

South Broward Hospital District

d/b/a Memorial Healthcare System

Financial Report

April 30, 2022

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RSM US LLP

Independent Auditor's Report

Management and the Board of Commissioners
South Broward Hospital District d/b/a Memorial Healthcare System

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of South Broward Hospital District d/b/a Memorial Healthcare System (the System), as of and for the years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the System, as of April 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *pension related schedules* as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining individual fund statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2022, on our consideration of the System'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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
July 19, 2022

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Management and Board of Commissioners
South Broward Hospital District d/b/a Memorial Healthcare System

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate remaining fund information of South Broward Hospital District d/b/a Memorial Healthcare System (the System), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated July 19, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Fort Lauderdale, Florida
July 19, 2022

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Required Financial Statements

The South Broward Hospital District d/b/a Memorial Healthcare System (the System) is a special tax district created under the Laws of Florida and a 501(c)(3) not-for-profit entity. The System operates Memorial Regional Hospital and Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida; Memorial Hospital Pembroke, located in Pembroke Pines, Florida; Memorial Hospital West, located in Pembroke Pines, Florida; and Memorial Hospital Miramar, located in Miramar, Florida. The System also operates the 24/7 Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida. Other components of the System include Memorial Physician Group; Memorial Outpatient Pharmacy Services; Memorial Health Network; Memorial Neuroscience Institute; Memorial Rehabilitation Institute; U-18 Sports Medicine programs located in Miramar, Coral Springs, and Wellington, Florida; multiple primary care centers located throughout south Broward County; two Urgent Care Centers; the Memorial Cancer Institute, including a partnership with Moffitt Cancer Center; the Memorial Cardiac and Vascular Institute; a Graduate Medical Education program on the campus of Memorial Hospital West; Broward Guardian, a Medicare Accountable Care Organization operating in southern Broward County; and Memorial Health Assurance, a captive insurance company providing direct-to-employer health care coverage. At April 30, 2022, the System operates a total of 1,978 licensed hospital beds and 120 licensed nursing home beds.

The Memorial Hospital Pembroke facility is leased from Hospital Realty, LLC through June 30, 2025.

The System utilizes two different funds to account for its activities: an enterprise fund, which combines the business-type activities of the operating fund of the System, and a pension trust fund, which reports information about the plan fiduciary net position and changes in plan fiduciary net position of the System's employees' pension plan. The pension trust fund does not issue separate financial statements; however, it is included as the aggregate remaining fund information of the System.

The financial statements of the System's enterprise fund report information about the System's business-type activities using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the System's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. This statement also provides the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses and changes in fund net position. This statement communicates the performance of the System's operations over the past year.

The final required statement is the statement of cash flows. The primary purpose of this statement is to provide information about the System's cash receipts and cash disbursements during the reporting period. This statement reports cash receipts, cash disbursements and net changes in cash and cash equivalents resulting from operating, non-capital financing, capital and related financing and investing activities.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Summary of Financial Information

The financial statements consist of four parts: (a) management's discussion and analysis; (b) the audited financial statements; (c) required supplementary information; and (d) supplementary information. The audited financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are intended to describe the results of operations, the changes in net position, the sources and uses of cash and cash equivalents, and the capital structure of the System. The following selected financial data as of April 30, 2022 and 2021, and for the years then ended, for the System's business-type activities are derived from the audited financial statements of the System. The data should be read in conjunction with the financial statements, related notes and supplementary information contained therein.

Condensed Statements of Net Position				
	2022	2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
<i>(In Thousands)</i>				
Other non-capital assets	\$ 3,317,208	\$ 3,085,847	\$ 231,361	7.5%
Capital assets, net	1,044,524	938,677	105,847	11.3%
Total assets	4,361,732	4,024,524	337,208	8.4%
Deferred outflows of resources	62,384	95,288	(32,904)	-34.5%
Total current liabilities	563,072	452,699	110,373	24.4%
Long-term debt, net of current portion	911,503	663,042	248,461	37.5%
Other noncurrent liabilities	91,755	284,834	(193,079)	-67.8%
Total liabilities	1,566,330	1,400,575	165,755	11.8%
Deferred inflows of resources	108,303	31,816	76,487	>100%
Net investment in capital assets	184,980	258,438	(73,458)	-28.4%
Restricted net position	28,713	26,692	2,021	7.6%
Unrestricted net position	2,535,790	2,402,291	133,499	5.6%
Total net position	\$ 2,749,483	\$ 2,687,421	\$ 62,062	2.3%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Management's Discussion of Financial Performance

	Statement of Revenues, Expenses and Changes in Fund Net Position			
	2022	2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	<i>(In Thousands)</i>			
Operating revenue:				
Net patient service revenue	\$2,534,526	\$2,148,981	\$ 385,545	17.9%
Disproportionate share distributions	55,463	51,749	3,714	7.2%
Other operating revenues	170,280	138,816	31,464	22.7%
Total operating revenue	<u>2,760,269</u>	<u>2,339,546</u>	<u>420,723</u>	<u>18.0%</u>
Operating expenses:				
Salaries and wages	1,316,055	1,138,107	177,948	15.6%
Employee benefits	152,013	179,379	(27,366)	-15.3%
Professional fees	57,759	56,353	1,406	2.5%
Supplies	537,818	473,554	64,264	13.6%
Purchased services	305,359	182,971	122,388	66.9%
Facilities	82,335	85,232	(2,897)	-3.4%
Depreciation and amortization	89,416	87,638	1,778	2.0%
Other	109,149	91,118	18,031	19.8%
Total operating expenses	<u>2,649,904</u>	<u>2,294,352</u>	<u>355,552</u>	<u>15.5%</u>
Operating income	110,365	45,194	65,171	>100%
Nonoperating (expenses) revenues, net (including depreciation expense of \$2,170 and \$1,686 in 2022 and 2021, respectively)	<u>(126,572)</u>	<u>216,908</u>	<u>(343,480)</u>	<u><-100%</u>
(Deficit) excess of revenues over (under) expenses	(16,207)	262,102	(278,309)	<-100%
Capital contributions and grants	10,403	21,663	(11,260)	-52.0%
Special items: gain from transfer of operations	67,866	-	67,866	100.0%
Increase in net position	62,062	283,765	(221,703)	-78.1%
Net position at the beginning of the year	2,687,421	2,403,656	283,765	11.8%
Net position at the end of the year	<u>\$2,749,483</u>	<u>\$2,687,421</u>	<u>\$ 62,062</u>	<u>2.3%</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

For fiscal year 2022, the System's total operating revenue increased by 18.0% and operating expenses increased by 15.5%, resulting in operating income increasing by 144.2% from the prior year of \$45.2 million to \$110.4 million. The System's (deficit) excess of revenues over (under) expenses decreased from income of \$262.1 million for the fiscal year ended April 30, 2021, to a loss of \$16.2 million for the fiscal year ended April 30, 2022.

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in the State of Florida related to the coronavirus (COVID-19) pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Florida's most vulnerable citizens. As a result of the executive orders and generally in response to the concern for community spread, elective procedures and other non-emergency visits to the System's facilities were significantly curtailed beginning in March 2020 and continued into fiscal years 2021 and 2022. The ongoing COVID-19 pandemic continues to affect the System's operations as a provider of healthcare services, and together with the current state of the labor and supply chain markets, have resulted in the loss of clinical staff and increased expenses. Since vaccines and booster shots for the COVID-19 virus have become widely available, the System has seen a recovery in patient volumes compared to the prior year. For the year ended April 30, 2022, the System recognized \$13.1 million of COVID-19 related relief funds, including \$5.6 million of Provider Relief Funds and \$7.5 million of other reimbursements from the Federal Emergency Management Agency. For the year ended April 30, 2021, the System recognized \$152.4 million of COVID-19 related relief funds, including \$143.0 million of Provider Relief Funds, \$5.0 million in recoveries from business interruption insurance, and \$4.4 million of other related grants and reimbursements. These amounts were recognized as nonoperating (expenses) revenues, net, in the accompanying statements of revenues, expenses and changes in fund net position. The System used these funds to cover allowable costs and loss of revenue attributable to the effects of COVID-19.

Net patient service revenue increased by 17.9% from \$2.149 billion for the fiscal year ended April 30, 2021, to \$2.535 billion for the fiscal year ended April 30, 2022, primarily due to increased patient volumes and more favorable payor mix. Total admissions for the fiscal years ended April 30, 2021 and 2022, which include both inpatient admissions as well as observation admissions, were 101,272 and 108,299, respectively, with the acuity of patients as measured by case-mix index decreasing from 1.67 for the fiscal year ended April 30, 2021, to 1.62 for the fiscal year ended April 30, 2022, with occupancy increasing 8.7% from 59.5% to 64.7%. Total surgical volume increased from 38,262 cases to 41,076 cases, or 7.4%; hospital outpatient visits increased from 538,262 to 605,590, or 12.5%; emergency visits increased from 337,571 to 416,295, or 23.3%; and patient days increased from 429,654 to 467,208, or 8.7% for these periods. During the year ended April 30, 2022, the System recognized \$73.8 million of net patient service revenue under the Medicaid supplemental financing initiative called the Hospital Directed Payment Program (DPP) for the year ending September 30, 2021 (the State fiscal year end). DPP is administered regionally and is intended to bridge the difference between Medicaid reimbursement rates and the costs of providing the care. Florida's DPP provides a financial incentive for all hospitals to engage in quality initiatives with the Medicaid managed care plans in their region. Hospitals that participate in a DPP receive their DPP funding via their local Medicaid managed care plans. The DPP funds recognized are included under net patient service revenue in the accompanying statements of revenues, expenses and changes in fund net position. DPP for the year ending September 30, 2022 is in the process of obtaining government administrative approval.

Other operating revenue increased as the System recognized \$138.8 million and \$170.3 million for the years ended April 30, 2021 and 2022, respectively. The increase is primarily attributable to an increase in outpatient pharmacy revenue driven by volumes and an increase in shared savings revenue. Disproportionate share (DSH) distributions, including low income pool (LIP) distributions, increased as a result of state legislature changes to the allocation methodology and the selection of the base year from which data was used to establish payment rates. Total revenue recognized by the System from DSH and LIP funding was \$51.7 million and \$55.4 million for the years ended April 30, 2021 and 2022, respectively.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Total expenses increased from \$2.294 billion for the fiscal year ended April 30, 2021, to \$2.650 billion for the fiscal year ended April 30, 2022, or 15.5%, primarily as a result of the System's increase in salaries and wages, supplies expense, and purchased services as a result of the continued impact of COVID-19 on the economy with rising costs due to staffing and supply chain shortages. The increase in salaries and wages is primarily attributable to additional staffing needed due to higher patient volumes and a higher average hourly rate compared to prior year, mainly due to higher incentive payouts, retention initiatives, and additional overtime pay due to the current state of the labor market, which has resulted in the loss of clinical staff. The decrease in employee benefits is primarily attributable to a decrease in pension expense due to favorable differences between projected and actual earnings on pension plan investments. The increase in professional fees is due to increased utilization of contracted physician services. The increase in supplies expense is directly correlated to the increase in outpatient pharmacy volumes, an increase in drug and supply costs due to the increase in volumes, an increase in costs due to supply chain shortages and inflation. The increase in purchased services is primarily due to the critical need for nurse travelers as a result of labor shortages. Facilities expenses decreased when compared to the prior year as a result of lower costs of maintenance of clinical equipment as a result of bringing those services in-house. Depreciation and amortization increased due to an increase in capital assets in fiscal year 2022, including the new Medical Pavilion on the Memorial Hospital Miramar campus. Other operating expenses increased primarily due to shared savings distributions and an increase in the Public Medical Assistance Trust fund assessment due to an increase in net patient service revenue.

Nonoperating (expenses) revenues, net, decreased from income of \$216.9 million for the fiscal year ended April 30, 2021, to a loss of \$126.6 million for the fiscal year ended April 30, 2022, or by \$343.5 million. The decrease is primarily attributable to higher recognition of COVID-19 relief funds of \$152.4 million in fiscal year ended April 30, 2021, compared to \$13.1 million in fiscal year ended April 30, 2022, a decrease of \$139.3 million. Additionally, net investment returns decreased due to a significant change in the interest rate environment to counter inflationary pressures, resulting in unrealized losses of \$154.5 million in fiscal year ended April 30, 2022, compared to unrealized gains of \$20.6 million in fiscal year ended April 30, 2021, a decrease of \$175.1 million.

Capital contributions and grants decreased from \$21.7 million for the fiscal year ended April 30, 2021, to \$10.4 million for the fiscal year ended April 30, 2022, primarily due to higher contributions from the Foundations in the prior fiscal year, primarily to support the Joe DiMaggio Children's Hospital's four-floor expansion.

During the year ended April 30, 2022, the System recognized a special item of \$67.8 million primarily attributable to the proceeds from the conveyance of the assets exclusively used in the System's breast imaging and bone density businesses to a joint venture. Refer to Note 17 for further discussion regarding the special item.

In fiscal year 2022, the System's Board of Commissioners adopted a millage rate of 0.1144, which is less than the prior year millage rate of 0.1199. In fiscal years 2022 and 2021, the System used the gross tax proceeds solely to offset the cost of the county's Medicaid match, community redevelopment assessment and tax collector fees. No tax dollars were used for the operations of the System's facilities.

Income available for debt service was \$363.1 million and \$275.1 million for the fiscal years ended April 30, 2021 and 2022, respectively. The long-term debt service coverage ratio was 8.28 and 5.39 for the fiscal years ended April 30, 2021 and 2022, respectively, as defined by the System's Master Trust Indenture.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management’s Discussion and Analysis – Unaudited

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Cash, cash equivalents and investments, excluding assets whose use is limited and restricted assets, decreased from \$2.561 billion at April 30, 2021, to \$2.551 billion at April 30, 2022. Cash, cash equivalents, and investments, including assets whose use is limited and restricted assets, increased from \$2.671 billion at April 30, 2021, to \$2.744 billion at April 30, 2022, primarily as a result of a \$121.7 million increase in net operating cash flow, \$257.8 million of proceeds related to the issuance of long-term debt, \$70.9 million of proceeds from special items, and investment income received, offset by cash paid for capital expenditures of \$183.0 million, recoupments of Medicare advanced payments, and scheduled maturities of long-term debt. Net patient accounts receivable increased from \$278.8 million at April 30, 2021, to \$320.4 million at April 30, 2022, in line with the increase in the net patient service revenue. The increase is attributable to higher patient volumes in fiscal year 2022 compared to fiscal year 2021, as the volumes have continued to improve due to vaccination and reopening efforts. Additions to capital assets increased from \$140.6 million in fiscal year 2021 to \$197.9 million in fiscal year 2022, largely due to the construction of the Joe DiMaggio Children’s Hospital four-floor expansion and the Memorial Cancer Institute Expansion on the Memorial Hospital West campus. The estimated cost to complete all construction projects in process at April 30, 2022, is \$229.9 million. Total debt increased from \$675.2 million at April 30, 2021 to \$923.4 million at April 30, 2022, primarily attributable to the Series 2021A and 2021B bond issuance. Refer to Note 4, Note 6 and Note 8 for further discussion of other funding, capital asset and long-term debt activity, respectively.

Taxes and Uncompensated Care

The Board of Commissioners of the System is authorized to levy a tax annually upon real and personal taxable property located within the boundaries of the System at a millage rate not to exceed 2.5 mills. The taxes collected pursuant to this levy can be used for the purposes and needs of the System, such as operations, debt service, and construction. Such ad valorem taxes cannot be pledged directly or indirectly to pay revenue bonds; however, there is no prohibition on the use of such taxes once collected. Beginning in fiscal year 2015, the System primarily used the gross tax proceeds to pay the county’s Medicaid match, community redevelopment assessments and the tax collectors’ fee.

The financial strength of the System minimizes the tax burden in south Broward County. In fiscal years 2021 and 2022, net tax revenues accounted for 0.00% of total net revenues. In September 2021, the System’s Board of Commissioners voted to reduce the tax millage rate from 0.1199 mills to 0.1144 mills.

The System’s financial strength enables the System to absorb the financial burden of providing an increasing level of uncompensated care and also enables the System to develop and support state-of-the-art facilities.

Source of Patient Charges

A substantial amount of the gross charges of the System are provided to patients insured by third-party payors. The table below lists the approximate percentages of gross charges by payor.

	2022	2021
Medicare	14.1%	15.3%
Medicaid	4.1%	3.9%
Managed care	72.6%	69.7%
Other	9.2%	11.1%
Total	100.0%	100.0%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Summary of Financial Information

As of and for the Years Ended April 30, 2021 and 2020

	Condensed Statements of Net Position			
	2021	2020	Dollar Increase (Decrease)	Percentage Increase (Decrease)
<i>(In Thousands)</i>				
Other non-capital assets	\$ 3,085,847	\$ 2,799,946	\$ 285,901	10.2%
Capital assets, net	938,677	886,394	52,283	5.9%
Total assets	4,024,524	3,686,340	338,184	9.2%
Deferred outflows of resources	95,288	70,146	25,142	35.8%
Total current liabilities	452,699	428,827	23,872	5.6%
Long-term debt, net of current portion	663,042	676,939	(13,897)	-2.1%
Other noncurrent liabilities	284,834	213,154	71,680	33.6%
Total liabilities	1,400,575	1,318,920	81,655	6.2%
Deferred inflows of resources	31,816	33,910	(2,094)	-6.2%
Net investment in capital assets	258,438	215,957	42,481	19.7%
Restricted net position	26,692	25,026	1,666	6.7%
Unrestricted net position	2,402,291	2,162,673	239,618	11.1%
Total net position	\$ 2,687,421	\$ 2,403,656	\$ 283,765	11.8%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

	Statement of Revenues, Expenses and Changes in Fund Net Position			
	2021	2020	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	<i>(In Thousands)</i>			
Operating revenue:				
Net patient service revenue	\$2,148,981	\$1,990,836	\$ 158,145	7.9%
Disproportionate share distributions	51,749	53,333	(1,584)	-3.0%
Other operating revenues	138,816	115,497	23,319	20.2%
Total operating revenue	<u>2,339,546</u>	<u>2,159,666</u>	<u>179,880</u>	<u>8.3%</u>
Operating expenses:				
Salaries and wages	1,138,107	1,050,752	87,355	8.3%
Employee benefits	179,379	169,162	10,217	6.0%
Professional fees	56,353	50,965	5,388	10.6%
Supplies	473,554	438,330	35,224	8.0%
Purchased services	182,971	140,195	42,776	30.5%
Facilities	85,232	83,465	1,767	2.1%
Depreciation and amortization	87,638	91,934	(4,296)	-4.7%
Other	91,118	86,408	4,710	5.5%
Total operating expenses	<u>2,294,352</u>	<u>2,111,211</u>	<u>183,141</u>	<u>8.7%</u>
Operating income	45,194	48,455	(3,261)	-6.7%
Nonoperating revenues, net (including depreciation expense of \$1,686 and \$1,406 in 2021 and 2020, respectively)	216,908	107,218	109,690	>100%
Excess of revenues over expenses	262,102	155,673	106,429	68.4%
Capital contributions and grants	21,663	933	20,730	>100%
Increase in net position	283,765	156,606	127,159	81.2%
Net position at the beginning of the year	2,403,656	2,247,050	156,606	7.0%
Net position at the end of the year	<u>\$2,687,421</u>	<u>\$2,403,656</u>	<u>\$ 283,765</u>	<u>11.8%</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Management's Discussion of Financial Performance

For fiscal year 2021, the System's total operating revenue increased by 8.3% and operating expenses increased by 8.7%, resulting in operating income decreasing by 6.7% from the prior year of \$48.5 million to \$45.2 million. The System's excess of revenues over expenses increased from \$155.7 million for the fiscal year ended April 30, 2020, to \$262.1 million for the fiscal year ended April 30, 2021.

