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**
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		40,290,257	10,307,874
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		8,646,499	9,412,533
	$	1,498,953,759	1,379,516,747
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		90,903,772	84,071,944
Total current liabilities		307,972,660	264,168,593
Long-term debt, excluding current installments		389,556,023	396,831,953
Other liabilities		93,518,777	100,006,760
Total liabilities		791,047,460	761,007,306
Net assets:			
Unrestricted		691,556,436	602,195,810
Temporarily restricted		15,439,127	15,410,641
Permanently restricted		910,736	902,990
Total net assets		707,906,299	618,509,441
	$	1,498,953,759	1,379,516,747

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

	2014	2013
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	(59,273,583)	(77,459,331)
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	47,070,338	40,685,133
Total unrestricted revenues, gains, and other support	1,080,208,512	1,019,212,423
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	83,212,088	76,538,479
Total expenses	1,029,170,703	986,423,166
Operating income	51,037,809	32,789,257
Nonoperating gains (losses):		
Investment return	36,314,322	42,966,485
Other	4,122,732	(7,092,087)
Total nonoperating gains	40,437,054	35,874,398
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	(5,292,412)	78,600,330
Increase in unrestricted net assets	$ 89,360,626	151,541,052

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

	2014	2013
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	(5,292,412)	78,600,330
Increase in unrestricted net assets	89,360,626	151,541,052
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	1,041,571	1,344,767
Increase (decrease) in temporarily restricted net assets	28,486	(767,117)
Permanently restricted net assets:		
Increase in beneficial interest in net assets of Tampa General Hospital Foundation	7,746	52,802
Increase in permanently restricted net assets	7,746	52,802
Increase in net assets	89,396,858	150,826,737
Net assets, beginning of year	618,509,441	467,682,704
Net assets, end of year	$ 707,906,299	618,509,441

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC.

Consolidated Statements of Cash Flows

Years ended September 30, 2014 and 2013

		2014	2013
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		122,241,652	117,242,643
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		(124,487,449)	(141,693,675)
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		(1,263,486)	28,627,316
(Decrease) increase in cash and cash equivalents		(3,509,283)	4,176,284
Cash and cash equivalents at beginning of year		94,027,571	89,851,287
Cash and cash equivalents at end of year	$	90,518,288	94,027,571
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.

(1) Summary of Significant Accounting Policies

(a) Organization and Basis of Presentation

Florida Health Sciences Center, Inc. (the Center), located in Tampa, Florida, is a not-for-profit entity incorporated during 1997 to meet the healthcare needs of the citizens of Hillsborough County and the state of Florida. The Center operates Tampa General Hospital (the Hospital), where it administers a teaching program for interns and residents. On October 1, 1997, control of the operations and all assets and liabilities of the Hospital were transferred from Hillsborough County Hospital Authority (the Authority), a governmental entity, to the Center. The change in control was accomplished through the execution of an agreement between the Authority and the Center, as well as changes granted by the Florida Legislature that provided for the privatization of the Hospital.

In connection with the change in control, the Center entered into a 49-year lease agreement, which can be extended for an additional 49 years, with the Authority to lease the land and buildings on the Davis Islands campus, together with all improvements located thereon, for a nominal annual rental amount of $10. For financial reporting purposes, the fair value of the leased assets of approximately $86,571,000 as of October 1, 1997 was reported as an increase in temporarily restricted net assets for the year ended September 30, 1998, as the leased assets can only be utilized in accordance with the specifications of the lease agreement. During 2014 and 2013, net assets of approximately $1,093,000 and $1,885,000, respectively, were released from restriction, relating to the annual depreciation expense associated with the leased assets.

The Center incorporated Florida Health Sciences Center, Ltd. (the Captive) on May 21, 2010 under the Companies Law of the Cayman Islands and obtained an Unrestricted Class B Insurers License under the provisions of the Cayman Islands Insurance Law. The Captive, a wholly owned subsidiary of the Center, provides professional and general liability coverage to the Center. Tampa General Hospital Foundation (the Foundation) is a related not-for-profit organization, which supports the Center.

In 2010, the Hospital created Tampa General Medical Group (TGMG), a division of the Hospital. TGMG includes physicians that were once part of the Lifelink Transplant Institute. TGMG has grown to include physicians specializing in family practice, cardiology, endocrinology, hepatology (liver disease), internal medicine, nephrology (kidney disease), organ transplantation and surgery. The over 50 physicians that compose TGMG are spread across several locations in the Tampa area. On March 16, 2014, the Center established Tampa General Medical Group, Inc., a corporation organized under the laws of the state of Florida, and a wholly owned subsidiary, for the purpose of holding the operations of TGMG. On June 27, 2014, Tampa General Medical Group, Inc. was granted tax exempt status by the Internal Revenue Service. Tampa General Medical Group, Inc. shall be operated exclusively for charitable purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As of September 30, 2014, Management had not moved the operations of TGMG to Tampa General Medical Group, Inc., and continues to report operations under the Center.

(Continued)

On July 15, 2014, the Center established FHSC Real Property Holding Company, LLC (the Company), a Limited Liability Company organized under the laws of the state of Florida and a wholly owned subsidiary. The Company was organized to hold future use properties and shall be operated exclusively for charitable purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The consolidated financial statements of the Center include the operations of the Hospital, the Captive, and the Center's beneficial interest in the net assets of the Foundation. All significant intercompany transactions among those entities have been eliminated during consolidation.

On January 31, 2014, the Center and Adventist Health System Sunbelt Healthcare Corporation (Florida Hospital) established West Central Florida Health Alliance, LLC, a Limited Liability Company organized under the laws of the state of Florida. The Center and Florida Hospital, each, contributed $1,000,000 to West Central Florida Health Alliance, LLC in exchange for a 50% ownership interest. The new partnership will provide Tampa residents with greater access to a spectrum of community services and broaden the geographic footprint of these two healthcare providers. On August 5, 2014, the Center and Florida Hospital established West Florida Health, Inc., a Florida not-for-profit corporation. In October 2014, the Center and Florida Hospital filed Articles of Amendment to give public notice that they are the members of West Florida Health, Inc. In addition, the Center and Florida Hospital have agreed to transfer all assets and liabilities of West Central Florida Health Alliance, LLC to West Florida Health, Inc. As of September 30, 2014, this transfer has not occurred. The Center's distributive share of operating losses, of $181,000 has been included as a nonoperating item in the consolidated statements of operations and changes in unrestricted net assets for the year ended September 30, 2014.

On January 31, 2014, the Center established TGH Architecture & Engineering, LLC, a Limited Liability Company organized under the laws of the state of Florida, and a wholly owned subsidiary, for the purpose of holding architectural licenses for the Center. The Company shall be operated exclusively for charitable purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

(b) Mission Statement

Tampa General Hospital is committed to serving all residents of West Central Florida. The Hospital provides comprehensive health services, ranging from wellness and primary care to the most complex specialty care and post-acute services. The Hospital's care reflects a patient-centered approach, and the Hospital's services are delivered in an exceptional manner, with benchmark performance in clinical outcomes, care processes, cost-effectiveness, and patient experience. With the Hospital's unique blend of academic and other healthcare partners, the Hospital plays a special role in supporting medical education and research in its region.

