

NORTH BROWARD HOSPITAL DISTRICT

Basic Financial Statements,
Required Supplementary Information, and
Supplemental Combining Information

June 30, 2022

(With Report of Independent Auditors Thereon)

NORTH BROWARD HOSPITAL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
North Broward Hospital District

Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the North Broward Hospital District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10, and the schedule of changes in net pension liability and related ratios – defined benefit pension plan, the schedule of employer contributions – defined benefit pension plan, the schedule of money-weighted rate of return – defined benefit pension plan and the schedule of changes in total OPEB liability and related ratios on pages 65 to 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information on pages 69 to 71 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Warren Averett, LLC

Birmingham, Alabama
October 26, 2022

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

This section of the North Broward Hospital District's (the District) annual financial report presents the District's analysis of its financial performance as of fiscal year ending June 30, 2022. Please read this analysis in conjunction with the financial statements, which follows this section.

North Broward Hospital District d/b/a Broward Health is a special independent taxing district created pursuant to Chapter 27438, Laws of Florida, Special Acts of 1951, as amended (the Act), for the purpose of establishing and operating the necessary health facilities for the preservation of the public health and well-being of the citizens of the District. Governance and management of the District are independent of metropolitan county and city governments. The governing body of the District is the Board of Commissioners (the Board), composed of seven members appointed by the Governor of Florida.

Overview of the Financial Statements

This annual financial report includes the management's discussion and analysis report, the independent auditors' report, and the financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The District's financial statements report offers short-term and long-term financial information about its activities. The statement of net position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

The revenue and expenses for fiscal year 2022 are accounted for in the statement of revenues, expenses, and changes in net position. The statement measures the annual financial performance of the District's operations and can be used to determine whether the District has recovered the entirety of its costs through net patient service revenue, ad valorem taxes, and other sources of revenue.

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing (capital and noncapital) activities. The statement highlights the key sources and uses of the District's cash and what the change in the cash balance was during the reporting period. The District's financial statements report also includes the statement of fiduciary net position and statement of changes in fiduciary net position which represent the District's fiduciary activities consisting of its pension trust fund.

Financial Analysis of the North Broward Hospital District

The District's net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, the financial statement user should consider other non-

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

financial factors, such as changes in economic conditions, population growth, taxable property values and tax rates, and new or changed governmental legislation, when analyzing the District's financial position.

A comparative summary of the District's statements of net position at June 30, 2022 and 2021, is presented below:

	2022	2021
	(In thousands of dollars)	
Assets:		
Current assets	\$ 897,715	\$ 892,140
Assets whose use is limited, net of amount for current obligations	29,788	30,481
Investments	215,532	323,820
Capital assets, net	599,840	576,502
Other assets	101,805	136,657
Total assets	\$ 1,844,680	\$ 1,959,600
Deferred outflows of resources:		
Deferred amount on debt refundings	16,894	19,635
Pension	6,844	2,201
Other postemployment benefits	17,876	21,861
Total deferred outflows of resources	\$ 41,614	\$ 43,697
Liabilities:		
Current liabilities	\$ 314,514	\$ 334,096
Long-term debt	316,496	331,137
Other liabilities	94,267	107,817
Total liabilities	\$ 725,277	\$ 773,050
Deferred inflows of resources		
Pension	\$ 21,544	\$ 77,201
Other postemployment benefits	21,070	14,782
Leases	25,986	8,439
Total deferred inflows of resources	\$ 68,600	\$ 100,422
Net position:		
Net investment in capital assets	\$ 272,201	\$ 247,258
Restricted for donor restrictions	19,614	19,917
Restricted for pension	36,472	28,231
Unrestricted	764,130	834,419
Total net position	\$ 1,092,417	\$ 1,129,825

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

The net position of the District totaled \$1,092.4 and \$1,129.8 billion as of June 30, 2022 and 2021, respectively. The decrease in net position of \$37.4 million in fiscal year 2022 was primarily due to \$20.2 million gain from operations net of tax revenues, loss on investments of \$44.5 million, interest expense and other non-operating costs of \$17.1 million, Cares Act stimulus funds received from the federal government of \$4.1 million, other non-operating expenses of \$0.6 million, and \$0.5 million in capital contributions.

Budgetary Highlights

In March 2020, COVID-19 was designated a pandemic. COVID-19 continues to have a significant impact to the District's patient volumes, related revenues, and expenses during fiscal year 2022. Economic effects of the COVID-19 pandemic that continued to impact 2022 included a significant increase in the cost of labor and supplies coupled with a continued decline in the tourism industry resulting in a lack of patient volumes that historically were a significant business percent of patient volumes.

The District spent an estimated \$150.3 million in increased wages driven by supply and demand effects on the labor market specifically in the areas of nursing and respiratory therapy driven by the national impact of the pandemic.

Overall, the District performed ahead of budget by \$21.4 million in fiscal year 2022, including a favorable pension adjustment of \$22.8 million. Total operating expenses were over budget by \$139.1 million, offset by total operating revenue being over budget by \$160.5 million. Non-operating income was under budget by \$42.3 million, primarily due to a \$63.9 million loss on investments offset partially by the Cares Act funding received by the federal government in the amount of \$4.1 million. Inpatient admissions were under budget by 6.8%, while observations cases were over budget by 11.9%, with total hospitalized patient (admissions plus observation cases) under budget by 0.7%. Outpatient volumes were under budget by 1%, primarily due to fewer traditional outpatient visits and outpatient surgeries offset by an increase in emergency room volume.

Capital Assets and Debt Administration

As of June 30, 2022 and 2021, the District had net capital assets of \$599.8 million and \$576.5 million, respectively, an increase of \$23.3 million from 2021 to 2022. This increase was mainly composed of \$73.6 million in capital expenditures, \$51.9 million in depreciation, and \$5.2 million change in intangible right-to-use net leased assets. Significant capital expenditures were comprised mainly of \$11.5 million of land acquisitions in the City of Fort Lauderdale, \$9.2 million of land acquisitions in the City of Sunrise, \$5.9 million for chiller/cooling tower for Broward Health Medical Center, \$3.6 million for defibrillators throughout the District, \$3.4 million for the Cath/IVR room at Broward Health Imperial Point, \$3.1 million for Anesthesia Units throughout the District, \$2.8 million for the system-wide patient bed replacement program, and \$2.4 million for system-wide pharmacy renovations.

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Capital assets at June 30, 2022 and 2021, are as follows:

	2022	2021
	(In thousands of dollars)	
Land and land improvements	\$ 90,797	\$ 69,697
Buildings and building improvements	860,392	848,781
Equipment, as adjusted (note 2)	572,844	550,267
Financed purchase assets, as adjusted (note 2)	13,242	11,849
Intangible right-to-use leased assets, as adjusted (note 2)	32,670	21,211
	1,569,945	1,501,805
Less accumulated depreciation/ amortization, as adjusted (note 2)	(996,491)	(942,549)
	573,454	559,256
Construction-in-progress	26,386	17,246
	\$ 599,840	\$ 576,502

More detailed information about the District's capital assets is presented in Note 5 within the accompanying financial statements.

Revenues, Expenses, and Changes in Net Position

While the statements of net position show all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, the statements of revenues, expenses, and changes in net position provide answers to the nature and source of the changes of net position.

The following table presents the District's condensed statements of revenues, expenses, and changes in net position for fiscal years 2022 and 2021:

	2022	2021
	(In thousands of dollars)	
Operating revenues	\$ 1,296,503	\$ 1,050,686
Operating expenses	1,455,863	1,155,475
Operating loss	(159,360)	(104,789)
Unrestricted property tax revenue	179,548	153,014
Other nonoperating revenue (expense), net	(62,207)	122,375
CARES act stimulus	4,073	40,911
Capital contributions	538	444
Increase / (decrease) in net position	(37,408)	211,955
Net position:		
Beginning of year	1,129,825	917,870
End of year	\$ 1,092,417	\$ 1,129,825

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Management's Discussion of Recent Financial Performance

Overview – Fiscal Year 2022 as Compared to Fiscal Year 2021

In fiscal year 2022, the District experienced a decrease in net position of \$37.4 million, as compared to increases in net position of \$211.9 million in 2021. Management continued its focus executing its strategic plan, expense and efficiency controls, and improvement in revenue cycle management.

Patient Volumes

Volumes continue to recover from the COVID-19 Pandemic as compared to FY 2021. Inpatient admits increased by 6.2% or 3,019 and observation admissions increased by 8.9% or 2,434 cases. In all, total hospitalizations increased by 7.2% or 5,453 cases.

Medicare inpatient volume, as measured by admissions, were slightly above FY 2021 by 0.3%, or 24 cases. Medicare observation cases were slightly below FY 2021 by 0.1% or 3 cases. Total hospitalized Medicare patients (admissions plus observation cases) increased slightly by 0.2% or 21 cases. Correspondingly, Medicare Advantage inpatient volumes as measured by admissions increased from FY 2021 by 13.4% or 1,253 cases. Medicare Advantage observation cases increased from FY 2021 by 10.4% or 813 cases. Total hospitalized Medicare Advantage patients (admissions plus observation cases) increased by 12.6% or 2,058 cases. There was a 0.9% decrease in the Medicare case mix index from year to year, measured by the Medicare Severity Diagnostic Related Groups (MS-DRGs).

During the 2015 Florida Legislative session, measures were approved that have resulted in significant changes to the Medicaid program (Medicaid Reform). The plan results in all Medicaid beneficiaries being enrolled in a managed care Medicaid plan. Overall Medicaid, including Managed Medicaid admissions, increased over the prior year by 874 cases, or 7.8%. The District continues its efforts of the Medicaid Eligibility Unit, the Medical Options for Patient Eligibility Department, and the Department of Children and Families (DCF), working to process applications in a more timely fashion and providing additional access for patients to apply for Medicaid or the healthcare exchange marketplace.

Managed care, including commercial payers, the District's largest payer category, increased by 974 admissions, or 7.4%, in fiscal year 2022. Managed Care observation cases increased from FY 2021 by 8.4% or 755 cases. Total hospitalized Managed Care patients (admissions plus observation cases) increased by 7.8% or 1,729 cases.

Total system OP visits overall increased by 9% or 70,633 visits. Total medical center outpatient visits increased by 13% or 48,253 visits, driven primarily by an increase in emergency room visits. Non-medical center outpatient visits increased by 22,410 or 5.4%. Primary driver is an increase in physician office visits of 10.1% or 25,388 visits.

Operating Revenues

Net patient revenue increased from \$924.6 million in fiscal year 2021 to \$1.089.9 billion in fiscal year 2022.

Medicare net revenue increased by \$3.6 million, or 2.1%. Managed Care Medicare net revenue increased by \$40.8 million, or 20.7%. Medicaid net revenue (including Managed Care Medicaid net revenue)

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

increased over the prior fiscal year by \$22.7 million, or 21.7%. Patient revenue was complemented by additional revenue received from the LIP and DSH programs totaling \$33 million, a decrease from the prior fiscal year of \$2.3 million, and new funding for DPP PHP and IME totaling an additional \$50.5m.

During fiscal year 2022, charity care and other uncompensated funding costs increased by \$60.1 million or 14.0%, and all related government funding sources increased by \$104.7 million or 31.5%. Overall community benefit costs in excess of government funding decreased by \$44.7 million or 46.8%. Cost to care for documented COVID+ patients that were unqualified for other assistance were reimbursed through the HRSA program in the amount of \$10.3 million.

Operating Expenses

Operating expenses increased by \$300.3 million, or 26%, the year-over-year increase is primarily driven by a one-time favorable adjustment in FY 2021 of \$110 million to the OPEB liability. Other material drivers include the increased cost for labor and supply costs due to supply and demand issues effecting the price points of these critical resources The District continued to emphasize cost-conscious initiatives without sacrificing the delivery of patient care.

Salaries and wages (inclusive of purchased service and temporary labor) increased from \$622.7 million in fiscal year 2021, to \$ 772.9 million in fiscal year 2022, or a 24.1% increase largely driven by a higher level of acuity in the patient population coupled with the supply and demand issues in labor driving up the cost in the form of increased rate and the need to use outside/temporary labor at a higher premium. driven by the pandemic. Benefits increased by \$ 114.8 million due primarily to a one-time OPEB favorable liability reduction of \$110 million in FY 2021. Productive hours per adjusted patient days experienced a slight decrease at 26.2 in FY 2022 vs. 27.8 in FY 2021. Salaries, wages and employee benefits as a percentage of net patient revenues were 66.8% and 57.3% for fiscal years 2022 and 2021, respectively. The primary driver of year-over- year increase is due to FY 2021 \$110 million OPEB adjustment.

