339,938
Capital contributions	35,774	960,977	1,400,000
Increase in net position	\$ 10,058,967	\$ 8,684,459	\$ 10,989,259
Total revenue	\$ 126,531,667	\$ 116,454,660	\$ 110,735,362
Total expenses	\$ 116,472,700	\$ 107,770,201	\$ 99,746,103

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

Patient and Medical Center Statistical Data

Year Ended June 30, 2013: Admissions of 3,148 patients for the current fiscal year are 420 less than last fiscal year. Average length of stay for acute patients is 3.6 days, which is 0.3 days more than last fiscal year. Average length of stay for mental health patients is 8.6 days, which is 0.9 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 749 days to 18,199 days for the fiscal year ended June 30, 2013.

The outpatient visits for fiscal year ended June 30, 2013 are 214,272, which is 12,117 more than last fiscal year.

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.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2013	2012	2011
Total patient days	18,199	17,450	16,519
Admissions	3,148	3,568	3,852
Discharges	3,137	3,526	3,828
Average length of stay (days):			
Acute	3.6	3.3	3.1
Mental health	8.6	7.7	7.1
Outpatient visits:			
Mental health	40,430	38,308	35,903
Walk-in and Peds Clinics	35,585	31,571	31,317
Emergency room	35,191	35,135	33,664
Specialty, Internal Medicine and Podiatry Clinics	38,344	32,753	29,688
Family Health Center	21,611	19,082	17,771
Primary Care Clinic	19,241	21,529	13,175
Oral Medicine	9,063	9,192	8,477
Women's Health Clinic	7,532	6,772	6,103
Addiction medicine	7,275	7,813	7,286
Total outpatient visits	214,272	202,155	183,384

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2013: 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 2013 the Medical Center recorded \$58,987,763 in net patient revenue representing 46.6% of total revenue. The \$58,987,763 in net patient revenue represents 29.8% of gross patient charges compared to 31.0% 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, 2013, the IowaCare program continued to increase as a percentage of gross charges due to the increased number of counties cared for by Broadlawns under the statewide expansion.

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.

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,		
	2013	2012	2011
Medicare	11%	11%	13%
Medicaid:			
IowaCare	56	50	45
All other Medicaid	15	17	18
Third-party payors	4	5	4
Polk County Health Services, Inc.	2	3	4
Wellmark	3	3	3
Self pay, including charity care and bad debts	9	11	13
Total	100%	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

Year Ended June 30, 2013: Deductions from revenue consist of charity care totaling \$12,016,479, contractual adjustments totaling \$113,511,270 and bad debts totaling \$13,173,959. 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, 2013, 2012 and 2011. As a percentage of gross patient charges, charity care decreased 0.1%, contractual adjustments increased 1.7% and bad debts decreased 0.4%, resulting in a decrease of 1.2% for net patient revenue as compared to gross patient charges.

Year Ended June 30, 2012: 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, 2013, 2012 and 2011. 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,		
	2013	2012	2011
Gross patient revenue	\$ 197,689,471	\$ 168,117,967	\$ 142,611,311
Charity care	(12,016,479)	(10,472,582)	(10,762,871)
Contractual adjustments	(113,511,270)	(93,719,161)	(74,079,478)
Bad debt	(13,173,959)	(11,834,307)	(13,104,854)
Net patient revenue	\$ 58,987,763	\$ 52,091,917	\$ 44,664,108

Grant/Contract Revenue

Year Ended June 30, 2013: Grant and contract revenue for the year ended June 30, 2013 totaled \$2,059,143 and \$3,179,424, respectively, for a total of \$5,238,567, which represents 4.1% of total revenue compared to a total of \$4,760,984 in 2012.

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.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies and services provided to other entities during the years ended June 30, 2013 and 2012 and Medicaid and Medicare incentive payments for meaningful use of electronic health records which were recognized during the year ended June 30, 2013. Other revenue totals \$7,604,405 and \$3,487,199, which represent 6.0% and 3.0% of total revenue for the years ended June 30, 2013 and 2012, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

Tax Revenue

Year Ended June 30, 2013: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2013, the Medical Center's tax revenue totaled \$54,593,444, which is an increase of \$434,169 or 0.8% more than the prior year. The tax revenue represented 43.1% of total 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.

Table 6

Tax Receipts	2013	2012	2011	Increase	Levied Taxes
				(Decrease)	June 30, 2014
Improvement and maintenance	\$ 37,578,709	\$ 37,997,661	\$ 36,814,233	\$ (418,952)	\$ 38,813,580
FICA Fund	3,447,525	3,910,977	3,017,869	(463,452)	3,401,206
IPERS Fund	3,984,076	3,189,949	3,020,744	794,127	4,482,495
Unemployment	157,096	121,593	154,080	35,503	99,590
Tort (Insurance) Fund	9,426,038	8,939,095	9,450,828	486,943	9,921,508
Total taxes	\$ 54,593,444	\$ 54,159,275	\$ 52,457,754	\$ 434,169	\$ 56,718,379

Capital Assets

June 30, 2013: As of June 30, 2013 the Medical Center had \$38,479,508 invested in capital assets. Capital expenditures in 2013 were less than the 2013 depreciation expense, resulting in a decrease of \$3,155,834 in net capital assets from 2012 to 2013.

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.

Table 7

	June 30,		
	2013	2012	2011
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	23,083	135,677	9,732,306
Capital assets net of depreciation:			
Land improvements	2,985,197	3,264,475	2,502,430
Buildings	15,046,910	15,791,176	11,211,957
Building equipment	14,863,590	15,946,794	10,119,528
Fixed equipment	134,771	124,860	97,961
Vehicles	109,515	86,484	-
Major movable equipment	5,258,166	6,164,092	5,317,752
Equipment under capital lease	-	63,508	129,439
Total capital assets, net	\$ 38,479,508	\$ 41,635,342	\$ 39,169,649

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

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

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 \$28,027,360 as of June 30, 2013, \$29,070,134 as of June 30, 2012 and \$30,042,539 as of June 30, 2011. The decrease between years represents payment of debt with no new debt being issued.

Fiscal Year 2014 Outlook

The Board of Trustees has approved and set the budget for the 2014 fiscal year. The budget projects an increase in net position of \$2,514,135.

Senate file 446, 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. Senate file 446 also included a \$11,500,000 nonrestricted appropriation to Broadlawns Medical Center in the 2013-2014 fiscal year, and a \$23,000,000 nonrestricted appropriation in the 2012-2013 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 had a significant role in the expansion as patients from other designated counties utilizing Broadlawns Medical Center as their medical home. The IowaCare program ends December 31, 2013.

As we approach the beginning of calendar year 2014 and the implementation of the Affordable Care Act (ACA) and the Iowa Health & Wellness Plan, management has been going through various analyses to estimate the financial impact of this complex legislation on Broadlawns Medical Center. The key portion of the analysis relates to the potentially negative volume impact with the expiration of the IowaCare program and the related reduction in reimbursement. Despite the challenges and uncertainties of the Affordable Care Act and the Iowa Health & Wellness Plan, management believes that its conservative management approach relative to the operations of the Medical Center will continue to ensure the health care needs of the residents of Polk County are being met and the organization remains a viable and ongoing concern. In addition, the strong results of this conservative management approach and operational success of recent years will allow the Medical Center to weather the financial uncertainties of the Affordable Care Act and the Iowa Health & Wellness Plan.

Given management's ongoing emphasis on revenue growth, the Medical Center continues to engage in physician recruitment especially in the areas of family medicine, orthopedics, mental health and general surgery in order to address the growing healthcare needs – particularly those of the most vulnerable – within the community. Cost reduction initiatives have been put into place to ensure that the Medical Center will continue to be a low cost provider of healthcare in our service area.

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

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 Mr. Jody Jenner, President & CEO, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Broadlawns Medical Center

Statements of Net Position June 30, 2013 and 2012

Assets	Medical Center		Component Unit (Foundation)	
	2013	2012	2013	2012
Current Assets:				
Cash and cash equivalents	\$ 37,746,617	\$ 23,810,742	\$ 51,321	\$ 90,332
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,147,134	3,043,384	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles and contractals 2013 \$13,866,311; 2012 \$14,495,974	9,866,993	9,760,806	-	-
Property taxes	386,376	439,189	-	-
Succeeding year property taxes	56,718,379	54,685,901	-	-
Federal grants	308,090	298,920	-	-
Nonfederal grants	152,238	192,098	-	-
Other	220,562	557,362	-	-
Due from third-party payors	6,381,937	4,653,743	-	-
Inventories	722,490	790,291	-	-
Prepaid expenses and other assets	1,147,293	1,051,752	-	-
Total current assets	116,798,109	99,284,188	51,321	90,332
Noncurrent Assets:				
Assets limited as to use or restricted, net of current portion:				
Cash and cash equivalents	13,995,695	15,326,768	428,968	185,551
Investments	3,623,385	5,666,357	352,151	352,934
	17,619,080	20,993,125	781,119	538,485
Capital assets:				
Nondepreciable	81,359	193,955	-	-
Depreciable, net	38,398,149	41,441,387	-	-
	38,479,508	41,635,342	-	-
Other assets	-	379,720	26,897	19,500
Total noncurrent assets	56,098,588	63,008,187	808,016	557,985
	\$ 172,896,697	\$ 162,292,375	\$ 859,337	\$ 648,317

See Notes to Basic Financial Statements.