(c) Cash and Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

(d) Inventories

Inventories consist principally of medical and surgical supplies, drugs, and medicines, and are valued at the lower of cost (first-in, first-out) or market.

(e) Assets Limited as to Use

Assets limited as to use primarily include assets held by independent bank trustees on behalf of the Center under terms of bond indentures and self-insurance trust agreements, and assets designated for capital improvements and employee health benefits, over which the Center retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities have been reclassified to current assets in the consolidated balance sheets.

Earnings on investments include realized and unrealized gains and losses on investments, interest income, and dividends and are included as revenues, gains, and other support over expenses in the consolidated statements of operations and changes in unrestricted net assets, unless the income or loss is restricted by donor or law. Investment income and net gains and losses restricted by donor stipulations are reported as changes in temporarily restricted net assets.

(f) Property and Equipment

Property and equipment, transferred from the Authority on October 1, 1997, was recorded at fair value as determined by an independent appraisal. Other property and equipment acquisitions are recorded at historical cost at the date of acquisition or fair value at the date of donation. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 40 years. Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense in the accompanying consolidated financial statements. Interest cost on borrowed funds during the construction period is capitalized as a component of the cost of the assets.

Gifts of long-lived assets such as land, buildings, or equipment with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support and are recorded at fair value at the time the gift is made. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(g) Other Assets

Other assets include debt issuance costs of approximately $3,243,000 and $3,339,000 as of September 30, 2014 and 2013, respectively. These amounts include costs capitalized in connection with the issuance of the Series 2006, 2012A and a 2013 bank loan. Debt issuance costs are amortized using the effective interest method. Amortization of approximately $265,000 and $285,000 for the years ending September 30, 2014 and 2013, respectively, is included as a component of interest expense. The debt issuance costs are net of accumulated amortization of approximately $1,256,000 and $991,000 as of September 30, 2014 and 2013, respectively.

(Continued)

(h) Bond Discounts and Premiums

Bond discounts and premiums are being amortized using the effective interest method over the life of the related debt. Amortization of bond discounts and premiums of approximately $1,168,000 and $805,000 for the year ending September 30, 2014 and 2013, respectively, is included as a component of interest expense. Bond premiums of approximately $14,667,000 and $15,836,000 are included with related debt in the consolidated balance sheets as of September 30, 2014 and 2013, respectively.

(i) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. There were no impairment losses recorded during the years ended September 30, 2014 and 2013. If there is an indication that the carrying amount of an asset is not recoverable, the Center estimates the projected undiscounted cash flows, from the use and eventual disposition of the asset, excluding interest, to determine whether an impairment loss exists. The impairment loss, if any, would be determined by comparing the historical carrying value of the asset to its estimated fair value.

In addition to consideration of impairment due to the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining lives.

(j) Estimated Professional Liability, Workers' Compensation, and Employee Benefits Cost

The Center is self-insured for professional liability, workers' compensation, and employee health benefits. The provision for professional liability, workers' compensation, and employee health benefit claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, based on evaluation of pending claims and past experience.

(k) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. The majority of temporarily restricted net assets are maintained pursuant to the lease agreement with the Authority, whereby the Center must continue to provide specific patient-care related services, continue to serve as a teaching hospital, and continue to provide certain levels of indigent care throughout the 49-year lease term. Permanently restricted net assets have been restricted by donors to be maintained by the Center in perpetuity, the income from which is expendable to support the Center's operations.

(l) Beneficial Interest in Tampa General Hospital Foundation

The Center recognizes its beneficial interest in the net assets of the Foundation. This interest is adjusted to reflect its share of change in the Foundation net assets. The Foundation complies with the provisions of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

(Continued)

(m) Patient Accounts Receivable

Receivables are reported net of an allowance for bad debt and contractual adjustment estimates. Although the aggregate amount of receivables may include balances due from patients and third-party payers (including final settlements and appeals), amounts due from third-party payers for retroactive adjustments of items, such as final settlements or appeals, are reported separately in the consolidated financial statements.

For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts, if necessary. For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Center records a significant provision for bad debts in the period of service on the basis of its past experience. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts for private self-pay patients decreased from 82% of self-pay accounts receivable as of September 30, 2013 to 81% of self-pay accounts receivable as of September 30, 2014. In addition, the Center's private self-pay accounts receivable decreased approximately $873,000 from $48.1 million for the year ended September 30, 2013 to $47.2 million for the year ended September 30, 2014. The Center has not changed its charity care or uninsured discount policies during the years ended September 30, 2014 or 2013. The Center does not maintain a material allowance for doubtful accounts from third-party payers, nor did it have significant write-offs from third-party payers.

(n) Net Patient Service Revenue

Net patient service revenue is recorded in the period in which services are provided and is reported at the net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers. Pass-through amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates associated with these programs will change.

The Center recognizes patient service revenue associated with services provided to patients who have third-party (managed care, Medicare, Medicaid, other) payer coverage on the basis of contractual rates for the services rendered. For under-insured and uninsured patients who do not qualify for charity care, the Center recognizes revenue on the basis of individualized arrangements based on financial need and medical necessity. These arrangements shall not take into account age, gender, race, social or immigrant status, sexual orientation or religious affiliation. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized for the years ended September 30, 2014 and 2013 from these major payer sources are as follows:

		2014	2013
Managed care	$	447,606,680	410,911,823
Medicare		348,474,166	352,378,575
Medicaid		182,181,696	179,904,997
Other		86,255,850	83,943,768
Self-pay		4,249,635	5,210,208
	$	1,068,768,027	1,032,349,371

(o) ***Electronic Health Record Incentive Program***

The Centers for Medicare & Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health records (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, upgrade and meaningfully use certified EHR technology. The Center utilizes a grant accounting model to recognize EHR incentive revenues. The Center records EHR incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which coincides with the Center’s fiscal year of October 1 through September 30. The reporting period for eligible professionals is based on the calendar year. The Center believes that it and its eligible professionals that met meaningful use objectives in the fiscal year ended September 30, 2013 have also met those objectives in the fiscal year ended September 30, 2014. EHR incentive revenues were approximately $1,800,000 and $4,600,000 for the fiscal years ended September 30, 2014 and 2013, and are included in other revenues in the accompanying consolidated statements of operations and changes in unrestricted net assets.

(p) ***Nonoperating Gains and Losses and Revenue, Gains, and Other Support over Expenses***

Activities deemed by the Center to be a provision of healthcare services are reported as unrestricted revenues, gains and other support, and expenses. Other activities that are peripheral to providing healthcare services are reported as nonoperating gains and losses.