Supply expense represents the next largest expense category for the District and is equally impacted by the care and prevention of COVID-19 during the pandemic. Supply expense increased from \$250.3 million in fiscal year 2021 to \$275.1 million in fiscal year 2022. The increase of \$24.8 million, or 9.9% was driven by increases in drug cost such as Remdesivir, which were directly related to the care and treatment of COVID-19 patients, as well as CPI increases in supply expense overall due to global supply and demand issues. Supply expense as a percent to net operating revenue decreased from 23.5% in fiscal year 2021 to 21% in fiscal year 2022.

All other fees increased by \$5.6 million compared to FY 2021, the primary driver being an increase in purchased outside services.

Ad Valorem Tax Revenue

For fiscal years 2022 and 2021, ad valorem tax revenues totaled \$179.5 million and \$153.0 million, respectively. As described in Note 16 to the financial statements, the District annually levies and collects ad valorem taxes for the general support of its operations, as approved by the Board. The tax rates set by the Board for fiscal years 2022 and 2021 were 1.2770 mills and 1.1469 mills, respectively. In July 2022, taxable property values within the District's geopolitical boundaries increased from \$146.0 billion to

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

\$153.9 billion, or 5.4%. In July 2022, the Broward County property appraiser released to the District the taxable property valuations for 2022/2023. These values increased to \$172.2 billion, an increase of 11.9%.

Interest Expense

Interest expense in fiscal year 2022 was \$17.1 million, as compared to \$16.9 million in fiscal year 2021, an increase of \$0.247 million, or 1.5%.

Liquidity and Cash Position

Management continues to drive improvement of the District's financial position, with cash being the focal point.

Although Broward Health has maintained a strong statement of net position and cash reserves sufficient to withstand any unforeseen business disruption, management secured a line of credit in FY 2020, with a bank for up to \$50 million which it maintains at FYE 2022.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund was signed into law to provide temporary and limited relief to individuals and businesses impacted by the pandemic, including the appropriation of funds for healthcare providers for reimbursement of expenses and lost revenue attributable to COVID-19. In total, as of June 30, 2022, Broward Health received \$82.7 million under the CARES Act with \$4.1 million received during FY 2022 from federal resources.

Broward Health also opted to participate in the Medicare Accelerated Payment Program and the Employer Payroll Tax Deferral Provisions also authorized under the CARES Act. Broward Health received \$78.6 million in accelerated Medicare payments through June 30, 2020. As of June 30, 2022, the District has repaid \$58.5 million. The remainder is expected to be repaid in fiscal year 2023. \$22.1 million in employer payroll taxes were deferred during the pandemic, and as of June 30, 2022, \$11.1 million of these funds have been repaid. The remainder is expected to be repaid in fiscal year 2023.

At June 30, 2022, unrestricted cash and investments totaled \$757.9 million, a decrease of \$194.8 million compared to FY 2021's total of \$952.6 million. Days cash on hand (DCOH) also decreased from 312 days at June 30, 2021, to 196.3 days at June 30, 2022. The decrease in cash and DCOH was primarily due to market depreciation on investments and repayment of Medicare accelerated payment and deferred employer payroll tax dollars. Cash to debt decreased to 237% as of June 30, 2022, from 306% as of June 30, 2021. Average days' net revenue in accounts receivable increased to 53.1 days as of June 30, 2022, from 47.3 days as of June 30, 2021.

Credit Ratings

The District has received underlying credit ratings of Baa2, Positive Outlook and A-, Stable Outlook from Moody's Investors Service and Standard & Poor's, respectively. Standard & Poor's updated the rating from BBB+, Stable Outlook during fiscal year 2022.

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Request for Information

This report is designed to provide a general overview of the District's finances. Questions or requests for additional information should be made in writing to the Chief Financial Officer at Broward Health, 1800 NW 49th Street, Suite 110, Fort Lauderdale, Florida 33309.

BASIC FINANCIAL STATEMENTS

NORTH BROWARD HOSPITAL DISTRICT

Statement of Net Position

June 30, 2022

(In thousands of dollars)

Assets

Current assets:	
Cash and cash equivalents	\$ 64,180
Cash and investments externally restricted by donors	13,928
Short-term investments	478,139
Assets whose use is limited, required for current liabilities – investments	9,763
Due from patients and others, net of allowance for uncollectibles of \$237,142	182,474
Inventories	33,760
Estimated third-party payor settlements	78,947
Other current assets	<u>36,524</u>
Total current assets	<u>897,715</u>
Assets whose use is limited – cash and investments:	
Amounts designated for self-insurance	<u>39,551</u>
	39,551
Less amount required to meet current obligations	<u>(9,763)</u>
Assets whose use is limited, net	<u>29,788</u>
Investments	215,532
Capital assets, net	599,840
Net pension asset	51,172
Other assets	<u>50,633</u>
Total noncurrent assets	<u>917,177</u>
Total assets	<u>\$ 1,844,680</u>

Deferred Outflows of Resources

Loss on debt refundings	\$ 16,894
Deferred pension amounts	6,844
Deferred other postemployment benefits	<u>17,876</u>
Total deferred outflows of resources	<u>\$ 41,614</u>

Liabilities

Current liabilities:	
Current maturities of revenue bonds payable	\$ 5,815
Accounts payable and accrued expenses	133,877
Accrued salaries, benefits, and payroll taxes	59,578
Accrued personal leave	30,608
Current portion of lease obligations	9,652
Estimated third-party payor settlements	65,176
Current portion of self-insurance program liability	9,763
Interest payable	<u>45</u>
Total current liabilities	314,514
Revenue bonds, net of current maturities	316,496
Lease obligations, net of current portion	12,570
Self-insurance program liability, net of current portion	23,852
Other postemployment benefit program liability	<u>57,845</u>
Total liabilities	<u>\$ 725,277</u>

Deferred Inflows of Resources

Deferred pension amounts	\$ 21,544
Deferred other postemployment benefits	21,070
Leases	<u>25,986</u>
Total deferred inflows of resources	<u>\$ 68,600</u>

Net Position

Net investment in capital assets	\$ 272,201
Restricted for donor restrictions	19,614
Restricted for pension	36,472
Unrestricted	<u>764,130</u>
Total net position	<u>\$ 1,092,417</u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

(In thousands of dollars)

Operating revenues:	
Net patient service revenue (net of provision for uncollectible accounts of \$300,148 in 2022)	\$ 1,175,832
Other operating revenue	<u>120,671</u>
Total operating revenues	<u>1,296,503</u>
Operating expenses:	
Salaries	623,856
Employee benefits	102,866
Professional fees	64,004
Purchased services and temporary labor	149,104
Outside services	36,010
Supplies	275,126
Insurance	11,962
Utilities	20,718
Repairs and maintenance	18,758
State assessments	12,909
Depreciation and amortization	59,958
Other	<u>80,592</u>
Total operating expenses	<u>1,455,863</u>
Operating loss	<u>(159,360)</u>
Nonoperating revenues (expenses):	
Ad valorem tax revenue	179,548
Investment income, net	(44,467)
Interest expense	(17,117)
CARES Act Stimulus	4,073
Other	<u>(623)</u>
Total nonoperating revenues	<u>121,414</u>
Loss before capital contributions	(37,946)
Capital contributions	<u>538</u>
Decrease in net position	(37,408)
Net position:	
Beginning of year, as adjusted (note 2)	<u>1,129,825</u>
End of year	<u><u>\$ 1,092,417</u></u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statement of Cash Flows

Year ended June 30, 2022

(In thousands of dollars)

Cash flows from operating activities:	
Receipts from third-party payors and patients	\$ 1,098,165
Payments to employees	(735,583)
Payments to suppliers and contractors	(585,547)
Other receipts and payments, net	<u>43,831</u>
Net cash used in operating activities	<u>(179,134)</u>
Cash flows from noncapital financing activities:	
Medicaid county funding	(8,563)
Ad valorem property taxes, net	179,763
Net contributions receipts	3,737
CARES Act Stimulus	4,073
Medicare accelerated (repayments)	(50,596)
Other	<u>1,713</u>
Net cash provided by noncapital financing activities	<u>130,127</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(71,017)
Proceeds from disposal of capital assets	59
Payments of interest on revenue bonds and lease facilities	(15,756)
Principal paid on revenue bonds and lease facilities	(15,507)
Capital contributions	<u>538</u>
Net cash used in capital and related financing activities	<u>(101,683)</u>
Cash flows from investing activities:	
Interest and dividends on investments and assets whose use is limited	11,091
Purchases of investments	(285,877)
Proceeds from the sale and maturity of investments	<u>425,011</u>
Net cash provided by investing activities	<u>150,225</u>
Net decrease in cash and cash equivalents	(465)
Cash and cash equivalents:	
Beginning of year	<u>82,660</u>
End of year	<u>\$ 82,195</u>

See accompanying notes to the financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statement of Cash Flows (Continued)

Year ended June 30, 2022

(In thousands of dollars)

Reconciliation of cash and cash equivalents to statement of net position:

Cash and cash equivalents	\$	64,180
Cash and cash equivalents included in cash and investments externally restricted by donors		13,327
Cash and cash equivalents included in assets whose use is limited - Cash and investments		4,688
Amounts designated for self-insurance		<u>4,688</u>
Total cash and cash equivalents	\$	<u><u>82,195</u></u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$	(159,360)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		59,958
Provision for uncollectible accounts		300,148
Other		34
Changes in assets and liabilities:		
Due from patients and others		(318,218)
Inventories		2,407
Other assets		6,413
Accounts payable and accrued expenses		(3,198)
Accrued salaries, benefits, and payroll taxes		(447)
Accrued personal leave		103
Estimated third-party payor settlements		(59,598)
Self-insurance program liability		1,141
Net pension asset/liability and related deferred outflows and inflows		(8,240)
Other postemployment benefit program liability and related deferred outflows and inflows		<u>(277)</u>
Net cash used in operating activities	\$	<u><u>(179,134)</u></u>

Supplemental noncash investing, capital, and financing activities:

Property and equipment acquired through accounts payable	\$	1,512
Property and equipment acquired through lease obligations		11,159
Property and equipment acquired through financed purchases		1,393
Property and equipment acquired through donation		1,219
Lease receivables and deferred inflows		8,590
Change in fair value of investments		(94,312)

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT
Statement of Fiduciary Net Position – Pension Trust Fund
June 30, 2022
(In thousands of dollars)

Assets

Current assets:	
Cash and cash equivalents	\$ 2,963
Accrued interest receivable	764
Investments:	
Fixed income	64,368
Stocks	9,170
Real estate	55,992
Infrastructure	32,231
Mutual funds	170,630
Alternative investments	59,289
Total investments	<u>391,680</u>
Total assets	<u>\$ 395,407</u>

Liabilities and Net Position Restricted for Pensions

Payables:	
Accrued expenses	\$ <u>909</u>
Total liabilities	<u>909</u>
Total net position	<u><u>\$ 394,498</u></u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statement of Changes in Fiduciary Net Position – Pension Trust Fund

Year ended June 30, 2022

(In thousands of dollars)

Additions:

Contributions:

Employer contributions \$ 2,688

Investment income:

Interest and dividends 6,679

Net decrease in fair value of investments (24,212)

Net investment loss (17,533)

Total additions (14,845)

Deductions:

Benefit payments 32,007

Administrative expenses 2,682

Total deductions 34,689

Net decrease in net position (49,534)

Net position restricted for pension:

Beginning of year 444,032

End of year \$ 394,498

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

(1) Organization and Description of Business

Reporting Entity

North Broward Hospital District, (the District) d/b/a Broward Health, is a special independent taxing district created pursuant to Chapter 27438, Laws of Florida, Special Acts of 1951, as amended (the Act), for the purpose of establishing and operating the necessary health facilities for the preservation of the public health and well-being of the citizens of the District. Governance and management of the District are independent of metropolitan county and city governments. The governing body of the District is the Board of Commissioners (the Board), composed of seven members appointed by the Governor of Florida.

For financial reporting purposes, the accompanying financial statements include all of the operations of the District and its hospital system as a governmental unit. The District is considered a separate reporting entity since the Board exercises complete control. Such control was determined on the basis of the Board's ability to significantly influence operations; select the senior executive management; participate in the fiscal management of the entity; exercise budgetary and taxing authority; as well as determine the scope of services to be provided to the community, as defined by the Act.

These financial statements include the activity of the District and its integrated healthcare services system, which includes the operations of the Hospital Division, Community Health Services Division, Physician Services Division, and Insurance Management Division. All significant intercompany transactions have been eliminated.

The Pension Trust Fund is a fiduciary fund used to account for the assets held in trust for the benefit of employees of the District who participate in the Plan (Note 10).

Hospital Division

The Hospital Division includes the operations of Broward Health Medical Center (BHMC), a 716-bed acute care facility; Broward Health North (BHN), a 409-bed acute care facility; Broward Health Imperial Point (BHIP), a 204-bed acute care facility; and Broward Health Coral Springs (BHCS), a 250-bed acute care facility. Included within hospital operations are a rehabilitation distinct part unit at BHN, a psychiatric distinct part unit at BHMC and BHIP, trauma services at BHMC and BHN and an approved residency training program with multiple specialties through the Broward Health system.