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in the State of Florida related to the coronavirus (COVID-19) pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Florida's most vulnerable citizens. As a result of the executive orders and generally in response to the concern for community spread, elective procedures and other non-emergency visits to the System's facilities were significantly curtailed beginning in March 2020 and continued into fiscal year 2021. The System experienced significantly lower ambulatory and surgical volumes while also dealing with increased costs associated with personal protective equipment and medical services in managing the pandemic; causing the decline in operating income from the prior year. For the year ended April 30, 2021, the System recognized \$152.4 million of COVID-19 related relief funds, including \$143.0 million of Provider Relief Funds, \$5.0 million in recoveries from business interruption insurance, and \$4.4 million of other related grants and reimbursements. For the year ended April 30, 2020, the System recognized \$40.2 million of Provider Relief Funds. These amounts were recognized as nonoperating revenues, net in the accompanying statements of revenues, expenses and changes in fund net position. The System used these funds to cover allowable costs and loss of revenue attributable to the effects of COVID-19.

Net patient service revenue increased by 7.9% from \$1.991 billion for the fiscal year ended April 30, 2020, to \$2.149 billion for the fiscal year ended April 30, 2021, primarily due to the impact of COVID-19. Total admissions for the fiscal years ended April 30, 2020 and 2021, which include both inpatient admissions as well as observation admissions, were 117,780 and 101,272, respectively, with the acuity of patients as measured by case-mix index increasing from 1.60 for the fiscal year ended April 30, 2020 to 1.67 for the fiscal year ended April 30, 2021, with occupancy increasing 10.7% from 53.7% to 59.5%. Total surgical volume decreased from 42,112 cases to 38,262 cases, or 9.1%; hospital outpatient visits increased from 531,519 to 538,262, or 1.3%; emergency visits decreased from 439,650 to 337,571, or 23.2%; and patient days increased from 389,098 to 429,654, or 10.4% for these periods.

Other operating revenue increased as the System recognized \$115.5 million and \$138.8 million for the years ended April 30, 2020 and 2021, respectively. The increase is primarily attributable to an increase in outpatient pharmacy revenue. Disproportionate share (DSH) distributions, including low income pool (LIP) distributions, decreased as a result of state legislature changes to the allocation methodology and changes in the participants funding the non-federal share of payments, offset by an increase in the federal matching rate beginning in March 2020. Total revenue recognized by the System from DSH and LIP funding was \$53.3 million and \$51.7 million for the years ended April 30, 2020 and 2021, respectively.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management's Discussion and Analysis – Unaudited

Total expenses increased from \$2.111 billion for the fiscal year ended April 30, 2020, to \$2.294 billion for the fiscal year ended April 30, 2021, or 8.7%, primarily as a result of the System's increase in salaries and wages, supplies expense, and purchased services as a result of the impact of COVID-19. The increase in salaries, wages and related employee benefits is primarily attributable to the additional staffing needed due COVID-19 patient volumes and occupancy also resulting in additional overtime pay and incentives. The increase in professional fees is due to increased utilization of on call and contracted physician services. The increase in supplies expense is directly correlated to the increase in outpatient pharmacy volumes, as well as an increase in drug and supply costs associated with managing the COVID-19 pandemic. The increase in purchased services is primarily due to the critical need for nurse travelers due to COVID-19. Facilities expenses increased when compared to the prior year due to routine repairs and maintenance of clinical equipment and routine facility maintenance, as well as an increase in costs in managing the COVID-19 pandemic. Depreciation and amortization decreased when compared to the prior year as the majority of additions in fiscal year 2021 relate to construction still in process as of April 30, 2021, including the Joe DiMaggio Children's Hospital four-floor expansion and the new Medical Pavilion on the Memorial Hospital Miramar campus. Other operating expenses increased primarily due to increased transportation and hotel costs for nurse travelers due to COVID-19.

Nonoperating revenues, net, increased from \$107.2 million for the fiscal year ended April 30, 2020, to \$216.9 million for the fiscal year ended April 30, 2021, or by \$109.7 million. The increase is primarily attributable to the recognition of COVID-19 relief funds which was partially offset by a decrease in net investment returns. Net investment returns decreased largely due to lower market interest rates and maturities of higher coupon investments, resulting in lower unrealized gains, \$20.6 million in fiscal year 2021 compared to \$45.3 million in fiscal year 2020; a decrease of \$24.7 million. This was partially offset by higher equity returns and interest income from higher investable balances compared to the prior year.

Capital contributions and grants increased from \$0.9 million for the fiscal year ended April 30, 2020, to \$21.7 million for the fiscal year ended April 30, 2021, primarily due to a contributions from the Foundations to support the Joe DiMaggio Children's Hospital's four-floor expansion and the System's acquisition of Broward Guardian.

In fiscal year 2021, the System's Board of Commissioners adopted a millage rate of 0.1199, which is less than the prior year millage rate of 0.1260. In fiscal years 2021 and 2020, the System used the gross tax proceeds solely to offset the cost of the county's Medicaid match, community redevelopment assessment and tax collector fees. No tax dollars were used for the operations of the System's facilities.

Income available for debt service was \$232.8 million and \$363.1 million for the fiscal years ended April 30, 2020 and 2021, respectively. The long-term debt service coverage ratio was 5.31 and 8.28 for the fiscal years ended April 30, 2020 and 2021, respectively, as defined by the System's Master Trust Indenture.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Management’s Discussion and Analysis – Unaudited

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Cash, cash equivalents and investments, excluding assets whose use is limited and restricted assets, increased from \$2.349 billion at April 30, 2020, to \$2.561 billion at April 30, 2021. Cash, cash equivalents, and investments, including assets whose use is limited and restricted assets, increased from \$2.457 billion at April 30, 2020, to \$2.671 billion at April 30, 2021, primarily as a result of a \$81.9 million increase in net operating cash flow, the receipt of \$152.4 million in COVID-19 relief funds, investment income and unrealized gains on investments, offset by cash paid for capital expenditures of \$123.9 million, scheduled maturities of long-term debt, and the partial recoupment of the Medicare advance payments received in fiscal year 2020. Net patient accounts receivable increased from \$191.6 million at April 30, 2020, to \$278.8 million at April 30, 2021, due to decreased volumes at the end of fiscal year 2020 as the System’s facilities were significantly curtailed beginning in March 2020 due to COVID-19 compared to the end of fiscal year 2021 whereas volumes have improved due to vaccination and reopening efforts. Additions to capital assets increased from \$72.5 million in fiscal year 2020 to \$140.6 million in fiscal year 2021, largely due to construction of the Joe DiMaggio Children’s Hospital four-floor expansion and the new Medical Pavilion on the Memorial Hospital Miramar campus. The estimated cost to complete all construction projects in process at April 30, 2021, is \$212.1 million. Total debt decreased from \$688.6 million at April 30, 2020 to \$675.2 million at April 30, 2021, primarily attributable to scheduled maturities of long-term debt. Refer to Note 4, Note 6 and Note 8 for further discussion of other funding, capital asset and long-term debt activity, respectively.

Taxes and Uncompensated Care

The Board of Commissioners of the System is authorized to levy a tax annually upon real and personal taxable property located within the boundaries of the System at a millage rate not to exceed 2.5 mills. The taxes collected pursuant to this levy can be used for the purposes and needs of the System, such as operations, debt service, and construction. Such ad valorem taxes cannot be pledged directly or indirectly to pay revenue bonds; however, there is no prohibition on the use of such taxes once collected. Beginning in fiscal year 2015, the System primarily used the gross tax proceeds to pay the county’s Medicaid match, community redevelopment assessments and the tax collectors’ fee.

The financial strength of the System minimizes the tax burden in south Broward County. In fiscal years 2020 and 2021, net tax revenues accounted for 0.00% of total net revenues. In September 2020, the System’s Board of Commissioners voted to reduce the tax millage rate from 0.1260 mills to 0.1199 mills.

The System’s financial strength enables the System to absorb the financial burden of providing an increasing level of uncompensated care and also enables the System to develop and support state-of-the-art facilities.

Source of Patient Charges

A substantial amount of the gross charges of the System are provided to patients insured by third-party payors. The table below lists the approximate percentages of gross charges by payor.

	2021	2020
Medicare	15.3%	16.6%
Medicaid	3.9%	4.2%
Managed care	69.7%	66.9%
Other	11.1%	12.3%
Total	100.0%	100.0%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Net Position – System
April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 239,173	\$ 137,950
Investments	2,312,044	2,424,192
Patient accounts receivable, net of estimated uncollectibles of \$463,970 and \$399,222 at April 30, 2022 and 2021, respectively	320,357	278,849
Inventories	57,968	52,693
Other current assets	175,415	70,337
Restricted assets:		
Investments under indenture agreements for debt service	27,855	25,248
Total current assets	3,132,812	2,989,269
Noncurrent assets:		
Designated investments for employee disability	19,416	20,169
Investments restricted under self-insurance agreements	45,743	48,295
Restricted assets, net of current portion:		
Investments under indenture agreements – project funds	85,474	-
Capital assets, net	1,044,524	938,677
Other assets	33,763	28,114
Total assets	\$ 4,361,732	\$ 4,024,524
Deferred outflows of resources:		
Deferred outflows – pension related items	\$ 45,084	\$ 76,714
Loss on defeasance, net	17,300	18,574
Total deferred outflows of resources	\$ 62,384	\$ 95,288

(Continued)

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Net Position – System (Continued)
April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 149,605	\$ 110,856
Accrued compensation and payroll taxes	217,638	138,208
Estimated third-party payor settlements	87,421	67,961
Current installments of long-term debt	11,860	12,185
Current portion of estimated claims liability	18,591	19,635
Medicare advance payments	33,302	62,142
Other current liabilities	44,655	41,712
Total current liabilities	563,072	452,699
Long-term portion of estimated claims liability	30,549	30,645
Net pension liability	3,503	153,354
Medicare advance payments	-	41,027
Other noncurrent liabilities	57,703	59,808
Long-term debt	911,503	663,042
Total liabilities	\$ 1,566,330	\$ 1,400,575
Deferred inflows – pension related items	\$ 108,303	\$ 31,816
Net position:		
Net investment in capital assets	\$ 184,980	\$ 258,438
Restricted	28,713	26,692
Unrestricted	2,535,790	2,402,291
Total net position	\$ 2,749,483	\$ 2,687,421

See notes to financial statements.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Revenues, Expenses and Changes in Fund Net Position – System
Years Ended April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Operating revenue:		
Net patient service revenue	\$ 2,534,526	\$ 2,148,981
Disproportionate share distributions	55,463	51,749
Other operating revenues	170,280	138,816
Total operating revenue	2,760,269	2,339,546
Operating expenses:		
Salaries and wages	1,316,055	1,138,107
Employee benefits	152,013	179,379
Professional fees	57,759	56,353
Supplies	537,818	473,554
Purchased services	305,359	182,971
Facilities	82,335	85,232
Depreciation and amortization	89,416	87,638
Other	109,149	91,118
Total operating expenses	2,649,904	2,294,352
Operating income	110,365	45,194
Nonoperating (expenses) revenues, net (including depreciation expense of \$2,170 and \$1,686 for the years ended April 30, 2022 and 2021, respectively)	(126,572)	216,908
(Deficit) excess of revenues over (under) expenses	(16,207)	262,102
Capital contributions and grants	10,403	21,663
Special items: gain from transfer of operations	67,866	-
Increase in net position	62,062	283,765
Net position at the beginning of the year	2,687,421	2,403,656
Net position at the end of the year	\$ 2,749,483	\$ 2,687,421

See notes to financial statements.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Cash Flows – System
Years Ended April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Cash flows from operating activities:		
Receipts from third-party payors and patients	\$ 2,465,758	\$ 2,072,391
Payments to vendors	(1,134,056)	(889,460)
Other receipts	183,844	198,858
Payments to employees	(1,363,632)	(1,264,653)
Claims and self-insurance payments	(30,257)	(35,233)
Net cash provided by operating activities	121,657	81,903
Cash flows from noncapital financing activities:		
Medicare advance recoupments	(69,867)	(3,521)
COVID-19 relief funds	13,059	152,404
Contribution payments	(10,000)	-
Ad valorem tax receipts	7,450	7,489
Net cash (used in) provided by noncapital financing activities	(59,358)	156,372
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(183,011)	(123,871)
Capital contribution and grant receipts	7,703	21,663
Principal payments on long-term debt	(12,185)	(11,665)
Principal payments under capital lease obligation	(431)	(349)
Gross proceeds from issuance of long-term debt	257,829	-
Interest payments on long-term debt	(28,328)	(26,644)
Change in investments restricted under indenture agreements	(88,081)	(222)
Proceeds from special items	70,888	-
Acquisition of Broward Guardian, net of \$261 in cash acquired	-	(5,139)
Net cash provided by (used in) capital and related financing activities	24,384	(146,227)
Cash flows from investing activities:		
Proceeds from sales, maturities, or repayment of investments	3,799,480	2,343,864
Purchases of investments	(3,838,736)	(2,644,316)
Investment income received	53,796	69,734
Net cash provided by (used in) investing activities	14,540	(230,718)
Net change in cash and cash equivalents	101,223	(138,670)
Cash and cash equivalents:		
Beginning of year	137,950	276,620
End of year	\$ 239,173	\$ 137,950

(Continued)

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Cash Flows – System (Continued)
Years Ended April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 110,365	\$ 45,194
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	89,416	87,638
Provision for doubtful accounts	84,005	53,854
Gain on investment in Premier LP	-	(6,998)
Gain on disposal of capital assets	(802)	(244)
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(125,513)	(141,115)
Other current assets and inventories	(106,316)	(1,765)
Other assets	1,268	535
Accounts payable and accrued expenses	12,363	8,115
Accrued compensation and payroll taxes	79,430	16,555
Estimated third-party payor settlements	19,460	10,671
Other current liabilities	2,943	8,090
Other noncurrent liabilities	(2,088)	980
Net pension liability and related deferred outflows and inflows	(41,734)	(5,204)
Estimated claims liability	(1,140)	5,597
Net cash provided by operating activities	\$ 121,657	\$ 81,903
Supplemental noncash investing, capital and financing activities:		
Unrealized (losses) gains on investments	\$ (154,497)	\$ 20,643
Noncash interest (income) expense	(3,787)	2,193

See notes to financial statements.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Fiduciary Net Position – Pension Trust Fund
Years Ended April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Assets		
Investments:		
SEC-registered money market funds	\$ 12,386	\$ 16,378
U.S. government and agency obligations	145,709	126,558
Asset-backed securities	8,351	5,823
Corporate debt	101,506	97,250
Commercial mortgage securities	8,824	5,354
Pacific life floating rate income fund	45,923	40,803
U.S. equities	106,623	118,806
Vanguard total stock market exchange traded fund	87,614	107,823
iShares S&P 500 exchange traded fund	43,133	41,342
Global and international investments:		
International equities	83,267	96,576
Vanguard Global Minimum Volatility Fund	45,247	41,487
Dodge & Cox Global Stock Fund	162,226	182,906
Foreign bonds	3,232	1,307
Total investments	854,041	882,413
Due from broker for investment sold	1,952	1,330
Total assets	\$ 855,993	\$ 883,743
Net position restricted for pension benefits	\$ 855,993	\$ 883,743

See notes to financial statements.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Statements of Changes in Fiduciary Net Position – Pension Trust Fund
Year Ended April 30, 2022 and 2021
(In Thousands)**

	2022	2021
Additions		
Investment income:		
Net (depreciation) appreciation in fair value of investments	\$ (43,330)	\$ 184,928
Interest and dividends	17,290	14,825
Less investment expense	(1,057)	(2,213)
Net investment (loss) income	(27,097)	197,540
Employer pension contributions	34,648	35,136
Total additions	7,551	232,676
Deductions:		
Benefit payments	35,139	33,013
Administrative expenses	162	192
Total deductions	35,301	33,205
(Decrease) increase in net position	(27,750)	199,471
Net position restricted for pension benefits:		
Beginning of year	883,743	684,272
End of year	\$ 855,993	\$ 883,743

See notes to financial statements.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: The South Broward Hospital District d/b/a Memorial Healthcare System (the System) is a special tax district created under the Laws of Florida and a 501(c)(3) not-for-profit entity. The System operates Memorial Regional Hospital and Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida; Memorial Hospital Pembroke, located in Pembroke Pines, Florida; Memorial Hospital West, located in Pembroke Pines, Florida; and Memorial Hospital Miramar, located in Miramar, Florida. The System also operates the 24/7 Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida. Other components of the System include Memorial Physician Group; Memorial Outpatient Pharmacy Services; Memorial Health Network; Memorial Neuroscience Institute; Memorial Rehabilitation Institute; U-18 Sports Medicine programs located in Miramar, Coral Springs, and Wellington, Florida; multiple primary care centers located throughout south Broward County; two Urgent Care Centers; the Memorial Cancer Institute, including a partnership with Moffitt Cancer Center; the Memorial Cardiac and Vascular Institute; a Graduate Medical Education program on the campus of Memorial Hospital West; Broward Guardian, a Medicare Accountable Care Organization (ACO) operating in southern Broward County, and Memorial Health Assurance, formed to provide direct-to-employer health care coverage. At April 30, 2022, the System operates a total of 1,978 licensed hospital beds and 120 licensed nursing home beds.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements represent the primary unit of government, the System, and its component units. All significant intercompany accounts and balances have been eliminated in the financial statements.