The consolidated statements of operations and changes in unrestricted net assets include revenue, gains, and other support over expenses. Changes in unrestricted net assets that are excluded from revenue, gains, and other support over expenses are consistent with industry practice. Other changes in unrestricted net assets consist primarily of pension liability adjustments and contributions of long-lived assets, if any.

(Continued)

(q) Disproportionate Share Distributions

The State of Florida Agency for Health Care Administration distributes low-income pool and disproportionate share payments to the Center based on its indigent care service level. The Center'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 Florida State Legislature.

(r) Charity Care

The Center provides care to patients who meet certain criteria by reference to established policy threshold. Because the Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. Partial payments to which the Center is entitled from Medicaid, public assistance, and other programs on behalf of patients that meet the Center's charity care criteria are reported as net patient service revenue.

(s) Income Taxes

The Center has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in the furtherance of the Center's tax-exempt purpose is exempt from federal and state income taxes. Taxes are not levied in the Cayman Islands for income, profit, capital, or capital gains generated by Florida Health Sciences Center, Ltd.

The Center applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income tax positions and provides guidance when tax positions are recognized in an entity's financial statements and how the value of these positions are determined.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustainable upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Center, and has concluded that as of September 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2008.

(t) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

(Continued)

(u) Reclassification

Certain 2013 amounts have been reclassified to conform to the 2014 consolidated financial statement presentation.

(2) Net Patient Service Revenue

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. The most significant third-party payers to the Center are the Medicare and Medicaid programs, which account for approximately 50% and 51%, respectively, of the Center's net patient services revenue for both the years ended September 30, 2014 and 2013. A summary of the payment arrangements with major third-party payers is as follows:

(a) Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid on a prospectively determined rate per discharge based on the Medicare Severity Diagnosis-related Group (MSDRG) assigned to the patient. Commercial insurers, which operate as Medicare Advantage Plans, generally follow the traditional Medicare MSDRG payment methodology. Defined organ acquisition and graduate medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology, subject to certain limits and regulatory guidelines. The majority of outpatient services are paid on prospectively determined rates per occurrence based on the ambulatory payment classification assigned to the service provided. The Center also receives a disproportionate share payment from Medicare included in its MSDRG payment, based on its level of Medicaid patient volume and low income Medicare beneficiaries.

The Center receives a final settlement for cost reimbursable and pass-through items after submission of its annual cost reports and audits thereof by the Medicare fiscal intermediary. A Medicare final settlement has been determined for all years up to and including 2006. Differences between estimated provisions for cost report settlements and final settlements amounts are reflected as net patient services revenue in the fiscal year the cost reports are considered finalized. Changes in such estimates related to prior cost reporting periods resulted in an increase in net patient services revenue of approximately $3,941,000 and $12,572,000 for the years ended September 30, 2014 and 2013, respectively.

(b) Medicaid

Historically, inpatient and outpatient services rendered to Florida Medicaid program beneficiaries were paid under a cost reimbursement methodology, subject to certain limits. Beginning on July 1, 2013, the Florida Legislature mandated a new inpatient payment methodology utilizing the All-Patient Refined Diagnosis Related Group (APR-DRG). The methodology, which is utilized by most state Medicaid programs, includes severity of illness information in a set of refined DRGs. In addition, the Florida Legislature mandated that the majority of Florida Medicaid beneficiaries be transitioned to Statewide Medicaid Managed Care (SMMC) beginning on June 1, 2014. Because certain populations will be carved out of SMMC, the Center expects that two-thirds of its Medicaid reimbursement will come from SMMC once the transition is complete. The Center continues to be paid for outpatient services on a cost-based rate that reimburses per occasion of service. In general, Medicaid Managed Care Plans will utilize the same payment methodology as traditional Medicaid for reimbursement of inpatient and outpatient services. The Center continues its submission of annual cost reports, which are utilized to set outpatient rates and are audited by the Medicaid fiscal intermediary.

(3) Charity Care

The Center provides necessary medical care regardless of the patient's ability to pay for services under its charity care policy. Qualification for charity care is based on the current Federal Poverty Income Guidelines (FPG). Underinsured and uninsured patients, who do not meet charity guidelines, may qualify for discounted care. Charity or discount consideration is available only after all third party reimbursement and government sources have been exhausted. Excessive assets or medical expenses may be factored as part of the charity or discount evaluation. The Center ensures that financial counseling communication is clear, concise, and considerate of the patient and family members. In addition, regulatory changes that may have the potential to alter charity classifications are monitored and incorporated into the policy, as necessary.

The Center maintains records to identify and monitor the level of charity care. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following measures the level of charity care and other community benefits, as defined, at estimated costs for the years ended September 30, 2014 and 2013:

	2014	2013
Traditional charity care	$ 41,686,000	52,013,000
Unreimbursed Medicaid and Medicaid HMO	22,112,000	27,075,000
Unreimbursed Hillsborough County Health Plan	21,774,000	19,750,000
	$ 85,572,000	98,838,000
As a percentage of operating expenses	8%	10%

(4) Concentration of Credit Risk of Net Accounts Receivable

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of September 30 is as follows:

	2014	2013
Managed care	47%	48%
Medicare	25	22
Medicaid	6	10
Other	22	20
	100%	100%

The credit risk in other payers is limited due to the large number of insurance companies that provide payments for services.

(5) Assets Limited as to Use and Short–Term Investments

Assets limited as to use as of September 30, 2014 and 2013, at fair value, are as follows:

		2014	2013
Internally designated for capital improvements and employee health benefits:			
Cash and cash equivalents	$	37,991,035	40,545,336
Equities securities:			
Domestic stocks		280,147,632	223,698,122
Global stocks		39,480,062	36,562,466
Fixed income securities:			
Government obligations		80,561,574	43,786,466
Corporate bonds		186,092,226	167,230,730
Beneficial interest in Tampa General Hospital Foundation		7,597,344	6,548,026
Total internally designated for capital improvements and employee health benefits		631,869,873	518,371,146
Joint ventures:			
West Central Florida Health Alliance, Inc.		818,743	—
Held by trustee under malpractice self-insurance arrangement:			
Cash and cash equivalents		9,965,086	14,343,288
Municipal bonds		34,645,761	43,986,765
Mutual funds		25,366,323	22,236,993
Total held by trustee under malpractice self-insurance arrangement		69,977,170	80,567,046
Held by trustee under bond indentures:			
Cash and cash equivalents		31,245,150	49,393,829
Total held by trustee under bond indentures		31,245,150	49,393,829
Assets limited to use		733,910,936	648,332,021
Amount required to meet current obligations		(14,168,561)	(9,380,161)
Assets limited to use, less current portion	$	719,742,375	638,951,860

Short-term investments, stated at fair value, consist of the following as of September 30, 2014 and 2013:

		2014	2013
Cash and cash equivalents	$	25,042,454	3,041,666
Government bonds		5,059,176	5,006,770
	$	30,101,630	8,048,436