Liabilities and Net Position	Medical Center		Component Unit (Foundation)	
	2013	2012	2013	2012
Current Liabilities:				
Current maturities of long-term debt	\$ 1,240,000	\$ 1,095,773	\$ -	\$ -
Accounts payable and other accrued expenses	4,062,895	4,692,266	1,026	-
Accrued employee compensation and payroll taxes	7,875,720	7,902,225	-	-
Current portion of accrued claims on self-insurance	1,597,429	1,572,000	-	-
Total current liabilities	14,776,044	15,262,264	1,026	-
Noncurrent Liabilities:				
Other postemployment benefits	911,000	680,000	-	-
Accrued claims on self-insurance, less current portion	2,208,127	2,253,029	-	-
Long-term debt, less current maturities	26,787,360	27,974,361	-	-
Total noncurrent liabilities	29,906,487	30,907,390	-	-
Total liabilities	44,682,531	46,169,654	1,026	-
Deferred inflow of resources, revenue for succeeding year property taxes	56,718,379	54,685,901	-	-
Commitments and Contingencies (Note 8)				
Net Position:				
Net investment in capital assets	10,452,148	12,815,422	-	-
Restricted:				
For debt service	3,372,244	3,219,806	-	-
For enabling legislation	5,749,834	6,625,739	-	-
For specific activities	68,133	58,566	808,016	538,485
Unrestricted	51,853,428	38,717,287	50,295	109,832
Total net position	71,495,787	61,436,820	858,311	648,317
	\$ 172,896,697	\$ 162,292,375	\$ 859,337	\$ 648,317

Broadlawns Medical Center

Statements of Revenue, Expenses and Changes in Net Position Years Ended June 30, 2013 and 2012

	Medical Center		Component Unit (Foundation)	
	2013	2012	2013	2012
Operating revenue:				
Net patient service revenue	\$ 58,987,763	\$ 52,091,917	\$ -	\$ -
Contracts	3,179,424	2,690,352	-	-
Operating grants	2,059,143	2,070,632	-	-
Other	7,604,405	3,487,199	36,465	68,200
Total operating revenue	71,830,735	60,340,100	36,465	68,200
Operating expenses:				
Salaries and wages	52,064,356	49,725,573	-	-
Employee benefits	16,195,497	15,163,084	-	-
Physician fees and outside services	5,134,802	4,917,013	-	-
Supplies and other expenses	36,590,438	31,764,690	106,955	46,262
Depreciation and amortization	4,671,235	4,304,199	-	-
Total operating expenses	114,656,328	105,874,559	106,955	46,262
Operating income (loss)	(42,825,593)	(45,534,459)	(70,490)	21,938
Nonoperating revenue (expense):				
Property taxes	54,593,444	54,159,275	-	-
Noncapital grants and contributions	34,087	175,658	269,585	(780,731)
Investment earnings	29,428	58,425	10,899	7,250
Interest expense	(1,816,372)	(1,895,642)	-	-
Other, net	8,199	760,225	-	253,516
Total nonoperating revenue, net	52,848,786	53,257,941	280,484	(519,965)
Capital contributions	35,774	960,977	-	-
Change in net position	10,058,967	8,684,459	209,994	(498,027)
Net position:				
Beginning	61,436,820	52,752,361	648,317	1,146,344
Ending	\$ 71,495,787	\$ 61,436,820	\$ 858,311	\$ 648,317

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Statements of Cash Flows Years Ended June 30, 2013 and 2012

	Medical Center		Component Unit (Foundation)	
	2013	2012	2013	2012
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 62,391,949	\$ 52,982,474	\$ -	\$ -
Payments to suppliers and contractors	(41,812,499)	(38,816,921)	-	-
Payments to employees	(68,286,358)	(63,516,014)	-	-
Other receipts and payments, net	7,736,020	3,509,904	(76,861)	(159,404)
Net cash (used in) operating activities	(39,970,888)	(45,840,557)	(76,861)	(159,404)
Cash Flows from Noncapital Financing Activities:				
Property taxes	54,646,257	54,356,577	-	-
Noncapital grants and contributions	34,087	175,658	269,585	(780,731)
Other	8,199	138,545	-	-
Net cash provided by (used in) noncapital financing activities	54,688,543	54,670,780	269,585	(780,731)
Cash Flows from Capital and Related Financing Activities:				
Principal paid on long-term debt	(1,095,773)	(406,310)	-	-
Interest paid on long-term debt, net of interest capitalized	(1,807,207)	(1,952,780)	-	-
Proceeds from sale of capital assets	6,000	18,529	-	-
Purchase of capital assets	(1,220,297)	(5,356,354)	-	-
Capital contributions	35,774	960,977	-	-
Net cash (used in) capital and related financing activities	(4,081,503)	(6,735,938)	-	-
Cash Flows from Investing Activities:				
Investment income	29,428	58,425	10,899	7,250
(Purchase of) proceeds from investments	2,042,972	(1,396,133)	783	598,105
Net cash provided by (used in) investing activities	2,072,400	(1,337,708)	11,682	605,355
Net increase (decrease) in cash and cash equivalents	12,708,552	756,577	204,406	(334,780)
Cash and cash equivalents:				
Beginning	42,180,894	41,424,317	275,883	610,663
Ending	\$ 54,889,446	\$ 42,180,894	\$ 480,289	\$ 275,883

(Continued)

Broadlawns Medical Center

**Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012**

	Medical Center		Component Unit (Foundation)	
	2013	2012	2013	2012
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 37,746,617	\$ 23,810,742	\$ 51,321	\$ 90,332
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,147,134	3,043,384	-	-
Assets limited as to use or restricted, noncurrent	13,995,695	15,326,768	428,968	185,551
Total cash and cash equivalents	\$ 54,889,446	\$ 42,180,894	\$ 480,289	\$ 275,883
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (42,825,593)	\$ (45,534,459)	\$ (70,490)	\$ 21,938
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,671,235	4,304,199	-	-
Loss on disposal of capital assets	131,615	22,705	-	473
Changes in assets and liabilities:				
Patient receivables	(106,187)	(982,885)	-	-
Inventories, prepaid expenses, other assets and other receivables	339,750	(257,233)	(7,397)	(19,500)
Due from third-party payors	(1,728,194)	(2,887,542)	-	-
Accounts payable and accrued expenses	(453,514)	(505,342)	1,026	(162,315)
Net cash (used in) operating activities	\$ (39,970,888)	\$ (45,840,557)	\$ (76,861)	\$ (159,404)
Noncash Capital and Related Financing Activities:				
Acquisition of capital assets included in accounts payable	\$ -	\$ 1,051,233	\$ -	\$ -
Forgiveness of long-term debt	-	621,680	-	-
Forgiveness of accounts payable	-	-	269,585	253,516

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business:

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

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

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

Significant accounting policies:

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

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

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

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 \$13,173,959 and \$11,834,307 for the years ended June 30, 2013 and 2012, 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 2013 fiscal year. The succeeding year property tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2014 fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year county property tax levy receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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

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

Broadlawns Medical Center

Notes to Basic Financial Statements

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

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to 40 years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets. No interest was capitalized on construction during the years ended June 30, 2013 and 2012.

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 years ended June 30, 2013 and 2012 were \$2,059,143 and \$2,070,632, respectively.

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

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, 2013 and 2012, the Medical Center has recognized approximately \$3,586,000 and none, respectively, of other operating revenue related to the Medicare and Medicaid 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, 2013 and 2012, as a reserve for the RAC program. It is reasonably possible that the recorded estimates will change materially in the near term.

Net Position: Net position is classified in three components.

- *Net investment in capital assets* – this component of net position 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. There were no unspent bond proceeds for the years ended June 30, 2013 and 2012.
- *Restricted* – this component of net position consists of constraints placed on net position 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 position restricted through enabling legislation consists of \$795,114 and \$1,006,055 for IPERS contributions, \$4,198,270 and \$4,928,299 for tort immunity, \$659,878 and \$691,385 for employer payroll taxes, and \$96,572 and none for unemployment funds as of June 30, 2013 and 2012, respectively.
- *Unrestricted* – this component of net position consists of net position that does not meet the definition of “net investment in capital assets” 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 are available.

