



FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Financial Statements and Reports as Required by
the Uniform Guidance and Chapter 10.650, Rules of the Auditor General

September 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

FLORIDA HEALTH SCIENCES CENTER, INC.

Table of Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 1–2 |
| Consolidated Financial Statements: | |
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Changes in Net Assets | 4–5 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to Consolidated Financial Statements | 7–36 |
| Supplementary Information | |
| 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> | 37–38 |
| Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 39–40 |
| Independent Auditors' Report on Compliance for Each Major State Project; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.650, <i>Rules of Auditor General</i> | 41–42 |
| Schedule of Expenditures of Federal Awards | 43 |
| Schedule of Expenditures of State Financial Assistance | 44 |
| Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance | 45 |
| Schedule of Findings and Questioned Costs | 46–47 |



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Health Sciences Center, Inc. (the Center), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations and 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinions

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, 2019 and 2018, 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.



Emphasis of Matter

As discussed in Note 1(t) to the consolidated financial statements, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014 09, *Revenue from Contracts with Customers* (ASC 606) and ASU 2016 14, *Presentation of Financial Statements of Not for Profit Entities* (ASC 958) during 2019, as amended. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 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 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 Center'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 Center's internal control over financial reporting and compliance.

KPMG LLP

December 18, 2019

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2019 and 2018

| Assets | 2019 | 2018 |
|---|-------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 42,881,910 | 97,752,986 |
| Short-term investments | 5,137,497 | 5,137,454 |
| Current portion of assets limited as to use | 4,638,313 | 4,610,190 |
| Patient accounts receivable | 170,078,910 | 144,930,153 |
| Inventories | 28,096,323 | 25,906,128 |
| Prepaid expenses and other current assets | 91,261,482 | 66,262,560 |
| Total current assets | <u>342,094,435</u> | <u>344,599,471</u> |
| Assets limited as to use, less current portion | 859,746,581 | 787,128,917 |
| Property and equipment, net | 540,756,358 | 530,468,572 |
| Investments in joint ventures | 21,462,468 | 19,053,934 |
| Other assets | 23,595,548 | 35,045,619 |
| Total assets | <u>\$ 1,787,655,390</u> | <u>1,716,296,513</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 250,417,628 | 231,919,496 |
| Current installments of long-term debt | 8,322,655 | 8,102,735 |
| Current installment of obligations under capital lease | 1,934,798 | 1,174,537 |
| Estimated third-party payor settlements | 46,507,322 | 36,871,840 |
| Total current liabilities | <u>307,182,403</u> | <u>278,068,608</u> |
| Long-term debt, excluding current installments | 349,401,180 | 357,560,745 |
| Obligations under capital lease, excluding current installments | 19,676,998 | 19,856,319 |
| Other liabilities | 66,841,642 | 73,987,149 |
| Total liabilities | <u>743,102,223</u> | <u>729,472,821</u> |
| Net assets: | | |
| Without donor restrictions | 1,024,714,427 | 968,408,667 |
| With donor restrictions | 19,838,740 | 18,415,025 |
| Total net assets | <u>1,044,553,167</u> | <u>986,823,692</u> |
| Total liabilities and net assets | <u>\$ 1,787,655,390</u> | <u>1,716,296,513</u> |

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Revenues, gains, and other support: | | |
| Net patient service revenue | \$ 1,345,855,745 | 1,235,980,134 |
| Disproportionate share distributions | 6,199,803 | 7,828,194 |
| Other revenue | 95,131,384 | 81,869,709 |
| Total revenues, gains, and other support | <u>1,447,186,932</u> | <u>1,325,678,037</u> |
| Expenses: | | |
| Salaries and benefits | 667,981,507 | 609,752,445 |
| Medical supplies | 325,934,536 | 303,717,624 |
| Other | 215,143,126 | 194,630,114 |
| Purchased services | 148,026,989 | 124,695,710 |
| Depreciation and amortization | 63,895,223 | 64,277,637 |
| Interest | 12,720,954 | 12,851,412 |
| Total expenses | <u>1,433,702,335</u> | <u>1,309,924,942</u> |
| Operating income | <u>13,484,597</u> | <u>15,753,095</u> |
| Nonoperating gains (losses): | | |
| Investment return, net | 45,667,832 | 43,461,609 |
| Gain from pension curtailment | — | 11,327,598 |
| Other | 32,665 | (4,173,291) |
| Total nonoperating gains, net | <u>45,700,497</u> | <u>50,615,916</u> |
| Revenues, gains, and other support over expenses | <u>\$ 59,185,094</u> | <u>66,369,011</u> |