Component units: Memorial Health Network, Inc. (MHN) is a not-for-profit taxable corporation wholly-owned by the System. MHN operates as a clinically-integrated physician hospital organization with an 18-member board comprised of nine independent physicians and nine employed System executives and physicians. MHN was conceived to foster collaboration between the System's employed physicians, community physicians, and hospitals in order to improve quality, reduce cost, eliminate waste and enhance patient and physician satisfaction. The System shares savings with MHN members based on the achievement of certain quality and financial goals.

The System acquired Broward Guardian, LLC (Broward Guardian) on May 1, 2020. Broward Guardian is a Florida limited liability company wholly-owned by the System. It currently has a contract with the Centers for Medicare and Medicaid Services (CMS) to participate in the Medicare Shared Savings Program – Enhanced track. Broward Guardian is a collaboration between the System and community primary care providers, in an effort to work together to develop a higher quality and more efficient health care delivery model. Through this collaboration, Broward Guardian collaborates with doctors, hospitals, and other health care providers towards achieving the three goals of health care reform: expanding access, improving quality and controlling cost.

Memorial Insurance Company, LLC d/b/a Memorial Health Assurance (Memorial Health Assurance) is a Montana limited liability company and a special purpose insurance captive, wholly-owned by the System. The System formed Memorial Health Assurance on July 29, 2021 as part of its value based care initiatives to provide a self-funded direct-to-employer health care solution for businesses located in its primary service area with 51 to 2,000 employees.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, MHN, Broward Guardian, and Memorial Health Assurance are blended within the financial results of the System because of the significance of the component units' operational and financial relationships with the System. Additionally, the System also reports a defined benefit pension plan as a fiduciary component unit. Further information on the plan is included in Note 9 of the financial statements.

A summary of the System's significant accounting policies follows:

Basis of presentation: The financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards. The System utilizes the accrual basis of accounting, whereby revenues are recognized as they are earned, and expenses are recognized when the related obligation is incurred.

The accounts of the System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenue and expenses, as appropriate. Significant intercompany accounts and transactions have been eliminated in the combination of these funds for financial reporting purposes herein.

The System is accounted for in an enterprise fund that consists of unrestricted net position, restricted net position and net investment in capital assets. The enterprise fund is used to account for the System's ongoing business-type activities.

The pension trust fund is a fiduciary fund used to account for the assets held in trust for the benefit of the employees of the System who participate in the Retirement Plan for Employees of the South Broward Hospital District (the Plan). The Plan's custodians hold the Plan's assets in custody accounts on behalf of the trust.

Cash and cash equivalents: Cash includes cash on hand, amounts in demand deposits and cash equivalents. The System considers all highly liquid investments with a maturity of three months or less when purchased, except those classified as restricted assets, U.S. equities, equity mutual funds and group annuity contracts to be cash equivalents.

Fair value of investments: The System categorizes its investment within the fair value hierarchy established by GASB 72, *Fair Value Measurement and Application* (GASB Statement No. 72). The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable as listed below:

Level 1: Valuations based on unadjusted quoted prices for identical instruments in active markets that the System has the ability to access.

Level 2: Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments that are not active; and model-driven valuations in which all significant inputs are observable.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

In instances where inputs used to measure fair value fall into different levels, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these measurements requires judgment and considers factors specific to each investment. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Net patient accounts receivables: Net patient accounts receivables are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based on these trends. The results of this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimated allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts.

Inventories: Inventories, consisting primarily of medical, surgical and other supplies, are stated at the lower of cost (principally determined by the first-in, first-out method) or market.

Restricted assets: Restricted assets include resources restricted to a specific period or purpose. This includes balances held in investments under indenture agreements for principal and interest amounts due for debt service payment on the Series 2015, 2016, 2016A, 2017, 2018, 2021A and 2021B bonds, funds held in escrow as the repayment mechanism for Broward Guardian to participate in the Medicare Shared Savings Program, and funds held as collateral for reinsurance obligations of Memorial Health Assurance.

Investments restricted under self-insurance agreements: These represent the assets invested to fund the workers' compensation, professional liability and health and dental self-insurance.

Capital assets, net: Capital assets, including improvements to existing facilities, are recorded at cost, except for donated items, which are recorded at acquisition value at the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 7 to 40 years and for equipment range from 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the respective lease or the life of the related asset. Routine maintenance and repairs that do not extend the life of the assets are charged to expense as incurred, and major renovations or improvements are capitalized. The System capitalizes assets with an initial cost of \$1,500 or greater.

Other assets: Other assets consist primarily of the following:

South Florida Community Care Network d/b/a Community Care Plan (SFCCN)

The System is an equal partner of SFCCN, a managed care network governed by an agreement between two governmental entities: the System and the North Broward Hospital District which are SFCCN members. SFCCN administers various programs, including the Provider Sponsored Network (PSN) operating under Florida's Medicaid Reform program. The PSN is a network of hospitals, physicians and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees in Broward County.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

The System accounts for its investment in SFCCN under the equity method and it measures the value of its investment in SFCCN based on the net asset value of its membership interest. The System evaluates the value of its investment by considering available evidence, including general market conditions and the investee's financial condition. This investment may not be transferred unless all existing SFCCN members agree in writing in advance. As of April 30, 2022 and 2021, the System's investment in SFCCN was approximately \$24,792,000 and \$17,588,000, respectively, and is included in other assets in the accompanying statements of net position. During the year ended April 30, 2021, the System received approximately \$5,150,000 in dividends from SFCCN and are included in investment income received on the accompanying statements of cash flows.

Premier LP

Effective September 26, 2013, Premier, Inc. (Premier) converted from a privately held company to a public company (the Reorganization). In connection with the Reorganization, the System's previous ownership interests in Premier was exchanged for 726,553 Class B common units of Premier LP. Premier LP operates the group purchasing portion of Premier's supply chain services business. The Class B common units were exchangeable over seven years on a 1-for-1 basis for shares of Class A common stock and the right to receive certain tax receivable payments. The System measured the vesting of the exchange right at the fair value of the Class A Common Stock as shares vested over the seven year period ended October 31, 2020.

On August 11, 2020, Premier completed a corporate restructuring which included an exchange under which Premier's member-owners, including the System, converted their Class B common units in Premier LP into shares of Premier Class A common stock on a one-for-one basis. Premier also terminated its tax receivable agreement by accelerating those payment obligations at a discounted value. The System applied GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements* to account for the exchange and acceleration of its tax receivable agreement.

For the year ended April 30, 2021, the System recognized a gain on its investment in Premier LP of approximately \$6,998,000, representing the recognition of the exchange right and the exchange transaction as a reduction in supplies expense in the accompanying statements of revenues, expenses and changes in fund net position. As of April 30, 2022 and 2021, the accelerated tax receivable was approximately \$2,668,000 and \$3,488,000, respectively, of which its long-term portion of approximately \$1,847,000 and \$2,668,000, respectively, was included in other assets in the accompanying statements of net position. As of April 30, 2022 and 2021, the System's Class A common stock in Premier is valued as a Level 1 investment of approximately \$25,684,000, in both periods, and is included in investments in the accompanying statements of net position.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

Broward Guardian, LLC

The System acquired Broward Guardian on May 1, 2020 for a purchase price of \$5,400,000. The System acquired approximately \$261,000 in cash, \$1,444,000 of restricted escrow funds, and working capital. In addition, the System acquired approximately \$2,717,000 in intangibles for the physician network, non-compete agreement and tradename whose purchase price was based on valuations. The excess of cash consideration paid and net assets acquired resulted in approximately \$977,000 of goodwill, which was fully amortized to expense during the year ended April 30, 2021. As of April 30, 2022 and 2021, the balance held in escrow for Broward Guardian to participate in the Medicare Shared Savings Program was approximately \$666,000 and \$1,444,000, respectively, and is included in other assets in the accompanying statements of net position. As of April 30, 2022 and 2021, the net book value of intangible assets acquired was approximately \$1,630,000 and \$3,694,000, respectively, and is included in other assets in the accompanying statements of net position.

Deferred outflows and inflows of resources: Certain pension activities and losses on refunding of debt in prior years are included in deferred outflows and inflows and amortized over a specific period.

Amortization of pension related deferred outflows and inflows is included in employee benefits expense in the accompanying statements of revenues, expenses and changes in fund net position. Amortization of losses on refunding of long-term debt is included in nonoperating (expenses) revenues, net in the accompanying statements of revenues, expenses and changes in fund net position.

Compensated absences: Personal leave time, which includes holiday, sick and vacation time, that is accrued but not used at April 30, 2022 and 2021, is included in accrued compensation and payroll taxes in the accompanying statements of net position.

Pensions: The System applies GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB Statement No. 67), GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68), GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB Statement No. 71), GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB Statement No. 73), and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73* (GASB Statement No. 82), for the measurement, recognition and disclosure of pension expenses, liabilities and assets. The Plan's fiduciary net position has been determined on the same basis as it is reported by the Plan, for purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to the Plan. The Plan's financial statements are prepared using the accrual basis of accounting, whereby employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan's policy.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

Costs of borrowing: Interest cost incurred on borrowed funds during the period of construction of capital assets were capitalized as a component of the cost of those assets for the fiscal year ended April 30, 2021. In accordance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), the System no longer capitalizes interest cost incurred beginning in fiscal year 2022. Premiums and discounts associated with long-term debt are amortized using the straight-line method over the life of the debt since the result is not significantly different from the effective interest method of amortization. Debt issuance costs, excluding prepaid bond insurance, are expensed in the year of issuance.

Income taxes: The System is exempt from income taxes as it is a political subdivision of the State of Florida (the State). It also has dual status as a tax-exempt entity under Internal Revenue Code Section 501(a) as an entity described in Section 501(c)(3).

Net position: Net position is reported in three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt issued that is attributable to the acquisition, construction, or improvement of those capital assets. If there are unspent related debt proceeds at year-end, including investments restricted under indenture agreements for project funds, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position consists of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources and liabilities and deferred inflows of resources that do not meet the definitions of the other two components of net position.

Accounting estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the accounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

Statements of revenues, expenses and changes in fund net position: For purposes of presentation, transactions determined to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses. Non-exchange transactions and peripheral, incidental or transactions not considered to be central to the provision of health care services are reported as nonoperating revenues and expenses and include investment income, interest expense, ad valorem tax revenue and certain grants, including relief funds related to the coronavirus (COVID-19). Revenue recognition for grants and other non-exchange transactions occur when all eligibility requirements are met (including time requirements) or when qualifying expenditures and contingencies are met, as applicable. For the years ended April 30, 2022 and 2021, the System primarily used the gross tax proceeds to pay the county's Medicaid match, community redevelopment assessments and the tax collectors' fee and is reported net in nonoperating revenues and expenses in the accompanying statements of revenues, expenses and changes in fund net position. Grants and other contributions received for the purpose of acquiring or constructing capital assets are reported as capital contributions and grants, below nonoperating (expenses) revenues, net in the accompanying statements of revenues, expenses and changes in fund net position. Special items are significant transactions or other events that are either unusual or infrequent in nature and are within the control of management and are presented below nonoperating (expenses) revenues, net in the accompanying statements of revenues, expenses and changes in fund net position.

Net patient service revenue: Net patient service revenue is reported as net realizable amounts due from patients, third-party payors, and others for services rendered. Settlements with certain third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care: The System provides care, without charge, to patients who meet certain financial criteria based upon the Federal Income Poverty Guidelines. The System does not pursue collection of amounts due from patients who meet the System's criteria for charity care; therefore, such amounts are not reported as revenue.

Disproportionate share distributions: The Florida Agency for Health Care Administration (AHCA) distributes Low Income Pool (LIP) and Disproportionate Share Hospital (DSH) payments to the System based in part on the System's indigent care service level. The System's policy is to recognize these distributions as revenue when amounts are due and collection is reasonably assured. The receipt of any additional distributions is contingent upon the continued support by the State Legislature and the Federal Government.

Reclassifications: Certain 2021 amounts have been reclassified to conform to the 2022 financial statement and supplementary information presentation.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

New accounting pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), which provides guidance for lease contracts for nonfinancial assets – including vehicles, heavy equipment and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). The lease definition now focuses on a contract that conveys control of the right to use another entity's non-financial asset, which is referred to in the new Statement as the underlying asset. Under GASB Statement No. 87, a lessee government is required to recognize: (1) a lease liability; and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize: (1) a lease receivable; and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, with earlier application encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). The System has not elected to implement this Statement early but will adopt GASB Statement No. 87 beginning in fiscal year 2023; the System is still evaluating the potential impacts of this Statement.

In June 2018, the GASB issued GASB Statement No. 89 to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period by not allowing for the capitalization of interest in future periods. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, with earlier application encouraged. The System adopted GASB Statement No. 89 beginning in fiscal year 2022. For the year ended April 30, 2021, the System capitalized interest cost of approximately \$1,780,000.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. The System has not elected to implement this Statement early; the System is still evaluating the potential impacts of this Statement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, with earlier application encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. The System has not elected to implement this Statement early; the System is still evaluating the potential impacts of this Statement.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

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

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB Statement No. 97). The objectives of this Statement were to clarify rules related to reporting of fiduciary activities under GASB Statements No. 14 and No. 84, to mitigate financial reporting costs for defined contribution plans, and to enhance the relevance, consistency, and comparability of the accounting and financial reporting of Internal Revenue Code Section 457 plans that meet the definition of a pension plan.

The requirements of GASB Statement No. 97 are: (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in GASB Statement No. 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet certain criteria, were effective immediately. The adoption of these requirements of GASB Statement No. 97 in fiscal year 2021 did not have a material effect on the System's financial statements. The requirements of GASB Statement No. 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The System has not elected to implement the requirements of this Statement early; the System is still evaluating the potential impacts of these requirements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* (GASB Statement No. 99). The Statement provides guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements, including: accounting and financial reporting for exchange or exchange-like financial guarantees; certain derivative instruments that are neither hedging derivative instruments nor investment derivative instruments; and clarification of certain provisions of: GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 87 and GASB Statement No. 96. The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in GASB Statement No. 34, and terminology updates are effective immediately. The requirements related to GASB Statement No. 87 and GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. The requirements related to financial guarantees and the other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The System has not elected to implement the requirements of this Statement early; the System is still evaluating the potential impacts of these requirements.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 2. Uncompensated Care

The System maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services provided under the System's charity care policy, as well as a provision for uncollectible accounts included in the accompanying statements of revenues, expenses and changes in fund net position.

The following information measures the level of uncompensated care provided during the years ended April 30, 2022 and 2021 (in thousands).

	2022	2021
Uncompensated care, based on established rates	\$ 880,561	\$ 902,423
Percentage of uncompensated care patients to all patients served based upon total charges	5.6%	6.8%

For the years ended April 30, 2022 and 2021, uncompensated care includes approximately \$796,556,000 and \$848,569,000 of charges forgone for services provided under the System's charity care policy, respectively. Using the System's average ratio of cost to charges, the cost of charity care provided was approximately \$135,010,000 and \$146,026,000 for the years ended April 30, 2022 and 2021, respectively.

Note 3. Net Patient Service Revenue

The System has contractual agreements with third-party payors (Medicare, Medicaid, and commercial insurance payors) that provide for prospective reimbursement at contractually established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

Reimbursement for certain services subject to special reimbursement formulas under the Medicare program is subject to audit and settlement by a Medicare Administrative Contractor. Such audits and final settlements have been completed for all years through 2017 for Memorial Hospital West and Memorial Hospital Miramar, and through 2016 for all other facilities. Audit fieldwork has been substantially completed for all facilities through 2019, and the related final settlements are not expected to differ materially from the recorded amounts. Medicare program beneficiaries accounted for approximately 14.1% and 15.3% of the System's gross patient charges in fiscal years 2022 and 2021, respectively. During the year ended April 30, 2022, the System filed amended cost reports for fiscal years 2021 and 2020, which resulted in additional net patient revenue of \$9.3 million related to Indirect Medical Education revenue. Other than the cost report amendments, there were no material differences between original estimates and subsequent revisions in fiscal years 2022 and 2021.

Reimbursement under the Florida Medicaid program is based on a variety of prospective rate methodologies. Medicaid program beneficiaries accounted for approximately 4.1% and 3.9% of the System's gross patient charges in fiscal years 2022 and 2021, respectively.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

Insurance and Other Payors

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

Net Patient Service Revenue

The difference between gross patient charges and the contractually established rates for all payors is accounted for as contractual adjustments. The System's gross patient charges, charity care adjustments, provision for doubtful accounts, and contractual adjustments for the years ended April 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Gross patient charges	\$ 15,634,340	\$ 13,332,635
Charity care adjustments	(796,556)	(848,569)
Provision for doubtful accounts	(84,005)	(53,854)
Contractual adjustments	(12,219,253)	(10,281,231)
Net patient service revenue	<u>\$ 2,534,526</u>	<u>\$ 2,148,981</u>

During the year ended April 30, 2022, the System recognized \$73,864,000 of net patient service revenue under the Medicaid supplemental financing initiative called the Hospital Directed Payment Program (DPP) for the year ending September 30, 2021 (the State fiscal year end). DPP is administered regionally and is intended to bridge the difference between Medicaid reimbursement rates and the costs of providing the care. Florida's DPP provides a financial incentive for all hospitals to engage in quality initiatives with the Medicaid managed care plans in their region. Hospitals that participate in a DPP receive their DPP funding via their local Medicaid managed care plans. The DPP funds recognized are included under net patient service revenue in the accompanying statements of revenues, expenses and changes in fund net position. Total receivables recognized by the System from DPP funding was approximately \$11,199,000 million as of April 30, 2022, and was reported in other current assets in the accompanying statements of net position. DPP for the year ending September 30, 2022, is in the process of obtaining government administrative approval.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

Net Patient Accounts Receivable

The System grants credit without collateral to its patients, most of which are local residents that are insured under third-party payor agreements. Net patient accounts receivable, reported as current assets by the System at April 30, 2022 and 2021, consists of the following amounts (in thousands):

	2022	2021
Receivable from Medicare	\$ 116,850	\$ 133,148
Receivable from Medicaid	88,167	86,187
Receivable from patients' insurance carriers	1,336,510	1,091,642
Receivable from other	277,654	315,878
Total patient accounts receivable	<u>1,819,181</u>	<u>1,626,855</u>
Less allowance for charity care and contractual adjustments	(1,034,854)	(948,784)
Less allowance for doubtful accounts	(463,970)	(399,222)
Patient accounts receivable, net	<u>\$ 320,357</u>	<u>\$ 278,849</u>

Concentrations of Credit Risk

The mix of net receivables from patients and third-party payors at April 30, 2022 and 2021, was as follows:

	2022	2021
Medicare	7.3%	11.0%
Medicaid	4.3%	3.8%
Managed care	83.1%	76.2%
Other	5.3%	9.0%
Total	<u>100.0%</u>	<u>100.0%</u>

Note 4. Other Funding Sources

The System receives funding from various components of the State Medicaid program, including the LIP and DSH payments. The State's LIP distributes funding to the System in support of programs that provide coverage for uninsured and underinsured patients. The LIP is a federal matching program that provides the State with the opportunity to receive additional distributions based upon a fixed annual pool of approximately \$1.5 billion distributed by the State based on a measure of charity care cost. DSH is a federally-mandated additional Medicaid payment intended to recognize the higher cost of treating a disproportionate share of low-income patients, subject to federal State-wide limits. Both are subject to a provider-specific cost limits which are retrospectively audited. Audits have been completed through the State fiscal year ended June 30, 2019. There were no material differences between original estimates and subsequent revisions in fiscal years 2022 and 2021.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 4. Other Funding Sources (Continued)

Total revenue recognized by the System from LIP and DSH funding was approximately \$55,463,000 and \$51,749,000 for the years ended April 30, 2022 and 2021, respectively, and was reported as disproportionate share distributions in the accompanying statements of revenues, expenses and changes in fund net position. Total receivables recognized by the System from LIP and DSH funding was approximately \$47,072,000 and \$2,555,000 as of April 30, 2022 and 2021, respectively, and was reported in other current assets in the accompanying statements of net position. The increase was due to the timing of payments made by the State; during the current year, all DSH payments were held back by the State pending a recalculated distribution that would take into account the impact of the DPP on individual hospital DSH payment caps. Total liabilities recognized by the System from LIP and DSH funding was approximately \$5,917,000 and \$5,999,000 as of April 30, 2022 and 2021, respectively, and was reported in other current liabilities in the accompanying statements of net position.