Broadlawns Medical Center

Notes to Basic Financial Statements

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 \$12,016,479 and \$10,472,582 for the years ended June 30, 2013 and 2012, 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

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, 2013 and 2012, the guaranteed appropriation available to the Medical Center for providing services to patients in the IowaCare program is \$65,000,000 and \$57,000,000, respectively. Total property taxes and IowaCare appropriation is reported in the statements of revenue, expenses and changes in net position as follows:

	2013	2012
Property taxes and IowaCare appropriations:		
General fund	\$ 37,578,709	\$ 37,997,661
Payroll, tort and other	17,014,735	16,161,614
Total property taxes appropriation	<u>54,593,444</u>	<u>54,159,275</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>(4,000,000)</u>	<u>(2,000,000)</u>
	12,593,444	14,159,275
IowaCare appropriation	<u>65,000,000</u>	<u>57,000,000</u>
	<u>\$ 77,593,444</u>	<u>\$ 71,159,275</u>
Statements of revenue, expenses, and changes in net position:		
Net patient service revenue	\$ 23,000,000	\$ 17,000,000
Property taxes	54,593,444	54,159,275
	<u>\$ 77,593,444</u>	<u>\$ 71,159,275</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

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 position 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 40% and 47% of the Medical Center's net patient service revenue for the years ended June 30, 2013 and 2012, 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 was 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 \$243,000 for each of the years ended June 30, 2013 and 2012, 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, 2013 and 2012 is as follows:

	2013	2012
Gross patient service revenue:		
Inpatient	\$ 40,461,889	\$ 38,472,870
Outpatient	157,227,582	129,645,097
	197,689,471	168,117,967
Less charity care	12,016,479	10,472,582
Gross patient service revenue	185,672,992	157,645,385
Less provisions for bad debts	13,173,959	11,834,307
Less contractual and other adjustments:		
Employee discounts	101,206	141,598
Contractual adjustments under third-party reimbursement programs:		
IowaCare	82,492,468	63,660,681
Medicare	10,226,198	9,482,941
Medicaid	11,902,335	9,261,819
Magellan	1,336,320	2,312,679
Wellmark	1,937,974	1,560,058
PCHS	2,365,865	2,184,573
Other	3,148,904	5,114,812
	113,511,270	93,719,161
Net patient service revenue	\$ 58,987,763	\$ 52,091,917

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2013, the Medical Center has the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Farm Credit Bank	02/25/15	\$ 300,501
Federal Home Loan Bank	08/28/13	301,134
Federal Home Loan Bank	01/16/15	300,165
Federal Home Loan Bank	03/13/15	300,933
Federal Home Loan Mortgage Corp	09/19/14	300,777
Federal Home Loan Mortgage Corp	11/25/14	303,463
Federal Home Loan Mortgage Corp	12/05/14	300,610
Federal Home Loan Mortgage Corp	08/07/17	300,000
Federal National Mortgage Association	07/12/13	320,478
Federal National Mortgage Association	10/30/14	301,824
Federal National Mortgage Association	08/28/17	290,000
Federal National Mortgage Association	09/06/17	300,000
Artwork	NA	3,500
		<u>\$ 3,623,385</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.

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.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

As of June 30, 2013, the Medical Center's investments were rated as follows:

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

Concentration of credit risk: The Medical Center places no limit on the amount the Medical Center may invest in any one issuer. More than 5% of the Medical Center's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage Corp and Federal National Mortgage 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, 2013, the Medical Center and Foundation's deposits and investments were not exposed to custodial credit risk.

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, 2013 and 2012 were designated as follows:

	<u>2013</u>	<u>2012</u>
Board designated for:		
Memorial funds	\$ 3,500	\$ 3,500
Building project	5,132,996	5,132,478
Self-insured retention funds:		
Medical malpractice	4,665,570	5,435,485
Workers' compensation	1,085,472	1,435,732
Health insurance trust	5,954,145	8,070,891
Equipment maintenance trust	116,875	88,347
Dental	367,279	341,490
Under terms of bond indentures (Note 6):		
Bond principal service	2,876,206	2,876,206
Bond sinking and interest service	496,038	593,814
Patient trust fund	15,011	5,470
Alumni fund	53,122	53,096
	<u>\$ 20,766,214</u>	<u>\$ 24,036,509</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 4. Assets Limited as to Use or Restricted (Continued)

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

	2013	2012
Assets limited as to use or restricted, required for current liabilities	\$ 3,147,134	\$ 3,043,384
Assets limited as to use or restricted	17,619,080	20,993,125
	<u>\$ 20,766,214</u>	<u>\$ 24,036,509</u>

Assets limited as to use or restricted for the Foundation as of June 30, 2013 and 2012 of \$781,119 and \$538,485, respectively, are designated primarily for departments of the Medical Center and specific health care related causes.

Note 5. Capital Assets

Activity in capital assets and accumulated depreciation and amortization for the years ended June 30, 2013 and 2012 was as follows:

	Medical Center			
	June 30, 2012	Additions	Transfers and Disposals	June 30, 2013
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	135,677	220,318	(332,912)	23,083
Total capital assets not being depreciated	<u>193,953</u>	<u>220,318</u>	<u>(332,912)</u>	<u>81,359</u>
Capital assets being depreciated:				
Land improvements	6,441,854	-	(135,775)	6,306,079
Buildings	30,450,373	-	(1,239,484)	29,210,889
Building equipment	35,743,492	344	(417,544)	35,326,292
Fixed equipment	608,249	12,526	(171,381)	449,394
Vans	330,895	48,203	(24,959)	354,139
Major moveable equipment	26,246,400	938,906	(5,283,790)	21,901,516
Equipment under capital lease	1,116,048	-	(1,058,726)	57,322
Total capital assets being depreciated	<u>100,937,311</u>	<u>999,979</u>	<u>(8,331,659)</u>	<u>93,605,631</u>
Less accumulated depreciation for:				
Land improvements	3,177,379	279,278	(135,775)	3,320,882
Buildings	14,659,197	719,941	(1,215,159)	14,163,979
Building equipment	19,796,698	1,369,476	(703,472)	20,462,702
Fixed equipment	483,389	15,030	(183,796)	314,623
Vans	244,411	25,173	(24,960)	244,624
Major moveable equipment	20,082,308	1,791,634	(5,230,592)	16,643,350
Equipment under capital lease	1,052,540	42,929	(1,038,147)	57,322
Total accumulated depreciation	<u>59,495,922</u>	<u>4,243,461</u>	<u>(8,531,901)</u>	<u>55,207,482</u>
Total capital assets, being depreciated, net	41,441,389	(3,243,482)	200,242	38,398,149
Capital assets, net	<u>\$ 41,635,342</u>	<u>\$ (3,023,164)</u>	<u>\$ (132,670)</u>	<u>\$ 38,479,508</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	Medical Center			
	June 30,	Additions	Transfers and Disposals	June 30,
	2011		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
Total capital assets not being depreciated	9,790,582	4,568,885	(14,165,514)	193,953
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
Total capital assets being depreciated	84,708,379	2,142,516	14,086,416	100,937,311
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
Total accumulated depreciation	55,329,312	4,211,718	(45,108)	59,495,922
Total capital assets, being depreciated, net	29,379,067	(2,069,202)	14,131,524	41,441,389
Capital assets, net	\$ 39,169,649	\$ 2,499,683	\$ (33,990)	\$ 41,635,342

	Foundation			
	June 30,	Additions	Transfers and Disposals	June 30,
	2011		2012	
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ (7,473)	\$ -
Less accumulated depreciation for fixed equipment	7,000	-	(7,000)	-
Capital assets, net	\$ 473	\$ -	\$ (473)	\$ -

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt

Long-term debt as of June 30, 2013 and 2012 consists of the following:

	2013	2012
Hospital Revenue Bonds, Series 2008, net of discount (A)	\$ 9,119,580	\$ 9,672,760
Hospital Revenue Bonds, Series 2009, net of discount (B)	9,512,729	9,771,749
Hospital Revenue Bonds, Series 2009A, net of discount (C)	9,395,051	9,589,852
Capital lease obligation, equipment (D)	-	35,773
	<u>28,027,360</u>	<u>29,070,134</u>
Less current maturities	1,240,000	1,095,773
	<u>\$ 26,787,360</u>	<u>\$ 27,974,361</u>

- (A) 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.
- (B) 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 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 \$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.
- (C) 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 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 \$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.
- (D) The Medical Center had lease agreements related to certain equipment which was classified as a capital lease. The lease expired 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 \$44,515,980. Principal and interest paid for the bonds during the current year and total net revenue of the Medical Center were \$2,883,150 and \$71,830,735, 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, 2013 and 2012 is as follows:

	June 30, 2012	Borrowings	Payments and Amortization of Discount	June 30, 2013	Amounts Due Within 1 Year
Bonds payable:					
Hospital Revenue Bonds, Series 2008	\$ 9,672,760	-	553,180	\$ 9,119,580	625,000
Hospital Revenue Bonds, Series 2009	9,771,749	-	259,020	9,512,729	300,000
Hospital Revenue Bonds, Series 2009A	9,589,852	-	194,801	9,395,051	315,000
Total bonds payable	29,034,361	-	1,007,001	28,027,360	1,240,000
Capital lease obligations, equipment					
	35,773	-	35,773	-	-
	\$ 29,070,134	\$ -	\$ 1,042,774	\$ 28,027,360	\$ 1,240,000
	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
Total bonds payable	29,947,473	-	913,112	29,034,361	1,060,000
Capital lease obligations, equipment					
	95,066	-	59,293	35,773	35,773
	\$ 30,042,539	\$ -	\$ 972,405	\$ 29,070,134	\$ 1,095,773

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

Aggregate principal and interest maturities for the Medical Center's long-term debt as of June 30, 2013 are as follows:

	Principal	Interest
Year ending June 30:		
2014	\$ 1,240,000	\$ 1,768,163
2015	1,415,000	1,701,526
2016	1,560,000	1,621,438
2017	1,645,000	1,532,838
2018	1,745,000	1,435,338
2019 - 2023	10,715,000	5,395,452
2024 - 2028	7,510,000	2,361,475
2029 - 2030	2,650,000	219,750
	<u>28,480,000</u>	<u>\$ 16,035,980</u>
Less unamortized discount	452,640	
	<u>\$ 28,027,360</u>	

Note 7. Retirement System

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

During the fiscal year ended June 30, 2013, plan members were required to contribute 5.78% of their annual covered salary up to \$255,000; and the Medical Center was required to contribute 8.67% of annual covered payroll up to \$255,000 per individual salary. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$4,195,017, \$3,644,442 and \$3,077,754, 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 with an additional aggregated limit of \$50,000 and no limit 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 2014, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2013.

The annual provision for professional liability losses and expenses included in the accompanying statements of revenue, expenses and changes in net position 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 2013 and 1.5% in 2012.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

The Medical Center has accrued liabilities of \$3,805,556 and \$3,825,029 for self-insured losses as of June 30, 2013 and 2012, 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, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within 1 Year
Malpractice insurance	\$ 2,412,770	\$ 215,837	\$ 160,114	\$ 2,468,493	\$ 491,000
Workers' compensation insurance	586,259	302,985	260,610	628,634	398,000
Equipment maintenance insurance	26,000	300,477	271,477	55,000	55,000
Dental insurance	40,000	499,889	500,513	39,376	39,376
Health insurance	760,000	7,282,778	7,428,725	614,053	614,053
Total	\$ 3,825,029	\$ 8,601,966	\$ 8,621,439	\$ 3,805,556	\$ 1,597,429

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts 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
Total	\$ 3,887,172	\$ 8,628,718	\$ 8,690,861	\$ 3,825,029	\$ 1,572,000

Lease commitments:

The Medical Center leases equipment and real estate under operating agreements which expire through 2017. Rental expense under those agreements was approximately \$787,000 and \$797,000 for the years ended June 30, 2013 and 2012, respectively. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:	Equipment	Real Estate
2014	\$ 323,400	\$ 434,913
2015	323,400	434,913
2016	323,400	434,913
2017	173,635	-
	\$ 1,143,835	\$ 1,304,739

Broadlawns Medical Center

Notes to Basic Financial Statements

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

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.

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, 2013 and 2012 was as follows:

	2013	2012
Medicare	23%	13%
PCHS	7	7
Medicaid	13	17
Private pay	33	37
Other	24	26
Total	100%	100%

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 10. Other Postemployment Benefits (OPEB)

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

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

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

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

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

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2013, the Medical Center contributed approximately \$4,000. Retirees receiving benefits contributed \$44,000 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, 2013 and 2012, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligation:

	2013	2012
Annual required contribution	\$ 230,000	\$ 226,000
Interest on net OPEB obligation	31,000	23,000
Adjustment to annual required contribution	(26,000)	(19,000)
Annual OPEB cost/expense	235,000	230,000
Contributions and payments made	(4,000)	(52,000)
Increase in net OPEB obligation	231,000	178,000
Net OPEB obligation, beginning of year	680,000	502,000
Net OPEB obligation, end of year	<u>\$ 911,000</u>	<u>\$ 680,000</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

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

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 2013, 2012 and 2011 were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30:			
2013	\$ 235,000	1.70%	\$ 911,000
2012	230,000	22.61	680,000
2011	220,993	9.95	502,000

Funded status and funding progress: As of July 1, 2012, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,610,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$1,610,000. The covered payroll was \$49,809,332 and the ratio of the UAAL to the covered payroll was 3.23%.

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, 2012 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 10%, 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.

Broadlawns Medical Center

Notes to Basic Financial Statements

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, 2013:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, was effective for the Medical Center beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs. The adoption of this statement had no effect on the financial statements.

GASB Statement No. 61, *The Financial Reporting Entity – Omnibus – an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, was 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. The adoption of this statement had no effect on the financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, was 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. The adoption of this statement had no effect on the financial statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, was 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 (formerly the balance sheet) 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. In addition, the adoption of this statement also had an effect on the disclosures in the financial statements.

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, however management choose to adopt GASB Statement No. 65 during the year ended June 30, 2013. 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. The statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. In addition, the adoption of this statement also had an effect on the disclosures in the financial statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

As of June 30, 2013, 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. 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Organization 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.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the Organization beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
- Reporting the disposal of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the Organization beginning with its year ending June 30, 2014. This Statement provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The guarantor agrees to pay an obligation holder in the event that the issuer of the obligation is not able to make its required payments to the obligation holder. Nonexchange financial guarantees can include guarantees by a state for bonds issued by local governments within that state or guarantees of mortgage loans to individuals, if equal or approximately equal value is not received in exchange.

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, 2013**

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, 2013:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget	Budget to Actual Variance, Over (Under) Budget
\$ 114,656,328	\$ (538,791)	\$ 114,117,537	\$ 116,324,877	\$ (2,207,340)

Broadlawns Medical Center

**Required Supplementary Information, Other Postemployment Benefit Plan
Year Ended June 30, 2013**

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	07/01/2010	-	1,381,000	1,381,000	-	45,677,336	3.02
2013	07/01/2012	-	1,610,000	1,610,000	-	49,809,332	3.23

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, 2012. 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%-10.0%; with an ultimate rate of 5%; discount rate of 4.5%.
4. The amortization method is open period, level percentage.

Broadlawns Medical Center

**Combining Statements of Net Position, by Department
June 30, 2013**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 37,397,241	\$ 19,412	\$ 329,964	\$ -	\$ 37,746,617
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,132,123	15,011	-	-	3,147,134
Receivables:					
Patients, net	9,673,767	165,768	27,458	-	9,866,993
Property taxes	386,376	-	-	-	386,376
Succeeding year property taxes	56,718,379	-	-	-	56,718,379
Federal grants	308,090	-	-	-	308,090
Nonfederal grants	152,238	-	-	-	152,238
Other	1,765,625	-	-	1,545,063 (1)	220,562
Due from third-party payors	6,381,937	-	-	-	6,381,937
Inventories	722,490	-	-	-	722,490
Prepaid expenses and other assets	1,147,293	-	-	-	1,147,293
Total current assets	117,785,559	200,191	357,422	1,545,063	116,798,109
Noncurrent Assets:					
Assets limited as to use or restricted, net of current portion:					
Cash and cash equivalents	13,995,695	-	-	-	13,995,695
Investments	3,623,385	-	-	-	3,623,385
	17,619,080	-	-	-	17,619,080
Capital assets:					
Nondepreciable	81,359	-	-	-	81,359
Depreciable, net	38,287,213	11,430	99,506	-	38,398,149
	38,368,572	11,430	99,506	-	38,479,508
Total noncurrent assets	55,987,652	11,430	99,506	-	56,098,588
	\$ 173,773,211	\$ 211,621	\$ 456,928	\$ 1,545,063	\$ 172,896,697

(1) To eliminate interdepartment receivables and payables.