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|--------------------|
| Net assets without donor restrictions: | | |
| Revenues, gains, and other support over expenses | \$ 59,185,094 | 66,369,011 |
| Net assets released from restrictions used for property and equipment and other property transfers | 1,268,070 | 3,294,200 |
| Minority Interest in the Surgery Center | 1,178,123 | 25,000 |
| Pension-related changes other than net periodic pension cost | <u>(5,325,527)</u> | <u>8,564,140</u> |
| Increase in net assets without donor restrictions | <u>56,305,760</u> | <u>78,252,351</u> |
| Net assets with donor restrictions: | | |
| Net assets released from restrictions: | | |
| Used for property and equipment and other property transfers | (1,268,070) | (3,294,200) |
| Used for operations | (1,616,482) | (1,587,595) |
| Contributions | 2,201,870 | 4,165,234 |
| Increase in beneficial interest in net assets of Tampa General Hospital Foundation | <u>2,106,397</u> | <u>1,536,394</u> |
| Increase in net assets with donor restrictions | <u>1,423,715</u> | <u>819,833</u> |
| Increase in net assets | 57,729,475 | 79,072,184 |
| Net assets, beginning of year | <u>986,823,692</u> | <u>907,751,508</u> |
| Net assets, end of year | <u>\$ 1,044,553,167</u> | <u>986,823,692</u> |

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 57,729,475 | 79,072,184 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 63,895,223 | 64,277,637 |
| Amortization of debt issue costs | 163,091 | 164,530 |
| Amortization of bond premiums | (669,735) | (679,102) |
| Restricted contributions | (1,228,754) | (3,330,349) |
| Unrealized gains, net | (23,289,314) | (14,085,740) |
| Realized gains, net | (3,287,809) | (13,198,080) |
| (Gain) loss on joint ventures | (1,161,484) | 2,217,621 |
| Gain from pension curtailment | — | (11,327,598) |
| Pension-related changes other than net periodic pension cost | 5,325,527 | (8,564,140) |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable, net | (25,148,757) | (18,216,629) |
| Inventories | (2,190,195) | 855,989 |
| Prepaid expenses and other assets | (19,627,859) | (7,008,143) |
| Accounts payable and accrued expenses | 17,043,872 | 4,282,529 |
| Estimated third-party payor settlements | 9,635,482 | (22,055,927) |
| Other liabilities | <u>(7,145,507)</u> | <u>(351,147)</u> |
| Net cash provided by operating activities | <u>70,043,256</u> | <u>52,053,635</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (71,975,268) | (50,032,931) |
| Purchases of assets limited as to use | (354,623,766) | (1,153,693,672) |
| Proceeds from sales of assets limited as to use | 308,555,102 | 1,139,192,427 |
| Increase in short-term investments, net | (43) | (5,038,424) |
| Investment in joint venture | <u>(1,247,050)</u> | <u>(9,100,058)</u> |
| Net cash used in investing activities | <u>(119,291,025)</u> | <u>(78,672,658)</u> |
| Cash flows from financing activities: | | |
| Proceeds from restricted contributions | 1,228,754 | 3,330,349 |
| Payments on long-term debt | (7,433,001) | (7,231,899) |
| Proceeds from capital leases | 3,157,911 | — |
| Payments on capital lease obligations | <u>(2,576,971)</u> | <u>(1,046,986)</u> |
| Net cash used in financing activities | <u>(5,623,307)</u> | <u>(4,948,536)</u> |
| Decrease in cash and cash equivalents | (54,871,076) | (31,567,559) |
| Cash and cash equivalents at beginning of year | <u>97,752,986</u> | <u>129,320,545</u> |
| Cash and cash equivalents at end of year | \$ <u>42,881,910</u> | \$ <u>97,752,986</u> |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 12,762,490 | 12,885,866 |
| Accounts payable for property and equipment purchases | 3,720,051 | 2,265,791 |

See accompanying notes to consolidated financial statements.