(Continued)

Investment income and gains and losses on assets limited as to use, cash equivalents and other investments comprise the following for the years ended September 30, 2014 and 2013:

		2014	2013
Other revenue:			
Interest income	$	2,139,941	3,222,027
Net realized (losses) gains on sale of investments, net		(39,965)	172,953
Unrealized gains on trading investments, net		2,170,605	1,433,425
Total		4,270,581	4,828,405
Nonoperating gains:			
Interest income and dividends		14,846,458	12,060,024
Net realized gains on sale of investments, net		28,540,270	10,106,790
Unrealized (losses) gains on trading investments, net		(7,072,406)	20,799,671
Total		36,314,322	42,966,485
Total investment return	$	40,584,903	47,794,890

(6) Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 requires investments to be grouped into three categories based on certain criteria as noted below:

- **Level 1**: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.
- **Level 2**: Fair value is determined by using other than quoted prices that are observable or corroborated for the asset by other independently verifiable market data (e.g., quoted prices for identical assets in inactive markets, quoted prices for similar assets in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).
- **Level 3**: Fair value is determined by using inputs based on management assumptions that are not directly observable.

Following is a description of the valuation methodologies used for significant assets measured at fair value at September 30, 2014:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets approximate the fair value because of the short maturities of these instruments.

Investments: Valued at the closing price reported on the active market on which the individual securities are traded, or valued based on quoted prices for similar assets.

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

The following tables summarize the fair values of the Center's significant financial assets and liabilities as of September 30, 2014 and 2013:

	September 30, 2014	Fair value measurement at reporting date	
		Level 1	Level 2
Cash and cash equivalents	$ 90,518,288	90,518,288	—
Short-term investments:			
Cash and cash equivalents	25,042,454	25,042,454	—
Government bonds	5,059,176	5,059,176	—
Assets limited to use:			
Cash and cash equivalents	79,201,271	79,201,271	—
Equity income securities:			
Domestic stocks	280,147,632	280,147,632	—
Global stocks	39,480,062	39,480,062	—
Mutual funds	25,366,323	25,366,323	—
Fixed income securities:			
Government obligations	80,561,574	80,561,574	—
Corporate bonds	186,092,226	—	186,092,226
Municipal bonds	34,645,761	—	34,645,761
Beneficial interest in Tampa:			
General Hospital Foundation	7,597,344	—	7,597,344
Investment in joint venture	818,743	—	818,743
	733,910,936	504,756,862	229,154,074
Total	$ 854,530,854	625,376,780	229,154,074

	September 30, 2013	Fair value measurement at reporting date	
		Level 1	Level 2
Cash and cash equivalents	$ 94,027,571	94,027,571	—
Short-term investments:			
Cash and cash equivalents	3,041,666	3,041,666	—
Government bonds	5,006,770	5,006,770	—
Assets limited to use:			
Cash and cash equivalents	104,282,453	104,282,453	—
Equity income securities:			
Domestic stocks	223,698,122	223,698,122	—
Global stocks	36,562,466	36,562,466	—
Mutual funds	22,236,993	22,236,993	—
Fixed income securities:			
Government obligations	43,786,466	43,786,466	—
Corporate bonds	167,230,730	—	167,230,730
Municipal bonds	43,986,765	—	43,986,765
Beneficial interest in Tampa:			
General Hospital Foundation	6,548,026	—	6,548,026
	648,332,021	430,566,500	217,765,521
Total	$ 750,408,028	532,642,507	217,765,521

There were no transfers of financial assets or liabilities between Level 1 and Level 2 during the years ended September 30, 2014 and 2013. There were no investments classified as Level 3 during the years ended September 30, 2014 and 2013.

(7) Long-Term Debt

Long-term debt consists of the following:

		2014	2013
Series 2006 Bonds, net of unamortized premium of $3,162,980 and $3,442,560 as of September 30, 2014 and 2013, respectively, maturing in various amounts through October 1, 2041, with stated rates of 4% to 5.25%	$	181,492,980	182,852,560
Series 2012A Bonds, net of unamortized premium of $11,504,385 and $12,392,542 as of September 30, 2014 and 2013, respectively, maturing in various amounts through October 1, 2043, with stated rates of 3% to 5%		177,994,385	178,882,542
2013 bank loan, maturing in various amounts through October 1, 2024 at a stated interest rate of 2.57%		37,020,000	37,020,000
Note payable, due in monthly installments through 2015 at a stated rate of interest of 3.25%, collateralized by software		324,537	2,235,310
Total long-term debt		396,831,902	400,990,412
Less current installments		(7,275,879)	(4,158,459)
Long-term debt, excluding current installments	$	389,556,023	396,831,953

The fair value of long-term debt was approximately $399,053,000 and $376,508,000 as of September 30, 2014 and 2013, respectively.

On September 28, 2006, the Hillsborough County Industrial Authority (Florida) issued $185,000,000 aggregate principal amounts of tax-exempt Hospital Revenue Refunding Bonds (2006 Bonds). Proceeds of the 2006 Bonds were utilized for the expansion, improvement, and further equipping of the Hospital's healthcare facilities. The 2006 Bonds contain various covenants, including but not limited to the maintenance of a minimum debt service coverage ratio and provides that certain funds be established with a trustee bank (note 5). Management believes the Center is in compliance with such covenants at September 30, 2014.

On February 28, 2013, the Hillsborough County Industrial Authority (Florida) issued $166,490,000 aggregate principle amounts of tax-exempt Hospital Revenue Refunding Bonds (2012A Bonds). A portion of the proceeds of the 2012A Bonds was used to purchase and redeem all of the Hospital's outstanding 2003B Bonds and a portion of the Hospital's outstanding Series 2003A Bonds. This transaction resulted in a loss on early extinguishment of debt of approximately $5,958,000 and is included in other nonoperating gains (losses) on the consolidated statements of operations and changes in unrestricted net assets. The remaining proceeds of the 2012A Bonds will be utilized for the expansion, improvement and further equipping of the healthcare facilities. The 2012A Bonds contain various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio and provides that certain funds be established with a trustee bank (note 5). Management believes the Center is in compliance with such covenants at September 30, 2014.

(Continued)

On September 19, 2013, the Hillsborough County Industrial Development Authority (Florida), Florida Health Sciences Center, Inc. and PNC Bank N.A. entered into a Loan Agreement (2013 bank loan) in the amount of $37,020,000 to provide for the refunding of the remaining outstanding principal of the Series 2003A Bonds. This transaction resulted in a loss on early extinguishment of debt of approximately $834,000 and is included as a component of other nonoperating gains (losses) on the consolidated statements of operations and changes in unrestricted net assets. The 2013 bank loan contains various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio. Management believes the Center is in compliance with such covenants at September 30, 2014.