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected hospitals. The U.S. Department of Health and Human Services, CMS, and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Coronavirus Aid, Relief and Economic Security Act included \$100 billion of funds available until expended to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus.

For the year ended April 30, 2022, the System recognized approximately \$13,059,000 of COVID-19 related relief funds, including \$5,580,000 of Provider Relief Funds and \$7,479,000 of other reimbursements from the Federal Emergency Management Agency. For the year ended April 30, 2021, the System recognized approximately \$152,404,000 of COVID-19 related relief funds, including \$143,039,000 of Provider Relief Funds, \$5,000,000 in recoveries from business interruption insurance, and \$4,365,000 of other related grants and reimbursements. These amounts were recognized within nonoperating (expenses) revenues, net in the accompanying statements of revenues, expenses and changes in fund net position. The System used these funds to cover allowable costs and loss of revenue attributable to the effects of COVID-19.

The recognition of the Provider Relief Funds received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that payment will be used to prevent, prepare for and respond to COVID-19 and shall reimburse the recipient only for health care-related expenses or lost revenues that are attributable to COVID-19. The System recognizes grant payments as income when there is reasonable assurance the System has complied with the conditions associated with the grant. The System's recognition could change materially in the future based on evolving grant compliance guidance provided by the government.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 4. Other Funding Sources (Continued)

The System also applied for and was paid approximately \$106,690,000 in April 2020, as an advance on six months of its Medicare payments through the Accelerated and Advance Payment Program expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic. The Medicare accelerated payments are interest free and the program currently requires that CMS recoup the accelerated payments beginning 12 months after receipt by the provider, by withholding future Medicare fee-for-service payments for claims until such time as the accelerated payments have been fully recouped. The program currently requires that any outstanding balance remaining after 29 months must be repaid by the provider or be subjected to a 4% annual interest rate and recoupments began in April 2021. As of April 30, 2022, the System reported approximately \$33,302,000 as a current liability in the accompany statements of net position. As of April 30, 2021, the System reported approximately \$62,142,000 and \$41,027,000 as a current liability and long-term liability, respectively, in the accompany statements of net position.

Note 5. Cash, Cash Equivalents and Investments

The approximate book value of the System's unrestricted and restricted bank accounts included in cash and cash equivalents in the accompanying statements of net position at April 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Unrestricted bank accounts	\$ 71,937	\$ 40,522

Custodial credit risk: At April 30, 2022 and 2021, the System's deposits consisting of cash were covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as Qualified Public Depositories (QPDs) by the State Treasurer. QPDs are required to pledge collateral to the State Treasurer with a market value equal to a percentage of the average daily balance of all governmental deposits in excess of any federal deposit insurance. In the event of a default by a QPD, all claims for governmental deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default, and, if necessary, a pro rata assessment to the other QPDs participating in the collateral pool.

At April 30, 2022 and 2021, pursuant to Florida Statute 218.415, investment securities, with the exception of certificates of deposit, are held with a third-party custodian, and all securities purchased by, and all collateral obtained by the System are properly designated as an asset of the System. The securities are held in accounts separate and apart from the assets of the financial institution. The System's bond indentures stipulate that all bond and trustee held funds be "Eligible Investments" as defined in the indentures and be maintained in separate accounts with a bond trustee. All bond and trustee held investments are held in accounts separate and apart from the assets of the financial institution.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Cash Equivalents and Investments

At April 30, 2022 and 2021, the System's cash equivalents and investments, including assets whose use is limited and restricted assets, are as follows (in thousands):

	2022	2021
Unrestricted cash equivalents	\$ 166,528	\$ 95,920
Unrestricted investments	2,312,044	2,424,192
Designated investments for employee disability	19,601	20,547
Investments restricted under self-insurance agreements	60,196	62,735
Other assets:		
Restricted for ACO repayment mechanism	666	1,444
Restricted assets:		
Investments under indenture agreements for debt service	27,855	25,248
Investments under indenture agreements – project funds	85,474	-
	\$ 2,672,364	\$ 2,630,086

The current portion of investments restricted under self-insurance agreements available to cover current liabilities of approximately \$523,000 and \$13,930,000 at April 30, 2022 and \$1,130,000 and \$13,310,000 at April 30, 2021, is included in cash and cash equivalents and other current assets, respectively, in the accompanying statements of net position. Designated investments for employee disability included in cash and cash equivalents were of approximately \$185,000 and \$378,000, for the fiscal years ended April 2022 and April 2021, respectively.

The System's investment policy, as amended from time to time, is approved by the Board of Commissioners of the South Broward Hospital District (the Board). The investment policy is designed to maximize financial return to the System consistent with the risks incumbent in each investment and designed to preserve the appropriate diversification in the portfolio. The System utilizes an independent investment consultant to identify and hire investment managers, implement strategies and monitor risk and performance.

The investment policy authorizes investment in equity strategies up to a 20% limitation of investable assets. At April 30, 2022 and 2021, approximately 15.29% and 12.07% of investable assets were in low volatility equity mutual funds and/or exchange traded funds.

Fair Value Measurements

The System measures and records investments, assets whose use is limited and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted prices; and,

Level 3: Unobservable inputs.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Money market mutual funds and equity mutual funds are valued using the net asset values as quoted daily for the funds. Debt securities classified in Level 2 are valued using the following approaches:

- *U.S. Agencies and commercial paper*: quoted prices for identical securities in markets that are not active; and
- *Corporate and municipal bonds*: quoted prices for similar securities in active markets

The tables below present the fair value leveling of the System's cash equivalents and investments as of April 30, 2022 and 2021, in accordance with GASB Statement No. 72 (in thousands):

	2022			
	Level 1	Level 2	Level 3	Total
SEC-registered money market funds	\$ 84,158	\$ -	\$ -	\$ 84,158
Commercial paper	-	91,600	-	91,600
U.S. treasuries	914,929	-	-	914,929
U.S. agencies	-	82,531	-	82,531
U.S. agency mortgage bonds	-	209,859	-	209,859
Asset-backed securities	-	96,490	-	96,490
Supranational bonds	-	8,217	-	8,217
Corporate debt	39,354	706,346	-	745,700
U.S. equities	26,308	-	-	26,308
Municipal securities	-	29,004	-	29,004
Equity mutual funds	382,210	-	-	382,210
Group annuity contracts	-	-	1,358	1,358
	<u>\$ 1,446,959</u>	<u>\$ 1,224,047</u>	<u>\$ 1,358</u>	<u>\$ 2,672,364</u>

	2021			
	Level 1	Level 2	Level 3	Total
SEC-registered money market funds	\$ 86,317	\$ -	\$ -	\$ 86,317
Commercial paper	-	88,469	-	88,469
U.S. treasuries	745,099	-	-	745,099
U.S. agencies	-	231,396	-	231,396
U.S. agency mortgage bonds	-	443,631	-	443,631
Asset-backed securities	-	173,303	-	173,303
Supranational bonds	-	6,428	-	6,428
Corporate debt	5,621	440,069	-	445,690
U.S. equities	25,684	-	-	25,684
Municipal securities	-	91,580	-	91,580
Equity mutual funds	291,844	-	-	291,844
Group annuity contracts	-	-	645	645
	<u>\$ 1,154,565</u>	<u>\$ 1,474,876</u>	<u>\$ 645</u>	<u>\$ 2,630,086</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Interest Rate Risk

The System manages interest rate exposure by limiting investment maturities in accordance with parameters in its investment policy. To the extent possible, the System attempts to match investment maturities with known cash needs and anticipated cash flow requirements. The System's investment policy segments its fixed income investment portfolio into pools with identified asset allocation percentages that attempt to match its liquidity requirements. Investments of bond indenture-restricted funds have maturities set in accordance with the relevant documents.

At April 30, 2022 and 2021, the System had cash equivalents and investments maturing as follows (in thousands):

	2022				
	Fair Value	No Maturity Date or Less than 1 Year	1 -5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 84,158	\$ 84,158	\$ -	\$ -	\$ -
Commercial paper	91,600	91,600	-	-	-
U.S. treasuries	914,929	407,528	388,266	119,135	-
U.S. agencies	82,531	16,495	46,160	11,540	8,336
U.S. agency mortgage bonds	209,859	2,964	70,723	59,526	76,646
Asset-backed securities	96,490	2,182	70,809	13,358	10,141
Supranational bonds	8,217	563	7,416	238	-
Corporate debt	745,700	100,853	378,715	232,238	33,894
U.S. equities	26,308	26,308	-	-	-
Municipal securities	29,004	501	8,058	19,008	1,437
Equity mutual funds	382,210	382,210	-	-	-
Group annuity contracts	1,358	1,358	-	-	-
	<u>\$2,672,364</u>	<u>\$ 1,116,720</u>	<u>\$ 970,147</u>	<u>\$ 455,043</u>	<u>\$ 130,454</u>

	2021				
	Fair Value	No Maturity Date or Less than 1 Year	1 -5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 86,317	\$ 86,317	\$ -	\$ -	\$ -
Commercial paper	88,469	88,469	-	-	-
U.S. treasuries	745,099	322,994	333,604	88,501	-
U.S. agencies	231,396	39,400	161,788	17,521	12,687
U.S. agency mortgage bonds	443,631	21,842	117,801	127,637	176,351
Asset-backed securities	173,303	17,003	134,222	13,855	8,223
Supranational bonds	6,428	4,501	1,667	260	-
Corporate debt	445,690	91,280	310,465	43,945	-
U.S. equities	25,684	25,684	-	-	-
Municipal securities	91,580	3,773	40,290	44,231	3,286
Equity mutual funds	291,844	291,844	-	-	-
Group annuity contracts	645	645	-	-	-
	<u>\$2,630,086</u>	<u>\$ 993,752</u>	<u>\$ 1,099,837</u>	<u>\$ 335,950</u>	<u>\$ 200,547</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

At April 30, 2022 and 2021, the System's cash equivalents and investments have credit ratings as follows (in thousands):

	S&P Rating or Comparable as of April 30, 2022												
	Total	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	B
SEC-registered money market funds	\$ 84,158	\$ 84,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial paper	91,600	-	-	37,271	-	54,329	-	-	-	-	-	-	-
U.S. treasuries	914,929	121,041	793,888	-	-	-	-	-	-	-	-	-	-
U.S. agencies	82,531	11,694	70,837	-	-	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	209,859	22,164	187,695	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	96,490	86,010	10,281	-	-	-	-	-	-	-	-	-	199
Supranational Bonds	8,217	7,979	238	-	-	-	-	-	-	-	-	-	-
Corporate debt	745,700	61,252	7,833	19,272	33,556	83,216	134,204	152,402	147,326	50,644	51,295	4,700	-
Municipal securities	29,004	8,890	11,960	6,355	1,670	129	-	-	-	-	-	-	-
Group annuity contracts	1,358	-	-	-	-	1,358	-	-	-	-	-	-	-
	<u>2,263,846</u>	<u>\$ 403,188</u>	<u>\$ 1,082,732</u>	<u>\$ 62,898</u>	<u>\$ 35,226</u>	<u>\$ 139,032</u>	<u>\$ 134,204</u>	<u>\$ 152,402</u>	<u>\$ 147,326</u>	<u>\$ 50,644</u>	<u>\$ 51,295</u>	<u>\$ 4,700</u>	<u>\$ 199</u>
Unrated equity mutual funds and													
U.S. equities	408,518												
	<u>\$ 2,672,364</u>												

	S&P Rating or Comparable as of April 30, 2021												
	Total	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	B
SEC-registered money market funds	\$ 86,317	\$ 86,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial paper	88,469	-	-	-	-	40,488	36,983	10,998	-	-	-	-	-
U.S. treasuries	745,099	-	745,099	-	-	-	-	-	-	-	-	-	-
U.S. agencies	231,396	-	231,396	-	-	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	443,631	-	443,631	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	173,303	154,166	17,694	-	-	-	-	-	-	-	-	-	1,443
Supranational Bonds	6,428	1,768	4,660	-	-	-	-	-	-	-	-	-	-
Corporate debt	445,690	4,105	14,476	17,553	28,322	43,992	135,747	127,680	59,093	14,195	527	-	-
Municipal securities	91,580	38,962	33,617	16,563	2,033	-	-	-	-	405	-	-	-
Group annuity contracts	645	-	-	-	-	645	-	-	-	-	-	-	-
	<u>2,312,558</u>	<u>\$ 285,318</u>	<u>\$ 1,490,573</u>	<u>\$ 34,116</u>	<u>\$ 30,355</u>	<u>\$ 85,125</u>	<u>\$ 172,730</u>	<u>\$ 138,678</u>	<u>\$ 59,093</u>	<u>\$ 14,600</u>	<u>\$ 527</u>	<u>\$ -</u>	<u>\$ 1,443</u>
Unrated equity mutual funds and													
U.S. equities	317,528												
	<u>\$ 2,630,086</u>												

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The System's investment policy provides guidelines for fixed income investment managers that require: maintaining an average portfolio credit rating of at least A; restricting investments in debt securities to those with A- or higher credit ratings at the time of purchase; and limiting the duration of the System's total fixed income portfolios to four years, or less. The System's bond indentures stipulate credit ratings for "Eligible Investments".

Concentration of Credit Risk

The System's investment policy has asset allocation and issuer limitations for cash equivalents and fixed income investments which are designed to reduce concentration of credit risk of the System's investments. The System's investment policy does not have an issuer limitation for U.S. Treasury securities. The System's bond indentures do not stipulate issuer limitations for "Eligible Investments".

At April 30, 2022, there were no investments in any one issuer representing greater than 5% or more of the System's total investments. At April 30, 2021, investments in any one issuer representing 5% or more of the System's total investments were approximately \$234,610,000 (8.9%) invested in issues of the Federal National Mortgage Association and \$259,760,000 (9.9%) invested in issues of the Federal Home Loan Mortgage Corp, respectively.

Note 6. Capital Assets, Net

A summary of the activity in the capital assets and the related accumulated depreciation accounts is as follows for the years ended April 30, 2022 and 2021 (in thousands):

	Balance at May 1, 2021	Additions	Transfers	Deletions	Balance at April 30, 2022
Depreciable assets:					
Land improvements	\$ 30,985	\$ 34	\$ 1,032	\$ -	\$ 32,051
Buildings and improvements	1,373,769	2,532	68,773	(546)	1,444,528
Equipment	751,539	30,615	25,555	(102,723)	704,986
Total depreciable assets	<u>2,156,293</u>	<u>33,181</u>	<u>95,360</u>	<u>(103,269)</u>	<u>2,181,565</u>
Accumulated depreciation:					
Land improvements	(19,803)	(1,343)	-	-	(21,146)
Buildings and improvements	(790,397)	(43,554)	-	417	(833,534)
Equipment	(603,056)	(44,441)	-	100,197	(547,300)
Total accumulated depreciation	<u>(1,413,256)</u>	<u>(89,338)</u>	<u>-</u>	<u>100,614</u>	<u>(1,401,980)</u>
Net depreciable assets	743,037	(56,157)	95,360	(2,655)	779,585
Land	67,124	615	-	-	67,739
Construction in progress	128,516	164,060	(95,360)	(16)	197,200
Capital assets, net	<u>\$ 938,677</u>	<u>\$ 108,518</u>	<u>\$ -</u>	<u>\$ (2,671)</u>	<u>\$ 1,044,524</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Balance at May 1, 2020	Additions	Transfers	Deletions	Balance at April 30, 2021
Depreciable assets:					
Land improvements	\$ 30,158	\$ 27	\$ 800	\$ -	\$ 30,985
Buildings and improvements	1,359,217	1,897	12,655	-	1,373,769
Equipment	745,668	30,644	11,087	(35,860)	751,539
Total depreciable assets	<u>2,135,043</u>	<u>32,568</u>	<u>24,542</u>	<u>(35,860)</u>	<u>2,156,293</u>
Accumulated depreciation:					
Land improvements	(18,577)	(1,226)	-	-	(19,803)
Buildings and improvements	(746,566)	(43,831)	-	-	(790,397)
Equipment	(595,652)	(42,581)	-	35,177	(603,056)
Total accumulated depreciation	<u>(1,360,795)</u>	<u>(87,638)</u>	<u>-</u>	<u>35,177</u>	<u>(1,413,256)</u>
Net depreciable assets	774,248	(55,070)	24,542	(683)	743,037
Land	67,124	-	-	-	67,124
Construction in progress	45,022	108,036	(24,542)	-	128,516
Capital assets, net	<u>\$ 886,394</u>	<u>\$ 52,966</u>	<u>\$ -</u>	<u>\$ (683)</u>	<u>\$ 938,677</u>

At April 30, 2022 and 2021, noncash capital expenditures that are included in accounts payable and accrued expenses were approximately \$38,012,000 and \$22,229,000, respectively.