Broward Health Weston is an outpatient facility with multiple specialties, which provides urgent care, radiology, and women's center services.

Community Health Services Division

The Community Health Services Division, through contractual arrangements with Broward County, operates the Cora E. Braynon Family Health Center and the Annie L. Weaver Health Center. The Annie L. Weaver Health Center offers adult primary care services to the community, and the Cora E. Braynon Family Health Center provides prenatal care services. The District also provides physician services to older adults and homeless populations through the Medivan program. In FY22 HRSA (Health Resource and Service Administration) granted FQHC (Federally Qualified Health Centers) designation to Community Health Services.

The District also owns and operates other Community Health Services facilities for the benefit of the community. The District is the sole member of the Children's Diagnostic and Treatment Center (CDTC),

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

which provides an array of pediatric professional services to patients suffering from developmental, substance abuse, HIV/AIDS-related, and other medical conditions. The primary sources of funding for CDTC are a variety of federal, state, and local grants. CDTC is considered a component unit of the District because the Board appoints the voting majority of the board of directors of CDTC and the District has the ability to impose its will on CDTC. CDTC is reported as a blended component unit of the District as it provides services that benefit the District, even though they are not provided directly to the District.

The District, through ownership and partnerships, operates several group practices, which provide family and internal medicine services, and the Comprehensive Care Center, which offers primary care services to adult patients afflicted by HIV or AIDS.

Physician Services Division

The Physician Services Division is responsible for employing physicians to meet the needs of the community and provide services to patients. The services provided include primary care and a broad range of specialist care, including, but not limited to, cardiology, pediatrics, transplant, oncology, orthopedic, and surgical.

Other

The District established a separate not-for-profit corporation, North Broward Hospital District Charitable Foundation, Inc. (Broward Health Foundation). Broward Health Foundation's mission is to improve the health of its community by providing resources to promote, support, and enhance the programs and initiatives of the District. Contributions raised by the Broward Health Foundation assist the District in its continuous effort to provide world-class healthcare to its diverse population. Broward Health Foundation is considered a component unit of the District because the Board appoints the voting majority of the board of directors of Broward Health Foundation and the District has the ability to impose its will on Broward Health Foundation. Broward Health Foundation is reported as a blended component unit of the District because it provides services exclusive to the District.

The District established a separate not-for-profit corporation, Broward Health ACO Services, Inc. (BH ACO). The purpose of the BH ACO is to provide healthcare services through independent contractors and others to patients pursuant to contracts with third-party payors. BH ACO is considered a component unit of the District because the Board appoints the voting majority of the board of directors of BH ACO and the District has the ability to impose its will on BH ACO. BH ACO is reported as a blended component unit of the District as the governing body of BH ACO is substantially the same as the District and the District has operational responsibility for BH ACO.

Joint Venture

The District is an equal partner of the Community Care Plan (CCP), a managed care network governed by an agreement between two governmental entities: the District and the South Broward Hospital District. CCP administers various programs, including the Title XXI – Children Medical Services Network, Title XIX – Children Medical Services Medicaid Network, and the Provider Service Networks (PSN) operating under Florida's Medicaid Reform program. The PSN is a network of hospitals, physicians, and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees in Broward County. Activity from CCP is accounted for as an investment and is included in other assets.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

(2) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the District in the presentation of the basic financial statements:

(a) *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting. Significant intercompany accounts and transactions have been eliminated.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity at the date of purchase of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust or donation agreements.

(c) *Investments*

Investments typically consist of common stocks, preferred stocks, depository receipts (American Depository Receipts and Global Depository Receipts), mutual funds, corporate bonds, U.S. government securities, and U.S. government agency securities, time deposits with Board-approved financial institutions, commercial paper, money market funds, asset-backed securities, variable-rate demand obligations, hedge funds, pooled real estate vehicles, pooled infrastructure vehicles, and private equity funds, as authorized by state statute.

Investments are reported at fair value. The District classifies investments in debt and equity securities in the accompanying statements of net position based on maturities (for debt securities) and based on management's reasonable expectation with regard to these securities. Securities that are not available to be used for current operations are classified as non-current. Interest, dividends, and gains and losses on such debt and equity investments, both realized and unrealized, are included in non-operating revenues when earned.

As of June 30, 2022, the equity investments in private equity, real estate investments, infrastructure investments and hedge funds make up approximately 7.5%, 11.1%, 5.3%, and 2.7%, respectively, of total cash and cash equivalents and investments in the accompanying statement of net position. Because private equity, real estate investments, infrastructure investments, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statements of revenue, expenses, and changes in net position as investment income, net, in the period such fluctuations occur.

(d) *Assets Whose Use is Limited – Cash and Investments*

These assets are reported at fair value and include cash, cash equivalents, and investments whose use is limited by time or action, including assets set aside by the Board for future payment of self-insurance liabilities and assets held by trustees under bond agreements.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

(e) Net Patient Accounts Receivable

The District reports net patient accounts receivable at its estimated net realizable value due from patients, third-party payors, and others for services rendered. The provision for uncollectible accounts is based upon management's assessment of historical and expected collections, considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Management regularly assesses the adequacy of the allowance for uncollectible accounts based upon these indicators. The results are used to establish an adequate allowance. Specific patient accounts identified as uncollectible are written off directly to the patient accounts receivable.

(f) Inventories

Inventories, consisting primarily of pharmaceutical, medical, and surgical supplies, are stated at the lower of cost (computed on a first-in, first-out basis) or fair value.

(g) Other Current Assets

Other current assets consist primarily of property tax receivables, prepaid expenses, and deposits in the ordinary course of business.

(h) Capital Assets

Capital assets are stated at cost or, if donated, at fair value on the date of donation, less the allowance for depreciation. Depreciation is computed on the straight-line method using estimated useful lives as summarized below:

	Estimated Useful Lives
Land improvements	5–25 years
Buildings and building improvements	5–40 years
Equipment	3–20 years
Equipment held under capital lease	3–15 years

Amortization expense of right-to-use leased assets and financed purchases are included within depreciation and amortization in the statements of revenues, expenses, and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Expenditures for repairs and maintenance are charged to operating expenses when incurred.

(i) Impairment

Capital assets are reviewed for impairment in accordance with the methodology prescribed in Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Asset impairment, as defined by this standard, is a significant, unexpected decline in the service utility of a capital asset and is not a function of the recoverability of the carrying amount of the asset. Service utility is the usable capacity of the asset that was expected to be used at the time of acquisition and is not related to the level of actual utilization, but the capacity for utilization. Indicators that the service utility of an asset has significantly declined include: (a) evidence of physical damage; (b) changes in legal or environmental circumstances; (c) technological development or evidence of obsolescence; (d) a

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

change in the manner or expected duration of use of the asset; and (e) construction stoppage. The District has determined that no capital asset impairment exists at June 30, 2022.

(j) *Deferred Outflows and Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. Notwithstanding these similarities, deferred outflows of resources are not assets and deferred inflows of resources are not liabilities and, accordingly, are not included in those sections of the accompanying statement of net position, but rather, are separately reported.

(k) *Accrued Personal Leave*

The District provides accrued time off to eligible employees and those anticipated to be eligible for vacations, holidays, short-term illness, and personal business depending on their years of continuous service and their payroll classification. No more than two years' annual accumulation of personal leave time is permitted for each eligible employee. The District accrues the estimated expense related to personal leave based on pay rates currently in effect. Upon termination of employment, employees will have their eligible accrued personal leave paid in full.

(l) *Pensions and Other Postemployment Benefits (OPEB)*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's defined-benefit pension plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, amounts have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

(m) *Net Position*

Net position is categorized as "net investment in capital assets," "restricted for donor restrictions," "restricted for pension," and "unrestricted." Net investment in capital assets is intended to reflect the portion of net position that is associated with capital assets, reduced by the outstanding balances due on borrowings that are attributable to the acquisition, construction, or improvement of those assets, as well as the deferred outflow of resources related to loss on refunding. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources, if any, related to those assets. Restricted for pension are net amounts related to the defined benefit pension plan. The restrictions placed in the use of these assets are through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, constitutional provisions, or enabling legislation. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

(n) *Classifications of Revenues and Expenses*

The District's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, the District's principal activity. Non-exchange revenues, including property taxes, certain grants, and donations, are reported as non-operating revenues. Grants and donations received for the purpose of acquiring or constructing capital assets are recorded below non-operating revenues as capital contributions. Operating expenses are all expenses incurred to provide healthcare services, excluding financing costs.

(o) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The District presents its provision for uncollectible accounts as a direct reduction to net patient service revenue.

The District has agreements with numerous third-party payors that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and amounts reimbursed by third-party payors. Such 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. A summary of the basis of reimbursement with major third-party payors is as follows:

Medicare

The District's healthcare facilities participate in the Federal Medicare program (Medicare) administered by CMS. Approximately 39.4% of the District's net patient service revenue was derived from services to Medicare beneficiaries in fiscal year 2022, (inclusive of HMO products). Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Effective for discharges occurring on or after January 27, 2020, the Medicare program began to reimburse an additional 20% for COVID-19 positive patients as an add-on to the DRG payment for these cases under Section 3710 of the CARES Act. This increase in reimbursement will continue through the duration of the COVID-19 period. CMS has provided specific diagnosis codes for the billing of these services before and after March 31, 2020. Effective September 1, 2020, the guidance was updated to include the requirement of a positive COVID-19 laboratory test and effective November 1, 2020, the guidance was updated to include a procedure code indicating the treatment included Remdesivir and/or Convalescent Plasma in order to obtain the 20% add-on. Medicare also began to reimburse for COVID-19 testing and treatment related to Uninsured COVID-19 patients at fee for service rates, effective February 4, 2020, subject to available funding.

Inpatient Acute, Inpatient Exempt, Outpatient, and Defined Capital Costs related to services provided to Medicare beneficiaries are reimbursed based upon a variety of prospective reimbursement methodology systems. The health care facilities' classification of patients under the Medicare program

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

and the appropriateness of their admission and services are subject to an independent review based on detailed and specific criteria. As of June 30, 2022, the Medicare cost reports were final audited, pending final settlement, by the health care facilities' Medicare fiscal intermediary through June 30, 2018 for all facilities. In fiscal year 2022, the District recorded increases to net patient service revenue related to various prior year Medicare settlements of \$6.1 million.

Medicaid

Approximately 15% of the District's net patient service revenue was derived under the Medicaid program for fiscal year 2022, (inclusive of HMO products, Disproportionate Share Hospital and Low Income Pool). Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based upon prospectively determined rates. Inpatient per discharge services are paid using APR-DRG's effective July 1, 2013, while outpatient utilizes Enhanced Ambulatory Patient Groupings (EAPG's) effective July 1, 2017. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Prior to these prospective type systems, health care facilities were reimbursed for Medicaid services based on a tentative rate sheet calculation, with final settlement determined after submission of annual cost reports by the health care facilities and audits by the Medicaid fiscal intermediary. The Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2015, for BHMC, BHN, BHIP, and BHCS and they have been processed by AHCA for the applicable inpatient and outpatient rate periods.

In addition to the prospectively determined rates received by the District for the provision of health care services to Medicaid beneficiaries, the State of Florida provided additional supplemental payments of \$85.9 million to Broward Health for Disproportionate Share, Low Income Pool, Graduate Medical Education initiatives, Direct Payment Program and Physician Hospital Payment during fiscal year 2022. These payment adjustments are to help cover the additional costs associated with treating the Medicaid population in the District's service area and these amounts are reflected in net patient service revenues in the accompanying statement of revenue, expenses, and changes in net position.

Other Third-Party Payors

The District has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and capitation.

(p) Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (Note 14).

(q) Ad Valorem Tax Revenue

Property taxes are levied by Broward County on the District's behalf annually. Amounts levied are based on assessed property values as of the preceding year. The District collects the ad valorem taxes for the general support of its operations, as approved by the Board. Property taxes are recognized under the accrual method of accounting, wherein the tax levy is recognized as unearned revenue at the date of assessment, less a reserve for estimated discounts (Note 16), and amortized into income over the respective year.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

(r) *Restricted Donations*

Donations received by the District for specific operating purposes or property and equipment acquisitions are reported as nonoperating revenue or capital contributions, as appropriate, in the period received, and all eligibility requirements have been met. Balances are reported as restricted for as long as the donor's restrictions remain in effect.

(s) *Grant Funding*

The District receives grants from federal and state funding agencies. Grant revenue received before the eligibility requirements are met is reported as unearned revenue or deferred inflows of resources, as appropriate, and is recognized as revenue in the period that the eligibility requirements have been met. Grant revenue and other contributions received for the purpose of acquiring or constructing capital assets are reported as capital contributions, below non-operating activities.