The 2006 and 2012A Bonds are secured solely by a pledge of and a security interest in the revenue of the Center. Such pledge and security interest have been assigned to a bank trustee. Stated interest rates on the 2006 Bonds range from 4% to 5.25%, with an effective rate of 5.01% at September 30, 2014, and maturities through October 1, 2041. Except for $10,215,000 of serial bonds maturing prior to October 1, 2017, the 2006 Bonds are subject to mandatory redemption by the Center beginning October 1, 2017 at par plus accrued interest. Stated interest rates on the 2012A Bonds range from 3% to 5% with an effective rate of 4.6% at September 30, 2014, and maturities through October 1, 2043. Except for $21,180,000 of serial bonds maturing prior to October 1, 2028, the 2012A Bonds are subject to mandatory redemption by the Center beginning October 1, 2028 at par plus accrued interest. Stated interest rates on the 2013 bank loan are set at 2.57% with an effective rate of 2.43% at September 30, 2014, and maturities to October 1, 2024.

Scheduled maturities of long-term debt as of September 30, 2014 are as follows:

Year ending September 30:		
2015	$	6,214,537
2016		9,544,000
2017		6,109,000
2018		6,297,000
2019		6,506,000
Thereafter		347,494,000
Long-term debt, excluding unamortized premiums (discounts)		382,164,537
Unamortized premium		14,667,365
Long-term debt, including unamortized premiums (discounts)	$	396,831,902

(8) Property and Equipment

Property and equipment consist of the following as of September 30, 2014 and 2013:

		2014	2013
Land	$	46,639,634	46,639,634
Land improvements, buildings, and fixed equipment		460,634,231	442,493,449
Major moveable equipment		299,919,982	271,977,635
Other equipment		8,038,217	7,777,729
Total property and equipment		815,232,064	768,888,447
Accumulated depreciation and amortization		(388,838,960)	(346,295,972)
Total property and equipment less depreciation and amortization		426,393,104	422,592,475
Construction in progress		27,504,392	26,427,743
Property and equipment, net	$	453,897,496	449,020,218

Depreciation expense amounted to $42,544,000 and $42,086,000 during the years ending September 30, 2014 and 2013, respectively.

As of September 30, 2014, the estimated cost to complete construction in progress is approximately $73.3 million.

Interest expense, net of interest income, of approximately $314,000 and $555,000, was capitalized during the years ended September 30, 2014 and 2013, respectively.

(9) Lease Obligations

The Center leases certain medical and other support equipment under operating leases. Rent expense under noncancelable operating leases was approximately $8,344,000 and $7,909,000 for the years ended September 30, 2014 and 2013, respectively. Future minimum lease payments as of September 30, 2014 are as follows:

		Operating leases
Year ending September 30:		
2015	$	8,506,348
2016		6,241,854
2017		3,119,778
2018		1,638,819
2019 and thereafter		1,079,282
Total leases	$	20,586,081

The Center does not have any capital leases outstanding as of September 30, 2014.

(Continued)

(10) Pension and Other Postretirement Benefits

(a) Retirement Plan

The Center established the Florida Health Sciences Center, Inc. Retirement Plan (the Plan), which became effective January 1, 1998. The Plan is a noncontributory, single employer, cash balance defined benefit pension plan.

All employees are eligible to participate in the Plan as of the beginning of the month following the later of the employee's attainment of age 21 and the completion of one year of service (i.e., generally a plan year during which the employee completes 1,000 hours of service).

The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Furthermore, the Plan provides a health insurance subsidy to participants who had 20 years of service with the Florida Retirement System as of December 31, 1996. This subsidy is a monthly supplemental payment that a participant may be eligible to receive if they elect health insurance coverage. The amounts payable by the Plan are reduced by the amount payable by the Florida Retirement System for the subsidy. The minimum subsidy is $30 per month and the maximum is $90 per month.

Effective January 1, 2014, due to the introduction of employer matching in its 403b plan, the Center's board of trustees approved an amendment to reduce the contribution schedule. The actuarially computed net periodic pension cost for the Center's Plan for the years ended September 30, 2014 and 2013 included the following components and reflects the impact of the contribution reduction:

	2014	2013
Service cost – benefits earned during the period	$ 12,581,943	30,488,947
Interest cost on projected benefit obligation	10,440,276	9,277,995
Expected return on plan assets	(18,679,325)	(16,508,817)
Net amortization and deferral of unrecognized losses	(1,970,287)	4,381,100
Net periodic pension cost	$ 2,372,607	27,639,225

The following table sets forth the Plan's funded status and amount recognized in other liabilities in the Center's consolidated balance sheets as of September 30, 2014 and 2013 (using a measurement date of September 30):

		2014	2013
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$	250,411,706	275,804,834
Service cost		12,581,943	30,488,947
Interest cost		10,440,276	9,277,995
Amendments		—	(20,730,948)
Actuarial (gain) loss		7,568,373	(32,428,155)
Benefits paid		(15,218,928)	(12,000,967)
Projected benefit obligation at end of year		265,783,370	250,411,706
Change in plan assets:			
Fair value of plan assets at beginning of year		248,014,082	206,608,056
Actual return on plan assets		23,015,992	32,345,331
Employer contributions		5,000,000	21,061,662
Benefits paid		(15,218,928)	(12,000,967)
Fair value of plan assets		260,811,146	248,014,082
Funded status and accrued benefit costs	$	(4,972,224)	(2,397,624)

The accumulated benefit obligation for the Plan was approximately $264,799,000 and $248,701,000 as of September 30, 2014 and 2013, respectively.

Weighted average assumptions used to determine projected benefit obligations as of September 30, 2014 and 2013 were as follows:

	2014	2013
Discount rate	4.29%	4.29%
Projected rate of compensation increase	3.00%–8.00%	3.00%–8.00%

The actuarial assumptions used in determining net periodic pension costs for the years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Discount rate	3.82%	3.44%
Projected rate of increase in compensation levels	3.00	3.00
Expected long-term rate of return on plan assets	7.75	7.75

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories.

(Continued)

The following are deferred pension costs that have not yet been recognized in periodic pension expense but instead are accrued in unrestricted net assets as of September 30, 2014. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees:

		Net prior service credit	Net actuarial loss	Total
Amounts recognized in unrestricted net assets as of September 30, 2014	$	(17,909,904)	20,306,452	2,396,548
Amounts in net assets to be recognized during the next fiscal year		(15,939,617)	20,306,452	4,366,835

Plan Assets

The weighted average asset allocation of the Center's assets held for pension benefits as of September 30, 2014 and 2013 was as follows:

	Pension benefits plan assets at September 30	
Asset category	**2014**	**2013**
Cash and cash equivalents	6%	7%
Equity securities:		
Domestic stocks	47	59
Global stocks	10	14
Mutual funds	10	—
Fixed income securities:		
U.S. Treasury obligations	9	4
Government agencies	2	1
Corporate bonds	16	15
Total	100%	100%

(Continued)