The System is currently engaged in expansion projects at its facilities with significant construction at Joe DiMaggio Children's Hospital and Memorial Hospital West. The estimated cost to complete all construction projects in process at April 30, 2022, is approximately \$229.9 million.

Note 7. Self-Insurance

The System is exposed to various risks of loss related to professional liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and certain employee health plan costs; and natural disasters. The System believes it is more economical to manage certain risks internally and set aside assets for possible claim settlements. Commercial insurance is procured to cover the System's property, commissioners and officers, accidents and vehicles.

The System, as a subdivision of the State, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28 of the Florida Statutes, for claims with occurrence dates subsequent to October 1, 2011, the System is not liable to pay a claim or judgment by any one person that exceeds the sum of \$200,000 or any claim or judgment, or portions thereof that when totaled with all other claims or judgments paid by the State or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of \$300,000.

Chapter 768.28 of the Florida Statutes also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to, and approved by, the State Legislature. In addition, the System has excess insurance coverage that varies by claim year. Specific excess coverage to cover any damages rendered against the System as a result of the passage of a claims bill for professional and general liability ranges from \$10 million to \$25 million in excess insurance coverage, with self-insured retention that ranges from \$2 million to \$10 million. Specific excess coverage for workers' compensation includes retention that ranges from \$125,000 to \$750,000 per incident.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 7. Self-Insurance (Continued)

The System's management estimates and accrues for the cost of unreported claims based on historical data and actuarial projections. The liability includes estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimated claims liability for professional liability has been discounted based on an interest rate of 1.00% and 1.90% at April 30, 2022 and 2021, respectively. The estimated claims liability for workers' compensation has been discounted based on an interest rate of 1.00% and 1.30% at April 30, 2022 and 2021, respectively.

The System has established separate accounts for the purpose of setting aside assets to fund future self-insurance losses. The assets can only be used for payment of losses and administrative expenses. Earnings and losses on investments in the self-insurance accounts are reported as nonoperating revenues and expenses, in the statement of revenues, expenses, and changes in fund net position and are retained as part of the self-insurance accounts. A rollforward of the System's claims liability for self-insurance claims is as follows (in thousands):

Years Ended April 30	Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Liability at End of Year	Estimated Amount Due Within One Year
2021	\$ 44,683	\$ 40,830	\$ (35,233)	\$ 50,280	\$ 19,635
2022	50,280	29,117	(30,257)	49,140	18,591

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 8. Long-Term Debt

The following is a summary of long-term debt as of April 30, 2022 and 2021 (in thousands):

	2022	2021
Series 2021A Hospital Revenue Bonds – \$200,000 authorized and issued: Serial Bond, interest rates of 2.25% to 3.00%, maturing in amounts ranging from \$4,545 to \$10,765 beginning May 1, 2037 through May 1, 2048	\$ 82,150	\$ -
3.00% Term Bond due May 1, 2050	40,105	-
3.00% Term Bond due May 1, 2051	41,325	-
3.00% Term Bond due May 1, 2052	36,420	-
	<u>200,000</u>	<u>-</u>
Unamortized premium, net	7,999	-
	<u>207,999</u>	<u>-</u>
Series 2021B Hospital Revenue Bonds – \$50,000 authorized and issued:		
2.85% Term Bond due May 1, 2051	6,160	-
2.85% Term Bond due May 1, 2052	43,840	-
	<u>50,000</u>	<u>-</u>
Unamortized discount, net	(299)	-
	<u>49,701</u>	<u>-</u>
Series 2018 Hospital Revenue Bonds – \$101,575 authorized and issued: Serial Bond, interest rate of 5.00%, maturing on May 1, 2045	20,715	20,715
4.00% Term Bond due May 1, 2048	80,860	80,860
	<u>101,575</u>	<u>101,575</u>
Unamortized premium (discount), net	233	(1,020)
	<u>101,808</u>	<u>100,555</u>
Series 2017 Hospital Revenue and Refunding Revenue Bonds – \$101,420 authorized and issued: Serial Bonds, interest rates of 3.25% to 5.00%, maturing in amounts ranging from \$3,835 to \$15,305 beginning May 1, 2022 through May 1, 2032	101,420	101,420
Unamortized premium, net	8,542	9,058
	<u>109,962</u>	<u>110,478</u>
Series 2016A Hospital Revenue and Refunding Revenue Bonds – \$160,620 authorized and issued: Serial Bonds, interest rates of 3.375% to 4.00%, maturing in amounts ranging from \$11,235 to \$20,435 beginning May 1, 2027 through May 1, 2040	31,670	31,670
3.50% Term Bond due May 1, 2039	38,825	38,825
4.00% Term Bond due May 1, 2044	90,125	90,125
	<u>160,620</u>	<u>160,620</u>
Unamortized premium, net	1,927	1,310
	<u>162,547</u>	<u>161,930</u>
Series 2016 Hospital Revenue and Refunding Revenue Bonds – \$173,040 authorized and issued: Serial Bonds, interest rates of 2.75% to 5.00%, maturing in amounts ranging from \$1,600 to \$24,070 beginning May 1, 2017 through May 1, 2037	154,820	159,090
Unamortized premium, net	9,861	9,602
	<u>164,681</u>	<u>168,692</u>
Series 2015 Hospital Revenue and Refunding Revenue Bonds – \$154,905 authorized and issued: Serial Bonds, interest rates of 3.00% to 5.00%, maturing in amounts ranging from \$1,195 to \$7,915 beginning May 1, 2016 through May 1, 2037	90,070	97,985
4.00% Term Bond due May 1, 2040	9,560	9,560
4.00% Term Bond due May 1, 2045	18,735	18,735
	<u>118,365</u>	<u>126,280</u>
Unamortized premium, net	8,300	7,292
	<u>126,665</u>	<u>133,572</u>
Series 2009 Hospital Revenue Bonds – \$150,000 authorized and issued:		
Advance refunded on crossover basis due May 1, 2019, interest rates of 6.978% to 7.278%	-	-
Total debt	923,363	675,227
Less current portion	(11,860)	(12,185)
Long-term portion	<u>\$ 911,503</u>	<u>\$ 663,042</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

At April 30, 2022 and 2021, the System's long-term debt is comprised solely of revenue bonds issued under its Master Trust Indenture (MTI) dated as of September 1, 2003, as supplemented to date by the Supplemental Indenture dated as of November 1, 2021. The System is the only member of the obligated group although the MTI provides for additional membership. The obligations issued under the MTI are payable solely from and are secured by a pledge of and a lien on the gross patient charges of the obligated group and any future member of the obligated group and certain accounts created under the MTI, provided, however, the lien and pledge of the accounts under the MTI do not extend to obligations issued for the benefit of the Revenue Certificate holders. As of April 30, 2022 and 2021, amounts on deposit in certain accounts under the MTI were \$113,329,000 and \$25,248,000, respectively, and are presented as Restricted assets – investments under indenture agreements in the accompanying statements of net position. The increase is mainly related to \$85,474,000 in project funds related to the Series 2021A bonds.

The MTI contains certain restrictive debt covenants for the System, including a minimum debt service ratio and an incurrence test for the addition of indebtedness. As of April 30, 2022 and 2021, the System was in compliance with all of its debt covenants.

The MTI also contains an acceleration provision which provides that, upon the occurrence and during the continuation of an event of default (as described in the MTI), outstanding obligations issued under the MTI may be declared to be immediately due and payable in the manner provided thereby. Additionally, each series of bonds or other indebtedness secured by obligations issued under the MTI also may be subject to acceleration pursuant to the terms of the trust indenture or other agreement governing each such series of bonds or other indebtedness, as applicable. If the obligations issued under the MTI are accelerated, the total principal amount of those obligations, plus all interest accrued thereon to the date of acceleration and that which accrues to the date of payment, will be due and payable.

Series 2015 Bonds: \$154,905,000 issued on April 14, 2015 as tax-exempt fixed rate bonds and are callable on or after May 1, 2025, at par, without premium. The 2015 Bonds provided funds to refund and redeem a portion of the Series 2006 Bonds and to finance certain eligible projects and costs of issuance.

The System completed the advance refunding of a portion of its Series 2006 Bonds as a part of the Series 2015 Bonds to reduce its total debt service payments. On a matched-maturity basis, the cash flow savings, not including the funds held in related bond debt service accounts, was approximately \$8,169,000.

The refunding of the Series 2006 Bonds resulted in a loss on defeasance of approximately \$5,975,000. At April 30, 2022 and 2021, the unamortized value of the deferred amount was approximately \$4,074,000 and \$4,345,000, respectively, which is included in loss on defeasance, net in the accompanying statements of net position. The deferred amount is being charged to operations through the year 2037 using a straight-line interest amortization method, since the results are not significantly different from the effective interest method of amortization.

Series 2016 Bonds: \$173,040,000 issued on June 29, 2016 as tax-exempt fixed rate bonds and are callable on or after May 1, 2026, at par, without premium. The 2016 Bonds provided funds to refund and redeem the remaining Series 2006 Bonds, advance refund all of the Series 2008 Bonds and to pay certain costs of issuance.

The System completed the refunding of the remaining outstanding Series 2006 Bonds and the advance refunding of the Series 2008 Bonds with the Series 2016 Bonds to reduce its total debt service payments. On a matched-maturity basis, the present value of the cash flow savings was approximately \$29,725,000.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

The refunding of the Series 2006 and advance refunding of the 2008 Bonds resulted in a loss on defeasance of approximately \$15,936,000. At April 30, 2022 and 2021, the unamortized value of the deferred amount was approximately \$11,202,000 and \$12,002,000, respectively, which is included in loss on defeasance, net in the accompanying statements of net position. The deferred amount is being charged to operations through the year 2036 using a straight-line interest amortization method, since the results are not significantly different from the effective interest method of amortization.

Series 2016A Bonds: \$160,620,000 issued on November 10, 2016, as tax-exempt fixed rate bonds to advance refund, on a cross-over basis, all of the Series 2009 Bonds and to pay certain costs of issuance. The cross-over structure was used in order to preserve the cash subsidy payments from the U.S. Department of the Treasury through the May 1, 2019 call date. The Series 2009 Escrow Fund was funded to pay interest on the Series 2016A Bonds through May 1, 2019 and redeem all of the \$150,000,000 Series 2009 Bonds on May 1, 2019. The System completed the cross-over refunding of the Series 2009 to reduce its total debt service payments. On a matched-maturity basis, the net present value cash flow savings was approximately \$10,512,000. The Series 2009 Bonds were redeemed in full on May 1, 2019.

Series 2017 Bonds: \$101,420,000 issued on March 8, 2017, as tax-exempt fixed rate bonds to refund and redeem all of the Series 2007 Bonds and to pay certain costs of issuance and are callable on or after May 1, 2027, at par, without premium. The System completed the refunding of its Series 2007 Bonds to reduce its total debt service payments. On a matched-maturity basis, the net present value cash flow savings, not including the funds held in related bond debt service accounts, was approximately \$15,145,000.

The refunding of the Series 2007 Bonds resulted in a loss on defeasance of approximately \$3,070,000. At April 30, 2022 and 2021, the unamortized value of the deferred amount was approximately \$2,024,000 and \$2,227,000, respectively, which is included in loss on defeasance, net in the accompanying statements of net position. The deferred amount is being charged to operations through the year 2032 using a straight-line interest amortization method, since the results are not significantly different from the effective interest method of amortization.

Series 2018 Bonds: \$101,575,000 issued on November 1, 2018, as tax-exempt fixed rated bond to finance certain eligible projects and pay costs of issuance and are callable on or after May 1, 2028 at par and without premium.

Series 2021A Bonds: \$200,000,000 issued on November 18, 2021, as tax-exempt fixed rated bond to finance certain eligible projects and pay costs of issuance and are callable on or after May 1, 2031 at par, and without premium.

Series 2021B Bonds: \$50,000,000 issued on November 18, 2021, as taxable fixed rated bond to finance certain projects and pay costs of issuance and are callable on or after May 1, 2031 at par, and without premium.

**South Broward Hospital District
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Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

Maturities of long-term debt for the next five years and thereafter are shown in the table below (in thousands):

	Principal	Interest Payments	Total Debt Service
Years ending April 30:			
2023	\$ 11,860	\$ 31,975	\$ 43,835
2024	12,390	31,710	44,100
2025	12,935	31,077	44,012
2026	18,280	30,335	48,615
2027	20,080	29,454	49,534
2028-2032	115,550	132,219	247,769
2033-2037	145,930	108,008	253,938
2038-2042	138,510	83,812	222,322
2043-2047	167,170	55,146	222,316
2048-2053	244,095	22,682	266,777
	<u>\$ 886,800</u>	<u>\$ 556,418</u>	<u>\$ 1,443,218</u>

Activity related to long-term debt is summarized as follows for the years ended April 30, 2022 and 2021 (in thousands):

	2022	2021
Balance at beginning of year	\$ 675,227	\$ 688,604
Issuance of long-term debt, including premiums and/or discounts	257,829	-
Principal payments on long-term debt	(12,185)	(11,665)
Amortization of premiums and/or discounts	2,492	(1,712)
Balance at end of year	<u>\$ 923,363</u>	<u>\$ 675,227</u>

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68

Plan Description

The Plan is a single employer, noncontributory defined benefit pension plan administered by the System, covering substantially all full-time regular employees that were hired on or before October 31, 2011. Effective November 1, 2011, the Plan was closed to new hires and rehires. Eligible employees hired or had a status change on or after November 1, 2011 are covered under the Memorial Healthcare System 401(a) Retirement Plan (the 401(a) Plan). Refer to Note 11 for further discussion of the 401(a) Plan. The Plan does not issue a stand-alone financial report; however, it is reported as a pension trust fund in the financial statements of the System herein. The Board has the authority to establish and amend the benefit provisions of the Plan. The Board consists of seven members who are appointed by the Governor of Florida.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

Benefits Provided

The Plan's retirement benefits are based on employees' years and completed months of continuous service from date of employment to date of termination and average compensation during the highest consecutive 60-month period in the last 120 months preceding termination or retirement. Employees become eligible for normal retirement based on the attainment of a specified age ranging from 55 to 65 years and years of credited service ranging from 5 to 30 years. Early and late retirement options are available subject to certain conditions.

Effective May 1, 2014, the Plan was amended to: (1) permit lump-sum distributions to participants when the actuarial equivalent present value of the retirement benefit is not greater than \$50,000 and the participant has not begun receiving a monthly retirement benefit; (2) permit the Plan to distribute to the participant (if elected) or into an eligible retirement plan (if the participant does not make an election) the actuarial equivalent present value of a participant's benefit when it exceeds \$1,000 but does not exceed \$5,000; and (3) distribute the actuarial equivalent present value of a participant's benefit that is \$1,000 or less as soon as administratively practical following the participant's date of termination.

Funding Policy

The Plan's funding policy provides for actuarially determined amounts, which, together with investment earnings, are sufficient to fund the Plan as prescribed under Part VII, Chapter 112 of the Florida Statutes. There are no employee contributions. The Plan's funding policy provides for actuarially determined periodic contributions that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The portion of the actuarially determined contribution for normal cost is determined using the projected unit credit actuarial funding method with proration based on service. The actuary uses the level dollar method to amortize the unfunded liability over the average future working lifetime of active participants which was 8 years as of May 1, 2021 and May 1, 2020. The same amortization method is used for experience gains or losses, changes in benefits, or changes in actuarial assumptions. The actuarial value of assets uses a five-year smoothing for investment gains and losses. The annual required contributions to the Plan during fiscal year ended April 30, 2022 of approximately \$34,648,000 were made in excess of the actuarially determined contribution of \$33,648,000 computed through an actuarial valuation performed as of May 1, 2021. The annual required contributions to the Plan during fiscal year ended April 30, 2021 of approximately \$35,136,000 were made based on the actuarially determined contribution for the same amount computed through an actuarial valuation performed as of May 1, 2020. During the fiscal years ended April 30, 2022 and 2021, contributions as a percentage of covered payroll were 11.4% and 10.8%, respectively.

Listed below is information regarding plan membership or employees covered by the benefit terms:

Participant data as of April 30, 2022 and 2021, is as follows:

	2022	2021
Active plan members or employees	3,496	3,866
Inactive plan members or employees or beneficiaries currently receiving benefits	2,610	2,375
Inactive plan members or employees entitled to but not yet receiving benefits	2,368	2,469
Total	8,474	8,710

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

Net Pension Liability

The net pension liability of the System reported, as of April 30, 2022 and 2021, was measured as of April 30, 2021 and 2020, respectively. The total pension liability reported by the System as of April 30, 2022 and 2021, is based on the liability determined using May 1, 2021 and 2020 census data and a May 1, 2020 and 2019 valuation date using update procedures to roll forward to the measurement dates of April 30, 2021 and 2020, respectively.

The following schedule presents the change in net pension liability reporting for the System for the fiscal years ended April 30, 2022 and 2021 (in thousands):

	2022	2021
Total pension liability		
Service cost	\$ 13,375	\$ 16,436
Interest	55,647	56,111
Differences between expected and actual experience	3,288	1,273
Changes in assumptions	10,323	(18,609)
Benefit payments	(33,013)	(35,788)
Net change in total pension liability	49,620	19,423
Total pension liability – beginning	837,626	818,203
Total pension liability – ending (a)	<u>\$ 887,246</u>	<u>\$ 837,626</u>
Plan fiduciary net position		
Contributions – employer	\$ 35,136	\$ 41,122
Net investment income	197,540	(8,993)
Benefit payments	(33,013)	(35,788)
Administrative expense	(192)	(225)
Net change in plan fiduciary net position	199,471	(3,884)
Plan fiduciary net position – beginning	684,272	688,156
Plan fiduciary net position – ending (b)	<u>\$ 883,743</u>	<u>\$ 684,272</u>
Plan’s net pension liability ending – (a) – (b)	<u>\$ 3,503</u>	<u>\$ 153,354</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

The System recorded approximately \$7,085,000 in pension income and \$29,932,000 in pension expense for the fiscal years ended April 30, 2022 and 2021, respectively, which is included in employee benefits expense in the accompanying statements of revenues, expenses, and changes in fund net position.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

The following schedule presents information about the pension-related deferred outflows of resources and deferred inflows of resources at April 30 (in thousands):

	Deferred Outflows of Resources	
	2022	2021
Differences between expected and actual experience	\$ 3,037	\$ 1,216
Employer's contribution to the plan subsequent to the measurement date of the net pension liability	34,648	35,136
Changes in assumptions	7,399	4,348
Net difference between projected and actual earnings on pension plan investments	-	36,014
Total deferred outflows of resources	<u>\$ 45,084</u>	<u>\$ 76,714</u>
	Deferred Inflows of Resources	
	2022	2021
Differences between expected and actual experience	\$ 4,149	\$ 7,694
Changes in assumptions	14,242	24,122
Net difference between projected and actual earnings on pension plan investments	89,912	-
	<u>\$ 108,303</u>	<u>\$ 31,816</u>

The following schedule presents the future amortization of pension-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Plan in the current fiscal year and subsequent to the net pension liability measurement date. The difference between projected and actual earnings on pension investment is recorded in pension expense over a five-year period. The changes in assumptions and differences between expected and actual experience is recorded in pension expense over the remaining service lives of active and inactive members which was 3.53 years as of May 1, 2021 and 2020.