Liabilities and Net Position	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 1,240,000	\$ -	\$ -	\$ -	\$ 1,240,000
Accounts payable and other accrued expenses	4,045,516	1,486,351	76,091	1,545,063 (1)	4,062,895
Accrued employee compensation and payroll taxes	7,772,857	43,901	58,962	-	7,875,720
Current portion of accrued claims on self-insurance	1,597,429	-	-	-	1,597,429
Total current liabilities	14,655,802	1,530,252	135,053	1,545,063	14,776,044
Noncurrent Liabilities:					
Other postemployment benefits	911,000	-	-	-	911,000
Accrued claims on self-insurance, less current portion	2,208,127	-	-	-	2,208,127
Long-term debt, less current maturities	26,787,360	-	-	-	26,787,360
Total noncurrent liabilities	29,906,487	-	-	-	29,906,487
Total liabilities	44,562,289	1,530,252	135,053	1,545,063	44,682,531
Deferred inflow of resources, revenue for succeeding year property taxes	56,718,379	-	-	-	56,718,379
Commitments and Contingencies					
Net Position:					
Net investment in capital assets	10,341,212	11,430	99,506	-	10,452,148
Restricted:					
For debt service	3,372,244	-	-	-	3,372,244
For enabling legislation	5,749,834	-	-	-	5,749,834
For specific activities	53,122	15,011	-	-	68,133
Unrestricted	52,976,131	(1,345,072)	222,369	-	51,853,428
Total net position	72,492,543	(1,318,631)	321,875	-	71,495,787
	\$ 173,773,211	\$ 211,621	\$ 456,928	\$ 1,545,063	\$ 172,896,697

Broadlawns Medical Center

**Combining Statements of Net Position, by Department
June 30, 2012**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
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
Receivables:					
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
Total current assets	100,216,416	213,120	288,515	1,433,863	99,284,188
Noncurrent Assets:					
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
Capital assets:					
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
Total noncurrent assets	62,919,361	16,917	71,909	-	63,008,187
	\$ 163,135,777	\$ 230,037	\$ 360,424	\$ 1,433,863	\$ 162,292,375

(1) To eliminate interdepartment receivables and payables.

Liabilities and Net Position	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
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
Total current liabilities	15,140,742	1,409,969	145,416	1,433,863	15,262,264
Noncurrent Liabilities:					
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
Total noncurrent liabilities	30,907,390	-	-	-	30,907,390
Total liabilities	46,048,132	1,409,969	145,416	1,433,863	46,169,654
Deferred inflow of resources, revenue for succeeding year property taxes	54,685,901	-	-	-	54,685,901
Commitments and Contingencies					
Net Position:					
Net investment in capital assets	12,726,596	16,917	71,909	-	12,815,422
Restricted:					
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
Total net position	62,401,744	(1,179,932)	215,008	-	61,436,820
	\$ 163,135,777	\$ 230,037	\$ 360,424	\$ 1,433,863	\$ 162,292,375

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Position, by Department Year Ended June 30, 2013

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	56,797,550	\$ 1,016,080	\$ 1,209,980	\$ 35,847 (1)	\$ 58,987,763
Contracts	3,179,424	-	-	-	3,179,424
Operating grants	2,059,143	-	-	-	2,059,143
Other	7,636,183	-	-	31,778 (1)	7,604,405
Total operating revenue	69,672,300	1,016,080	1,209,980	67,625	71,830,735
Operating expenses:					
Salaries and wages	50,845,975	611,196	607,185	-	52,064,356
Employee benefits	15,629,658	340,907	224,932	-	16,195,497
Physician fees and outside services	5,134,802	-	-	-	5,134,802
Supplies and other expenses	36,191,552	206,191	260,320	67,625 (1)	36,590,438
Depreciation and amortization	4,645,142	5,487	20,606	-	4,671,235
Total operating expenses	112,447,129	1,163,781	1,113,043	67,625	114,656,328
Operating income (loss)	(42,774,829)	(147,701)	96,937	-	(42,825,593)
Nonoperating revenue (expense):					
Property taxes	54,593,444	-	-	-	54,593,444
Noncapital grants and contributions	34,087	-	-	-	34,087
Investment earnings	29,282	2	144	-	29,428
Interest expense	(1,816,372)	-	-	-	(1,816,372)
Other, net	(10,587)	9,000	9,786	-	8,199
Total nonoperating revenue, net	52,829,854	9,002	9,930	-	52,848,786
Capital contributions	35,774	-	-	-	35,774
Change in net position	10,090,799	(138,699)	106,867	-	10,058,967
Net position:					
Beginning	62,401,744	(1,179,932)	215,008	-	61,436,820
Ending	\$ 72,492,543	\$ (1,318,631)	\$ 321,875	\$ -	\$ 71,495,787

(1) To eliminate interdepartment transactions.

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Position, 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
Total operating revenue	58,337,388	1,043,490	1,040,343	81,121	60,340,100
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
Total operating expenses	103,618,208	1,156,413	1,181,059	81,121	105,874,559
Operating (loss)	(45,280,820)	(112,923)	(140,716)	-	(45,534,459)
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
Total nonoperating revenue, net	53,255,127	8	2,806	-	53,257,941
Capital contributions	960,977	-	-	-	960,977
Change in net position	8,935,284	(112,915)	(137,910)	-	8,684,459
Net position:					
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

**Analysis of Net Patient Receivables
June 30, 2013 and 2012**

	2013		2012	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 12,482,073	52%	\$ 12,072,877	50%
31 - 60	3,690,632	15	3,193,022	13
61 - 90	1,833,427	8	2,903,232	12
91 - 120	1,596,388	7	1,796,343	7
121 - 150	1,119,742	5	1,002,616	4
151 - 180	3,011,042	13	3,288,690	14
	<u>23,733,304</u>	<u>100%</u>	<u>24,256,780</u>	<u>100%</u>
Allowance for doubtful accounts	3,063,825		2,407,000	
Allowance for charity care	1,619,452		1,252,195	
Allowance for contractual and other adjustments	9,183,034		10,836,779	
	<u>\$ 9,866,993</u>		<u>\$ 9,760,806</u>	
Medicare	\$ 2,278,273	23%	\$ 1,253,306	13%
PCHS	668,600	7	690,446	7
Medicaid	1,255,337	13	1,706,768	18
Private pay	3,267,130	33	3,633,783	37
Other	2,397,653	24	2,476,503	25
Total	<u>\$ 9,866,993</u>	<u>100%</u>	<u>\$ 9,760,806</u>	<u>100%</u>

Broadlawns Medical Center

Inventories

June 30, 2013 and 2012

	2013	2012
General stores	\$ 333,849	\$ 350,139
Pharmacy	388,641	440,152
	<u>\$ 722,490</u>	<u>\$ 790,291</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2013**

	Capital Assets			
	June 30, 2012	Additions	Transfers and Disposals	June 30, 2013
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	6,170,378	-	(135,775)	6,034,603
Buildings	23,490,272	-	(1,239,484)	22,250,788
Building equipment	29,199,741	344	(393,284)	28,806,801
Fixed equipment	608,249	12,526	(171,381)	449,394
Major moveable equipment	25,544,987	938,906	(5,269,051)	21,214,842
Equipment under capital lease	1,116,048	-	(1,058,726)	57,322
Construction in progress	135,677	220,318	(332,912)	23,083
	<u>86,303,562</u>	<u>1,172,094</u>	<u>(8,600,613)</u>	<u>78,875,043</u>
Mental health facility:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	6,541,298	-	(24,260)	6,517,038
Major moveable equipment	586,427	-	-	586,427
	<u>14,379,368</u>	<u>-</u>	<u>(24,260)</u>	<u>14,355,108</u>
Total Medical Center	<u>100,682,930</u>	<u>1,172,094</u>	<u>(8,624,873)</u>	<u>93,230,151</u>
Residential facilities:				
Building equipment	1,518	-	-	1,518
Major moveable equipment	6,919	-	-	6,919
Vehicles	35,742	-	-	35,742
Total residential facilities	<u>44,179</u>	<u>-</u>	<u>-</u>	<u>44,179</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vehicles	295,153	48,203	(24,959)	318,397
Major moveable equipment	108,067	-	(14,739)	93,328
Total PATH	<u>404,155</u>	<u>48,203</u>	<u>(39,698)</u>	<u>412,660</u>
	<u>\$ 101,131,264</u>	<u>\$ 1,220,297</u>	<u>\$ (8,664,571)</u>	<u>\$ 93,686,990</u>

Accumulated Depreciation and Amortization

June 30, 2012	Current Provision	Deductions	June 30, 2013
\$ -	\$ -	\$ -	\$ -
2,905,903	279,278	(135,775)	3,049,406
9,821,563	544,550	(1,215,159)	9,150,954
13,921,712	1,293,826	(694,584)	14,520,954
483,389	15,030	(183,796)	314,623
19,383,237	1,790,714	(5,215,854)	15,958,097
1,052,540	42,929	(1,038,147)	57,322
-	-	-	-
47,568,344	3,966,327	(8,483,315)	43,051,356
-	-	-	-
271,476	-	-	271,476
4,837,634	175,391	-	5,013,025
5,872,533	75,650	(8,888)	5,939,295
586,427	-	-	586,427
11,568,070	251,041	(8,888)	11,810,223
59,136,414	4,217,368	(8,492,203)	54,861,579
1,518	-	-	1,518
6,919	-	-	6,919
18,825	5,487	-	24,312
27,262	5,487	-	32,749
935	-	-	935
225,586	19,686	(24,960)	220,312
105,725	920	(14,738)	91,907
332,246	20,606	(39,698)	313,154
\$ 59,495,922	\$ 4,243,461	\$ (8,531,901)	\$ 55,207,482

