



**FLORIDA HEALTH SCIENCES CENTER, INC.**

Consolidated Financial Statements and  
Supplementary Information and  
Reports as Required by the Comptroller General of the United States

September 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

# FLORIDA HEALTH SCIENCES CENTER, INC.

## Table of Contents

|  | <b>Page</b> |
|--|-------------|
| Independent Auditors' Report   | 1           |
| Consolidated Financial Statements:   |             |
| Consolidated Balance Sheets  | 3           |
| Consolidated Statements of Operations and Changes in Unrestricted Net Assets   | 4           |
| Consolidated Statements of Changes in Net Assets   | 5           |
| Consolidated Statements of Cash Flows  | 6           |
| Notes to Consolidated Financial Statements   | 7           |
| <b>Supplementary Information</b>   |             |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>  | 33          |
| Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> and Chapter 10.650 <i>Rules of the Auditor General</i> | 35          |
| Schedule of Expenditures of Federal Awards and State Financial Assistance  | 37          |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance   | 38          |
| Schedule of Findings and Questioned Costs  | 39          |



KPMG LLP  
Suite 1700  
100 North Tampa Street  
Tampa, FL 33602-5145

## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Florida Health Sciences Center, Inc. (the Center) as of September 30, 2012 and 2011, 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. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Health Sciences Center, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1(u) to the consolidated financial statements, the Center adopted the provisions of Accounting Standard Update No. 2011-7, *Presentation and Disclosure of Patient Services Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, as of September 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 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 U.S. 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.

KPMG LLP

Tampa, Florida  
December 4, 2012  
Certified Public Accountants

**FLORIDA HEALTH SCIENCES CENTER, INC.**

Consolidated Balance Sheets

September 30, 2012 and 2011

| Assets  | 2012             | 2011          |
|---|------------------|---------------|
| Current assets:   |                  |               |
| Cash and cash equivalents   | \$ 89,851,287    | 28,824,341    |
| Short-term investments  | 8,152,166        | 33,127,933    |
| Current portion of assets limited as to use   | 9,034,450        | 8,937,878     |
| Patient accounts receivable, net of allowance for uncollectible<br>accounts of approximately \$146,042,000 in 2012 and<br>\$137,198,000 in 2011 | 137,215,612      | 124,762,316   |
| Inventories   | 20,615,322       | 19,216,950    |
| Prepaid expenses and other current assets   | 17,558,887       | 32,218,251    |
| Total current assets  | 282,427,724      | 247,087,669   |
| Assets limited as to use, less current portion  | 499,672,068      | 472,749,670   |
| Property and equipment, net   | 459,277,846      | 445,751,659   |
| Other assets  | 10,131,368       | 10,967,325    |
|   | \$ 1,251,509,006 | 1,176,556,323 |
| <b>Liabilities and Net Assets</b>   |                  |               |
| Current liabilities:  |                  |               |
| Accounts payable  | \$ 80,888,550    | 68,396,934    |
| Accrued expenses  | 94,476,220       | 91,516,693    |
| Current installments of long-term debt  | 7,627,279        | 5,582,593     |
| Current installments of obligations under capital leases  | 53,727           | 61,172        |
| Estimated third-party payor settlements   | 69,672,520       | 59,867,081    |
| Total current liabilities   | 252,718,296      | 225,424,473   |
| Long-term debt, excluding current installments  | 364,912,367      | 368,446,938   |
| Obligations under capital leases, excluding current installments  | 32,346           | 86,074        |
| Other liabilities   | 166,163,293      | 164,407,785   |
| Total liabilities   | 783,826,302      | 758,365,270   |
| Net assets:   |                  |               |
| Unrestricted  | 450,654,758      | 399,778,462   |
| Temporarily restricted  | 16,177,758       | 17,578,766    |
| Permanently restricted  | 850,188          | 833,825       |
| Total net assets  | 467,682,704      | 418,191,053   |
|   | \$ 1,251,509,006 | 1,176,556,323 |

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, 2012 and 2011

|   | <u>2012</u>          | <u>2011</u>          |
|---|----------------------|----------------------|
| Unrestricted revenues, gains, and other support:                      |                      |                      |
| Patient service revenue (net of contractual allowances and discounts) | \$ 970,317,559       | 1,026,426,930        |
| Provision for bad debts   | <u>(48,661,315)</u>  | <u>(68,656,371)</u>  |
| Net patient services revenue less provision for bad debts             | 921,656,244          | 957,770,559          |
| Disproportionate share distributions                                  | 26,121,039           | 29,841,124           |
| Other revenue   | <u>40,352,902</u>    | <u>27,677,531</u>    |
| Total unrestricted revenues, gains, and other support                 | <u>988,130,185</u>   | <u>1,015,289,214</u> |
| Expenses:   |                      |                      |
| Salaries and benefits   | 480,497,523          | 488,057,589          |
| Medical supplies  | 208,511,053          | 221,305,646          |
| Purchased services  | 72,365,891           | 82,698,848           |
| Utilities and leases  | 20,747,108           | 21,105,853           |
| Insurance   | 25,067,922           | 23,845,399           |
| Depreciation and amortization   | 43,508,694           | 36,816,557           |
| Professional fees   | 33,923,642           | 39,261,520           |
| Interest  | 19,154,570           | 18,541,482           |
| Other   | <u>72,936,519</u>    | <u>76,429,541</u>    |
| Total expenses  | <u>976,712,922</u>   | <u>1,008,062,435</u> |
| Operating income  | <u>11,417,263</u>    | <u>7,226,779</u>     |
| Nonoperating gains (losses):  |                      |                      |
| Investment return   | 36,849,631           | 6,614,222            |
| Change in professional liability estimate                             | —                    | 9,388,329            |
| Contributions   | <u>(75,000)</u>      | <u>(300,000)</u>     |
| Total nonoperating gains  | <u>36,774,631</u>    | <u>15,702,551</u>    |
| Revenues, gains, and other support over expenses                      | 48,191,894           | 22,929,330           |
| Other changes in net assets:  |                      |                      |
| Net assets released from restrictions used for property and equipment | 3,214,168            | 5,083,163            |
| Pension-related changes other than net periodic pension cost          | <u>(529,766)</u>     | <u>(1,354,775)</u>   |
| Increase in unrestricted net assets                                   | <u>\$ 50,876,296</u> | <u>26,657,718</u>    |

See accompanying notes to consolidated financial statements.

