



ANNUAL REPORT

FOR THE FISCAL YEAR ENDED

April 30, 2018

Memorial Healthcare System Disclosure Representative

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Important Information

In accordance with undertakings of the South Broward Hospital District d/b/a Memorial Healthcare System (the “Issuer”), regarding secondary market disclosure made pursuant to SEC Rule 15c2-12(b)(5)(i), by various continuing disclosure certificates, attached is the annual financial information (hereinafter collectively called the “Fiscal Year 2018 Annual Information”) and operating data for the Fiscal Year ended April 30, 2018 (“FY 18”). This information also satisfies the requirement for year-to-date financial information and operating data for the fiscal quarter ended April 30, 2018. The information in this Annual Report should be read in connection with the Audited Financial Statements (filed separately) including the Management's Discussion and Analysis, narratives and Notes to the Annual Financial Statements.

The provision of this information is not intended as an offer to sell any securities. It is provided solely to comply with the contractual undertakings made by the Issuer with respect to certain outstanding obligations of the Issuer, which contractual undertaking require the provision of limited financial information and operating data with respect to the Issuer. It is not intended to be and is not an update of all of the information included in the Issuer’s prior Official Statements. Other events may have occurred since the date of the Issuer’s prior Official Statements which might be material to investors in the Issuer’s bonds including, without limitation, changes in regulation of the healthcare industry and certain other risk factors. No representation is made as to whether any such other events have occurred with respect to the Issuer or its outstanding debt that might be material or important to owners of the Issuer’s outstanding debt. No representation is made as to the materiality or completeness of the Fiscal Year 2018 Annual Information. No representation is made that the Fiscal Year 2018 Annual Information is indicative of financial or operating results of the Issuer since the end of Fiscal Year 18 or of future financial or operating results.

In connection with the sale of each bond issue, the Issuer delivered Official Statements. Capitalized terms used herein shall have the meanings ascribed to such terms in the applicable Official Statement.

This report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and any expression of opinion contained herein are subject to change without notice, and the delivery of this report will not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described.

This report may contain additional information that is not required to be provided under the terms of the continuing disclosure undertakings entered into by the Issuer. Any such additional information is provided on a voluntary basis and may be excluded from future reports without notice.

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER

Sources of Patient Revenue

The table below lists the approximate percentages of gross charges by category for the fiscal years ended April 30, 2017 and 2018.

<u>Percentage of Gross Charges</u>	<u>April 30, 2017</u>	<u>April 30, 2018</u>
Medicare	17.5%	17.5%
Medicaid	4.6%	4.1%
Managed Care	64.2%	64.4%
Other	<u>13.7%</u>	<u>14.0%</u>
Total	100.0%	100.0%

Levy and Collection of Taxes (\$ in Thousands)

The following table sets forth, for the fiscal years 2017 and 2018 the millage and final assessed valuations, and gross taxes levied.

	<u>2017</u>	<u>2018</u>
Millage	0.1615	0.1496
Assessed Valuation	\$50,458,000	\$54,619,000
Taxes Levied	\$8,149	\$8,171

Maximum Annual Debt Service (\$ in Thousands)

The Issuer's maximum annual debt service for the Outstanding Indebtedness for the fiscal years ended April 30, 2017 and 2018 was approximately \$39.6 million and \$39.6 million, respectively. The net income available for debt service and the maximum annual debt service on Outstanding Indebtedness is computed below for the years ended April 30, 2017 and 2018 as provided in Section 3.07 of the Issuer's Master Trust Indenture ("MTI"). The MTI provides for the amortization of balloon payments over 30 years and stipulates an interest rate equal to the rate borne by such indebtedness on the date calculated, and variable rate indebtedness assumes a 1.5% per annum interest rate.

	Maximum Annual Debt Service Coverage	
	(in thousands)	
	Fiscal Year Ended April 30	
	<u>2017</u>	<u>2018</u>
Net excess of revenue and net nonoperating gains over expenses	\$ 132,027	\$ 62,198
Average of unrestricted contributions and grants for the prior three years	1,661	1,769
Unrealized (gain) loss on investments	15,558	26,925
Interest expense	33,007	31,671
Depreciation and amortization expense	88,724	92,774
Loss on disposal of capital assets	3,356	903
Net income available for debt service	<u>\$ 274,333</u>	<u>\$ 216,240</u>
Maximum Annual Debt Service	39,597	39,597
Percentage to adjust pursuant to MTI	110%	110%
Adjusted Maximum Annual Debt Service	\$ 43,557	\$ 43,557
Long Term Debt Service Coverage Ratio	6.30	4.96

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Summary of Historical Financial Information (\$ in Thousands)

The following selected financial data as of April 30, 2017 and 2018 and for the years then ended are derived from the audited financial statements of the Issuer. The financial data presented should be read in conjunction with the financial statements and related notes for the respective fiscal year.