	September 30, 2014	Fair value measurement at reporting date	
		Level 1	Level 2
Cash and cash equivalents	$ 16,387,743	16,387,743	—
Equity securities:			
Domestic stocks	123,502,070	123,502,070	—
Global stocks	25,970,102	25,970,102	—
Mutual funds	26,581,659	—	26,581,659
Fixed income securities:			
Treasury obligations	22,481,234	22,481,234	—
Government obligations	5,428,135	5,428,135	—
Corporate bonds	40,460,203	—	40,460,203
Total	$ 260,811,146	193,769,284	67,041,862

	September 30, 2013	Fair value measurement at reporting date	
		Level 1	Level 2
Cash and cash equivalents	$ 17,832,507	17,832,507	—
Equity securities:			
Domestic stocks	147,097,883	147,097,883	—
Global stocks	35,940,707	35,940,707	—
Fixed income securities:			
Treasury obligations	8,968,477	8,968,477	—
Government obligations	1,807,061	1,807,061	—
Corporate bonds	36,367,447	—	36,367,447
Total	$ 248,014,082	211,646,635	36,367,447

There were no transfers of financial assets or liabilities between Level 1 and Level 2 during the years ended September 30, 2014 and 2013. There were no investments classified as Level 3 during the years ended September 30, 2014 and 2013.

The investment objective of the defined benefit plan is to use prudent and reasonable levels of liquidity and investment risk to produce an investment return that provides for payments of benefits to participants and their beneficiaries. The investment objective also incorporates the financial condition of the plan, future growth of active and retired participants, inflation, and the rate of salary increases. The defined benefit plan's investment committee has selected market-based benchmarks to monitor the performance of the investment strategy and performs periodic reviews of investment performance.

The investment strategy has a current target allocation policy as follows: 75% equities and 25% fixed income and other securities. The expected long-term rate of return on plan assets is determined based primarily on expectations of future returns for the defined benefit plan's investments based on the target asset allocation. Additionally, the historical returns on comparable equity and fixed income investments are considered in the estimate of the expected long-term rate of return on plan assets.

Cash Flows

The Center does not expect to make any contributions to the Plan in fiscal year 2014.

The benefits expected to be paid in each year from 2015 through 2019 are approximately $15,985,000; $16,321,000; $16,414,000; $17,155,000; and $18,133,000, respectively. The aggregate benefits expected to be paid from 2020 through 2024 are approximately $107,392,000. The expected benefits are based on the same assumptions used to measure the Center's benefit obligations as of September 30, 2014 and include estimated future employee service.

(b) 403b Savings Plan

Effective January 1, 2014, the Center's board of trustees approved an amendment and restatement of its 403(b) Savings Plan document to include a matching contribution equal to the sum of 100% of the first 3% of compensation deferred and 50% of the next 2% of compensation deferred. The original effective date of this plan was December 1, 1999. The Plan was established for the exclusive benefit of the participants and their beneficiaries. All employees are automatically enrolled upon hire for purposes of the elective deferral, unless they opt not to participate. Participants are eligible to receive a matching contribution upon completion of certain service requirements. Contribution expense attributable to this defined contribution plan was approximately $7.9 million for the year ended September 30, 2014.

(c) Supplemental Retirement Plan

Effective January 1, 2002, the Center established the Florida Health Sciences Center, Inc. Supplemental Executive Retirement Plan (SERP). The SERP is a nonqualified defined benefit plan limited to certain management or highly compensated employees as determined by the Center. Upon vesting, the SERP provides participants with deferred compensation annually, based on 60% of the participants' compensation during the highest five complete calendar years out of the last 10 complete calendar years. Certain adjustments are made to the annual benefit based on current and projected years of service and expected benefits payable under the Florida Retirement System, if any, Social Security, and the Florida Health Sciences Center, Inc. Retirement Plan. Only calendar years beginning on or after January 1, 2002 are considered. Vesting is generally effective after a participant completes five years of service with the Center. The SERP also provides for certain death or disability benefits.

The actuarially computed net periodic pension cost for the Center's SERP for the years ended September 30, 2014 and 2013 included the following components (using a measurement date of September 30):

		2014	2013
Service cost – benefits earned during the period	$	1,486,088	1,542,861
Interest cost on projected benefit obligation		520,163	488,595
Net amortization and deferral of unrecognized losses		449,399	807,739
Net periodic pension cost	$	2,455,650	2,839,195

The following table sets forth the SERP's funded status and amount recognized in other liabilities in the Center's consolidated balance sheets as of September 30, 2014 and 2013:

	2014	2013
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 14,993,877	21,665,520
Service cost	1,486,088	1,542,861
Interest cost	520,163	488,595
Amendments	—	716,518
Actuarial gain (loss)	7,219	(949,211)
Settlements	—	(7,338,621)
Benefits paid	(614,247)	(1,131,785)
Projected benefit obligation at end of year	16,393,100	14,993,877
Fair value of plan assets at end of year	—	—
Funded status and accrued benefit costs	$ (16,393,100)	(14,993,877)

The accumulated benefit obligation for the SERP was approximately $13,131,000 and $11,920,000 as of September 30, 2014 and 2013, respectively.

Weighted average assumptions used to determine projected benefit obligations at September 30, 2014 and 2013 were as follows:

	2014	2013
Discount rate	3.46%	3.46%
Projected rate of compensation increase	3.00%–8.00%	3.00%–8.00%

The actuarial assumptions used in determining net periodic pension costs for the years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Discount rate	3.46%	2.54%–2.77%
Projected rate of increase in compensation levels	3.00%–8.00%	3.00%–8.00%

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but instead are accrued in unrestricted net assets as of September 30, 2014. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees:

	Net prior service cost	Net actuarial loss	Total
Amounts recognized in unrestricted net assets as of September 30, 2014	$ 75,920	373,479	449,399
Amounts in net assets to be recognized during the next fiscal year	75,920	324,807	400,727

Cash Flows

The Center does not expect to make any contributions to the SERP in fiscal year 2015.

The benefits expected to be paid in each year from 2015 through 2019 are approximately $2,450,000; $1,810,000; $439,000; $452,000; and $617,000, respectively. The aggregate benefits expected to be paid in the five years from 2020 through 2024 are approximately $10,462,000. The expected benefits are based on the same assumptions used to measure the Center's benefit obligations at September 30, 2014 and include estimated future employee service.

(d) Other Postretirement Benefits

The Center sponsors a defined benefit postretirement plan, which is intended to provide medical benefits to retirees who were hired prior to January 1, 2001 and had completed 30 or more years of service or who attained age 62 and completed five years of service. In addition, the plan provides benefits to retirees who had completed 20 or more years of service prior to January 1, 1997. The postretirement plan is contributory, with retiree contributions adjusted annually based on the projected average plan cost of the Center's self-insured health benefit program for the year. The Center accrues the cost of providing postretirement benefits during the active service period of the employee.

