



ANNUAL REPORT

FOR THE FISCAL YEAR ENDED

April 30, 2019

Memorial Healthcare System Disclosure Representative:

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Important Information

In accordance with undertakings of the South Broward Hospital District d/b/a Memorial Healthcare System (the “Issuer”), regarding secondary market disclosure made pursuant to SEC Rule 15c2-12(b)(5)(i), by various continuing disclosure certificates, attached is the annual financial information (hereinafter collectively called the “Fiscal Year 2019 Annual Information”) and operating data for the Fiscal Year ended April 30, 2019 (“Fiscal Year 19”). This information also satisfies the requirement for year-to-date financial information and operating data for the fiscal quarter ended April 30, 2019. The information in this Annual Report should be read in connection with the Audited Financial Statements (filed separately) including the Management's Discussion and Analysis, narratives and Notes to the Annual Financial Statements.

The provision of this information is not intended as an offer to sell any securities. It is provided solely to comply with the contractual undertakings made by the Issuer with respect to certain outstanding obligations of the Issuer, which contractual undertakings require the provision of limited financial information and operating data with respect to the Issuer. It is not intended to be and is not an update of all of the information included in the Issuer’s prior Official Statements. Other events may have occurred since the date of the Issuer’s prior Official Statements which might be material to investors in the Issuer’s bonds including, without limitation, changes in regulation of the healthcare industry and certain other risk factors. No representation is made as to whether any such other events have occurred with respect to the Issuer or its outstanding debt that might be material or important to owners of the Issuer’s outstanding debt. No representation is made as to the materiality or completeness of the Fiscal Year 2019 Annual Information. No representation is made that the Fiscal Year 2019 Annual Information is indicative of financial or operating results of the Issuer since the end of Fiscal Year 19 or of future financial or operating results.

In connection with the sale of each bond issue, the Issuer delivered Official Statements. Capitalized terms used herein shall have the meanings ascribed to such terms in the applicable Official Statement.

This report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and any expression of opinion contained herein are subject to change without notice, and the delivery of this report will not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described.

This report may contain additional information that is not required to be provided under the terms of the continuing disclosure undertakings entered into by the Issuer. Any such additional information is provided on a voluntary basis and may be excluded from future reports without notice.

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER

Reclassification of Prior Year Presentation

The presentation and/or classification of certain items was changed in the course of preparation of the Fiscal Year 2019 audited financial statements and certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations and do not materially affect the information provided.

Sources of Patient Revenue

The table below lists the approximate percentages of gross charges by category for the fiscal years ended April 30, 2018 and 2019.

<u>Percentage of Gross Charges</u>	<u>April 30, 2018</u>	<u>April 30, 2019</u>
Medicare	17.6%	17.0%
Medicaid	4.6%	4.3%
Managed Care	65.1%	66.2%
Other	<u>12.7%</u>	<u>12.5%</u>
Total	100.0%	100.0%

Levy and Collection of Taxes (\$ in Thousands)

The following table sets forth, for the fiscal years 2018 and 2019 the millage, assessed valuation, and gross taxes levied.

	<u>2018</u>	<u>2019</u>
Millage	0.1496	0.1414
Assessed Valuation	\$54,619,000	\$58,617,000
Taxes Levied	\$8,171	\$8,288

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SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Maximum Annual Debt Service (\$ in Thousands)

The Issuer's Maximum Annual Debt Service for the Outstanding Indebtedness for the fiscal years ended April 30, 2018 and 2019 was approximately \$39.6 million and \$43.9 million, respectively. The net income available for debt service and the Maximum Annual Debt Service on Outstanding Indebtedness is computed below for the years ended April 30, 2018 and 2019 as provided in Section 3.07 of the Master Trust Indenture (“MTI”).

	Maximum Annual Debt Service Coverage	
	<u>Fiscal Year Ended April 30</u>	
	<u>2018</u>	<u>2019</u>
Net excess of revenue and net nonoperating gains over expenses	\$ 62,198	\$ 162,945
Average of unrestricted contributions and grants for the prior three years	1,769	2,384
Unrealized (gains) losses on investments	26,925	(35,432)
Interest expense	31,671	33,955
Depreciation and amortization expense	92,774	93,519
Loss on disposal of capital assets	903	742
Net income available for debt service	<u>\$ 216,240</u>	<u>\$ 258,113</u>
Maximum Annual Debt Service	39,597	43,867
Long Term Debt Service Coverage Ratio	5.46	5.88
Maximum Annual Debt Service	39,597	43,867
Percentage to adjust pursuant to MTI	110%	110%
Adjusted Maximum Annual Debt Service	\$ 43,557	\$ 48,254
Adjusted Long Term Debt Service Coverage Ratio	4.96	5.35

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SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Summary of Historical Financial Information (\$ in Thousands)

The following selected financial data as of April 30, 2018 and 2019 and for the years then ended are derived from the audited financial statements of the Issuer. The financial data presented should be read in conjunction with the financial statements and related notes for the respective fiscal year.