(t) *Risk Management*

The District is exposed to various risks from torts including allegations of personal injury, medical malpractice, property loss, destruction of assets, business interruption, errors and omissions, worker's compensation claims, employer's liability for alleged wrongful termination of employees or other wrongful acts, natural disasters, communicable diseases, employee healthcare, etc. Many layers of excess commercial insurance coverage are purchased; however, most claims resolve well within Broward Health's self-insurance retention. In the past three (3) years no settled claim has penetrated or required the use of excess indemnity insurance.

(u) *Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The District considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient revenue; valuation of accounts receivable, including contractual allowances and provisions for bad debt; reserves for losses and expenses related to healthcare, professional, workers' compensation, and general liabilities; valuation of pension and other retirement obligations; valuation of alternative investments; recognition of CARES Act Stimulus funds and estimated third-party payor settlements. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ from those estimates.

(v) *Income Taxes*

The District is not subject to income tax.

(w) *Subsequent Events*

The District has evaluated the impact of subsequent events through October 26, 2022, the date on which the financial statements were issued.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

(x) *New Accounting Pronouncements*

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement are effective for fiscal years beginning after June 15, 2021. The District adopted this statement for fiscal year ended June 2022, which resulted in a net prior period adjustment of \$51 thousand.

The effect of adopting GASB 87 as of July 1, 2021, was as follows (in thousands of dollars):

Net Position at June 30, 2021, as previously reported	\$ 1,129,774
Net increase in capital assets	10,787
Net increase in lease obligations	(10,904)
Net increase in lease receivables and deferred inflows	<u>168</u>
Effect of adoption	<u>51</u>
Net Position at June 30, 2021, as adjusted	<u>\$ 1,129,825</u>

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB statements. The statement made changes as follows effective for periods beginning after June 15, 2021; the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74; the requirements related to application of Statement 84, to postemployment benefit arrangements, and those related to nonrecurring fair value measurements of assets or liabilities; and the requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisitions occurring after the effective date. Additionally, the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments, are effective upon issuance. Early application is encouraged and is permitted by topic. The adoption of the provisions of this statement that were effective immediately during fiscal year ended June 30, 2020, had no financial impact on the District's financial statements. The adoption of the provisions of this statement that were effective for fiscal year ended June 30, 2022, had no financial impact on the District's financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this statement are to establish accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs), including the London Interbank Offered Rates (LIBOR), for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirement of this statement for the removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The adoption of the provisions of this statement effective for fiscal year ended June 30, 2021, had no impact on the District's financial statements. The adoption of the provisions of this statement that were effective for fiscal year ended June 30, 2022, had no financial impact on the District's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and to provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government perform the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this statement are effective immediately while other requirements are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by specific requirements. The adoption of the provisions of this statement that were effective immediately during fiscal year ended June 30, 2020, had no financial impact on the District's financial statements. The adoption of the provisions of this statement that were effective for fiscal year ended June 30, 2022, had no financial impact on the District's financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements, including: accounting and financial reporting for exchange or exchange-like financial guarantees; certain derivative instruments that are neither hedging derivative instruments nor investment derivative instruments; and clarification of certain provisions of: GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 87, and GASB Statement No. 96. The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in GASB Statement No. 34, and terminology updates, are effective immediately. The requirements related to GASB Statement No. 87 and GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objectives of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

NORTH BROWARD HOSPITAL DISTRICT

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(3) Cash, Cash Equivalents, and Investments

The composition and credit ratings of the District's cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2022, is as follows:

	Fair Value	Investment Maturities			
		Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 45,830	—	13,557	18,487	13,786
Corporate bonds	79,725	10,467	44,970	12,813	11,475
Mortgage-backed securities	42,424	—	2,794	2,896	36,734
	167,979	10,467	61,321	34,196	61,995
Common stock	17,822				
Mutual funds	327,422				
Private equity	60,508				
Hedge funds	22,234				
Real estate	90,205				
Infrastructure	42,975				
Money markets	46,265				
Bank deposits	35,920				
	<u>\$ 811,330</u>				

	Fair Value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 45,830	42,512	—	—	—	—	3,318
Corporate bonds	79,725	3,388	2,032	27,534	38,426	1,076	7,269
Mortgage-backed securities	42,424	10,965	—	—	—	73	31,386
	<u>\$ 167,979</u>	<u>56,865</u>	<u>2,032</u>	<u>27,534</u>	<u>38,426</u>	<u>1,149</u>	<u>41,973</u>

NORTH BROWARD HOSPITAL DISTRICT

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Cash, cash equivalents and investments are disclosed on the statement of net position as follows:

	<u>2022</u>
	(In thousands of dollars)
Cash and cash equivalents	\$ 64,180
Cash and investments externally restricted by donors	13,928
Short-term investments	478,139
Amounts designated for self-insurance (including current portion of \$9,763)	39,551
Investments	<u>215,532</u>
Total	<u>\$ 811,330</u>

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed-income securities are sensitive to credit risk and changes in interest rates.

a) Credit Risk

Florida Statutes section 218.415 provides for each unit of local government or political subdivision to adopt investment policies that are commensurate with the nature and size of public funds within their custody. These policies must include consideration for safety of capital liquidity of funds within their custody, diversification of investments, investment income, maturity requirements, and performance measurement. The District has a Board-approved policy for the investment of funds. In accordance with this policy, the District invests in marketable fixed-income securities rated in the first four credit quality grades as established by one or more of the nationally recognized bond rating services. Securities downgraded by any of these rating agencies subsequent to purchase resulting in a violation of the investment quality guidelines may be at the discretion of the professional investment managers retained by the District. However, written notice including the investment manager's rationale shall be promptly submitted to the District's Investment Committee.

b) Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the District's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2022, the District did not have any investments that equaled or exceeded this threshold. The investment policy includes an overall asset deployment policy which sets allowable ranges per asset class. During fiscal year 2018, the Board approved a new asset allocation plan. The asset allocation continues to be monitored and managed. The approved asset allocation includes an overall asset deployment target which sets allowable ranges per asset class. Liquid asset allocation may include up to: Large Cap Equity (9% – 19%), Small/Mid-Cap Equities (0% – 11%), International Equities (7% – 17%), Emerging Market Equities (0% – 8%), Core Fixed Income (15% – 25%), Unconstrained Fixed Income including High Yielding (5% – 15%), Real Estate (7% – 17%),

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Hedge Funds (0%–5%), Private Equity (5% – 10%), Multi Asset Class Solution (MACS) (2% – 12%), and Infrastructure (0% – 10%).

c) Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Refer to the distribution of the District's investment in fixed-income securities by maturity as of June 30, 2022, in the preceding investment composition table.

d) Foreign Currency Risk

The District's investment policy allows for the investment in international equity securities. The District's exposure to foreign currency risk is partially mitigated through investments in depository receipts and forward foreign currency contracts.

e) Custodial Credit Risk

Investments

As of June 30, 2022, the District's investments were not exposed to custodial credit risk since the full amount of investments were insured or registered in the District's name.

Deposit Risk

In addition to insurance provided by the Federal Depository Insurance Corporation, all demand deposits are held in banking institutions approved by the State of Florida state treasurer to hold public funds. Under the Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* (Chapter 280), the state treasurer requires all qualified public depositories to deposit with the treasurer, or another banking institution, eligible collateral equal to amounts ranging from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses in excess of amounts insured and collateralized. At June 30, 2022, the District's deposits were entirely covered by federal depository insurance or by collateral pledged with the state treasurer pursuant to Chapter 280, *Florida Statutes*.

(4) Fair Value Measurements

The North Broward Hospital District values its investments in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The pronouncement 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 at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

NORTH BROWARD HOSPITAL DISTRICT

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The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market with daily pricing that a government can access at the measurement date. At June 30, 2022, the type of investments included in Level 1 consists of money market accounts, bank deposits, and debt and equity securities.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date but are not the same as those used in Level 1. Inputs within Level 2 of the fair value hierarchy include inputs that are directly observable for an asset or liability (including quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for the asset and liability. Fair value is determined through the use of models or other valuation methodologies.

Level 3 – Inputs are unobservable for an asset or liability. Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of discounted cash flow models or similar techniques. At June 30, 2022, Level 3 securities include private equity funds in limited partnerships and investments in real estate and infrastructure.

The District's fair value measurements are determined as follows:

Money Market Funds, Equity Securities, and Mutual Funds: These types of investments are managed primarily through investments held by independent investment advisors with discretionary investment authority. The securities consist primarily of common stocks and equity mutual funds. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

U.S. Government Securities, U.S. Government Agency Securities, Corporate Bonds, Mortgage-Backed Securities, and International Government Securities: These types of investments are managed by independent investment advisors with discretionary investment authority. These securities include U.S. and non-U.S. debt instruments, and are valued at the closing price reported in the active market in which the individual securities are traded.

Private Equity Funds: This type of investment includes investment in private equity limited partnerships that invest in a diversified portfolio of private companies. The District participates in these partnerships as a limited partner. These investments can never be redeemed with the funds. Instead, the nature of this investment is for distributions to be received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the majority of the underlying assets of the funds would be liquidated over five to eight years. However, as of June 30, 2022, it is probable that all of the investments in this type will be sold at an amount different from the net asset value (NAV) per share (or its equivalent) of the District's ownership interest in the partners' capital. Therefore, the fair values of the investment in this type have been determined by the general partners using the recent observable transaction information for similar investments, valuation multiples of revenues and/or EBITDA, along with nonbinding bids received from potential buyers of investments.

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Real Estate: The investments consist of a diversified portfolio of institutional-quality industrial, apartment, retail, and office real estate assets, using a core investment strategy within the United States. The values of real estate properties have been prepared giving consideration to the income, cost, and sales comparison approaches of estimating property values. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus a reversion (presumed sale) into the present value at a risk adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions as well as other financial and industry data. The cost approach estimates the replacement cost of the building less physical depreciation plus the land value. The sales comparison approach compares recent transactions to the appraised property. Adjustments are made for dissimilarities which typically provide a range of values. The fair value of the real estate investments has been determined by an independent third-party appraiser and is based on significant unobservable inputs (terminal cap rate, discount rate, and average market rent growth).

Infrastructure: The investment consists of a diversified portfolio of infrastructure assets within the United States and Canada. Investments may include the following: toll roads; airports and related investments; telecommunications; point-to-point rail links; water and waste-water; ports and container terminal assets; and gas and electricity distribution and transmission networks. The values of infrastructure projects have been prepared giving consideration to the projected cash flows, comparable transactions, purchase cost, and earnings comparison approaches of estimating infrastructure project values. The valuation methods are determined by a valuer at their discretion as long as the method falls within the standards prescribed under U.S. generally accepted accounting principles. The standard method of valuation for infrastructure is the discounted cash flow (DCF) method, subject to exceptions. Valuations should also have regard to quoted prices for identical or similar investments in active markets. Valuation methods follow an established valuation framework and are consistent. The fair value of the infrastructure investments has been determined by an independent valuer and is based on significant unobservable inputs (terminal value, discount rate, and projected cash flows). Valuations are independently audited on an annual basis.

Hedge Funds: This type of investment consists of a diversified portfolio of multiple hedge funds which utilize a variety of investment strategies. Some of those strategies include credit-oriented strategies, capital structure strategies, event-driven strategies, long/short strategies, and multiple strategies, among others. The fair values of hedge fund investments are generally determined using the reported NAV, or its equivalent, as a practical expedient for fair value.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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The following table presents financial instruments that are measured at fair value on a recurring basis as of June 30, 2022:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets				
Investments by fair value level:				
Money markets	\$ 46,265	46,265	—	—
Bank mepositis	35,920	35,920	—	—
Debt securities:				
U.S. government securities	45,830	45,830	—	—
Corporate bonds	79,725	79,725	—	—
Mortgage-backed securities	42,424	42,424	—	—
Total debt securities	<u>167,979</u>	<u>167,979</u>	<u>—</u>	<u>—</u>
Equity securities:				
Common stock	17,822	17,822	—	—
Mutual funds	327,422	327,422	—	—
Total equity securities	<u>345,244</u>	<u>345,244</u>	<u>—</u>	<u>—</u>
Private equity	60,508	—	—	60,508
Real estate	90,205	—	—	90,205
Infrastructure	42,975	—	—	42,975
Total investments by fair value level	789,096	<u>595,408</u>	<u>—</u>	<u>193,688</u>
Investments measured at net asset value (NAV):				
Hedge funds	<u>22,234</u>			
Total investments measured at fair value	<u>\$ 811,330</u>			

Additional Disclosures for Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value per Share or Its Equivalent:

The hedge funds that the District invests in include various limits on the redemption frequency of those investments, as well as redemption notice periods. The limits on redemption frequency generally range from being non-redeemable to a redemption frequency that is daily, monthly, quarterly, semi-annually, or annually. The redemption notice periods generally range from daily to notice periods of 5, 15, 30, 60, 75, or 90 days. The private equity, real estate, and infrastructure funds that the District invests, include unfunded commitments as of June 30, 2022, totaling approximately \$44.1 million, \$13.8 million, and \$3.8 million, respectively.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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(5) Capital Assets