	<u>Fiscal Year Ended April 30</u>	
	<u>2017</u>	<u>2018</u>
Cash, cash equivalents and investments	\$ 1,834,888	\$ 1,902,298
Designated investments	18,495	20,540
Patient accounts receivable, net	241,175	231,627
Total current assets	2,179,224	2,254,165
Total assets incl. Deferred outflows	\$ 3,404,635	\$ 3,485,360
Total current liabilities	330,971	367,552
Long term debt	765,559	752,751
Net position	\$ 2,016,867	\$ 2,081,503
Debt-to-Capitalization Ratio	28%	27%
Days Cash on Hand	395	380

	<u>Fiscal Year Ended April 30</u>	
	<u>2017</u>	<u>2018</u>
Total revenue	\$ 1,937,591	\$ 2,014,934
Total expenses	<u>1,800,230</u>	<u>1,936,208</u>
Income from operations	137,361	78,726
Non-operating losses, net	<u>(5,334)</u>	<u>(16,528)</u>
Excess of revenues and net non-operating gains over expenses	\$ 132,027	\$ 62,198
Net margin	6.81%	3.09%
Depreciation and amortization	\$ 86,306	\$ 90,213
Interest	\$ 33,007	\$ 31,671

Liquidity (\$ in Thousands)

The following table sets forth the Issuer's liquidity position and days cash on hand as of April 30, 2017 and 2018.

	<u>As of April 30</u>	
	<u>2017</u>	<u>2018</u>
Cash and cash equivalents	\$ 424,558	\$ 526,318
Investments	\$ 1,410,330	\$ 1,375,980
Designated Investments	\$ 18,465	\$ 20,540
Total Cash on Hand	\$ 1,853,353	\$ 1,922,838
Operating Expenses	\$ 1,800,230	\$ 1,936,208
Depreciation and amortization	\$ (86,306)	\$ (90,213)
Days Cash On Hand	395	380

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Capitalization (\$ in Thousands)

The following table sets forth the Issuer's capitalization as of April 30, 2017 and 2018.

	<u>As of April 30</u>	
	<u>2017</u>	<u>2018</u>
Long-term debt including Current portion	\$ 775,844*	\$ 763,811*
Capital lease obligations including Current portion	2,359	752
Total Long-term debt and Capital leases	\$ 778,203	\$ 764,563
Net Position	<u>\$ 2,016,867</u>	<u>\$ 2,081,503</u>
Total capitalization	\$ 2,795,070	\$ 2,846,066
Debt-to-Capitalization Ratio (incl. Current portion)	28%	27%

* Includes Series 2009 Bond principal which was fully refunded by the Series 2016A Bonds. Proceeds from refunding are held in an irrevocable escrow located within Restricted Assets – Under Indenture Agreements on the Statement of Net Position as reported in the 2018 Audited Financial Statements.

HISTORICAL UTILIZATION STATISTICS

The table below presents certain historical utilization statistics of the Issuer.

	<u>Fiscal Year Ended April 30</u>	
	<u>2017</u>	<u>2018</u>
Admissions	75,898	76,480
Observation Discharges	<u>52,761</u>	<u>49,046</u>
Total	128,659	125,526
Patient Days	(1) 409,966	418,704
Observation Days	<u>64,621</u>	<u>64,529</u>
Total	474,587	483,233
Average Length of Stay (Days)	(1) 5.40	5.47
Average Daily Census	(2) 1,300	1,324
Percent of Occupancy	(2) 68.4%	70.7%
Licensed Beds	(3) 1,900	1,874
Hospital Outpatient Visits	511,635	523,816
Urgent Care Center Visits	70,052	73,141
South Broward Community Health Services (SBCHS) Visits	97,855	104,840
Home Health Visits	<u>62,311</u>	<u>59,068</u>
Total Outpatient, UCC, SBCHS and HH	741,853	760,865
Emergency Room Visits	412,337	409,261

(1) Inpatients only

(2) Combined inpatient and observation patients

(3) Represents the weighted average number of licensed beds during the period