The components of net periodic postretirement benefit cost for the years ended September 30, 2014 and 2013 are as follows:

		2014	2013
Service cost – benefits attributed to service during the year	$	107,608	121,285
Interest cost on accumulated postretirement benefit obligation		198,104	185,778
Amortization of net gain (loss)		(141,103)	(108,236)
Net periodic postretirement benefit cost	$	164,609	198,827

The following table sets forth the postretirement plan's funded status and amounts recognized in other liabilities in the Center's consolidated balance sheets as of September 30, 2014 and 2013 (measurement date as of September 30):

		2014	2013
Change in accumulated benefit obligation:			
Accumulated benefit obligation at beginning of year	$	3,788,221	4,497,330
Service cost		107,608	121,285
Interest cost		198,104	185,778
Retiree contributions		416,809	458,730
Actuarial loss (gain)		72,405	(732,534)
Benefits paid		(372,717)	(742,368)
Accumulated benefit obligation at end of year		4,210,430	3,788,221
Change in plan assets:			
Employer contribution		(44,092)	283,638
Employee contribution		416,809	458,730
Benefits paid		(372,717)	(742,368)
Fair value of plan assets at end of year		—	—
Funded status and accrued benefit costs	$	(4,210,430)	(3,788,221)

For measurement purposes, an 8.5% and 9.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2014 and 2013, respectively, and the rate was assumed to decrease gradually to 5.5% over the subsequent three years and remain at that level thereafter.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.75% and 5.3% as of September 30, 2014 and 2013, respectively. The weighted average discount rate used in determining the net benefit cost was 5.3% and 4.6% as of September 30, 2014 and 2013, respectively.

The impact of a one percentage point change in assumed healthcare cost trend rates as of September 30, 2014 is as follows:

		1% Increase	1% Decrease
Effect on total of service and interest cost components	$	52,484	(40,819)
Effect on postretirement benefit obligation		758,939	(140,767)

The following are deferred pension costs that have not yet been recognized in periodic pension expense but instead are accrued in unrestricted net assets as of September 30, 2014. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

Net actuarial gain recognized in unrestricted net assets as of September 30, 2014	$	—
Net actuarial gain to be recognized during the next year		(126,757)

Cash Flows

The Center expects to contribute approximately $332,000 to its postretirement benefit plan in 2015.

The benefits expected to be paid in each year from 2015 through 2019 are approximately $332,000; $322,000; $268,000; $272,000; and $267,000, respectively. The aggregate benefits expected to be paid in the five years from 2020 through 2024 are $1,096,000. The expected benefits are based on the same assumptions used to measure the Center's benefit obligations as of September 30, 2014 and include estimated future employee service.

(11) Commitments and Contingencies

(a) Litigation

During the normal course of business, the Center is involved in litigation with respect to professional liability claims and other matters. In addition, the Center is subject to periodic regulatory investigations. The Center has purchased insurance coverage to minimize its exposure to such risk. This coverage includes property, directors and officers, vehicles, medical malpractice, and general liability. Each policy has its own deductible and/or self-insurance retention. Based on current information, management believes at this time that the results of the litigation and inquiries are not likely to have a material adverse effect on the consolidated financial position and results of the Center.

(b) Professional Liability

The Center insures its professional and general liability on a claims-made basis through a commercial insurance carrier. The Center has secured claims-made coverage continuously from October 1, 1997 through September 30, 2014. The Center has renewed its claims-made policy.

(Continued)

For claims prior to October 1, 1997, the Authority, as an agency or subdivision of the state of Florida, had sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28, the Center's legal liability was limited by statute to $100,000 per claimant and $200,000 for all claimants per occurrence. Self-insurance retention limits from October 1, 1997 to September 30, 2010 range from $1,000,000 to $5,000,000. On May 21, 2010, the Captive was incorporated to provide excess professional liability and general liability coverage to the Center on a claims–made basis. The Captive's liability under this policy is limited to $80,000,000 per claim and in the aggregate.

The Center has employed independent actuaries to assist management in estimating the ultimate costs, if any, of the settlement of known claims and incidents, as well as unreported incidents that may be asserted, arising from services rendered to patients. Reported amounts for professional liability were approximately $77,565,000 and $82,777,000 as of September 30, 2014 and 2013, respectively, and are included in accrued expenses and other liabilities on the accompanying consolidated balance sheets. The Center records the professional liability based on the actuarially determined expected level. Given the maturity of the plan, the Center believes the expected level is a better estimate of the ultimate outcome than other confidence levels. The expected level is a commonly followed industry practice.

(c) Third Party Reimbursement

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Center is aware of these laws and regulations and, to the best of its knowledge and belief, is in compliance. 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.

(12) Other Funding Sources

The Hospital receives funding from various components of the state of Florida's (the State) Medicaid program, including the Low Income Pool program (LIP) and Medicaid per diem rates. The State's LIP program distributes funding to the Hospital in recognition of the disproportionate level of care provided to indigent patients and to defray some of the costs associated with graduate medical education. The LIP is a federal matching program that provides states with the opportunity to receive additional distributions based upon the difference between Medicaid reimbursement and the amount that would have been received for the same patients using Medicare reimbursement formulas, as defined. Medicaid fee for service is paid based on inpatient per diem and outpatient per line rates and may be adjusted based on annual cost report submissions.

The total funding amounts from the LIP and trauma programs were approximately $23,644,000 and $23,637,000 during the years ended September 30, 2014 and 2013, respectively, and are reported as disproportionate share distributions in the accompanying consolidated statements of operations and changes in unrestricted net assets. Since July 1, 2001, the Hospital has received trauma funding of approximately $3,500,000 per year from Hillsborough County to supplement the Hospital's reimbursement for trauma services rendered to Hillsborough County residents.

Under the terms of an agreement with the Hillsborough County Health Plan, the Hospital is paid for authorized services provided to eligible recipients based on contracted rates. The contract renews on an annual basis and is currently through June 30, 2015. These payments are subject to certain limits (network caps) for each network per contract, including amounts the Hospital must reimburse physicians. For the year ended September 30, 2014 and 2013, approximately $18,975,000 and $20,913,000, respectively, were included in net patient service revenue.

(13) Affiliated Organizations

The Foundation was established to solicit contributions from the general public on behalf of the Hospital for the funding of capital acquisitions and to support Hospital programs. As of September 30, 2014 and 2013, the Foundation held assets for the Hospital that were temporarily and permanently restricted by donors. The Hospital's interest in the net assets of the Foundation is included in assets limited as to use and amounted to approximately $7,597,000 and $6,548,000 as of September 30, 2014 and 2013, respectively.

The University of South Florida Board of Trustees (the University) has an affiliation agreement with the Center. The affiliation agreement establishes the Center as the primary teaching hospital for the University in order to provide healthcare education and training for students, residents, and other healthcare professionals. In accordance with the affiliation agreement, the University assigns physicians and residents to provide the customary services of the Center. For the years ended September 30, 2014 and 2013, the Center paid the University approximately $45,470,000 and $39,468,000, respectively, for these services, which also include the residents' salaries and the related malpractice coverage and medical director fees. These amounts are recorded within professional fees and other expenses in the accompanying consolidated statements of operations and changes in unrestricted net assets.