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
Medical Center:				
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>
Mental health facility:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	6,541,298	-	-	6,541,298
Major moveable equipment	586,427	-	-	586,427
	<u>14,379,368</u>	<u>-</u>	<u>-</u>	<u>14,379,368</u>
Total Medical Center	<u>94,130,884</u>	<u>6,614,731</u>	<u>(62,685)</u>	<u>100,682,930</u>
Residential facilities:				
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)	-
Total residential facilities	<u>22,233</u>	<u>21,946</u>	<u>-</u>	<u>44,179</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vehicles	236,842	74,724	(16,413)	295,153
Major moveable equipment	108,067	-	-	108,067
Total PATH	<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

Patient Service Revenue

Years Ended June 30, 2013 and 2012

	2013		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical and pediatric	\$ 9,927,795	\$ 6,435,370	\$ 3,492,425
Mental health	8,146,780	8,146,780	-
Intensive care	2,711,319	2,711,319	-
Family birthing center	2,054,196	1,952,925	101,271
Residential facilities	1,017,125	1,017,125	-
	<u>23,857,215</u>	<u>20,263,519</u>	<u>3,593,696</u>
Other nursing services:			
Operating rooms	14,741,244	3,051,173	11,690,071
Medical and surgical supplies	3,991,859	1,719,220	2,272,639
Ambulatory care services:			
Specialty Clinic	4,015,024	2,847	4,012,177
Emergency	18,361,659	2,207,820	16,153,839
Family health center	3,417,468	8,389	3,409,079
Internal Medicine Clinics	937,801	662	937,139
Primary Care Clinic	3,385,213	-	3,385,213
Peds Clinic	529,229	-	529,229
Walk-in Clinic	3,687,294	5,239	3,682,055
Dental clinics	1,243,895	-	1,243,895
Addiction Medicine	577,071	-	577,071
Women's Health Clinic	1,127,157	760	1,126,397
Mental health	5,570,356	60,130	5,510,226
PATH	1,209,980	-	1,209,980
	<u>62,795,250</u>	<u>7,056,240</u>	<u>55,739,010</u>
Other physician services:			
Anesthesiology	3,341,735	-	3,341,735
ENT	215,796	-	215,796
Family Practice	5,191,266	3,013	5,188,253
Internal Medicine	2,672,388	-	2,672,388
Neurology	800,863	-	800,863
Obstetrics and Gynecology	2,145,980	2,280	2,143,700
Ophthalmologists	437,953	-	437,953
Orthopedics	1,277,912	-	1,277,912
Optometry	739,801	138	739,663
Pediatrics	579,563	1,111	578,452
Podiatry	1,851,107	-	1,851,107
Psychiatry	5,149,397	-	5,149,397
Surgery	1,263,598	-	1,263,598
Cardiology	164,342	-	164,342
Emergency Medicine	10,046,088	1,079,939	8,966,149
Medical Education	3,067,032	-	3,067,032
Other physician services	928,753	-	928,753
	<u>39,873,574</u>	<u>1,086,481</u>	<u>38,787,093</u>
Other professional services:			
Laboratory	20,382,523	4,465,335	15,917,188
Pharmacy	14,905,145	2,565,727	12,339,418
Radiology	27,816,594	2,854,785	24,961,809
Respiratory therapy	3,072,012	1,538,223	1,533,789
Diagnostic services	2,224,667	398,824	1,825,843
Physical and occupational therapy	2,651,624	197,140	2,454,484
Speech and hearing therapy	146,714	35,615	111,099
	<u>71,199,279</u>	<u>12,055,649</u>	<u>59,143,630</u>
Gross charges at established rates	197,725,318	\$ 40,461,889	157,263,429
Less interdepartment elimination	35,847		35,847
Charity care charges forgone, based on established rates	12,016,479		\$ 157,227,582
Total gross patient service revenue	185,672,992		
Provisions for contractual and other adjustments	113,511,270		
Provisions for bad debts	13,172,914		
Provisions for bad debts - Residential	1,045		
Total net patient services revenue	\$ 58,987,763		

2012		
Totals	Inpatients	Outpatients
\$ 8,173,824	\$ 6,046,477	\$ 2,127,347
7,871,580	7,871,580	-
3,025,562	3,025,562	-
1,866,720	1,803,920	62,800
1,045,189	1,045,189	-
<u>21,982,875</u>	<u>19,792,728</u>	<u>2,190,147</u>
10,531,988	2,313,846	8,218,142
3,159,635	904,493	2,255,142
2,709,478	4,042	2,705,436
16,476,800	2,398,195	14,078,605
2,602,913	5,887	2,597,026
648,719	476	648,243
3,024,619	-	3,024,619
556,170	-	556,170
3,022,335	4,976	3,017,359
1,240,996	-	1,240,996
727,961	-	727,961
780,511	111	780,400
5,011,768	38,870	4,972,898
1,040,343	-	1,040,343
<u>51,534,236</u>	<u>5,670,896</u>	<u>45,863,340</u>
2,551,146	-	2,551,146
199,224	-	199,224
4,839,306	2,086	4,837,220
2,050,694	614	2,050,080
623,306	-	623,306
1,528,872	-	1,528,872
140,980	-	140,980
595,735	-	595,735
497,047	90	496,957
714,009	357	713,652
1,662,108	-	1,662,108
5,309,505	-	5,309,505
945,419	-	945,419
96,344	-	96,344
9,717,491	1,264,619	8,452,872
2,553,258	-	2,553,258
437,646	528	437,118
<u>34,462,090</u>	<u>1,268,294</u>	<u>33,193,796</u>
18,154,471	4,633,118	13,521,353
13,085,980	2,622,954	10,463,026
21,528,197	2,483,036	19,045,161
3,141,242	1,577,465	1,563,777
1,617,177	237,138	1,380,039
2,465,829	163,816	2,302,013
179,332	23,425	155,907
<u>60,172,228</u>	<u>11,740,952</u>	<u>48,431,276</u>
168,151,429	<u>\$ 38,472,870</u>	129,678,559
33,462		33,462
<u>10,472,582</u>		<u>\$ 129,645,097</u>
157,645,385		
93,719,161		
11,832,608		
1,699		
<u>\$ 52,091,917</u>		

Broadlawns Medical Center

**Provisions for Contractual and Other Adjustments
Years Ended June 30, 2013 and 2012**

	2013	2012
Employee discounts	\$ 101,206	\$ 141,598
Contractual adjustments under third-party reimbursement programs:		
IowaCare	82,492,468	63,660,681
Medicare	10,226,198	9,482,941
Medicaid	11,902,335	9,261,819
Magellan	1,336,320	2,312,679
Wellmark	1,937,974	1,560,058
PCHS	2,365,865	2,184,573
Other	3,148,904	5,114,812
	<u>\$ 113,511,270</u>	<u>\$ 93,719,161</u>

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2013 and 2012

	2013	2012
Grants:		
Broadlawns Medical Center:		
Women, Infants, and Children Program, State of Iowa	\$ 1,462,199	\$ 1,601,798
WIC Breast Pump Program	40,020	59,688
Bioterrorism grant	34,038	7,680
Farmers Market Nutrition Program, State of Iowa (IDALS)	1,185	6,756
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	260,388	241,122
Magellan, Meth Funds (Iowa Plan)	21,204	21,204
Area Health Education Center Grant and other	240,109	132,384
Total grants	2,059,143	2,070,632
Contracts:		
Polk County Health Services:		
Day Treatment	40,000	40,000
Community Access Program, Case Management	1,408,521	1,433,353
Community Access Program, Service Coordination	454,703	324,858
Influenza Surveillance	5,000	-
Addiction Medicine	312,018	312,018
Other:		
Medical and Dental Education, University of Iowa	312,736	314,290
IowaCare, State of Iowa	646,446	265,833
Total contracts	3,179,424	2,690,352
Other:		
Electronic Health Records incentive payments, Medicaid program	3,585,694	-
Family Practice Program, Iowa Methodist Medical Center	115,000	127,800
Contribution of medical supplies	1,533,909	1,669,742
Cafeteria	675,000	676,700
Refunds and rebates	450,551	149,005
Sales and supplies, services, and salvage	1,160,827	778,139
Purchase discounts	64	785
Des Moines Consortium contribution	48,000	35,000
Research	1,027	35,249
Miscellaneous	34,333	14,779
Total other	7,604,405	3,487,199
Total other operating revenue	\$ 12,842,972	\$ 8,248,183