A summary of changes in capital assets during fiscal year 2022 is as follows:

	Balance at June 30, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Capital assets not being depreciated:				
Land	\$ 60,904	21,021	(3)	81,922
Construction-in-progress	17,246	64,543	(55,402)	26,387
Total capital assets not being depreciated	<u>78,150</u>	<u>85,564</u>	<u>(55,405)</u>	<u>108,309</u>
Capital assets being depreciated:				
Buildings and improvements	848,781	11,699	(86)	860,394
Land improvements	8,793	84	(1)	8,876
Equipment, as adjusted (note 2)	550,267	28,641	(6,066)	572,842
Financed purchases, as adjusted (note 2)	11,849	1,393	—	13,242
Intangible right-to-use leased buildings, as adjusted (note 2)	9,136	2,564	(66)	11,634
Intangible right-to-use leased equipment, as adjusted (note 2)	12,075	8,962	—	21,037
Total capital assets being depreciated, amortized	<u>1,440,901</u>	<u>53,343</u>	<u>(6,219)</u>	<u>1,488,025</u>
Accumulated depreciation/amortization:				
Buildings and improvements	487,122	23,576	(77)	510,621
Land improvements	7,496	205	(1)	7,700
Equipment, as adjusted (note 2)	437,565	26,359	(5,869)	458,055
Financed purchases, as adjusted (note 2)	2,862	1,711	—	4,573
Intangible right-to-use leased buildings, as adjusted (note 2)	2,197	2,308	(66)	4,439
Intangible right-to-use leased equipment, as adjusted (note 2)	5,307	5,799	—	11,106
Total accumulated depreciation/amortization, as adjusted (note 2)	<u>942,549</u>	<u>59,958</u>	<u>(6,013)</u>	<u>996,494</u>
Total	<u>\$ 576,502</u>	<u>78,949</u>	<u>(55,611)</u>	<u>599,840</u>

The estimated cost to complete construction-in-progress at June 30, 2022, totaled approximately \$46.5 million.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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(6) Long-Term Obligations

Changes in long-term liabilities for the year ended June 30, 2022, were as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>Amount due in one year</u>
Revenue bonds	\$ 302,920	—	(5,540)	297,380	5,815
Bond premium	26,302	—	(1,371)	24,931	—
Financed purchases, as adjusted (note 2)	4,001	1,393	(2,203)	3,191	2,217
Lease obligations, as adjusted (note 2)	15,636	11,159	(7,764)	19,031	7,435
Self-insurance program	32,474	8,255	(7,114)	33,615	9,763
	<u>\$ 381,333</u>	<u>20,807</u>	<u>(23,992)</u>	<u>378,148</u>	<u>25,230</u>

(7) Revenue Bonds

Revenue Bonds, Series 2017B (the 2017B Bonds)

In December 2017, the District issued \$317.3 million of Revenue Bonds, Series 2017B, at a premium of \$31.1 million, for total sources of funds in the amount of \$348.4 million. The Series 2017B Bonds of \$317.3 million is comprised of \$157.5 million Serial Bonds due through January 1, 2038; \$54.8 million Term Bonds due January 1, 2042; and \$105 million Term Bonds due January 1, 2048. All the components of the Series 2017B Bonds are 5% fixed rate bonds. The 2017B Bonds are subject to optional, extraordinary optional, and mandatory sinking fund redemption prior to maturity. The bonds are secured solely by funds and accounts held under the Bond Indenture (excluding the Rebate Fund) and any other property delivered as security under the Bond Indenture.

On December 13, 2017, the District, as the sole Member of the Obligated Group delivered to the Bond Trustee, the Series 2017B Bonds (North Broward Hospital District Revenue Bonds, Series 2017B). The obligations issued under the Master Trust Indenture are equally and ratably payable from, and are secured solely by a pledge of, and a lien on, the pledged revenues (as defined in the Master Trust Indenture) and any and all property of every kind as additional security by the Obligated Group. Under the Master Trust Indenture, the pledged revenues do not include ad valorem tax receipts received by the Issuer and any future member of the Obligated Group.

Upon the occurrence of any event of default the Bond Trustee may take whatever action at law or in equity it deems necessary or desirable to collect amounts then due by the District and to enforce performance of any obligation, agreement or covenant of the District and shall have a right of payment for the forgoing advances, fees, costs, and expenses incurred by the Bond Trustee and any additional Paying Agent.

The Master Trust Indenture permits the members of the Obligated Group to issue additional obligations to parties other than the Bond Trustee. The additional obligations will be secured equally and proportionately by the pledged revenues with all other obligations issued under the Master Trust Indenture.

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The Series 2017B Bonds were issued to provide funds for the redemption of \$41.5 million Revenue Bonds, Series 2005A; \$82.4 million Revenue Bonds, Series 2008A; \$21.8 million Revenue Bonds, Series 2010; \$87.2 million Revenue Bonds, Series 2017A (issued in September 2017 for three months to provide temporary gap funding and redeem the Series 2007 Bonds in the amount of \$76.9 million, \$10.2 million in related swap and swap interest, and \$0.1 million in related issuance costs). A portion of the proceeds of the Series 2017B Bonds were applied to the payment of termination fees in connection with the termination and discharge of interest rate swap agreements relating to the Series 2005A Bonds and Series 2008A Bonds, including accrued interest, in the amount of \$22.4 million, as well as costs of issuance in the amount of \$3.2 million. As a result, the liabilities for the advance refunded bonds and terminated swaps were removed from the accompanying consolidated statements of net position. In addition to providing funds for the redemption, the District used the remaining proceeds of \$90.0 million to cover the cost of certain capital projects of its healthcare facilities, including reimbursement of advanced funds for the capital projects prior to the issuance of the Series 2017B Bonds.

The refunding of the bonds resulted in a loss of defeasance of approximately \$29.3 million. At June 30, 2022, the unamortized deferred balance is approximately \$16.9 million, and is reported as deferred outflows of resources.

The Series 2017B Bonds are fixed rate bonds and are callable on or after January 1, 2028. Interest commenced on July 1, 2018, and will be due on each January 1 and July 1 thereafter. Interest on the Series 2017B Bonds is computed on a basis of a 360-day year comprised of twelve 30-day months.

The Term Bonds are subject to mandatory redemption and payment prior to maturity at a redemption price equal to the principal amount plus accrued interest to the redemption date, without premium.

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Maturities of the 2017B Bonds by component, including corresponding interest due, over the next five years and in five-year increments thereafter are as follows:

		<u>Principal on Serial Bonds due January 1, 2038</u>	<u>Principal on Term Bonds due January 1, 2042</u>	<u>Principal on Term Bonds due January 1, 2048</u>	<u>Total Debt Service Principal</u>	<u>Total Debt Service Interest</u>
(In thousands of dollars)						
Years ending June 30:						
2023	\$	5,815	—	—	5,815	14,869
2024		6,115	—	—	6,115	14,578
2025		6,415	—	—	6,415	14,273
2026		6,730	—	—	6,730	13,952
2027		7,070	—	—	7,070	13,615
2028-2032		41,020	—	—	41,020	62,406
2033-2037		52,375	—	—	52,375	51,071
2038-2042		12,100	54,735	—	66,835	36,603
2043-2047		—	—	85,305	85,305	18,136
2048		—	—	19,700	19,700	985
	\$	<u>137,640</u>	<u>54,735</u>	<u>105,005</u>	<u>297,380</u>	<u>240,488</u>

(8) Line of Credit

On June 30, 2022, the District opened a Line of Credit for short-term borrowings with a new bank under which up to \$50,000,000 may be borrowed on such terms as outlined by the Revolving Line of Credit Agreement (Agreement). The District has pledged collateral on the same terms as the Master Trust Indenture and issued the North Broward Hospital District Obligated Group – Series 2020A Related Debt Obligation pursuant to the Fourth Supplemental Master Trust Indenture dated June 30, 2022. The term of the agreement expires June 29, 2025. The District did not draw on the line of credit during fiscal year 2022.

(9) Lease Obligations and Receivables

The District has entered into various leases as part of its ongoing business, both, as a lessee and as a lessor. The determination of whether an arrangement is a lease is made at the lease's inception. Under GASB 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. As a lessee and as a lessor, the District has assessed both of the following for each lease contract: (1) the right of the lessee to obtain the present service capacity from use of the underlying assets as specified in the contract, and (2) the right of the lessee to determine the nature and manner of use of the underlying asset as specified in the contract.

Leases whereby the District obtains ownership of the underlying asset by the end of the lease contract and do not contain termination options are designated as financed purchases of the underlying asset. Operating leases with terms in excess of 12 months are designated as intangible right-to-use assets. Financed purchase

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assets and intangible right-to-use assets are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Amortization of the discount on the lease and finance purchase liability is reported as an outflow of resources and is included in interest expense in the statements of revenues, expenses, and changes in net position. Amortization of \$736 thousands was recognized for fiscal year 2022 and is included with interest expense.

Leased assets that are not financed purchases are amortized over the shorter of the lease term or the useful life of the underlying asset. Amortization of leased assets is reported as an outflow of resources and is included in depreciation expense in the statements of revenues, expenses, and changes in net position. Amortization of \$8.1 million was recognized in fiscal year 2022.

As a lessee, the District leases various equipment and medical office space. Equipment leases for fiscal year 2022 include 15 medical equipment units, two pharmacy equipment units, and one printer/copier equipment unit with lease terms ranging from 1.2 to 5 years, payments ranging from \$867 to \$161,174 per month and interest ranging from 2% to 3.5%. Building leases for fiscal year 2022 include 23 medical offices and one data warehouse with lease terms ranging from 1.6 to 9 years, payments ranging from \$1,060 to \$56,742 per month and interest ranging from 2.5% to 4%.

As a lessor, the District leases medical offices, office and store spaces, radiology equipment and hospital beds. There are 59 leases for medical office and office space, and two leases for store space, ranging from 1.3 to 14 years, receipts ranging from \$531 to \$47,728 per month, and 3% interest. There is one radiology equipment lease with 1.5 years lease term, receipts of \$35,496 per month, and 3% interest. Lastly, the District has three leases for the use of hospice beds with five-year leases, receipts ranging from \$52,320 to \$117,720 per month, and 3% interest. Rental income of \$5.7 million was recognized in fiscal year 2022 and is included with other operating revenues. Interest income of \$453 thousands was recognized in fiscal year 2022 and is included with other non-operating revenues/expenses.

In the absence of interest in lease contracts for which the District is a lessee, the District's incremental borrowing rate of 2.5% was used for leases initiated June 30, 2022, and prior. In the absence of interest in lease contracts for which the District is a lessor, the rate of 3.0%, as used in other contracts, was used for leases initiated June 30, 2022, and prior.

NORTH BROWARD HOSPITAL DISTRICT

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See the summary of changes in capital asset, in footnote 5, for the amount of leased assets and related accumulated amortization.

Principal and interest payments due on leases are as follows:

	<u>Principal</u>	<u>Interest</u>
	(In thousands of dollars)	
Years ending June 30:		
2023	\$ 7,435	449
2024	5,810	243
2025	2,883	118
2026	1,641	57
2027	576	28
2028-2032	686	22
Total due	<u>19,031</u>	<u>917</u>
Amount due within one year	<u>(7,435)</u>	
Amount due, excluding due within one year	\$ <u>11,596</u>	

Principal and interest payments due on financed purchases are as follows:

	<u>Principal</u>	<u>Interest</u>
	(In thousands of dollars)	
Years ending June 30:		
2023	\$ 2,217	62
2024	275	25
2025	283	17
2026	292	8
2027	124	1
Total due	<u>3,191</u>	<u>113</u>
Amount due within one year	<u>(2,217)</u>	
Amount due, excluding due within one year	\$ <u>974</u>	

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

(10) Defined-Benefit Pension Plan

a) Plan Description

The District maintains a single-employer, noncontributory defined-benefit (cash balance) pension plan (the Plan) covering substantially all full-time or part-time eligible District employees. Accordingly, the amounts disclosed herein relate to the Plan as a whole. The Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and does not issue a stand-alone financial report.

Funding levels and obligations to contribute to the Plan are established and can be amended by the Board.

Effective January 1, 1997, employees are eligible for Plan participation after completing one year of credited service and the attainment of age 21. Benefits are vested after five years of credited service. Accrued monthly pension benefits as of December 1, 1996, were converted to lump-sum cash balances, and the Plan guarantees a minimum annuity based on the benefits accrued as of December 31, 1996. Benefits upon retirement are based upon a District contribution of 5% of the participant's covered earnings for each year of credited service and an annual interest credit on the employee's account balance equal to the yield on the one-year Treasury Bill for the month of May preceding each Plan year plus 1%. Vested plan participants who were at least age 45 on January 1, 1997, are eligible for additional "grandfathered" pension contributions. Normal retirement age under the Plan is 65, with provisions for early retirement if the participant is 55 to 64 years of age and has attained five years of credited service. These benefit levels may be modified upon approval by the Board. Benefits under the early retirement provision are reduced to reflect the Plan participant's age at the time benefits begin.