The employer's contribution to the Plan reported by the System in the fiscal years ended April 30, 2022 and 2021 will be reported as a reduction in the net pension liability in the next fiscal year. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources at April 30, 2022, will be recognized as an increase (reduction) to pension expense for the fiscal years ending April 30 as follows (in thousands):

Years ending April 30:	
2023	\$ (29,957)
2024	(21,040)
2025	(16,688)
2026	(30,182)
	<u>\$ (97,867)</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

Actuarial Methods and Assumptions

The System recognizes annual pension expense and net pension liability in accordance with GASB Statements No. 68 and No. 71 based on information obtained from its annual actuarial report.

The assumptions used to measure the total pension liability of the System as of the measurement dates of April 30, 2021 and 2020, follows. Significant assumptions used in the May 1, 2020 and 2019 valuation were based on the results of various actuarial experience studies performed over the last six years.

	2022	2021																																
Measurement date	April 30, 2021	April 30, 2020																																
Valuation date	May 1, 2020, rolled forward from May 1, 2020 to April 30, 2021	May 1, 2019, rolled forward from May 1, 2019 to April 30, 2020																																
Actuarial cost method	Entry age normal actuarial cost method	Entry age normal actuarial cost method																																
Asset valuation method	Fair market value for plan investments	Fair market value for plan investments																																
Long-term expected rate of return	6.60%	6.75%																																
Discount rate	6.60%	6.75%																																
Mortality rates	Based on the Pri-2012 Benefits-weighted Employee, Annuitant, and Disabled Mortality tables for males and females projected from 2012 using generational projection Scale MP-2020 for males and females.	Based on the Pri-2012 Benefits-weighted Employee, Annuitant, and Disabled Mortality tables for males and females projected from 2012 using generational projection Scale MP-2018 for males and females.																																
Projected salary increases	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Attained Age</u></th> <th style="text-align: center;"><u>Percentage Increase*</u></th> </tr> </thead> <tbody> <tr> <td>Less than 35</td> <td style="text-align: center;">6.00%</td> </tr> <tr> <td>35-39</td> <td style="text-align: center;">5.25%</td> </tr> <tr> <td>40-44</td> <td style="text-align: center;">4.00%</td> </tr> <tr> <td>45-49</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td>50-54</td> <td style="text-align: center;">3.00%</td> </tr> <tr> <td>55-59</td> <td style="text-align: center;">2.50%</td> </tr> <tr> <td>60 or older</td> <td style="text-align: center;">2.25%</td> </tr> </tbody> </table> <p>*Includes inflation at 2.50% Age-based rated based on plan experience per the rates above.</p>	<u>Attained Age</u>	<u>Percentage Increase*</u>	Less than 35	6.00%	35-39	5.25%	40-44	4.00%	45-49	3.50%	50-54	3.00%	55-59	2.50%	60 or older	2.25%	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Attained Age</u></th> <th style="text-align: center;"><u>Percentage Increase*</u></th> </tr> </thead> <tbody> <tr> <td>Less than 35</td> <td style="text-align: center;">3.75%</td> </tr> <tr> <td>35-39</td> <td style="text-align: center;">4.00%</td> </tr> <tr> <td>40-44</td> <td style="text-align: center;">4.25%</td> </tr> <tr> <td>45-49</td> <td style="text-align: center;">4.50%</td> </tr> <tr> <td>50-54</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td>55-59</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td>60 or older</td> <td style="text-align: center;">5.25%</td> </tr> </tbody> </table> <p>*Includes inflation at 2.50% Age-based rated based on plan experience per rates above and increasing 0.25% per year until 2020 and remaining constant thereafter. All increases in rates through 2020 are reflected in the May 1, 2019 valuation.</p>	<u>Attained Age</u>	<u>Percentage Increase*</u>	Less than 35	3.75%	35-39	4.00%	40-44	4.25%	45-49	4.50%	50-54	4.75%	55-59	5.00%	60 or older	5.25%
<u>Attained Age</u>	<u>Percentage Increase*</u>																																	
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Cost of living adjustments	None	None																																
Experience study date	May 1, 2019	May 1, 2019																																

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.60% and 6.75% for the April 30, 2021 and 2020 measurement dates, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions are made at 100% of the annual actuarial determined value and that future contributions will be made in the same manner. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Florida Statutes require the System to make an actuarially-determined contribution to the Plan each year. Thus, as long as the System continues to fund the Plan based on the contributions, the Plan will remain adequately funded. Actuaries perform a valuation on census data and asset information every year as of May 1st. The annual valuation includes a contribution amount that the System funds each year. An alternative method applies for the System due to the Florida Statutes, requiring that the System fund an actuarially determined dollar amount of contribution each year. As long as the System remains financially able to make the contributions each year, there will not likely be a point in time where the Plan will run out of money and not be able to make benefit payments.

Investment Policy

The Board adopted an investment policy for the Plan that adheres to the investment guidelines and permissible investments outlined in Florida Statutes, Title XIV, Chapters 215.44 and 215.47. The investment policy has target percentages for certain asset classes and permits variances of +/- 5% as an allowable range. The Board and its Finance Committee uses an independent registered financial advisor to assist in monitoring investment activities, investment policy formulation and investment manager selection. The following are the Board's adopted investment policy asset allocation midpoint percentages for both the measurement dates as of April 30, 2021 and 2020:

Asset Class	Allocation Percentage
Domestic equity	10.0%
Global equity:	
Value	17.5%
Growth	27.5%
Defensive equity strategy	10.0%
Fixed Income:	
Core fixed income	25.0%
Sr. secured bank loans	5.0%
High yield	5.0%
Total Plan	100.0%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

The Plan provides the following guidelines and restrictions for the asset classes authorized:

- *Domestic equity:* The following list of investments may be purchased in the Domestic equity portfolio: common and preferred stock; securities convertible into common stock, including 144a stock limited to 10% of the portfolio and must be in securities that are of size to be index eligible; warrants; American Depository Receipts; no-load mutual funds; bank, trust or insurance company pooled funds; cash and cash equivalents; exchange traded funds; and initial public offerings. Large and small capitalization companies and defensive or enhanced indexing strategies utilizing domestic large cap equity index funds and/or exchange traded funds in combination with futures and swaps are included as domestic equities.
- *Global equity (including dedicated emerging markets):* The following list of investments may be purchased in a global equity portfolio: common and preferred stocks of issuers whose primary stock exchange listing, registration or headquarters are located in the United States, or countries comprising the Morgan Stanley Capital International All Country World Index (MSCI ACQI Index). The exceptions to this are stocks in emerging markets, subject to certain limitations. Other permissible investments include: securities convertible into common stock, including offerings under Securities Act Rule 144, limited to 20% of the portfolio at market value; warrants; ADRs listed on a major U.S. exchange; forward contracts for foreign currency to be used in defensive hedging only; World Equity Benchmarks (WEBs); exchange traded funds; initial public offerings (only after notification to the System's Finance Committee and its Investment Consultant); no-load mutual funds; bank, trust or insurance company pooled funds; and cash or cash equivalents.
- *Fixed income:* The following list of investments may be purchased in the fixed-income portfolios: U.S. Treasury obligations, Treasury inflation protected bonds, government agencies and government sponsored agency debentures and mortgage pass-through; mortgage-backed To-Be-Announced (TBA) notes; collateralized mortgage obligations, limited to 25% of the portfolio; non-agency issued mortgages originated in Florida per Statute 215.47(2)(b)(c)(d); commercial mortgage-backed securities; corporate bonds and other corporate obligations, including equipment trust certificates; high-yield bonds and secured bank loans; 144a fixed income securities with and without registration rights; asset-backed securities; indexed notes, floaters, and other variable rate obligations; pooled accounts or other collective investment funds; certificates of deposit, bankers' acceptances, and commercial paper rated at least A-1 by S&P or P-1 by Moody's; mutual funds; municipal bonds; complex tranches of collateralized mortgage obligations, asset-backed securities, and commercial mortgage-backed securities (including interest only, principal only, super floaters, inverse floaters, and support bonds), limited to 10% of the portfolio at market value; and U.S. dollar global bonds and non-U.S. dollar global bonds, limited to 5% each (10% total) of the portfolio at market value. Investments not listed above may be purchased only if the investment manager receives written approval from the System's Finance Committee.
- *Alternative investments – long/short equity hedge fund:* A hedge fund refers to an investment or strategy that is not a long-only portfolio of traditional equity. The Plan will generally invest in strategies that have at least yearly liquidity and reasonable levels of transparency.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

Pension Plan Fiduciary Net Position

Stand-alone financial statements are not issued for the Plan. Detailed information about the pension plan's fiduciary net position used to compute the System's net pension liability as of April 30, 2022 and 2021, is available in the separately issued financial statements of the System for the years ended April 30, 2021 and 2020, which include the pension trust fund statements that can be obtained from the System's website at www.mhs.net.

Expected Rate of Return

The projected long-term rate of return on pension plan investments at April 30, 2021 and 2020 was determined using a model of current capital market simulations. It is designed to simulate a wide range of plausible scenarios of future capital market performance over a 10-year time period. It reflects the capital market conditions prevailing at the start date of the simulation. The long-term rate of return on pension plan investments was determined using best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense) developed for each major asset class. These ranges are combined to support the long-term expected rate of return assumptions for the Plan by weighting the expected future rates of return by the asset allocation percentage and by considering active and passive management investment strategies. Best estimates of arithmetic real rates of return (expected returns, net of pension plan investment expense and inflation) for major assets classes included in the Plan's asset allocations as of April 30, 2021 and 2020, are summarized in the following table:

Asset Class	2021	2020
	Long-Term Expected Real Rate of Return	
Broad Core Fixed Income	(0.1%)	(0.1%)
High Yield Bonds	2.1%	3.9%
Senior Secured Bank Loans	2.7%	4.0%
US Equities – All Capitalizations	5.4%	5.7%
Defensive Equity	4.5%	5.0%
Global Equity – Value and Growth	5.5%	6.0%
Global Low Volatility Equity	4.7%	5.0%
Emerging Markets Equity	6.3%	**

** Not available. Emerging Markets Equity is modeled and included within Global Equity.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB Statement No. 68 (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the sensitivity of the net pension liability calculation to a 1.0% increase and a 1.0% decrease in the discount rate used to measure the total pension liability as of the measurement dates of April 30, 2021 and 2020, as reported by the System as of April 30, 2022 and 2021, respectively (in thousands):

	2022		
	1% Decrease (5.60%)	Current Discount Rate (6.60%)	1% Increase (7.60%)
Net pension liability (asset)	\$ 118,219	\$ 3,503	\$ (92,515)

	2021		
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 263,717	\$ 153,354	\$ 61,324

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67

The net pension liability as of April 30, 2022 to be reported by the System as of April 30, 2023, was measured as of April 30, 2022. The total pension liability of the Plan as of April 30, 2022 is based on the liability determined using May 1, 2021 census data and a May 1, 2021 valuation date using update procedures to roll forward to the measurement date of April 30, 2022. The net pension liability as of April 30, 2021 to be reported by the System as of April 30, 2022, was measured as of April 30, 2021. The total pension liability of the Plan as of April 30, 2021 is based on the liability determined using May 1, 2020 census data and a May 1, 2020 valuation date using update procedures to roll forward to the measurement date of April 30, 2021.

The components of the net pension liability as of the Plan's year end April 30, 2022 and 2021, were as follows (in thousands):

	2022	2021
Net pension liability		
Total pension liability	\$ 935,698	\$ 887,246
Plan fiduciary net position	(855,993)	(883,743)
Net pension liability	\$ 79,705	\$ 3,503
Plan fiduciary net position as a percentage of the total pension liability	91.5%	99.6%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the sensitivity of the net pension liability calculation to a 1.0% increase and a 1.0% decrease in the discount rate used to measure the total pension liability as of April 30, 2022 and 2021 (in thousands):

	2022		
	1% Decrease (5.60%)	Current Discount Rate (6.60%)	1% Increase (7.60%)
Net pension liability (asset)	\$ 197,783	\$ 79,705	\$ (19,353)
	2021		
	1% Decrease (5.60%)	Current Discount Rate (6.60%)	1% Increase (7.60%)
Net pension liability (asset)	\$ 118,219	\$ 3,503	\$ (92,515)

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Actuarial Methods and Assumptions

Significant assumptions used in the May 1, 2021 and 2020 valuations, with measurement dates of April 30, 2022 and 2021 under GASB Statement No. 67 were based on the results of various actuarial experience studies performed over the last five years. The assumptions used to measure the total pension liability as of the measurement dates of April 30, 2022 and 2021, were based on actuarial valuation dates of May 1, 2021 and 2020, follows:

	2022	2021
Measurement date	April 30, 2022	April 30, 2021
Valuation date	May 1, 2021, rolled forward from May 1, 2021 to April 30, 2022	May 1, 2020, rolled forward from May 1, 2020 to April 30, 2021
Actuarial cost method	Entry age normal actuarial cost method	Entry age normal actuarial cost method
Asset valuation method	Fair market value for plan investments	Fair market value for plan investments
Long-term expected rate of return	6.60%	6.60%
Discount rate	6.60%	6.60%
Mortality rates	Based on the Pri-2012 Benefits-weighted Employee, Annuitant, and Disabled Mortality tables for males and females projected from 2012 using generational projection Scale MP-2020 for males and females.	Based on the Pri-2012 Benefits-weighted Employee, Annuitant, and Disabled Mortality tables for males and females projected from 2012 using generational projection Scale MP-2020 for males and females.
Projected salary increases	Percentage	Percentage
	<u>Attained Age</u>	<u>Attained Age</u>
	<u>Increase*</u>	<u>Increase*</u>
	Less than 35	Less than 35
	6.00%	6.00%
	35-39	35-39
	5.25%	5.25%
	40-44	40-44
	4.00%	4.00%
	45-49	45-49
3.50%	3.50%	
50-54	50-54	
3.00%	3.00%	
55-59	55-59	
2.50%	2.50%	
60 or older	60 or older	
2.25%	2.25%	
	*Includes inflation at 2.50%	*Includes inflation at 2.50%
	Age-based rated based on plan experience per the rates above.	Age-based rated based on plan experience per the rates above.
	The salary increase assumption was adjusted to reflect a one-time 2.00% increase at May 1, 2022.	
Cost of living adjustments	None	None
Experience study date	May 1, 2019	May 1, 2019

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Discount Rate

The discount rate used to measure the total pension liability of the Plan as of April 30, 2022 and 2021 was 6.60%. The projection of cash flows used to determine the discount rate assumed that employer contributions are made at 100% of the annual actuarial determined value and that future contributions will be made in the same manner. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Florida Statutes require the System to make an actuarially-determined contribution to the Plan each year. Thus, as long as the System continues to fund the Plan based on the contributions, the Plan will remain adequately funded. The valuation includes the annual contribution amount that the System funds each year. An alternative method applies for the System due to the Florida Statutes, requiring that the System fund an actuarially determined dollar amount of contribution each year. As long as the System remains financially able to make the contributions each year, there will never be a point in time where the Plan will run out of money and not be able to make the benefit payments.

Termination and Retirement Rates

As part of the demographic assumption studies performed every three to five years, to ensure that assumptions are still appropriate for the population, a study of termination and retirement rates was performed for the May 1, 2019 valuation. The results of this study were not significant to the Plan valuations.