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2013 and 2012**

	2013			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 823,055	\$ -	\$ 109,626	\$ 932,681
Medical, surgical, and pediatric	2,639,910	-	683,335	3,323,245
Mental health administration	660,211	-	8,412	668,623
Mental health	2,218,687	-	461,650	2,680,337
Intensive care	867,082	-	93,745	960,827
Family birthing center	888,885	-	72,300	961,185
Operating rooms	1,028,380	-	1,200,791	2,229,171
Central services	248,688	-	1,880,877	2,129,565
Specialty clinics	686,684	-	2,175,340	2,862,024
Care coordination center	165,777	-	6,387	172,164
Emergency services	2,195,242	-	455,103	2,650,345
Family health center	547,186	-	142,331	689,517
Internal Medicine Clinic	143,735	-	37,386	181,121
Internal Medicine Continuity Clinic	(27)	-	1,539	1,512
Primary Care Clinic	525,165	-	35,149	560,314
Women's Health Clinic	155,278	-	79,525	234,803
Peds Clinic	112,847	-	13,227	126,074
Walk-in Clinic	519,829	-	44,367	564,196
Pain Clinic	58,924	-	1,914	60,838
Dental clinics	562,680	69,674	217,266	849,620
Addiction Medicine	174,545	-	5,612	180,157
Mental health, clinical services	2,576,077	-	239,368	2,815,445
Residential facilities	19,612	-	9,143	28,755
PATH	-	-	151,953	151,953
Less interdepartment transactions	-	-	35,847	35,847
Total nursing and medical services	17,818,452	69,674	8,090,499	25,978,625
Physician Services:				
Anesthesiology	-	1,428,000	65,717	1,493,717
ENT	-	202,609	-	202,609
Family Practice	2,519,144	29,939	442,362	2,991,445
Internal Medicine	986,561	467,419	20,601	1,474,581
Neurology	259,859	-	7,831	267,690
Obstetrics & Gynecology	704,203	7,200	4,356	715,759
Oncology	-	-	97	97
Ophthalmologists	71,807	72,175	2,929	146,911
Orthopedics	94,548	-	1,442,911	1,537,459
Pediatrics	405,180	44,517	1,599	451,296
Podiatry	920,836	-	19,274	940,110
Psychiatry	2,423,309	356,842	33,446	2,813,597
Surgery	831,832	332,917	3,876	1,168,625
Cardiology	-	96,148	-	96,148
Emergency Medicine	3,440,376	-	18,404	3,458,780
Medical Education	1,063,054	215,805	17,796	1,296,655
Other physician services	397,727	22,570	-	420,297
Total physician services	\$ 14,118,436	\$ 3,276,141	\$ 2,081,199	\$ 19,475,776

2012

2012			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$ 778,464	\$ -	\$ 93,768	\$ 872,232
2,574,974	-	546,751	3,121,725
704,554	-	10,752	715,306
1,892,192	-	507,323	2,399,515
845,281	-	66,159	911,440
933,367	-	76,971	1,010,338
938,479	-	782,165	1,720,644
259,278	-	1,580,164	1,839,442
532,376	-	1,036,970	1,569,346
-	-	-	-
2,106,693	-	443,797	2,550,490
492,955	-	118,565	611,520
200,462	-	36,040	236,502
759	-	3,791	4,550
477,377	-	36,243	513,620
162,454	-	78,222	240,676
144,911	-	14,799	159,710
518,100	-	39,886	557,986
72,107	-	1,644	73,751
648,170	19,253	217,761	885,184
199,451	-	4,392	203,843
2,501,095	-	209,579	2,710,674
8,841	-	6,443	15,284
-	-	219,802	219,802
-	-	33,462	33,462
16,992,340	19,253	6,098,525	23,110,118
133,166	1,130,789	74,000	1,337,955
-	198,533	-	198,533
2,203,574	101,169	403,528	2,708,271
845,101	505,019	5,054	1,355,174
251,802	-	10,966	262,768
682,244	7,850	7,627	697,721
-	-	743	743
(485)	87,293	1,575	88,383
674,964	-	8,235	683,199
402,045	38,969	2,184	443,198
636,627	-	20,428	657,055
2,596,565	112,711	32,323	2,741,599
554,739	378,710	11,777	945,226
-	80,228	-	80,228
3,011,281	-	19,931	3,031,212
911,178	270,703	14,315	1,196,196
286,929	137,549	-	424,478
\$ 13,189,730	\$ 3,049,523	\$ 612,686	\$ 16,851,939

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2013 and 2012**

	2013			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,225,298	\$ 247,584	\$ 1,989,032	\$ 3,461,914
Pharmacy	1,997,390	-	9,115,716	11,113,106
Radiology	1,187,523	1,375,000	1,294,869	3,857,392
Anesthesiology	25,157	-	-	25,157
Respiratory therapy	630,338	-	160,824	791,162
Diagnostic services	80,471	-	19,968	100,439
Physical and Occupational Therapy	510,947	-	73,219	584,166
Medical information management	1,272,528	-	46,325	1,318,853
Social services	249,988	-	3,493	253,481
Registration	1,378,257	-	140,569	1,518,826
Women, Infants and Children Program	820,348	-	215,861	1,036,209
Special services	-	-	(3,322)	(3,322)
Medical education	1,759,569	166,403	433,484	2,359,456
Library	44,223	-	71,039	115,262
Medical services	485,671	-	397,419	883,090
Managed care	259,273	-	22,921	282,194
Bureau of Refugee Services	247,440	-	188,846	436,286
Speech and hearing	8,644	-	58,381	67,025
Residential facilities	491,640	-	39,371	531,011
PATH	584,496	-	-	584,496
Total other professional services	13,259,201	1,788,987	14,268,015	29,316,203
General services:				
Dietary	-	-	2,259,851	2,259,851
Plant operations	1,114,158	-	1,880,044	2,994,202
Environmental services	1,016,551	-	560,940	1,577,491
Laundry and linen	61,241	-	244,800	306,041
Risk management	132,337	-	71,578	203,915
Security	60,746	-	435,833	496,579
Residential facilities	-	-	56,244	56,244
PATH	-	-	36,480	36,480
Total general services	\$ 2,385,033	\$ -	\$ 5,545,770	\$ 7,930,803

2012

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,246,385	\$ 226,277	\$ 1,869,737	\$ 3,342,399
	1,875,128	-	8,336,081	10,211,209
	1,034,084	1,452,083	1,075,212	3,561,379
	64,882	-	357	65,239
	611,220	-	143,427	754,647
	124,268	-	13,868	138,136
	440,008	-	85,861	525,869
	1,273,844	-	19,824	1,293,668
	448,922	-	27,427	476,349
	1,440,487	-	153,093	1,593,580
	916,341	-	252,440	1,168,781
	-	-	(1,949)	(1,949)
	1,623,359	169,877	400,828	2,194,064
	48,035	-	89,949	137,984
	449,299	-	386,667	835,966
	168,821	-	18,031	186,852
	231,960	-	178,155	410,115
	8,776	-	52,619	61,395
	495,803	-	39,207	535,010
	582,538	-	-	582,538
	13,084,160	1,848,237	13,140,834	28,073,231
	-	-	2,163,303	2,163,303
	1,158,390	-	1,944,467	3,102,857
	1,017,974	-	661,935	1,679,909
	51,425	-	216,491	267,916
	128,437	-	119,905	248,342
	74,041	-	431,814	505,855
	-	-	61,798	61,798
	-	-	34,307	34,307
\$	2,430,267	\$ -	\$ 5,634,020	\$ 8,064,287

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2013 and 2012**

	2013			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 741,345	\$ -	\$ 754,925	\$ 1,496,270
Accounting	769,408	-	169,174	938,582
Payroll	83,212	-	470	83,682
Information services	834,415	-	1,365,602	2,200,017
Patient accounting	701,613	-	739,153	1,440,766
Patient advocate	97,243	-	3,260	100,503
Telecommunication	205,373	-	228,250	433,623
Planning	426,160	-	520,985	947,145
Minor equipment	-	-	(82)	(82)
Print shop	41,753	-	253,074	294,827
Purchasing, receiving and stores	167,217	-	49,977	217,194
Human resources	256,812	-	120,882	377,694
Occupational health	36,050	-	28,765	64,815
Residential facilities	99,944	-	68,860	168,804
PATH	22,689	-	21,419	44,108
Total fiscal and administrative services	4,483,234	-	4,324,714	8,807,948
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	4,098,520	4,098,520
FICA	-	-	3,393,098	3,393,098
Health insurance	-	-	7,247,777	7,247,777
Life insurance	-	-	362,785	362,785
Unemployment compensation	-	-	86,989	86,989
Workers' compensation	-	-	403,944	403,944
Other benefits	-	-	36,545	36,545
Insurance	-	-	1,769,396	1,769,396
Medical Center dues	-	-	166,787	166,787
Consulting fees	-	-	292,795	292,795
	-	-	17,858,636	17,858,636
Depreciation and amortization	\$ -	\$ -	\$ 4,645,142	\$ 4,645,142