Number of employees covered:	2022
Active employees	6,233
Terminated, vested and other inactive participants	1,921
Retirees and beneficiaries	1,396
Total membership	9,550

b) Contributions

The annual contribution for each year is determined by management and the Board. While the District's independent actuary annually determines a range for the annual contributions, the District is not required to contribute an amount equal to the total funding contribution. The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. All contributions to the Plan are made by the employer and are intended to fund both the actuarially determined costs, as well as the Plan's operating costs. The District's practice is to make sufficient annual contributions in accordance with the actuarial funding requirements of the Florida Statutes. The contributions to the Plan for fiscal year 2022 totaled \$2.7 million. The contributions represent approximately 0.69% of current covered payroll for fiscal year 2022. Maximum actuarial contributions are based upon the funding levels that would be required of an ERISA plan.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

c) Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of June 30, 2022, based upon rolling forward the results of the actuarial valuation as of July 1, 2021.

Actuarial Valuation and Assumptions – Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The District's net pension liability (asset) was calculated using the following methods and assumptions:

	<u>2022</u>
Inflation	2.30%
Investment rate of return	6.25%
Projected salary increases	4.50%
Cost-of-living adjustment	None

For active members, inactive members, and retirees, the Pub-2010 with generational projection per MP-2021 tables are used for 2021.

Actuarial assumptions are subject to periodic revisions. The retirement and salary scale assumptions are reviewed each year compared to actual experience and are adjusted as needed. Other demographic assumptions are reviewed periodically to determine the need for adjustments.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2022

Long-Term Rate of Return – The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are from the actuary’s asset advisors. The 6.25% assumption reflects the composite expected return based on the target asset allocation for the Plan. The actuary uses the Global Capital Asset Pricing Model (Global CAPM) methodology to determine expected returns for each asset class, rather than relying on historical returns or other estimates. The Global CAPM is an economic model for valuing stocks, securities, derivatives, and/or assets by relating risk and expected return and is based on the idea that investors demand additional expected return if they are asked to accept additional risk.

The following is the Plan’s adopted asset allocation policy and long-term expected rate of return as of June 30, 2022:

Asset Class	Target <u>Allocation</u>	Long-Term Expected Arithmetic Real Rate <u>of Return</u>	Long-Term Expected Geometric Real Rate <u>of Return</u>
US Core Fixed Income	28.00%	0.80%	0.66%
US TIPS	3.00%	2.60%	-0.40%
US Large Caps	16.00%	5.04%	3.45%
US Broad Equity Market	3.00%	5.19%	3.18%
US Broad Growth Equity	3.00%	4.89%	3.36%
Foreign Developed Equity	11.00%	6.62%	4.47%
Emerging Markets Equity	3.00%	8.74%	4.84%
US REIT's	10.00%	6.15%	4.01%
Private Equity	7.50%	3.86%	2.99%
Infrastructure	5.50%	0.00%	0.00%
Hedge FOF Diversified	5.00%	2.48%	2.22%
Hedge Funds-Multi Strategy	5.00%	4.02%	3.41%
Assumed inflation – mean		2.50%	2.50%
Assumed inflation – standard deviation		1.25%	1.25%
Portfolio real mean return		4.39%	3.73%
Portfolio nominal mean return		6.89%	6.39%
Portfolio standard deviation			11.02%
Long-term expected rate of return			6.25%

NORTH BROWARD HOSPITAL DISTRICT

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The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Discount Rate – The discount rate used to measure the total pension liability was 6.25% for fiscal year 2022. The projection of cash flows used to determine the discount rate assumed that the District’s contributions will be made at rates equal to the actuarially determined contribution rates. Based upon those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The following section discusses the sensitivity of the net pension liability to changes in the discount rate.

d) Changes in Net Pension Liability (Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
	(In thousands of dollars)		
Balance as of June 30, 2021	\$ 340,156	444,032	(103,876)
Changes for the year:			
Service cost	12,225	—	12,225
Interest on total pension liability	21,039	—	21,039
Effect of economic/demographic gains or losses	(5,583)	—	(5,583)
Effect of assumptions, changes or inputs	7,274	—	7,274
Benefit payments	(32,007)	(32,007)	—
Employer contributions	—	2,688	(2,688)
Net investment income (loss)	—	(17,533)	17,533
Administrative expenses	—	(2,682)	2,682
Balance as of June 30, 2022	<u>\$ 343,104</u>	<u>394,498</u>	<u>(51,394)</u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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Sensitivity Analysis – The following presents the net pension liability (asset) of the District as of June 30, 2022, calculated using the discount rate of 6.25%, as well as what the District’s net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
	(In thousands of dollars)		
Net pension liability (asset)	\$ (30,492)	(51,394)	(70,103)

Pension Plan Fiduciary Net Position – Additional information about the Plan’s fiduciary net position (i.e., Plan assets) is as follows:

The following tables present the composition and credit ratings of the defined-benefit pension plan’s cash and cash equivalents and investments as of June 30, 2022:

	Fair Value	Investment Maturities			
		Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	\$ 23,008	—	8,863	6,995	7,150
Corporate bonds	20,388	1,327	5,784	7,147	6,130
Mortgage-backed securities	20,972	—	450	1,527	18,995
	64,368	1,327	15,097	15,669	32,275
Common stock	9,170				
Mutual funds	170,630				
Private equity	41,061				
Hedge funds	18,228				
Real estate	55,992				
Infrastructure	32,231				
Money markets	2,818				
	\$ 394,498				

	Fair Value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 23,008	22,292	—	—	—	—	716
Corporate bonds	20,388	—	534	4,100	13,361	663	1,730
Mortgage-backed securities	20,972	5,022	—	—	—	69	15,881
	\$ 64,368	27,314	534	4,100	13,361	732	18,327

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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The following table presents information about the fair value measurements of the Plan's fiduciary net position as of June 30, 2022:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Plan Investments by Fair Value Level				
Money markets	\$ 2,818	2,818	—	—
Debt securities:				
U.S. government securities	23,008	23,008	—	—
Corporate bonds	20,388	20,388	—	—
Mortgage-backed securities	20,972	20,972	—	—
Total debt securities	<u>64,368</u>	<u>64,368</u>	—	—
Equity securities:				
Common stock	9,170	9,170	—	—
Mutual funds	170,630	170,630	—	—
Total equity securities	<u>179,800</u>	<u>179,800</u>	—	—
Private equity	41,061	—	—	41,061
Real estate	55,992	—	—	55,992
Infrastructure	32,231	—	—	32,231
Total Plan investments by fair value level	<u>376,270</u>	<u>246,986</u>	<u>—</u>	<u>129,284</u>
Plan investments measured at net asset value (NAV):				
Hedge funds	<u>18,228</u>			
Total investments measured at fair value	<u>\$ 394,498</u>			

See Note 4 for an explanation of the methods used to determine fair value and the levels within the fair value hierarchy.

Additional Disclosures for Fair Value Measurements of Plan Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent:

The hedge funds that the Plan invests in include various limits on the redemption frequency of those investments, as well as redemption notice periods. The limits on redemption frequency generally range from being non-redeemable to a redemption frequency that is daily, monthly, quarterly, semi-annually, or annually. The redemption notice periods generally range from daily to notice periods of 5, 15, 30, 60, 75, or 90 days. The private equity, real estate, and infrastructure funds that the Plan invests, include unfunded commitments as of June 30, 2022, totaling approximately \$21.1 million, \$9.2 million, and \$2.9 million, respectively.

e) Pension Expense

The pension expense (credit) for the year ended June 30, 2022, is \$(5.3) million.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

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f) Deferred Inflows/Outflows of Resources

A summary of deferred outflows and deferred inflows of resources as of June 30, 2022, is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ 1,051	\$ (7,258)
Changes of assumptions	5,621	(9,697)
Net difference between projected and actual earnings	—	(3,678)
Total	\$ 6,672	\$ (20,633)

The net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022, will be recognized as a reduction in pension expense during the next four years as follows:

Year ending June 30:	
2023	\$ (10,663)
2024	(6,883)
2025	(5,429)
2026	9,014
	\$ (13,961)

(11) Defined-Contribution Plan

Effective January 1, 1990, the District implemented a defined-contribution plan [the Star Plus 403(b) Plan] for all employees. In a defined-contribution plan, benefits depend solely on amounts contributed to the Star Plus 403(b) Plan, plus investment earnings. Employees are eligible to participate immediately, and full-time and part-time employees are eligible for employer matching contributions upon the completion of one year of service. The Board approved the Star Plus 403(b) Plan, which requires an employer contribution of 100% of the employee's contribution not to exceed 1% of the employee's compensation (subject to limitations) and 35% of the contribution between 1% and 4% of the employee's compensation. The District's contribution for each employee is fully vested after five years of continuous service (partial vesting between two and five years of service). The District's contribution for, and interest forfeited by, employees who leave employment before vesting is used to reduce the District's current period contribution requirement.

The District's total payroll for fiscal year 2022 was \$623.9 million. The total covered payroll for eligible employees during the same period is not determinable. For fiscal year June 30, 2022, the District's contribution was \$7.3 million, representing 1.2% of total payroll. The employees' contributions for fiscal year June 30, 2022, were \$27.4 million, representing 4.4% of total payroll.

NORTH BROWARD HOSPITAL DISTRICT

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Effective July 1, 2021, the District implemented a supplemental retirement plan for certain employees. The District determines nonelective contribution based on participants' target benefit goals, assumed market performance rate, estimated value of social security, final average base salary, years of service and estimated retirement benefits under the District's Defined-Benefit Pension Plan. Nonelective contributions have been executed on December 31 of each year since inception. Nonelective contributions for Level 1 employees vest on December 31, two years after the end of the calendar year which the employer contribution relates. Nonelective contributions for Level 2 employees vest on December 31, five years after the end of the calendar year, which the employer contribution relates. Nonelective contributions are fully vested upon reaching retirement age. Forfeited amounts are used to reduce the District's current period contribution requirements. The District recognized expenses of \$2.4 million related to this plan for fiscal year June 30, 2022.

(12) Florida Retirement System

The District has 4 employees that participate in the Florida Retirement System (FRS), a cost-sharing multiple employer defined-benefit plan administered by the State of Florida (the FRS Plan).

The following amounts have been recorded in the District's financial statements as of and for the year ended June 30, 2022, representing its proportionate share of the net pension liability and the related pension expense and deferred outflows/inflows of resources of the FRS Plan:

	<u>2022</u>
	(In thousands of dollars)
Net pension liability	\$ 222
Deferred outflows of resources	172
Deferred inflows of resources	(912)
Pension expense (credit)	(183)

The remaining disclosures and required supplementary information related to the District's participation in the FRS Plan have not been presented in the accompanying financial statements due to immateriality.

(13) Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the District provides certain healthcare and life insurance benefits for approximately 1,569 eligible, retired employees in fiscal year 2022. Many of the District's employees may become eligible for those benefits if they reach retirement age while working for the District.

a) Plan Description

The District maintains a single-employer defined-benefit healthcare plan, providing OPEB for all full-time employees of the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75; this is a pay-as-you-go plan. Benefit payments are recognized when due and payable in accordance with the benefit terms. The District does not issue

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

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separate financial statements for their healthcare plan. The authority to establish and amend benefit provisions of the District’s plan is held by the CEO of the District.

b) Benefits Provided

The District provides optional medical, dental, and vision insurance benefits for retirees and their dependents, as well as life insurance coverage for certain eligible retirees and future retirees. Medical benefits are provided through the Districts’ self-insured group health plans or an optional subsidy. Dental, vision, and life insurance benefits are fully insured and provided through third-party insurers. Eligible retirees and their dependents, either enrolled or not enrolled in Medicare, pay an insurance premium to participate in either one of the health plans.

Eligible retirees are those grandfathered employees who attained age 55 with five years of service or attained Rule of 80 (age and service equal 80) as of June 30, 2012. Of the grandfathered employees, those who qualified for the Rule of 80 will contribute active employee rates for medical, dental and vision coverage if they or their spouses are not Medicare eligible (age 65). Those retirees and dependent spouses that meet the Rule of 80 and are Medicare eligible receive a subsidy of \$2,850 for retiree and \$2,150 for spouse to enroll in the Retiree Health Exchange. If they remain on the Broward Health Group Plan, they will pay the full premium rate. Those who did not meet the Rule of 80 will contribute the full premium rate for medical, dental, and vision coverage for themselves and for dependent spouses. The plan also provides eligible retirees with life insurance coverage based on age and pay prior to retirement. Retirees younger than age 65 receive coverage of 100% of annual pre-retirement pay (up to a maximum of \$50,000). Retirees aged 65 and older receive coverage of 25% of annual pre-retirement pay (up to a maximum of \$10,000). Retirees younger than age 65 are required to contribute a portion of the premium for life insurance coverage at \$.05 per month per \$1,000 of coverage. All premiums are paid for retirees age 65 and older.

