



FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Financial Statements and Reports as Required by
OMB Circular A-133 and Chapter 10.650

September 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

FLORIDA HEALTH SCIENCES CENTER, INC.

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Florida Health Sciences Center, Inc.:

We have audited the accompanying consolidated financial statements of Florida Health Sciences Center, Inc. (the Center), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Florida Health Sciences Center, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General* and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the consolidated 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 December 19, 2013 on our consideration of Florida Health Sciences Center, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Health Sciences Center, Inc.'s internal control over financial reporting and compliance.

KPMG LLP

Certified Public Accountants
December 19, 2013

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Balance Sheets

September 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 94,027,571	89,851,287
Short-term investments	8,048,436	8,152,166
Current portion of assets limited as to use	9,380,161	9,034,450
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$117,516,000 in 2013 and \$146,042,000 in 2012	140,200,302	137,215,612
Inventories	20,167,792	20,615,322
Prepaid expenses and other current assets	10,307,874	17,558,887
Total current assets	282,132,136	282,427,724
Assets limited as to use, less current portion	638,951,860	499,672,068
Property and equipment, net	449,020,218	459,277,846
Other assets	9,412,533	10,131,368
	<u>\$ 1,379,516,747</u>	<u>1,251,509,006</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 83,299,886	80,888,550
Accrued expenses	92,638,304	94,476,220
Current installments of long-term debt	4,158,459	7,627,279
Current installments of obligations under capital leases	—	53,727
Estimated third-party payor settlements	84,071,944	69,672,520
Total current liabilities	264,168,593	252,718,296
Long-term debt, excluding current installments	396,831,953	364,912,367
Obligations under capital leases, excluding current installments	—	32,346
Other liabilities	100,006,760	166,163,293
Total liabilities	761,007,306	783,826,302
Net assets:		
Unrestricted	602,195,810	450,654,758
Temporarily restricted	15,410,641	16,177,758
Permanently restricted	902,990	850,188
Total net assets	618,509,441	467,682,704
	<u>\$ 1,379,516,747</u>	<u>1,251,509,006</u>

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Statements of Operations and Changes in Unrestricted Net Assets

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains, and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,032,349,371	970,317,559
Provision for bad debts	<u>(77,459,331)</u>	<u>(48,661,315)</u>
Net patient services revenue less provision for bad debts	954,890,040	921,656,244
Disproportionate share distributions	23,637,250	26,121,039
Other revenue	<u>40,685,133</u>	<u>40,352,902</u>
Total unrestricted revenues, gains, and other support	<u>1,019,212,423</u>	<u>988,130,185</u>
Expenses:		
Salaries and benefits	482,254,873	480,497,523
Medical supplies	218,842,109	208,511,053
Purchased services	75,831,959	72,365,891
Utilities and leases	20,394,701	20,747,108
Insurance	18,578,309	25,067,922
Depreciation and amortization	42,700,335	43,508,694
Professional fees	32,452,548	33,923,642
Interest	18,829,853	19,154,570
Other	<u>76,538,479</u>	<u>72,936,519</u>
Total expenses	<u>986,423,166</u>	<u>976,712,922</u>
Operating income	<u>32,789,257</u>	<u>11,417,263</u>
Nonoperating gains (losses):		
Investment return	42,966,485	36,849,631
Loss on extinguishment of debt	(6,792,087)	—
Contributions	<u>(300,000)</u>	<u>(75,000)</u>
Total nonoperating gains	<u>35,874,398</u>	<u>36,774,631</u>
Revenues, gains, and other support over expenses	68,663,655	48,191,894
Other changes in net assets:		
Net assets released from restrictions used for property and equipment	4,277,067	3,214,168
Pension-related changes other than net periodic pension cost	<u>78,600,330</u>	<u>(529,766)</u>
Increase in unrestricted net assets	<u>\$ 151,541,052</u>	<u>50,876,296</u>

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets:		
Revenue, gains, and other support over expenses	\$ 68,663,655	48,191,894
Net assets released from restrictions used for property equipment	4,277,067	3,214,168
Pension-related changes other than net periodic pension cost	<u>78,600,330</u>	<u>(529,766)</u>
Increase in unrestricted net assets	<u>151,541,052</u>	<u>50,876,296</u>
Temporarily restricted net assets:		
Net assets released from restrictions:		
Used for property and equipment	(4,277,067)	(3,214,168)
Used for operations	(1,479,377)	(1,186,062)
Contributions	3,644,560	2,715,413
Increase in beneficial interest in net assets of Tampa General Hospital Foundation	<u>1,344,767</u>	<u>283,809</u>
Decrease in temporarily restricted net assets	<u>(767,117)</u>	<u>(1,401,008)</u>
Permanently restricted net assets:		
Increase in beneficial interest in net assets of Tampa General Hospital Foundation	<u>52,802</u>	<u>16,363</u>
Increase in permanently restricted net assets	<u>52,802</u>	<u>16,363</u>
Increase in net assets	150,826,737	49,491,651
Net assets, beginning of year	<u>467,682,704</u>	<u>418,191,053</u>
Net assets, end of year	<u><u>\$ 618,509,441</u></u>	<u><u>467,682,704</u></u>

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Statements of Cash Flows

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 150,826,737	49,491,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,700,335	43,508,694
Amortization of debt issue costs	2,204,432	206,851
Restricted contributions	(2,392,325)	(1,148,818)
Unrealized gains, net	(22,233,096)	(23,051,906)
Realized gains	(10,279,743)	(3,915,528)
Provision for bad debts	77,459,331	48,661,315
Pension-related changes other than net periodic pension cost	(78,600,330)	529,766
Changes in operating assets and liabilities:		
Patient accounts receivable	(80,444,021)	(61,114,611)
Inventories	447,530	(1,398,372)
Prepaid expenses and other current assets	7,291,013	14,699,364
Accounts payable	5,257,474	5,494,289
Accrued expenses	(1,837,916)	2,959,527
Estimated third-party payor settlements	14,399,425	9,805,439
Other liabilities	12,443,797	1,225,742
Net cash provided by operating activities	<u>117,242,643</u>	<u>85,953,403</u>
Cash flows from investing activities:		
Purchases of property and equipment	(34,684,741)	(49,433,448)
Increase in assets limited as to use	(107,112,664)	(51,536)
Decrease in short-term investments, net	103,730	24,975,767
Net cash used in investing activities	<u>(141,693,675)</u>	<u>(24,509,217)</u>
Cash flows from financing activities:		
Proceeds from restricted contributions	2,392,326	1,148,818
Proceeds from issuance of long-term debt	216,412,697	5,875,741
Payments on long-term debt and capital leases	(188,048,006)	(7,426,799)
Payments of debt issue costs	(2,129,701)	(15,000)
Net cash provided by (used in) financing activities	<u>28,627,316</u>	<u>(417,240)</u>
Increase in cash and cash equivalents	4,176,284	61,026,946
Cash and cash equivalents at beginning of year	<u>89,851,287</u>	<u>28,824,341</u>
Cash and cash equivalents at end of year	\$ <u><u>94,027,571</u></u>	\$ <u><u>89,851,287</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ 19,813,027	19,272,898
Accounts payable for property and equipment purchases	3,807,748	6,653,887

See accompanying notes to consolidated financial statements.