**FLORIDA HEALTH SCIENCES CENTER, INC.**

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2012 and 2011

|  | <u>2012</u>           | <u>2011</u>        |
|--|-----------------------|--------------------|
| Unrestricted net assets:   |                       |                    |
| Revenue, gains, and other support over expenses                                    | \$ 48,191,894         | 22,929,330         |
| Net assets released from restrictions used for property equipment                  | 3,214,168             | 5,083,163          |
| Pension-related changes other than net periodic pension cost                       | <u>(529,766)</u>      | <u>(1,354,775)</u> |
| Increase in unrestricted net assets  | <u>50,876,296</u>     | <u>26,657,718</u>  |
| Temporarily restricted net assets:   |                       |                    |
| Net assets released from restrictions:   |                       |                    |
| Used for property and equipment  | (3,214,168)           | (5,083,163)        |
| Used for operations  | (1,186,062)           | (999,361)          |
| Contributions and other  | 2,715,413             | 1,342,830          |
| Increase in beneficial interest in net assets of Tampa General Hospital Foundation | <u>283,809</u>        | <u>867,868</u>     |
| Decrease in temporarily restricted net assets                                      | <u>(1,401,008)</u>    | <u>(3,871,826)</u> |
| Permanently restricted net assets:   |                       |                    |
| Increase in beneficial interest in net assets of Tampa General Hospital Foundation | <u>16,363</u>         | <u>21,441</u>      |
| Increase in permanently restricted net assets                                      | <u>16,363</u>         | <u>21,441</u>      |
| Increase in net assets   | 49,491,651            | 22,807,333         |
| Net assets, beginning of year  | <u>418,191,053</u>    | <u>395,383,720</u> |
| Net assets, end of year  | <u>\$ 467,682,704</u> | <u>418,191,053</u> |

See accompanying notes to consolidated financial statements.

**FLORIDA HEALTH SCIENCES CENTER, INC.**

Consolidated Statements of Cash Flows

Years ended September 30, 2012 and 2011

|   | <u>2012</u>                 | <u>2011</u>              |
|---|-----------------------------|--------------------------|
| Cash flows from operating activities:   |                             |                          |
| Increase in net assets  | \$ 49,491,651               | 22,807,333               |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                             |                          |
| Depreciation and amortization   | 43,508,694                  | 36,816,557               |
| Amortization of debt issue costs  | 206,851                     | 213,621                  |
| Restricted contributions  | (1,148,818)                 | (2,435,345)              |
| Unrealized losses (gains), net  | (23,051,906)                | 18,355,659               |
| Realized gains  | (3,915,528)                 | (12,198,011)             |
| Provision for bad debts   | 48,661,315                  | 68,656,371               |
| Pension-related changes other than net periodic pension cost                                | 529,766                     | 1,354,775                |
| Changes in operating assets and liabilities:  |                             |                          |
| Patient accounts receivable   | (61,114,611)                | (84,237,875)             |
| Inventories   | (1,398,372)                 | 4,998,547                |
| Prepaid expenses and other current assets   | 14,699,364                  | (1,547,649)              |
| Accounts payable  | 5,494,289                   | (11,646,062)             |
| Accrued expenses  | 2,959,527                   | 7,857,875                |
| Estimated third-party payor settlements   | 9,805,439                   | 15,505,047               |
| Other liabilities   | 1,225,742                   | (11,794,295)             |
| Net cash provided by operating activities   | <u>85,953,403</u>           | <u>52,706,548</u>        |
| Cash flows from investing activities:   |                             |                          |
| Purchases of property and equipment   | (49,433,448)                | (70,069,513)             |
| Increase in assets limited as to use  | (51,536)                    | (10,289,194)             |
| Decrease (increase) in investments  | 24,975,767                  | (25,296)                 |
| Net cash used in investing activities   | <u>(24,509,217)</u>         | <u>(80,384,003)</u>      |
| Cash flows from financing activities:   |                             |                          |
| Proceeds from restricted contributions  | 1,148,818                   | 2,435,345                |
| Proceeds from issuance of long-term debt  | 5,875,741                   | —                        |
| Payments on long-term debt and capital leases   | (7,426,799)                 | (5,626,651)              |
| Payments of debt issue costs  | (15,000)                    | —                        |
| Net cash used in financing activities   | <u>(417,240)</u>            | <u>(3,191,306)</u>       |
| Increase (decrease) in cash and cash equivalents  | 61,026,946                  | (30,868,761)             |
| Cash and cash equivalents at beginning of year  | <u>28,824,341</u>           | <u>59,693,102</u>        |
| Cash and cash equivalents at end of year  | \$ <u><u>89,851,287</u></u> | <u><u>28,824,341</u></u> |
| Supplemental cash flow information:   |                             |                          |
| Cash paid for interest  | \$ 19,272,898               | 18,658,308               |
| Accounts payable for property and equipment purchases                                       | 6,997,327                   | 2,578,062                |

See accompanying notes to consolidated financial statements.