A condition for all retirees and their covered eligible dependents to continue employer sponsored medical benefits after age 65 is they must be enrolled in Medicare Parts A and B.

The covered spouse of a grandfathered retiree who survives the retiree is eligible to continue employer sponsored medical, dental, and vision coverage. Medical, dental, and vision insurance premium subsidies will continue to the surviving spouse of eligible Rule of 80 retirees.

c) Employees Covered by Benefit Terms. At June 30, 2022, the following employees were covered by the benefit terms:

	2022
Number of employees covered	
Inactive employees receiving benefits through Broward Health Group Plan	405
Inactive employees receiving benefits through Retiree Health Exchange	834
Inactive employees entitled to but not yet receiving benefit payments	—
Active employees	7,721
Total Membership	8,960

NORTH BROWARD HOSPITAL DISTRICT

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d) Contribution Requirements

Retirees and eligible dependents are required to contribute a portion of the premium for coverage. The amount of monthly retiree premium contribution depends on the elected coverage and whether the retiree qualifies as having met the Rule of 80 at retirement.

The table below shows the monthly rates for the retiree of the optional plans for medical and dental for the 2022 calendar year.

	Rule of 80	Not Rule of 80
Aetna Best Choice Medical		
Retiree younger than age 65	\$ 125.15	\$ 661.49
Retiree older than age 65	520.53	520.53
Retiree and spouse younger than 65	302.97	1,389.13
Retiree and spouse older than 65	1,093.10	1,093.10
Retiree and spouse (mixed)	1,093.10	1,093.10
Retiree and children (pre 65)	209.00	992.23
Retiree and children (post 65)	780.79	780.79
Retiree and family (both pre 65)	436.80	2,050.62
Retiree and family (both post 65)	1,613.63	1,613.63
Retiree and family (mixed)	1,613.63	1,613.63
Aetna Select EPO Medical		
Retiree younger than age 65	\$ 180.73	\$ 651.31
Retiree older than age 65	515.37	515.37
Retiree and spouse younger than 65	422.75	1,367.75
Retiree and spouse older than 65	1,082.27	1,082.27
Retiree and spouse (mixed)	1,082.27	1,082.27
Retiree and children (pre 65)	295.83	976.96
Retiree and children (post 65)	773.05	773.05
Retiree and family (both pre 65)	602.40	2,019.06
Retiree and family (both post 65)	1,597.63	1,597.63
Retiree and family (mixed)	1,597.63	1,597.63
Reliance Dental		
	Rule of 80	All Other
	(Pre-65)	Retirees
Retiree	\$ 12.96	\$ 25.92
Retiree and spouse	26.96	53.92
Retiree and children	25.24	50.48
Family	42.82	85.64
Aetna Dental		
Retiree	\$ 8.19	\$ 16.37
Retiree and spouse	15.55	31.10
Retiree and children	14.72	29.44
Family	18.12	36.24
Aetna Vision		
Retiree	\$ 2.09	\$ 4.18
Retiree and spouse	4.11	8.22
Retiree and children	3.75	7.50
Family	5.77	11.54

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

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Rule of 80 retirees under age 65 pay the same rates as active employees. Other retirees pay the premium equivalent funding rate. For fiscal year June 30, 2022, the District contributed \$4.2 million to the healthcare plan, which is net of the retiree contributions.

e) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuations, the entry age normal actuarial cost method was used. Benefit liabilities were reported as of June 30, 2022, and were valued based on a measurement date as of June 30, 2022. The actuarial valuation included participant census data as of January 1, 2021, and were valued to that date. The actuarial assumption included a 3.54% discount rate for 2022. The selected discount rate for 2022, reflects a snapshot as of the Measurement Date of the 20-year Governmental Obligation Index published by Bond Buyer.

The other significant actuarial assumptions utilized in the actuarial analysis were as follows:

	2022
Salary increases including inflation	4.50%
Mortality trend rates	RP 2000 Mortality – separate tables for Healthy Employees and Annuitants- generational projection per Scale BB
Inflation	2.30%
Healthcare cost trend rates	The trend rates of incurred claims represent the rate of increase in employer claims payments

Claims costs in future years are estimated by adjusting the starting claim costs by an assumed ongoing cost trend. Such trends are based on the health care cost trend rate adjusted for the impact of plan design and cost containment features.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

For June 30, 2022, the trend was calculated assuming an implied inflation rate of 2.3% per year, and actual premiums. The short-term trend rate for Pre-65 retirees starts off at 6.1%, and at 5.5% for post-65 retirees, and reflects the repeal of the ACA Excise Tax effective 2021.

	2022
Medical annual rates of increase:	
Initial trend rate pre-65	6.10%
Initial trend rate post-65	5.50%
Ultimate trend rate pre-65	3.70%
Ultimate trend rate post-65	3.70%
Year that the rate reaches the ultimate trend rate pre-65	2074
Year that the rate reaches the ultimate trend rate post-65	2074
Dental annual rates of increase:	
Initial trend rate	4.00%
Ultimate trend rate	3.70%
Year that the rate reaches the ultimate trend rate	2074

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

f) Discount Rate

A single discount rate of 3.54% was used to measure the total OPEB liability for June 30, 2022. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

g) OPEB Liability

At June 30, 2022, the District reported a total OPEB liability of \$57.8 million. The total OPEB liability as of June 30, 2022, was determined by an actuarial valuation as of the valuation date of January 1, 2021, which was then projected forward to the measurement date of June 30, 2022, calculated based on the discount rate of 3.54%, and various key actuarial assumptions. There were no significant changes between the valuation date and the fiscal year end.

h) Changes in the Total OPEB Liability

		Increase (Decrease) Total OPEB Liability
		<u>(In thousands of dollars)</u>
Balance as of June 30, 2021	\$	68,394
Changes for the year:		
Service cost		2,472
Interest on total OPEB liability		1,485
Effect of plan changes		—
Effect of economic/demographic gains or losses		—
Effect of assumptions changes or inputs		(10,274)
Benefit payments		<u>(4,232)</u>
Balance as of June 30, 2022	\$	<u><u>57,845</u></u>

i) Plan Changes and Changes in Assumptions

There were no plan changes during 2022.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

j) Sensitivity Analysis

The following presents the total OPEB liability of the District as of June 30, 2022, calculated using the discount rate of 3.54%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent point lower (2.54%) or one percent higher (4.54%) than the current rate.

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
	(In thousands of dollars)		
Total OPEB liability	\$ 65,028	\$ 57,845	\$ 51,886

The following presents the total OPEB liability of the District as of June 30, 2022, calculated using the current healthcare cost trend rates, as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percent point lower or one percent point higher than the current trend rates. The current trend rates for 2022 were 6.1% for costs prior to age 65 and 5.5% for costs after age 65.

	1% Decrease	Healthcare Current Cost Trend Rates	1% Increase
	(In thousands of dollars)		
Total OPEB liability	\$ 55,769	\$ 57,845	\$ 60,324

k) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized expenses of \$3.957 million.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ —	\$ (9,965)
Changes of assumptions	17,876	(11,105)
Total	\$ 17,876	\$ (21,070)

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2022, will be recognized in OPEB expense as follows:

Year ending June 30:	(In thousands of dollars)
2023	\$ (1)
2024	(1)
2025	398
2026	847
2027	(962)
Thereafter	<u>(3,475)</u>
	<u>\$ (3,194)</u>

(14) Charity Care

The District provides charity care to patients that meet the eligibility criteria under the Districts Financial Assistance Program (FAP) Policy. Eligibility into the FAP includes income requirements and final approval. The District charges eligible charity patients for services and supplies rendered. The total gross charges of charity care provided during fiscal year 2022 was \$70.9 million. Total gross charges of charity care provided reflects inpatient services of \$26.8 million and outpatient services of \$44.1 million for fiscal year 2022. The estimated cost of charity care was \$16.0 million for fiscal year 2022, comprised of \$5.1 million for inpatient services and \$10.9 million for outpatient services. The estimated costs were derived using a cost accounting system, which included indirect and direct costs.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

(15) Net Patient Service Revenue

Net patient service revenue for fiscal year 2022 consisted of the following:

	2022
	(In thousands of dollars)
Gross patient service revenue:	
Medicare	\$ 2,084,359
Medicaid	1,133,854
HMO/PPO	1,609,403
Indigent write-off	70,904
Other	763,460
	5,661,980
Allowances:	
Medicare	1,655,592
Medicaid	949,391
HMO/PPO	1,016,911
Indigent write-off	70,904
Other	493,202
Total allowances	4,186,000
Provision for uncollectible amounts	300,148
Total deductions from patient service revenue	4,486,148
Net patient service revenue	\$ 1,175,832

The District provides allowances for some of the self-pay patients. Total Other allowances of \$493.2 million includes \$267.4 million for self-pay allowances.

(16) Ad Valorem Tax Revenue

The Board of the District is empowered and directed to annually levy upon all real and personal taxable property within the boundaries of the District a sufficient tax, not to exceed 2.5 mills, to accomplish the purposes of the District, as determined by the Board. For fiscal year 2022, the levy was 1.277 mills. The total assessed value for which fiscal year 2022 levy was based was approximately \$155.2 billion, with total taxes, net of associated fees, levied at the District level aggregating \$179.5 million for fiscal year 2022. The Broward County Property Appraiser assesses and the Broward County Tax Collector collects all ad valorem taxes within Broward County.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the revenue collector. The District has a legal claim to the property taxes at the assessment date, generally during November of each tax year. Taxes may be paid upon receipt of such notice at declining discounts through the month of February.

NORTH BROWARD HOSPITAL DISTRICT

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All unpaid taxes on real and personal property become delinquent on April 1 of the year following the year in which taxes were levied, or within 30 days after the mailing of the original tax notice on the final assessment date, whichever is later. Delinquent real property taxes bear interest at the rate of 1.5% per month, and interest continues to accrue until a certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the certificates. Personal property taxes bear interest at 1.5% per month from April 1 until paid. On or before April 25, delinquent personal property taxes must be advertised, and after May 1, a petition requesting the ratification and confirmation of tax warrants may be filed in the Circuit Court and upon issuance of an order, the property may be levied, seized, and sold.

(17) Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are covered under third-party payor agreements. The mix of receivables, net of contractual allowance reserves and provision for uncollectible accounts from patients and third-party payors at June 30, 2022, is detailed below. The District establishes reserves against these receivables based upon estimated collectability and credit risk. Self-pay receivables are by nature high risk, and estimated collectability is low.

	<u>2022</u>
Medicare	31.4%
Managed care	40.6
Medicaid	9.5
Commercial insurance	13.0
Self-pay and all other	5.5
	<u>100.0%</u>

(18) Risk Management

The District’s exposures are subject to Florida’s sovereign immunity established in section §768.28, Florida Statutes, as amended. F.S. §768.28 states in pertinent part that the state nor its agencies or subdivisions shall be liable to pay a claim or a judgment by any one person which exceeds the sum of \$200,000 or any claim or judgment when totaled with all other claims or judgments arising out of the same incident or occurrence to exceed the sum of \$300,000. Any recovery above this amount can only be awarded by the passage of a claims bill which requires majority approval in both chambers of Florida’s State Legislature. Further, Senate Rule 4.81(6) and House Rule 5.6(c) provide that the Legislature will not process a contested claim bill until the claimant has exhausted all available administrative and judicial remedies.

Public Liability, Medical Malpractice, and Workers’ Compensation

In 1975, the District developed a self-insurance program to provide coverage against public liability and medical malpractice claims. In September 1979, the District added workers’ compensation to its self-insurance program. The District operates a comprehensive quality assurance program, which enables its healthcare facilities to closely monitor potential claims at the point of occurrence and to enhance its procedures for estimating accruals for such claims.

The District maintains adequate reserves for each formal claim, notice of intent, or lawsuit, and administers claims in-house and through an approved panel of outside defense counsel. In November

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

1995, the District purchased Hospital Professional Liability (HPL) excess, claims-made insurance coverage which is renewed annually and includes coverage for general liability losses. The combined total of the various layers of excess insurance equals \$25,000,000. It became effective for incidents incurred on or after January 22, 1996. Under the current terms of the District's self-insurance program, the District is insured for any individual HPL incident in excess of the District's \$5,000,000 self-insured retention (SIR).

The District established a current and noncurrent liability in the total amount of \$33.6 million at June 30, 2022, to cover losses resulting from asserted and unasserted claims. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover losses from such claims after considering the limits provided by Florida Statutes as set forth above. The current year claims expense is included within insurance expenses in the respective statements of revenues, expenses, and changes in net position.