(14) Subsequent Events

The Center has evaluated events and transactions occurring subsequent to September 30, 2014 as of December 18, 2014, which is the date the consolidated financial statements were available to be issued, and has determined that no additional disclosures or adjustments are required.

SUPPLEMENTARY INFORMATION

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

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 *Government Auditing Standards*

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

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 consolidated financial statements of Florida Health Sciences Center, Inc., (the Center) which comprise the consolidated balance sheet as of September 30, 2014 and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated 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 determination of financial statement amounts. 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 Florida Health Sciences Center, Inc.'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 18, 2014
Certified Public Accountants

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

Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Florida Health Sciences Center, Inc.'s (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs and state projects for the year ended September 30, 2014. The Center's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

June 29, 2015
Certified Public Accountants

FLORIDA HEALTH SCIENCES CENTER, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2014

Federal or State Grantor/Pass Through Agency/Program Title	CFDA or CSFA Number	Agency or Pass Through Grant Number	Expenditures
U.S. Department of Education:			
Division of Vocational Rehabilitation:			
Direct Program:			
Florida Alliance for Assistive Services and Technology	84.224	14-CFRDC	$ 71,922
Florida Alliance for Assistive Services and Technology	84.224	14-CFRDC-Amendment 2	1,193
Florida Alliance for Assistive Services and Technology	84.224	14-CFRDC-Amendment 3	5,230
Total U.S. Department of Education			78,345
U.S. Department of Health and Human Services:			
Health Resources and Services Administration			
Passed through:			
State of Florida Department of Health:			
National Bioterrorism Hospital Preparedness Program	93.889	COQTL	78,000
(ASPR) National Bioterrorism Hospital Preparedness Program	93.889	COQVI	22,159
Total National Bioterrorism Hospital Preparedness Program			100,159
CDC Public Health Emergency Preparedness	93.069	COQTL	69,996
CDC Public Health Emergency Preparedness	93.069	COQVI	25,632
Total CDC Public Health Emergency Preparedness			95,628
Ryan White – HIV Emergency Relief Project Grants	93.914	HB312	274,855
Ryan White – HIV Emergency Relief Project Grants	93.914	HB334	91,618
Ryan White total			366,473
Refugee and Entrant Assistance	93.566	HB334	23,438
Direct Program:			
Poison Control Center Enhancement and Awareness	93.253	5 H4BHS15550-05-00	330,882
Total U.S. Department of Health and Human Services			916,580
U.S. Department of Homeland Security:			
Passed through Office of Emergency Management (FEMA):			
Hazard Mitigation Program	97.039	08HM-1G-08-39-08-014	145,608
Total Expenditures of Federal Awards			$ 1,140,533
Florida Department of Education			
Passed through:			
Florida Alliance for Assistive Services and Technology			
FL Department of Education, Division of Vocational Rehabilitation, 2010-2011 Gen. Appr. Act-GR	48.018	No. 14-CFRDC	$ 15,788
FL Department of Education, Division of Vocational Rehabilitation, 2010-2011 Gen. Appr. Act-GR	48.018	14-CFRDC-Amendment 1	10,000
Total Florida Department of Education			25,788
State of Florida Department of Health:			
Poison Information Center – Tampa	64.014	COQVB	121,132
Verified Trauma Center Financial Support	64.075	TRA20	525,658
Total State of Florida Department of Health			646,790
Total Expenditures of State Financial Assistance			$ 672,578

See accompanying independent auditors' report.

FLORIDA HEALTH SCIENCES CENTER, INC.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2014

(1) General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) presents the activity of all federal and state programs administered by Florida Health Sciences Center, Inc. (the Center). Awards received directly from federal and state agencies, as well as those passed through other governmental agencies, are included on the Schedule. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

(2) Basis of Accounting

Federal and state programs administered by the Center are accounted for within the Center's operating funds. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on the same basis of accounting as the Center's consolidated financial statements. The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles. Transactions are recorded on an accrual accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

(3) Relationship to Financial Statements

Federal awards and state financial assistance revenues are reported in the Center's consolidated financial statements as other revenue.

(4) State Matching Funds

As part of the Ryan White – HIV Emergency Relief Project Grants, the Center received $277,015 and $115,056 in matching funds from the State of Florida for contracts HB 334 and HB 312, respectively, for the year ended September 30, 2014. In accordance with the contract agreements for these grants these dollars have been excluded from the schedule of expenditures of Federal Awards and State Financial Assistance.

(5) Contingencies

Grant monies received and disbursed by the Center are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Center does not believe that such disallowances, if any, would have a material effect on the financial position of the Center. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.

FLORIDA HEALTH SCIENCES CENTER, INC.

Schedule of Findings and Questioned Costs

September 30, 2014

(1) Summary of Auditors' Results

(a)	The type of auditors' report issued:	Unmodified
(b)	Internal control over financial reporting:	
	Material weaknesses identified:	None
	Significant deficiencies identified that are not considered to be material weaknesses:	None reported
(c)	Noncompliance material to financial statements noted:	None

Federal Awards

(d)	Internal control over major programs:	
	Material weaknesses identified:	None
	Significant deficiencies identified that are not considered to be material weaknesses:	None reported
(e)	Type of auditor's report issued on compliance for major programs:	Unmodified
(f)	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
(g)	Identification of major programs:	

Federal programs	CFDA No.
U.S. Department of Health and Human Services: Health Resources and Service Administration – passed through State of Florida Department of Health Ryan White - HIV Emergency Relief Project Grants	93.914

(h)	Dollar threshold used to distinguish between type A and type B programs:	$300,000
(i)	Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133?	Yes

State Awards

(j)	Internal control over major programs:	
	Material weaknesses identified:	None

	Significant deficiencies identified that are not considered to be material weaknesses:	None reported
(k)	Type of auditor's report issued on compliance for major programs:	Unmodified
(l)	Any audit findings disclosed that are required to be reported under Chapter 10.650, *Rules of the Auditor General*?	No
(m)	Identification of major programs:	

State programs	State CSFA/Grant No.
State of Florida, Department of Health Verified Trauma Center Financial Support	64.075

(n)	Dollar threshold used to distinguish between type A and type B programs:	$300,000

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards and State Projects

None

There are no items related to state financial assistance required to be reported in a management letter pursuant to Chapter 10.650, *Rules of the Auditor General*.

Tampa General Hospital

FLORIDA HEALTH SCIENCES CENTER, INC

Summary Schedule of Prior Audit Findings for Fiscal Year End 09/30/14

The following is an update of prior audit findings and is prepared in accordance with Office of Management and Budget Circular A-133, Section .315(b).

There are no prior audit findings, thus no management responses or remedies.

Contact Person: Beth Gravél, Hospital Accounting Supervisor
813 844-8143