2012

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	534,891	\$ -	\$ 858,797	\$ 1,393,688
	617,331	-	173,743	791,074
	80,961	-	555	81,516
	823,194	-	1,437,176	2,260,370
	704,198	-	758,411	1,462,609
	121,732	-	15,625	137,357
	194,560	-	229,710	424,270
	346,991	-	326,011	673,002
	-	-	1,042	1,042
	39,776	-	239,054	278,830
	148,748	-	54,941	203,689
	232,487	-	141,850	374,337
	51,057	-	31,122	82,179
	102,282	-	61,390	163,672
	30,868	-	20,152	51,020
	4,029,076	-	4,349,579	8,378,655
	-	-	3,556,736	3,556,736
	-	-	3,189,774	3,189,774
	-	-	6,880,484	6,880,484
	-	-	351,063	351,063
	-	-	75,307	75,307
	-	-	501,004	501,004
	-	-	50,209	50,209
	-	-	1,371,194	1,371,194
	-	-	168,317	168,317
	-	-	332,765	332,765
	-	-	16,476,853	16,476,853
\$	-	\$ -	\$ 4,293,094	\$ 4,293,094

Broadlawns Medical Center

**Certain Operating Expenses Information
Years Ended June 30, 2013 and 2012**

	2013			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 51,676	\$ 51,676
FICA	-	-	45,476	45,476
Health and life insurance	-	-	243,755	243,755
Insurance	-	-	13,473	13,473
Depreciation and amortization	-	-	5,487	5,487
Rent of building and equipment	-	-	19,100	19,100
Total residential facilities	-	-	378,967	378,967
PATH:				
Employee benefits:				
IPERS	-	-	44,821	44,821
FICA	-	-	40,458	40,458
Health and life insurance	-	-	139,653	139,653
Insurance	-	-	9,779	9,779
Depreciation and amortization	-	-	20,606	20,606
Rent of building and equipment	-	-	40,689	40,689
Total PATH	-	-	296,006	296,006
Less interdepartment transactions	-	-	31,778	31,778
	-	-	264,228	264,228
Total fiscal and administrative services and unassigned expenses	4,483,234	-	27,471,687	31,954,921
Total operating expenses	\$ 52,064,356	\$ 5,134,802	\$ 57,457,170	\$ 114,656,328

2012

		2012			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ -	\$ -	\$ 47,553	\$ 47,553		
-	-	43,383	43,383		
-	-	237,641	237,641		
-	-	27,925	27,925		
-	-	5,029	5,029		
-	-	19,118	19,118		
-	-	380,649	380,649		
-	-	40,153	40,153		
-	-	41,366	41,366		
-	-	148,411	148,411		
-	-	19,167	19,167		
-	-	6,076	6,076		
-	-	38,219	38,219		
-	-	293,392	293,392		
-	-	47,659	47,659		
-	-	245,733	245,733		
4,029,076	-	25,745,908	29,774,984		
\$ 49,725,573	\$ 4,917,013	\$ 51,231,973	\$ 105,874,559		

Broadlawns Medical Center

**Combining Statements of Revenue, Expenses and Changes in Net Position, by Function
Year Ended June 30, 2013**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 56,797,550	\$ 1,016,080	\$ 1,209,980	\$ 35,847	(1) \$ 58,987,763
Contracts	3,179,424	-	-	-	3,179,424
Operating grants	2,059,143	-	-	-	2,059,143
Other	7,636,183	-	-	31,778	(1) 7,604,405
Total operating revenue	69,672,300	1,016,080	1,209,980	67,625	71,830,735
Operating expenses:					
Nursing and medical services	25,833,764	28,755	151,953	35,847	(1) 25,978,625
Physician services	19,475,776	-	-	-	19,475,776
Other professional service	28,200,696	531,011	584,496	-	29,316,203
General services	7,838,079	56,244	36,480	-	7,930,803
Fiscal and administrative service and unassigned expenses	26,453,672	542,284	319,508	31,778	(1) 27,283,686
Depreciation and amortization	4,645,142	5,487	20,606	-	4,671,235
Total operating expenses	112,447,129	1,163,781	1,113,043	67,625	114,656,328
Operating income (loss)	(42,774,829)	(147,701)	96,937	-	(42,825,593)
Nonoperating revenue (expense):					
Property taxes	54,593,444	-	-	-	54,593,444
Noncapital grants and contributions	34,087	-	-	-	34,087
Investment earnings	29,282	2	144	-	29,428
Interest expense	(1,816,372)	-	-	-	(1,816,372)
Other, net	(10,587)	9,000	9,786	-	8,199
Total nonoperating revenue (expense), net	52,829,854	9,002	9,930	-	52,848,786
Capital contribution	35,774	-	-	-	35,774
Change in net position	10,090,799	(138,699)	106,867	-	10,058,967
Net position:					
Beginning	62,401,744	(1,179,932)	215,008	-	61,436,820
Ending	\$ 72,492,543	\$ (1,318,631)	\$ 321,875	\$ -	\$ 71,495,787

(1) To eliminate interdepartment transactions.

Broadlawns Medical Center

**Combining Statements of Revenue, Expenses and Changes in Net Position, by Function
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
Total operating revenue	58,337,388	1,043,490	1,040,343	81,121	60,340,100
Operating expenses:					
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
Total operating expenses	103,618,208	1,156,413	1,181,059	81,121	105,874,559
Operating (loss)	(45,280,820)	(112,923)	(140,716)	-	(45,534,459)
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
Total nonoperating revenue (expense), net	53,255,127	8	2,806	-	53,257,941
Capital contribution	960,977	-	-	-	960,977
Change in net position	8,935,284	(112,915)	(137,910)	-	8,684,459
Net position:					
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

**Patient and Medical Center Statistical Data
Years Ended June 30, 2013 and 2012
(Unaudited)**

	2013	2012
Patient days:		
Medical, surgical and pediatric	6,149	5,805
Obstetrics	717	730
Intensive care unit	1,154	1,227
Mental health	9,473	9,151
Transitional mental health	123	-
Nursery	583	537
Total patient days	18,199	17,450
Admissions	3,148	3,568
Discharges	3,137	3,526
Average length of stay (days):		
Acute	3.6	3.3
Mental health	8.6	7.7
Outpatient visits:		
Emergency room	35,191	35,135
Walk-in clinic	30,553	26,161
Specialty clinics	12,311	9,857
Pediatric clinic	5,032	5,410
Internal medicine clinic	7,524	6,823
Pain clinic	3,808	3,102
Ortho clinic	4,626	3,635
Surgery clinic	1,798	1,395
Primary care clinic	19,241	21,529
Podiatry clinic	8,277	7,941
Women's health clinic	7,532	6,772
Family health center	21,611	19,082
Mental health	40,430	38,308
Oral medicine	9,063	9,192
Addiction medicine	7,275	7,813
	214,272	202,155

Broadlawns Medical Center

**Organization Data
Year Ended June 30, 2013**

	Expiration of Term
Board of Trustees:	
Mr. Michael D. Treinen, Chair	December 31, 2014
Ms. Janet Metcalf, Vice Chair	December 31, 2016
Ms. Mary Krieg, RNC, PhD, Secretary	December 31, 2016
Ms. Mary Fuller, Treasurer	December 31, 2018
Members:	
Ms. Cynthia Gray	December 31, 2014
Ms. Jean Logan, RN PhD	December 31, 2016
Mr. Dave Harkness	December 31, 2018

President and Chief Executive Officer, Mr. Jody Jenner

Broadlawns Medical Center

**Schedule of Revenue, Expenses and Balances - Completed Contracts
Year Ended June 30, 2013**

	Special Supplemental Nutrition Program for Women, Infants, and Children #5880A031
<hr/>	
Revenue:	
Managed care	\$ -
Other federal	1,503,404
County government	-
Total revenue	<u>1,503,404</u>
Expenses:	
Salaries	744,984
Personnel benefits	268,459
Travel	614
Staff training	160
Space costs:	
Cash	131,141
In-kind	-
Supplies	29,047
Telephone	1,101
Other expenses	-
Total allowable expenses	<u>1,175,506</u>
Distribution of management and general	286,166
Total expenses	<u>1,461,672</u>
	<u>\$ 41,732</u>

	Magellan MBC Iowa Plan OP Chem Dep SVCS			
Non-IDPH PCHS Chem Dep	DPH Funded Clients Non-Medicaid		Management and General	Total
\$ -	\$ 260,388		\$ -	\$ 260,388
-	21,204		-	1,524,608
312,018	-		-	312,018
312,018	281,592		-	2,097,014
57,886	57,886		134,137	994,893
14,472	14,472		41,851	339,254
-	-		-	614
647	647		323	1,777
-	-		13,278	144,419
19,311	19,311		-	38,622
1,598	1,598		1,994	34,237
-	-		-	1,101
-	-		230,322	230,322
93,914	93,914		421,905	1,785,239
67,869	67,870		(421,905)	-
161,783	161,784		-	1,785,239
\$ 150,235	\$ 119,808		\$ -	\$ 311,775