



FLORIDA HEALTH SCIENCES CENTER, INC.

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

September 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

FLORIDA HEALTH SCIENCES CENTER, INC.

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

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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

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 expenditures 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 18, 2014 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 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 Center's internal control over financial reporting and compliance.

KPMG LLP

December 18, 2014
Certified Public Accountants

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Balance Sheets

September 30, 2014 and 2013

Assets	2014	2013
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 90,518,288	94,027,571
Short-term investments	30,101,630	8,048,436
Current portion of assets limited as to use	14,168,561	9,380,161
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$138,821,000 in 2014 and \$117,516,000 in 2013	121,034,857	140,200,302
Inventories	20,553,796	20,167,792
Prepaid expenses and other current assets	<u>40,290,257</u>	<u>10,307,874</u>
Total current assets	316,667,389	282,132,136
Assets limited as to use, less current portion	719,742,375	638,951,860
Property and equipment, net	453,897,496	449,020,218
Other assets	<u>8,646,499</u>	<u>9,412,533</u>
	<u>\$ 1,498,953,759</u>	<u>1,379,516,747</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 107,591,965	83,299,886
Accrued expenses	102,201,044	92,638,304
Current installments of long-term debt	7,275,879	4,158,459
Estimated third-party payor settlements	<u>90,903,772</u>	<u>84,071,944</u>
Total current liabilities	307,972,660	264,168,593
Long-term debt, excluding current installments	389,556,023	396,831,953
Other liabilities	<u>93,518,777</u>	<u>100,006,760</u>
Total liabilities	<u>791,047,460</u>	<u>761,007,306</u>
Net assets:		
Unrestricted	691,556,436	602,195,810
Temporarily restricted	15,439,127	15,410,641
Permanently restricted	<u>910,736</u>	<u>902,990</u>
Total net assets	<u>707,906,299</u>	<u>618,509,441</u>
	<u>\$ 1,498,953,759</u>	<u>1,379,516,747</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted revenues, gains, and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,068,768,027	1,032,349,371
Provision for bad debts	<u>(59,273,583)</u>	<u>(77,459,331)</u>
Net patient services revenue less provision for bad debts	1,009,494,444	954,890,040
Disproportionate share distributions	23,643,730	23,637,250
Other revenue	<u>47,070,338</u>	<u>40,685,133</u>
Total unrestricted revenues, gains, and other support	<u>1,080,208,512</u>	<u>1,019,212,423</u>
Expenses:		
Salaries and benefits	490,538,942	482,254,873
Medical supplies	234,371,525	218,842,109
Purchased services	90,468,848	75,831,959
Utilities and leases	20,586,848	20,394,701
Insurance	17,517,582	18,578,309
Depreciation and amortization	43,148,593	42,700,335
Professional fees	32,989,876	32,452,548
Interest	16,336,401	18,829,853
Other	<u>83,212,088</u>	<u>76,538,479</u>
Total expenses	<u>1,029,170,703</u>	<u>986,423,166</u>
Operating income	<u>51,037,809</u>	<u>32,789,257</u>
Nonoperating gains (losses):		
Investment return	36,314,322	42,966,485
Other	<u>4,122,732</u>	<u>(7,092,087)</u>
Total nonoperating gains	<u>40,437,054</u>	<u>35,874,398</u>
Revenues, gains, and other support over expenses	91,474,863	68,663,655
Other changes in net assets:		
Net assets released from restrictions used for property and equipment	3,178,175	4,277,067
Pension-related changes other than net periodic pension cost	<u>(5,292,412)</u>	<u>78,600,330</u>
Increase in unrestricted net assets	<u>\$ 89,360,626</u>	<u>151,541,052</u>

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted net assets:		
Revenue, gains, and other support over expenses	\$ 91,474,863	68,663,655
Net assets released from restrictions used for property equipment	3,178,175	4,277,067
Pension-related changes other than net periodic pension cost	<u>(5,292,412)</u>	<u>78,600,330</u>
Increase in unrestricted net assets	<u>89,360,626</u>	<u>151,541,052</u>
Temporarily restricted net assets:		
Net assets released from restrictions:		
Used for property and equipment	(3,178,175)	(4,277,067)
Used for operations	(1,535,419)	(1,479,377)
Contributions	3,700,509	3,644,560
Increase in beneficial interest in net assets of Tampa General Hospital Foundation	<u>1,041,571</u>	<u>1,344,767</u>
Increase (decrease) in temporarily restricted net assets	<u>28,486</u>	<u>(767,117)</u>
Permanently restricted net assets:		
Increase in beneficial interest in net assets of Tampa General Hospital Foundation	<u>7,746</u>	<u>52,802</u>
Increase in permanently restricted net assets	<u>7,746</u>	<u>52,802</u>
Increase in net assets	89,396,858	150,826,737
Net assets, beginning of year	<u>618,509,441</u>	<u>467,682,704</u>
Net assets, end of year	<u>\$ 707,906,299</u>	<u>618,509,441</u>

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Statements of Cash Flows
Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 89,396,858	150,826,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,148,593	42,700,335
Amortization of debt issue costs	265,366	2,204,432
Restricted contributions	(1,870,721)	(2,392,325)
Unrealized losses (gains), net	4,901,801	(22,233,096)
Realized gains	(28,500,305)	(10,279,743)
Provision for bad debts	59,273,583	77,459,331
Pension-related changes other than net periodic pension cost	5,292,413	(78,600,330)
Changes in operating assets and liabilities:		
Patient accounts receivable	(40,108,138)	(80,444,021)
Inventories	(386,004)	447,530
Prepaid expenses and other current assets	(29,942,383)	7,291,013
Accounts payable	17,324,155	5,257,474
Accrued expenses	9,562,740	(1,837,916)
Estimated third-party payor settlements	6,831,828	14,399,425
Other liabilities	(12,948,134)	12,443,797
Net cash provided by operating activities	<u>122,241,652</u>	<u>117,242,643</u>
Cash flows from investing activities:		
Purchases of property and equipment	(40,453,843)	(34,684,741)
Increase in assets limited as to use	(61,980,412)	(107,112,664)
(Increase) decrease in short-term investments, net	(22,053,194)	103,730
Net cash used in investing activities	<u>(124,487,449)</u>	<u>(141,693,675)</u>
Cash flows from financing activities:		
Proceeds from restricted contributions	1,870,721	2,392,325
Proceeds from issuance of long-term debt	—	216,412,697
Payments on long-term debt	(2,990,771)	(188,048,005)
Payments of debt issue costs	(143,436)	(2,129,701)
Net cash (used in) provided by financing activities	<u>(1,263,486)</u>	<u>28,627,316</u>
(Decrease) increase in cash and cash equivalents	(3,509,283)	4,176,284
Cash and cash equivalents at beginning of year	<u>94,027,571</u>	<u>89,851,287</u>
Cash and cash equivalents at end of year	<u>\$ 90,518,288</u>	<u>94,027,571</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 16,310,430	19,813,027
Accounts payable for property and equipment purchases	10,775,672	3,807,748

See accompanying notes to consolidated financial statements.