Rate of Return

For the fiscal years ended April 30, 2022 and 2021, the annual money-weighted rate of (loss) return on pension plan investments, net of pension plan investment expense, was (3.07%) and 28.7%, respectively. The money-weighted rate of return is used to express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Expected Rate of Return

The projected long-term rate of return on pension plan investments at April 30, 2022 and 2021, was determined using a model of current capital market simulations. It is designed to simulate a wide range of plausible scenarios of future capital market performance over a 10-year time period. It reflects the capital market conditions prevailing at the start date of the simulation. The long-term rate of return on pension plan investments was determined using best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense) developed for each major asset class. These ranges are combined to support the long-term expected rate of return assumptions for the Plan by weighting the expected future rates of return by the largest asset allocation percentage and by considering active and passive investment strategies.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Best estimates of arithmetic real rates of return (expected returns, net of pension plan investment expense and inflation) for major asset classes included in the Plan's asset allocations as of April 30, 2022 and 2021, are summarized in the following table:

Asset Class	2022	2021
	Long-Term Expected Real Rate of Return	
Broad Core Fixed Income	1.2%	(0.1%)
High Yield Bonds	3.7%	2.1%
Senior Secured Bank Loans	2.5%	2.7%
US Equities – All Capitalizations	4.3%	5.4%
Defensive Equity	3.8%	4.5%
Global Equity – Value and Growth	4.5%	5.5%
Global Low Volatility Equity	4.1%	4.7%
Emerging Markets Equity	**	6.3%

** Not available. Emerging Markets Equity is modeled and included within Global Equity.

Fair Value Measurements – Pension Plan Assets

The tables below presents the fair value leveling of the Plan's investments as of April 30, 2022 and 2021, in accordance with GASB Statement No. 72 (in thousands):

	2022			Total
	Level 1	Level 2	Level 3	
SEC-registered money market funds	\$ 12,386	\$ -	\$ -	\$ 12,386
U.S. treasuries	54,547	-	-	54,547
U.S. agencies	47,630	-	-	47,630
U.S. agency mortgage bonds	-	43,532	-	43,532
Asset-backed securities	-	8,351	-	8,351
Corporate debt	89,912	11,594	-	101,506
Foreign bonds	3,232	-	-	3,232
Commercial mortgage securities	-	8,824	-	8,824
Pacific Life Floating Rate Income Fund	45,923	-	-	45,923
U.S. equities	106,623	-	-	106,623
U.S. equity exchange traded funds	130,747	-	-	130,747
International equities	83,267	-	-	83,267
Vanguard Global Minimum Volatility Fund	45,247	-	-	45,247
Dodge & Cox Global Stock Fund	162,226	-	-	162,226
	<u>\$ 781,740</u>	<u>\$ 72,301</u>	<u>\$ -</u>	<u>\$ 854,041</u>

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

	2021			
	Level 1	Level 2	Level 3	Total
SEC-registered money market funds	\$ 16,378	\$ -	\$ -	\$ 16,378
U.S. treasuries	76,758	-	-	76,758
U.S. agencies	21,969	-	-	21,969
U.S. agency mortgage bonds	-	27,831	-	27,831
Asset-backed securities	-	5,823	-	5,823
Corporate debt	89,778	1,983	5,489	97,250
Foreign bonds	1,307	-	-	1,307
Commercial mortgage securities	-	5,354	-	5,354
Pacific Life Floating Rate Income Fund	40,803	-	-	40,803
U.S. equities	118,806	-	-	118,806
U.S. equity exchange traded funds	149,165	-	-	149,165
International equities	96,576	-	-	96,576
Vanguard Global Minimum Volatility Fund	41,487	-	-	41,487
Dodge & Cox Global Stock Fund	182,906	-	-	182,906
	<u>\$ 835,933</u>	<u>\$ 40,991</u>	<u>\$ 5,489</u>	<u>\$ 882,413</u>

Credit Risk

The Plan's investment policy provides guidelines for fixed income investment managers that require:

- fixed income securities should be rated BBB (or, its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency;
- the minimum dollar weighted average credit quality of the portfolio is "A";
- asset-backed securities, mortgage-backed securities and CMOs should be rated "AAA" (or, its equivalent) at the time of purchase by a nationally recognized statistical rating agency;
- for split ratings, the higher rating will be used to determine compliance; and,
- fixed income securities not in these guidelines shall be authorized by the Board.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Interest Rate Risk

Interest rate risk exposure is managed by limiting investment maturities in accordance with parameters in the Plan's investment policy. At April 30, 2022 and 2021, the Plan had investments maturing as follows (in thousands):

	2022				
	Fair Value	No Maturity Date or Less than 1 Year	1 -5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 12,386	\$ 12,386	\$ -	\$ -	\$ -
U.S. treasuries	54,547	46,038	4,056	2,174	2,279
U.S. agencies	47,630	-	7,951	13,075	26,604
U.S. agency mortgage bonds	43,532	-	26	1,177	42,329
Asset-backed securities	8,351	16	5,623	1,654	1,058
Corporate debt	101,506	6,832	49,447	26,343	18,884
Foreign bonds	3,232	-	1,098	-	2,134
Commercial mortgage securities	8,824	-	848	-	7,976
Pacific Life Floating Rate Income Fund	45,923	45,923	-	-	-
U.S. equities	106,623	106,623	-	-	-
U.S. equity exchange traded funds	130,747	130,747	-	-	-
International equities	83,267	83,267	-	-	-
Vanguard Global Minimum Volatility Fund	45,247	45,247	-	-	-
Dodge & Cox Global Stock Fund	162,226	162,226	-	-	-
	\$ 854,041	\$ 639,305	\$ 69,049	\$ 44,423	\$ 101,264

	2021				
	Fair Value	No Maturity Date or Less than 1 Year	1 -5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 16,378	\$ 16,378	\$ -	\$ -	\$ -
U.S. treasuries	76,758	38,423	11,978	17,044	9,313
U.S. agencies	21,969	-	8,473	9,697	3,799
U.S. agency mortgage bonds	27,831	-	123	610	27,098
Asset-backed securities	5,823	18	5,543	12	250
Corporate debt	97,250	4,872	52,123	20,424	19,831
Foreign bonds	1,307	-	-	1,307	-
Commercial mortgage securities	5,354	-	-	-	5,354
Pacific Life Floating Rate Income Fund	40,803	40,803	-	-	-
U.S. equities	118,806	118,806	-	-	-
U.S. equity exchange traded funds	149,165	149,165	-	-	-
International equities	96,576	96,576	-	-	-
Vanguard Global Minimum Volatility Fund	41,487	41,487	-	-	-
Dodge & Cox Global Stock Fund	182,906	182,906	-	-	-
	\$ 882,413	\$ 689,434	\$ 78,240	\$ 49,094	\$ 65,645

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

At April 30, 2022 and 2021, the Plan's investments have credit ratings as follows (in thousands):

	S&P Rating or Comparable as of April 30, 2022												
	Total	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Below BBB-	Not rated
SEC-registered money market funds	\$ 12,386	\$ 12,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. treasuries	54,547	-	54,547	-	-	-	-	-	-	-	-	-	-
U.S. agencies	47,630	-	47,630	-	-	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	43,532	-	43,532	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	8,351	8,351	-	-	-	-	-	-	-	-	-	-	-
Corporate debt	101,506	260	3,146	1,446	5,933	5,555	4,313	15,262	18,836	4,414	6,152	36,187	2
Foreign bonds	3,232	1,098	2,134	-	-	-	-	-	-	-	-	-	-
Commercial mortgage securities	8,824	8,824	-	-	-	-	-	-	-	-	-	-	-
Pacific Life Floating Rate Income Fund	45,923	-	-	-	-	-	-	-	-	-	-	-	45,923
U.S. equities	106,623	-	-	-	-	-	-	-	-	-	-	-	106,623
U.S. equity exchange traded funds	130,747	-	-	-	-	-	-	-	-	-	-	-	130,747
International equities	83,267	-	-	-	-	-	-	-	-	-	-	-	83,267
Vanguard Global Minimum Volatility Fund	45,247	-	-	-	-	-	-	-	-	-	-	-	45,247
Dodge & Cox Global Stock Fund	162,226	-	-	-	-	-	-	-	-	-	-	-	162,226
	\$ 854,041	\$ 30,919	\$ 150,989	\$ 1,446	\$ 5,933	\$ 5,555	\$ 4,313	\$ 15,262	\$ 18,836	\$ 4,414	\$ 6,152	\$ 36,187	\$ 574,035

	S&P Rating or Comparable as of April 30, 2021												
	Total	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Below BBB-	Not rated
SEC-registered money market funds	\$ 16,378	\$ 16,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. treasuries	76,758	-	76,758	-	-	-	-	-	-	-	-	-	-
U.S. agencies	21,969	-	21,969	-	-	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	27,831	-	27,831	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	5,823	5,823	-	-	-	-	-	-	-	-	-	-	-
Corporate debt	97,250	-	2,899	1,212	4,323	6,481	10,968	11,389	17,095	4,590	3,612	34,671	10
Foreign bonds	1,307	-	-	-	-	-	-	-	-	1,307	-	-	-
Commercial mortgage securities	5,354	5,354	-	-	-	-	-	-	-	-	-	-	-
Pacific Life Floating Rate Income Fund	40,803	-	-	-	-	-	-	-	-	-	-	-	40,803
U.S. equities	118,806	-	-	-	-	-	-	-	-	-	-	-	118,806
U.S. equity exchange traded funds	149,165	-	-	-	-	-	-	-	-	-	-	-	149,165
International equities	96,576	-	-	-	-	-	-	-	-	-	-	-	96,576
Vanguard Global Minimum Volatility Fund	41,487	-	-	-	-	-	-	-	-	-	-	-	41,487
Dodge & Cox Global Stock Fund	182,906	-	-	-	-	-	-	-	-	-	-	-	182,906
	\$ 882,413	\$ 27,555	\$ 129,457	\$ 1,212	\$ 4,323	\$ 6,481	\$ 10,968	\$ 11,389	\$ 17,095	\$ 5,897	\$ 3,612	\$ 34,671	\$ 629,753

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Concentration of Credit Risk

The Plan's investment policy provides the following guidelines to limit concentration of credit risk:

- No more than 10% of a fixed income portfolio shall be invested in securities of any one issuer with the exception of the U.S. government;
- No more than 3% of Plan assets may be invested in any one bond, with the exception of securities issued or guaranteed by the U.S. government; and
- No more than 50% of fixed income assets may be in non-government guaranteed agency securities.

Custodial Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan may not be able to recover the full value of the investment or collateral securities that are in the possession of an outside party. As of April 30, 2022 and 2021, the Plan's investment portfolio was held in accounts with two third-party custodians.

Foreign Currency Risk

GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, requires disclosure of deposits or investments exposed to foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's exposure to foreign currency derives from its positions in foreign currency denominated equities.

As of April 30, 2022 and 2021, global equities had a target percentage of 25% and an approved Policy range of 0% to 80% of the Plan's assets. The following table shows the Plan's exposure to foreign currencies as of April 30, 2022 and 2021 (in thousands):

Currency	2022	2021
Australian dollar	\$ 3,752	\$ 4,461
British sterling pound	11,456	12,650
Canadian dollar	9,531	6,541
Danish krone	6,300	4,602
EMU (euro)	16,128	20,861
Hong Kong dollar	3,676	5,223
Japanese yen	12,520	16,555
Swiss franc	10,725	12,917
Total Plan investments subject to foreign currency risk	\$ 74,088	\$ 83,810
Percentage of total Plan investments	8.7%	9.5%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 11. Defined-Contribution Plans

The System implemented the 401(a) Plan for employees who were hired, or had a status change on or after November 1, 2011. Eligible employees are defined as those who are full-time (working 72 hours or more per pay period) and who are paid 1,872 eligible hours in a calendar year, not including overtime. Effective January 1, 2019, the System amended the 401(a) Plan to also include employees who complete at least 1,404 hours of service in their first calendar year of participation. The 401(a) Plan is a defined-contribution plan under which the System makes required contributions for each eligible employee equal to 2.5% of eligible compensation. An employee is 100% vested after five contributions.

Eligible employees may also participate in the Memorial Healthcare System 403(b) Retirement Plan (the RSP Gold Plan). Employees are eligible to participate immediately, and full-time and part-time regularly scheduled employees who work 40 hours or more hours per pay period are eligible for employer matching contributions. The RSP Gold Plan is a defined-contribution plan under which the System makes required contributions of up to 55% of the employee's contribution (based on the employee's years of service) not to exceed 5% of the employee's eligible compensation. Employees vest 20% per year of employment for employer matched funds.

Participants in the 401(a) Plan and RSP Gold Plan can elect investment options for their individual accounts from among the allowable mutual fund options but the default option if an investment is not made is a target date fund. The System's contribution and interest forfeited by employees who leave employment before vesting will periodically be used to reduce the System's current period contribution requirement. For the years ended April 30, 2022 and 2021, the System's contribution expense was approximately \$10,673,000 and \$9,973,000, respectively, for the 401(a) Plan and was approximately \$22,135,000 and \$13,769,000, respectively, for the RSP Gold Plan, and is included in employee benefits in the accompanying statements of revenues, expenses and changes in fund net position.

Note 12. Regulatory Matters

In May 1984, the State Legislature enacted the Health Care Consumer Protection and Awareness Act (the Act) in an effort to improve access to medical care for indigent persons. The Act established, among other things, the Public Medical Assistance Trust Fund (PMATF), which is financed by an assessment on the net operating revenues of Florida hospitals. In 1992, the State Legislature transferred the authority to levy assessments to AHCA. The amount of the PMATF assessment is 1.5% of adjusted inpatient operating revenue and 1.0% of adjusted outpatient operating revenue. The assessed amounts recognized by the System were approximately \$32,763,000 and \$26,989,000 for the years ended April 30, 2022 and 2021, respectively, and are reported as other operating expenses in the accompanying statements of revenues, expenses and changes in fund net position.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 13. Other Noncurrent Liabilities

Other noncurrent liabilities consist primarily of accrued disability expenses, AHCA and other assessments, and retirement benefits.

Activity related to other noncurrent liabilities is summarized as follows (in thousands):

	2022	2021
Balance at beginning of year	\$ 59,808	\$ 54,820
AHCA assessments, net	2,702	1,128
Disability income	(1,714)	(2,972)
Unearned revenue	(3,333)	3,333
Other	240	3,499
Balance at end of year	\$ 57,703	\$ 59,808

Note 14. Leases

The Memorial Hospital Pembroke facility is leased from Hospital Realty, LLC (the Lease) through June 30, 2025. The Lease, as renegotiated, calls for base rent of \$4,300,000 annually through June 30, 2008 with 1.5% annual escalations thereafter.

Including the Lease, the System is also obligated under various noncancellable operating leases for office space, medical equipment, data processing equipment, and system support services that expire at various times through fiscal year 2040. The annual minimum lease payments under noncancellable operating leases for the next five years and thereafter as of April 30, 2022, are as follows (in thousands):

Years ending April 30:	
2023	\$ 18,338
2024	15,301
2025	13,276
2026	7,536
2027	5,837
2028-2032	11,220
2033-2037	834
2038-2040	449
	\$ 72,791

Rent expense for operating leases was approximately \$28,375,000 and \$28,017,000 for the years ended April 30, 2022 and 2021, respectively.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 15. Nonoperating (Expenses) Revenues, Net

Nonoperating revenues and expenses consist of activities that are peripheral, incidental, or not considered to be central to the provision of health care services and are as follows (in thousands):

	2022	2021
Investment income and other, net	\$ 57,770	\$ 66,334
Depreciation expense	2,170	1,686
Unrealized (losses) gains on investments	(154,497)	20,643
Interest expense	(35,074)	(24,159)
COVID-19 relief funds (see Note 4)	13,059	152,404
Contribution	(10,000)	-
	<u>\$ (126,572)</u>	<u>\$ 216,908</u>

The System had gross ad valorem tax revenue of approximately \$7,441,000 and \$7,455,000 for the years ended April 30, 2022 and 2021, respectively. For the years ended April 30, 2022 and 2021, the System primarily used the gross tax proceeds to pay the county's Medicaid match, community redevelopment assessments and the tax collectors' fee and is reported net in nonoperating revenues and expenses in the accompanying statements of revenues, expenses and changes in fund net position.

Note 16. Related Parties

The System has related party relationships with two Foundations, Memorial Foundation, Inc. (Memorial Foundation) and Joe DiMaggio Children's Hospital Foundation, Inc. (JDCH Foundation), collectively referred to as the Foundations, which raise money to benefit the System and the citizens located within the South Broward Hospital District. For the year ended April 30, 2022, the System recognized contributions from the Foundations of approximately \$2,415,000 and \$10,223,000, included in other operating revenues and capital contributions and grants, respectively, in the accompanying statements of revenues, expenses and changes in fund net position. For the year ended April 30, 2021, the System recognized contributions from the Foundations of approximately \$2,278,000 and \$21,663,000, included in other operating revenues and capital contributions and grants, respectively, in the accompanying statements of revenues, expenses and changes in fund net position. The capital contributions and grants for the years ended April 30, 2022 and 2021 were primarily to support the Joe DiMaggio Children's Hospital's four-floor expansion. Total receivables due from the Foundations were approximately \$4,462,000 and \$1,326,000 for the years ended April 30, 2022 and 2021, respectively, and were included in other current assets in the accompanying statements of net position. The increase is primarily due to approximately \$2,700,000 in capital contributions and grants due from the Foundations as of April 30, 2022.

The System also provides operational support to these Foundations in the form of donated services under administrative services agreements and contributions. During the fiscal year ended April 30, 2022, the System made a contribution of approximately \$10,000,000 to the Memorial Foundation, included in nonoperating (expenses) revenues, net in the accompanying statements of revenues, expenses and changes in fund net position.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Notes to Financial Statements

Note 17. Special Items, Gain from Transfer of Operations

On September 1, 2021, the System transferred the assets and liabilities comprising its Home Health business operations to a joint venture in which Florida Community Health Network, Corp. (FCHN), a wholly owned subsidiary of the Memorial Foundation, is a party, for a total consideration of \$3.2 million. The System now contracts with the joint venture to assist and facilitate in the discharge planning process of its patients. The System recognized a gain of \$3.0 million on the disposal of its home health business operations as a special item in the accompanying statements of revenues, expenses and changes in fund net position.

On October 1, 2021, the System entered into a collaboration agreement with Solis Mammography (Solis), the largest independent provider of mammography and breast health services in the country, for the management of the System's comprehensive breast imaging services and bone density testing. The System conveyed all its assets exclusively used in its breast imaging and bone density businesses to a joint venture, in which FCHN and Solis are parties, for a total consideration of \$67.8 million. The System recognized a gain of \$64.9 million for the conveyance of the assets as a special item in the accompanying statements of revenues, expenses and changes in fund net position.

Note 18. Subsequent Events

The System has evaluated the impact of subsequent events through July 19, 2022, the date on which the financial statements were issued.

Required Supplementary Information
Unaudited

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Schedule of Changes in the Plan's Net Pension Liability and Related Ratios – Unaudited
(In Thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 12,692	\$ 13,375	\$ 16,436	\$ 16,386	\$ 16,902	\$ 17,460	\$ 17,579	\$ 17,980
Interest	57,782	55,647	56,111	54,578	52,277	48,950	45,777	43,771
Differences between expected and actual experience	5,810	3,288	1,273	(13,440)	830	(926)	(1,572)	-
Changes in assumptions	7,307	10,323	(18,609)	(20,003)	-	305	25,721	-
Benefit payments	(35,139)	(33,013)	(35,788)	(24,903)	(20,812)	(18,572)	(16,302)	(14,800)
Net change in total pension liability	48,452	49,620	19,423	12,618	49,197	47,217	71,203	46,951
Total pension liability – beginning	887,246	837,626	818,203	805,585	756,388	709,171	637,968	591,017
Total pension liability – ending (a)	\$ 935,698	\$ 887,246	\$ 837,626	\$ 818,203	\$ 805,585	\$ 756,388	\$ 709,171	\$ 637,968
Plan fiduciary net position								
Contributions – employer	\$ 34,648	\$ 35,136	\$ 41,122	\$ 37,043	\$ 38,343	\$ 37,295	\$ 37,649	\$ 33,764
Net investment (loss) income	(27,097)	197,540	(8,993)	48,985	48,286	53,179	(9,762)	20,731
Benefit payments	(35,139)	(33,013)	(35,788)	(24,903)	(20,812)	(18,572)	(16,302)	(14,800)
Administrative expense	(162)	(192)	(225)	(235)	(225)	(261)	(235)	(216)
Net change in plan fiduciary net position	(27,750)	199,471	(3,884)	60,890	65,592	71,641	11,350	39,479
Plan fiduciary net position – beginning	883,743	684,272	688,156	627,266	561,674	490,033	478,683	439,204
Plan fiduciary net position – ending (b)	\$ 855,993	\$ 883,743	\$ 684,272	\$ 688,156	\$ 627,266	\$ 561,674	\$ 490,033	\$ 478,683
Plan's net pension liability – ending (a) – (b)	\$ 79,705	\$ 3,503	\$ 153,354	\$ 130,047	\$ 178,319	\$ 194,714	\$ 219,138	\$ 159,285
Plan fiduciary net position as a percentage of total pension liability	91.5%	99.6%	81.7%	84.1%	77.9%	74.3%	69.1%	75.0%
Covered payroll	\$ 304,098	\$ 324,895	\$ 335,633	\$ 348,296	\$ 369,605	\$ 387,420	\$ 405,279	\$ 430,332
Plan's net pension liability as a percentage of covered payroll	26.2%	1.1%	45.7%	37.3%	48.2%	50.3%	54.1%	37.0%

This Schedule is presented for only those years for which information is available until a full 10 year trend is compiled.