	<u>Fiscal Year Ended April 30</u>	
	<u>2018</u>	<u>2019</u>
Cash, cash equivalents and investments	\$1,902,298	\$2,100,004
Designated investments	20,540	18,343
Patient accounts receivable, net	231,627	259,322
Total current assets	2,259,249	2,642,389
Total assets incl. Deferred outflows	\$3,470,725	\$3,731,665
Total current liabilities	367,552	541,620
Long term debt (excl. current portion)	752,751	690,315
Net position	\$2,081,503	\$2,247,050
LT Debt-to-Capitalization Ratio	27%	24%
Days Cash on Hand	380	400

	<u>Fiscal Year Ended April 30</u>	
	<u>2018</u>	<u>2019</u>
Total operating revenue	\$ 2,014,934	\$ 2,148,017
Total operating expenses	1,936,208	2,024,426
Income from operations	\$ 78,726	\$ 123,591
Non-operating gains/(losses), net	(16,528)	39,354
Excess of revenues and net non-operating gains/(losses) over expenses and before Capital contributions	\$ 62,198	\$ 162,945
Capital contributions and grants	2,438	2,602
Net margin	3.09%	7.59%
Depreciation and amortization	\$90,213	\$92,148
Interest	\$31,671	\$33,955

Liquidity (\$ in Thousands)

The following table sets forth the Issuer's liquidity position and days cash on hand as of April 30, 2018 and 2019.

	<u>As of April 30</u>	
	<u>2018</u>	<u>2019</u>
Cash and cash equivalents	\$ 526,318	\$ 551,793
Investments	1,375,980	1,548,211
Designated Investments	20,540	18,343
Total Cash on Hand	\$ 1,922,838	\$ 2,118,347
Operating Expenses	1,936,208	2,024,426
Depreciation and amortization	(90,213)	(92,148)
Days Cash On Hand	380	400

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Capitalization (\$ in Thousands)

The following table sets forth the Issuer's capitalization as of April 30, 2018 and 2019.

	<u>As of April 30</u>	
	<u>2018</u>	<u>2019</u>
Long-term debt including Current portion	\$ 763,811	\$ 851,485
Capital lease obligations including Current portion	<u>752</u>	<u>12</u>
Total Long-term debt and Capital leases	\$ 764,563	\$ 851,497
Net Position	2,081,503	2,247,050
Total capitalization	\$ 2,846,066	\$ 3,098,547
Debt to Capitalization Ratio	27%	27%

HISTORICAL UTILIZATION STATISTICS

The table below presents certain historical utilization statistics of the Issuer.

	<u>Fiscal Year Ended April 30</u>	
	<u>2018</u>	<u>2019</u>
Admissions	76,480	72,331
Observation Discharges	<u>49,046</u>	<u>53,224</u>
Total	125,526	125,555
Patient Days	(1) 418,704	403,048
Observation Days	<u>64,529</u>	<u>80,097</u>
Total	483,233	483,145
Average Length of Stay (Days)	(1) 5.47	5.57
Average Daily Census	(2) 1,324	1,324
Percent of Occupancy	(2) 70.7%	67.0%
Licensed Beds	(3) 1,874	1,977
Hospital Outpatient Visits	523,816	561,419
Urgent Care Center (UCC) Visits	(4) 3,991	14,014
24/7 Care Center Visits	73,141	68,492
Memorial Primary Care (MPC) Visits	104,840	125,007
Home Health (HH) Visits	<u>59,068</u>	<u>63,391</u>
Total Outpatient, 24/7, UCC, MPC and HH	764,856	832,323
Emergency Room Visits	409,261	395,964

(1) Inpatients only

(2) Combined inpatient and observation patients

(3) Represents the weighted average number of licensed beds during the period

(4) Urgent Care Centers opened in December 2017 and November 2018

(5) South Broward Community Health Services (SBCHS) is now known as Memorial Primary Care (MPC)