The information above is reported in the System's financial statements one year in arrears.

The System implemented GASB Statement No. 68 as of May 1, 2015.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Schedule of Changes in the Plan's Net Pension Liability and Related Ratios – Unaudited
(In Thousands)**

Notes to Schedule

Valuation date Liability determined using May 1 census data and valuation date using update procedures to roll forward to the measurement date; census data and valuation date both one year prior to the measurement date and the Plan fiscal year end, reported by the System two years prior to its fiscal year end.

Methods and assumptions used to determine accounting and financial reporting under GASB Statements No. 67 and No. 68.

Actuarial cost method Entry age normal actuarial cost method under GASB Statements No. 67 and No. 68.

Asset valuation method Fair market value for fiduciary net position used to determine net pension liability under GASB Statements No. 67 and No. 68.

Long-term expected rate of return 6.60% starting with the May 1, 2020 valuation; 6.75% for the May 1, 2019 valuation; 7.00% starting with the May 1, 2014 valuation.

Mortality rates Starting with the May 1, 2020 valuation, mortality rates were based on the Pri-2012 Benefits-weighted Employee, Annuitant, and Disabled Mortality tables for males and females projected from 2012 using generational projection Scale MP-2020 for males and females. For the May 1, 2019 valuation, mortality rates were based on the Pri-2012 Benefits-weighted Employee, Annuitant, and Disabled Mortality tables for males and females projected from 2012 using generational projection Scale MP-2018 for males and females. For the May 1, 2018 valuation, mortality rates were based on the RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale MP-2018 for males and females. Prior to the May 1, 2018 valuation, mortality rates were based on the RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male).

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Schedule of Changes in the Plan's Net Pension Liability and Related Ratios – Unaudited
(In Thousands)**

Notes to Schedule

Projected salary increases

For the May 1, 2021 valuation, an age-graded salary scale was used starting at 6.00%, grading down to 2.25% and was adjusted to reflect a one-time 2.00% increase at May 1, 2022. For the May 1, 2020 valuation, an age-graded salary scale was used starting at 6.00%, grading down to 2.25%. For the May 1, 2019 valuation, an age-graded select and ultimate table of rates was used starting with 5.25% and grading down to 3.75% in 2019 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2018 valuation, an age-graded select and ultimate table of rates was used starting with 5.00% and grading down to 3.50% in 2018 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2017 valuation, an age-graded select and ultimate table of rates was used starting with 4.75% and grading down to 3.25% in 2017 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2016 valuation, an age-graded select and ultimate table of rates was used starting with 4.50% and grading down to 3.00% in 2016 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2015 valuation, an age-graded select and ultimate table of rates was used starting with 4.25% and grading down to 2.75% in 2015 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2014 valuation, an age-graded select and ultimate table of rates was used starting with 4.00% and grading down to 2.50% in 2014 and increasing 0.25% per year to 2022 when rates are 6.00% and grading down to 4.50%.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Schedule of System Contributions – Last 10 Fiscal Years
Unaudited
(In Thousands)**

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 33,648	\$ 35,136	\$ 38,723	\$ 37,043	\$ 38,343
Contributions in relation to the actuarially determined contribution	34,648	35,136	41,122	37,043	38,343
Contribution (excess) deficiency	(1,000)	-	(2,399)	-	-
Covered payroll	304,098	324,895	335,633	348,296	369,605
Contributions as a percentage of covered payroll	11.4%	10.8%	12.3%	10.6%	10.4%
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 37,295	\$ 37,649	\$ 33,764	\$ 34,988	\$ 33,031
Contributions in relation to the actuarially determined contribution	37,295	37,649	33,764	34,988	33,031
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	387,420	405,279	430,332	453,033	464,209
Contributions as a percentage of covered payroll	9.6%	9.3%	7.8%	7.7%	7.1%

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Schedule of System Contributions – Last 10 Fiscal Years (Continued)
Unaudited
(In Thousands)

Notes to Schedule

Valuation date	Actuarially determined contributions are calculated as of the beginning of each fiscal year/plan year and interest-adjusted to the end of the year. 1/12 of this amount is paid by the System on a monthly basis.
<i>Methods and assumptions used to determine annual required contributions.</i>	
Actuarial cost method	Projected unit credit cost method.
Amortization method	Beginning with the May 1, 2012 valuation – Level dollar amount, closed.
Remaining amortization period	8 – 12 years, the average future work life expectancy of the active participants in the year the amortization base is established.
Asset valuation method	Five-year smoothed market value
Inflation	2.50% beginning with the May 1, 2012 valuation
Salary increases	Beginning with the May 1, 2020 valuation, an age-graded salary scale was used starting at 6.00%, grading down to 2.25%. For the May 1, 2019 valuation, an age-graded select and ultimate table of rates was used starting with 5.25% and grading down to 3.75% in 2019 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2018 valuation, an age-graded select and ultimate table of rates was used starting with 5.00% and grading down to 3.50% in 2018 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2017 valuation, an age-graded select and ultimate table of rates was used starting with 4.75% and grading down to 3.25% in 2017 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2016 valuation, an age-graded select and ultimate table of rates was used starting with 4.50% and grading down to 3.00% in 2016 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2015 valuation, an age-graded select and ultimate table of rates was used starting with 4.25% and grading down to 2.75% in 2015 and increasing 0.25% per year to 2020 when rates are 5.50% and grading down to 4.00%. For the May 1, 2014 valuation, an age-graded select and ultimate table of rates was used starting with 4.00% and grading down to 2.50% in 2014 and increasing 0.25% per year to 2022 when rates are 6.00% and grading down to 4.50%. Prior to the May 1, 2014 valuation, age-graded rates starting with 6.00%, grading down to 4.50%.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Schedule of System Contributions – Last 10 Fiscal Years (Continued)
Unaudited
(In Thousands)

Notes to Schedule

Investment rate of return	6.60% beginning with the May 1, 2021 valuation; 6.75% for the May 1, 2020 valuation; 7.00% beginning with the May 1, 2015 valuation; 7.50% prior to the May 1, 2015 valuation.
Mortality rates	Beginning with the May 1, 2020 valuation – Pub-2010 separate Employee and Annuitant Below Median Headcount-Weighted Mortality Tables for males and females projected generationally using Scale MP-2018 for males and females. Beginning with the May 1, 2016 valuation – combined RP-2000 Mortality tables for males and females projected forward generationally using Scale BB. For the May 1, 2014 and May 1, 2015 valuations – RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male). For the May 1, 2013 valuation – combined RP-2000 Mortality tables for males and females projected to ten years past the valuation year using Scale AA. Prior to the May 1, 2013 valuation – combined RP-2000 Mortality tables for males and females projected to the valuation year using Scale AA.
Other information	The benefit formula for participants hired after May 1, 2010 was changed. At May 1, 2011, the Plan was closed to employees hired or rehired after October 31, 2011.

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Schedules of Plan Investment Returns - Unaudited

	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	(3.07)%	28.7%	(1.3)%	7.7%	8.5%	10.7%	(2.0)%	4.60%

This schedule is presented for only those years for which information is available until a full 10 year trend is compiled.

Supplementary Information

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Combining Statements of Net Position – System
April 30, 2022
(In Thousands)**

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations and Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current assets:						
Cash and cash equivalents	\$ 50	\$ -	\$ -	\$ -	\$ 239,123	\$ 239,173
Investments	-	-	-	-	2,312,044	2,312,044
Patient accounts receivable, net	205,276	95,743	9,572	18,784	(9,018)	320,357
Inventories	22,696	8,935	3,107	2,939	20,291	57,968
Other current assets	68,555	27,156	7,093	3,357	69,254	175,415
Restricted assets:						
Investments under indenture agreements for debt service	-	-	-	-	27,855	27,855
Total current assets	296,577	131,834	19,772	25,080	2,659,549	3,132,812
Noncurrent assets:						
Designated investments for employee disability	-	-	-	-	19,416	19,416
Investments restricted under self-insurance trust agreements	-	-	-	-	45,743	45,743
Restricted assets, net of current portion:						
Investments under indenture agreements – project funds	-	-	-	-	85,474	85,474
Capital assets, net	466,682	268,738	19,550	85,462	204,092	1,044,524
Other assets	57	4	9	2	33,691	33,763
Total assets	\$ 763,316	\$ 400,576	\$ 39,331	\$ 110,544	\$ 3,047,965	\$ 4,361,732
Deferred outflows of resources:						
Deferred outflows – pension related items	\$ -	\$ -	\$ -	\$ -	\$ 45,084	\$ 45,084
Loss on defeasance, net	-	-	-	-	17,300	17,300
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 62,384	\$ 62,384

South Broward Hospital District
d/b/a Memorial Healthcare System

Combining Statements of Net Position – System (Continued)
April 30, 2022
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations and Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts payable and accrued expenses	\$ 58,333	\$ 25,908	\$ 5,753	\$ 6,100	\$ 53,511	\$ 149,605
Accrued compensation and payroll taxes	-	-	-	-	217,638	217,638
Estimated third-party payor settlements	43,855	21,533	9,081	12,852	100	87,421
Current installments of long-term debt	-	-	-	-	11,860	11,860
Current portion of estimated claims liability	-	-	-	-	18,591	18,591
Medicare advance payments	15,983	11,497	4,260	1,498	64	33,302
Other current liabilities	18,926	11,343	3,694	4,849	5,843	44,655
Total current liabilities	137,097	70,281	22,788	25,299	307,607	563,072
Long-term portion of estimated claims liability						
	-	-	-	-	30,549	30,549
Net pension liability	-	-	-	-	3,503	3,503
Other noncurrent liabilities	9,427	4,622	3,266	2,393	37,995	57,703
Long-term debt	-	-	-	-	911,503	911,503
Total liabilities	\$ 146,524	\$ 74,903	\$ 26,054	\$ 27,692	\$ 1,291,157	\$ 1,566,330
Deferred inflows – pension related items						
	\$ -	\$ -	\$ -	\$ -	\$ 108,303	\$ 108,303
Net position:						
Net investment in capital assets	\$ 441,829	\$ 261,286	\$ 19,190	\$ 83,999	\$ (621,324)	\$ 184,980
Restricted	-	-	-	-	28,713	28,713
Unrestricted	174,963	64,387	(5,913)	(1,147)	2,303,500	2,535,790
Total net position	\$ 616,792	\$ 325,673	\$ 13,277	\$ 82,852	\$ 1,710,889	\$ 2,749,483

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Combining Statements of Net Position – System
April 30, 2021
(In Thousands)**

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations and Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current assets:						
Cash and cash equivalents	\$ 50	\$ -	\$ -	\$ -	\$ 137,900	\$ 137,950
Investments	-	-	-	-	2,424,192	2,424,192
Patient accounts receivable, net	153,707	79,613	16,198	26,450	2,881	278,849
Inventories	21,360	9,262	2,243	2,668	17,160	52,693
Other current assets	8,593	3,621	721	466	56,936	70,337
Restricted assets:						
Investments under indenture agreements for debt service	-	-	-	-	25,248	25,248
Total current assets	183,710	92,496	19,162	29,584	2,664,317	2,989,269
Noncurrent assets:						
Designated investments for employee disability	-	-	-	-	20,169	20,169
Investments restricted under self-insurance trust agreements	-	-	-	-	48,295	48,295
Capital assets, net	371,197	248,552	17,382	116,820	184,726	938,677
Other assets	57	4	9	3	28,041	28,114
Total assets	\$ 554,964	\$ 341,052	\$ 36,553	\$ 146,407	\$ 2,945,548	\$ 4,024,524
Deferred outflows of resources:						
Deferred outflows – pension related items	\$ -	\$ -	\$ -	\$ -	\$ 76,714	\$ 76,714
Loss on defeasance, net	-	-	-	-	18,574	18,574
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 95,288	\$ 95,288

**South Broward Hospital District
d/b/a Memorial Healthcare System**

Combining Statements of Net Position – System (Continued)

April 30, 2021

(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations and Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts payable and accrued expenses	\$ 25,498	\$ 14,227	\$ 6,154	\$ 5,973	\$ 59,004	\$ 110,856
Accrued compensation and payroll taxes	-	-	-	-	138,208	138,208
Estimated third-party payor settlements	38,930	18,306	6,122	4,464	139	67,961
Current installments of long-term debt	-	-	-	-	12,185	12,185
Current portion of estimated claims liability	-	-	-	-	19,635	19,635
Medicare advance payments	32,766	18,442	5,832	3,118	1,984	62,142
Other current liabilities	17,687	10,540	3,094	4,272	6,119	41,712
Total current liabilities	114,881	61,515	21,202	17,827	237,274	452,699
Long-term portion of estimated claims liability						
	-	-	-	-	30,645	30,645
Net pension liability	-	-	-	-	153,354	153,354
Medicare advance payments	21,516	12,235	3,901	2,029	1,346	41,027
Other noncurrent liabilities	8,763	5,309	3,713	3,079	38,944	59,808
Long-term debt	-	-	-	-	663,042	663,042
Total liabilities	\$ 145,160	\$ 79,059	\$ 28,816	\$ 22,935	\$ 1,124,605	\$ 1,400,575
Deferred inflows – pension related items						
	\$ -	\$ -	\$ -	\$ -	\$ 31,816	\$ 31,816
Net position:						
Net investment in capital assets	\$ 370,746	\$ 248,268	\$ 17,226	\$ 114,655	\$ (492,457)	\$ 258,438
Restricted	-	-	-	-	26,692	26,692
Unrestricted	39,058	13,725	(9,489)	8,817	2,350,180	2,402,291
Total net position	\$ 409,804	\$ 261,993	\$ 7,737	\$ 123,472	\$ 1,884,415	\$ 2,687,421

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Combining Statements of Revenues, Expenses and Changes in Fund Net Position – System
Year Ended April 30, 2022
(In Thousands)**

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations and Eliminations	Combined
Operating revenue:						
Net patient service revenue	\$ 1,277,221	\$ 683,405	\$ 198,837	\$ 262,074	\$ 112,989	\$ 2,534,526
Disproportionate share distributions	35,344	10,873	6,688	2,558	-	55,463
Other operating revenues	38,702	15,576	4,771	3,630	107,601	170,280
Total operating revenue	1,351,267	709,854	210,296	268,262	220,590	2,760,269
Operating expenses:						
Salaries and wages	632,214	301,082	90,478	110,377	181,904	1,316,055
Employee benefits	76,024	35,860	10,920	13,264	15,945	152,013
Professional fees	25,460	19,711	5,679	6,172	737	57,759
Supplies	250,580	129,332	28,333	31,318	98,255	537,818
Purchased services	128,345	91,572	38,835	40,492	6,115	305,359
Facilities	40,726	17,160	10,040	8,198	6,211	82,335
Depreciation and amortization	41,520	22,611	7,162	8,214	9,909	89,416
Other	49,521	25,846	7,958	9,292	16,532	109,149
Total operating expenses	1,244,390	643,174	199,405	227,327	335,608	2,649,904
Operating income (loss)	106,877	66,680	10,891	40,935	(115,018)	110,365
Nonoperating revenues (expenses), net	(8,106)	(10,109)	1,093	(1,175)	(108,275)	(126,572)
Excess (deficit) of revenues over (under) expenses	98,771	56,571	11,984	39,760	(223,293)	(16,207)
Other changes in net position:						
Capital contributions and grants	10,353	50	-	-	-	10,403
Special items: gain from transfer of operations	17,608	19,653	-	27,652	2,953	67,866
Equity transfers	80,256	(12,594)	(6,445)	(108,032)	46,815	-
Increase (decrease) in net position	206,988	63,680	5,539	(40,620)	(173,525)	62,062
Net position at the beginning of the year	409,804	261,993	7,738	123,472	1,884,414	2,687,421
Net position at the end of the year	\$ 616,792	\$ 325,673	\$ 13,277	\$ 82,852	\$ 1,710,889	\$ 2,749,483

**South Broward Hospital District
d/b/a Memorial Healthcare System**

**Combining Statements of Revenues, Expenses and Changes in Fund Net Position – System
Year Ended April 30, 2021
(In Thousands)**

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations and Eliminations	Combined
Operating revenue:						
Net patient service revenue	\$ 1,046,782	\$ 616,155	\$ 166,884	\$ 227,603	\$ 91,557	\$ 2,148,981
Disproportionate share distributions	33,735	9,406	6,207	2,401	-	51,749
Other operating revenues	41,089	15,011	4,877	3,858	73,981	138,816
Total operating revenue	1,121,606	640,572	177,968	233,862	165,538	2,339,546
Operating expenses:						
Salaries and wages	543,446	258,130	81,911	89,719	164,901	1,138,107
Employee benefits	89,946	42,810	13,037	15,371	18,215	179,379
Professional fees	26,025	17,820	5,353	6,345	810	56,353
Supplies	218,315	120,632	25,225	28,327	81,055	473,554
Purchased services	69,973	57,873	26,006	25,573	3,546	182,971
Facilities	41,939	17,716	11,117	7,648	6,812	85,232
Depreciation and amortization	42,698	22,746	4,718	8,293	9,183	87,638
Other	43,574	23,944	7,338	8,329	7,933	91,118
Total operating expenses	1,075,916	561,671	174,705	189,605	292,455	2,294,352
Operating income (loss)	45,690	78,901	3,263	44,257	(126,917)	45,194
Nonoperating revenues, net	60,290	29,438	13,932	16,525	96,723	216,908
Excess (deficit) of revenues over (under) expenses	105,980	108,339	17,195	60,782	(30,194)	262,102
Other changes in net position:						
Capital contributions and grants	20,000	-	25	-	1,638	21,663
Equity transfers	(91,904)	(94,285)	(16,101)	(27,772)	230,062	-
Increase in net position	34,076	14,054	1,119	33,010	201,506	283,765
Net position at the beginning of the year	375,728	247,939	6,618	90,462	1,682,909	2,403,656
Net position at the end of the year	\$ 409,804	\$ 261,993	\$ 7,737	\$ 123,472	\$ 1,884,415	\$ 2,687,421