Changes in the District's self-insurance program claims liability during fiscal year 2022 was as follows:

	2022
	(In thousands of dollars)
Liability at beginning of year	\$ 32,474
Current year claims expense	8,336
Current year claims payments	(7,195)
	<u>\$ 33,615</u>

Medical Health Benefits

In 2009, the District developed a self-insurance program to provide medical health benefits for its employees.

The estimated reserve for the District's health benefits as of June 30, 2022, for non-retirees is \$9.7 million, and is included in accrued salaries, benefits, and payroll taxes in the accompanying statements of net position. The District considered the need for a margin for adverse deviation from the best estimate of reserve based on the variability of claims and has included a 10% explicit margin. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover such claims.

Changes in the District's health plan liability during fiscal year 2022 was as follows:

	2022
	(In thousands of dollars)
Liability at beginning of year	\$ 8,647
Current year claims expense	36,338
Current year claims payments	(35,296)
	<u>\$ 9,689</u>

NORTH BROWARD HOSPITAL DISTRICT

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The District contracts with Aetna (medical with Aetna and CVS/Caremark is its Pharmacy Benefit Manager) to provide for adjudication of medical and prescription claims.

In the opinion of management, the District's self-insured medical plan complies with Section 112.08, Florida Statutes, regarding the Plan's actuarial soundness and compliance requirements.

Since dental became fully insured as of January 1, 2012, and vision became fully insured as of January 1, 2014, there is no remaining self-insured plan run-out reserve liability as of June 30, 2022.

(19) Related Parties

The District is an equal partner of the Community Care Plan (CCP), a managed care network governed by an agreement between two governmental entities: North Broward Hospital District (Broward Health) and South Broward Hospital District (MHS) which are CCP's Members. The Members operate two of the largest and diverse integrated health care systems in the state of Florida that consist of hospitals, clinics, physicians, ancillary services, nursing homes, and many programs to serve those with special medical and behavioral needs.

CCP is a Provider Service Network (PSN) as defined in sections 409.912(4)d and 409.962(13), Florida Statutes. CCP operates pursuant to contracts with the Florida Agency for Health Care Administration (AHCA), the State of Florida Department of Health (DOH), The Florida Healthy Kids Corporation (FHKC) and various medical programs under Third-Party Administrator (TPA) arrangements.

As of June 30, 2022, the District's investment in CCP was approximately \$26.3, and is included in other assets. For June 30, 2022, the District recorded earnings of \$3.5 million.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

Summarized financial information taken from the audited financial statements of CCP as of December 31, 2021, was as follows:

	<u>2021</u>
	(In thousands of dollars)
Assets	
Current assets	\$ 91,059
Capital assets, net	837
Other assets	<u>2,716</u>
Total assets	\$ <u><u>94,612</u></u>
Liabilities and Net Position	
Current liabilities	\$ 44,427
Long-term liabilities	<u>602</u>
Total liabilities	<u>45,029</u>
Net position	<u>49,583</u>
Total liabilities and net position	\$ <u><u>94,612</u></u>
Revenue	\$ 190,784
Expenses:	
Medical services expenses	141,436
General administrative expenses	<u>35,561</u>
Total expenses	<u>176,997</u>
Operating income	13,787
Other income	<u>620</u>
Increase in net position	14,407
Net position:	
Beginning of year	45,476
Distribution to Members	<u>(10,300)</u>
End of year	\$ <u><u>49,583</u></u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

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(20) Public Medical Assistance Trust Fund

In 1984, the Agency for Healthcare Administration created a Public Medical Assistance Trust Fund to collect assessments from all hospitals in the state of Florida to fund enhancements to the Medicaid program. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of the hospital's prior year net inpatient revenue and 1.0% of the hospital's prior year net outpatient revenue. During fiscal years 2022, approximately \$12 million was recorded as an operating expense in the accompanying statements of revenues, expenses, and changes in net position.

(21) Commitments and Contingencies

a) *Litigation*

The District is involved in litigation and regulatory examinations arising in the normal course of business. Management believes that the ultimate outcome of these matters will not have any adverse material impact on the District's net position, operations, or its cash flows.

The District is involved in a Federal Trade Commission (FTC) investigation where the FTC has alleged possible violations of Section 5 of the Federal Trade Commission Act in connection with the operation of the Best Choice provider network. At this time, discussions with the FTC are ongoing, and management is unable to determine whether the ultimate outcome of this investigation will have any adverse material impact on the District's net position, operations, or its cash flows.

The District has been named as a defendant in a number of malpractice lawsuits. In the event that a claimant obtains a tort judgment in excess of the statutory cap the claimant must petition the Florida Legislature to seek an appropriation to pay the judgment. The District may incur charges in excess of its established reserves that could have an adverse impact on the District's net income and net cash flows in the period in which it is recorded or paid. Florida Statute §768.28 imposes a \$200,000 limit per person and a \$300,000 limit per incident on the collectability of any tort judgment. In order for the District to incur liability in excess of the sovereign immunity cap, a claimant must first obtain a judgment in excess of sovereign immunity limits, and after exhausting all available remedies the claimant must petition the Legislature. The claims bill must be presented and sponsored by a senator or representative of the State of Florida. The claims bill is then typically referred to a Special Master, whereby the claimant has the burden to prove elements of negligence by preponderance of the evidence. If the claims bill passes both houses of the Legislature, the Governor may sign it or allow it to become law without signature. The deadline to file new claims bills for the March 1, 2023, session was August 1, 2022, and the District had no new claims bills filed for the upcoming session.

b) *Other Industry Risks*

The healthcare industry is subject to numerous complex laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation by both the District with respect to implementation, as well as the government with respect to retrospective review. In addition, at this time, regulatory actions are unknown and un-asserted. There are routine audits that occur from the state, federal government, and private payers but no regulatory actions are currently in progress.

NORTH BROWARD HOSPITAL DISTRICT

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June 30, 2022

In the past few years, federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services.

Management believes that the District is in compliance with current laws and regulations, including grant agreements. To the extent that issues with non-compliance are identified, the District's management takes the appropriate steps to correct such matters. Management of the District also takes steps to ensure immediate payback of any funds received as a result of the issue. Management of the District believes that the ultimate exposure from any such matters would not have a material effect on the financial statements of the District.

(22) Significant Business Risk

The District receives a significant amount of reimbursement from Medicaid. The Florida State Legislature, the Centers for Medicare, and Medicaid Services (CMS), and the Florida Medicaid Agency continually evaluate the terms of the Medicaid Program. If the terms of the Medicaid program change, the District cannot determine what impact this will have on future funding. This poses a significant business risk to the organization.

(23) Coronavirus (COVID-19)

The COVID-19 pandemic's impact on the District's operating results and financial condition will continue to be driven by many factors that are beyond the District's control and ability to forecast. These include adversely impacted global commercial activity, volatility in financial markets, government responses, disruption in global supply chains; and supply/demand challenges in the labor market. The fluidity of the situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the District, its performance, and its financial results.

As part of the response to the coronavirus pandemic, the federal government passed legislation, referred to as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, on March 27, 2020, that included, among other things, financial assistance to offset some of the financial burden expected to be incurred by providers such as the District in responding to the pandemic. As a result of this legislation, the District received approximately \$82.7 million from funds established under the CARES Act in the form of a grant that, as long as certain terms and conditions are met by the District, is not required to be repaid by the District. The District has met the terms and conditions as required by the grants and has recognized \$4.1 million in fiscal year 2022 and \$78.6 million (\$3.8 million of which was granted through Broward County) in the two fiscal years preceding 2022 in non-operating revenues to offset lost revenues and additional expenses incurred through June 30, 2022.

During 2020, the District received approximately \$78.6 million in accelerated Medicare payments from one of the Medicare Administrative Contractors (MAC). The repayment period is 29 months with no claims offset for the first 12 months, a 25% payment offset for the next 11 months and 50% offset for the final six months. Any amount not recouped by the MAC within 29 months from the receipt of the accelerated payment is to be repaid by the District within 30 days. The remaining balance of the \$20.1 million of accelerated payments is included with estimated third-party payor settlements on the 2022 statement of net position and recoups are reported as a non-capital financing activity on the statement of cash flow. As of June 30, 2022, the District has repaid approximately \$58.5 million of the \$78.6 million. Remaining funds will be repaid in FY 2023.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

The CARES Act includes other aspects which could provide additional funds to the District in the future. However, as of the date of this report, the amount of any such future funds to be received related to the coronavirus pandemic is uncertain.

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

(24) Condensed Financial Information – Component Units

The following tables represent the condensed financial information of the District’s component units at June 30, 2022 (in thousands of dollars):

	Children’s Diagnostic and Treatment Center	Broward Health Foundation	Broward Health ACO	Total of Blended Component Units
Assets:				
Other current assets	\$ 5,905	15,982	15,187	37,074
Total current assets	5,905	15,982	15,187	37,074
Capital assets, net	1,326	1,108	18	2,452
Other assets	1,166	3,489	41	4,696
Total assets	8,397	20,579	15,246	44,222
Deferred outflows of resources	504	21	54	579
Liabilities:				
Due to other components	2,469	154	17,630	20,253
Other current liabilities	9,655	57	229	9,941
Total current liabilities	12,124	211	17,859	30,194
Other long-term liabilities	1,990	71	167	2,228
Total liabilities	14,114	282	18,026	32,422
Deferred inflows of resources	891	46	48	985
Net position:				
Net investment in capital assets	1,326	1,108	18	2,452
Restricted for donor restrictions	199	19,415	—	19,614
Restricted net position	878	30	54	962
Unrestricted net position	(8,507)	(281)	(2,846)	(11,634)
Total net position	\$ (6,104)	20,272	(2,774)	11,394

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2022

	Children's Diagnostic and Treatment Center	Broward Health Foundation	Broward Health ACO	Total of Blended Component Units
Operating revenues	\$ 19,465	—	1,530	20,995
Operating expenses	21,440	1,245	1,385	24,070
Operating income (loss)	(1,975)	(1,245)	145	(3,075)
Nonoperating revenues	704	15,953	—	16,657
Capital contributions	19	—	—	19
Increase (decrease) in net position	(1,252)	14,708	145	13,601
Net position:				
Beginning of year, as restated (see note 2)	(4,852)	5,564	(2,919)	(2,207)
End of year	\$ (6,104)	20,272	(2,774)	11,394

(25) Disposal of Operations

In January 2022, the District sold its Hospice Operation to an organization that will enhance the Hospice services available to the community. As a result of the sale, the District recognized a \$1.2 million gain which is included in other non-operating revenues (expenses).

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

NORTH BROWARD HOSPITAL DISTRICT

Schedule of Changes in Net Pension Liability and Related Ratios – Defined Benefit Pension Plan (Unaudited)

June 30, 2015 Through June 30, 2022

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability								
Service cost	\$ 12,225	\$ 13,588	12,604	14,202	11,692	11,114	10,603	9,775
Interest on total pension liability	21,039	21,136	22,525	22,571	25,251	25,254	24,568	25,875
Effect of economic/demographic gains or losses	(5,583)	1,891	(8,793)	(1,684)	(3,996)	(2,843)	(2,600)	—
Effect of assumption changes or inputs	7,274	(5,405)	(19,993)	(4,753)	20,211	(4,654)	965	(5,629)
Benefit payments	<u>(32,007)</u>	<u>(30,808)</u>	<u>(28,351)</u>	<u>(30,555)</u>	<u>(31,731)</u>	<u>(27,411)</u>	<u>(25,626)</u>	<u>(24,520)</u>
Net change in total pension liability	2,948	402	(22,008)	(219)	21,427	1,460	7,910	5,501
Total pension liability, beginning	<u>340,156</u>	<u>339,754</u>	<u>361,762</u>	<u>361,981</u>	<u>340,554</u>	<u>339,094</u>	<u>331,184</u>	<u>325,683</u>
Total pension liability, ending (a)	\$ <u>343,104</u>	\$ <u>340,156</u>	<u>339,754</u>	<u>361,762</u>	<u>361,981</u>	<u>340,554</u>	<u>339,094</u>	<u>331,184</u>
Fiduciary Net Position								
Employer contributions	\$ 2,688	\$ 10,725	16,000	16,000	16,010	17,000	15,200	17,600
Investment income, net of investment expenses	(17,533)	93,993	12,015	25,602	39,513	42,243	(1,210)	15,583
Benefit payments	(32,007)	(30,808)	(28,351)	(30,555)	(31,731)	(27,411)	(25,626)	(24,520)
Administrative expenses	<u>(2,682)</u>	<u>(2,034)</u>	<u>(2,207)</u>	<u>(1,867)</u>	<u>(2,131)</u>	<u>(2,273)</u>	<u>(2,126)</u>	<u>(2,533)</u>
Net change in plan fiduciary net position	(49,534)	71,876	(2,543)	9,180	21,661	29,559	(13,762)	6,130
Fiduciary net position, beginning	<u>444,032</u>	<u>372,156</u>	<u>374,699</u>	<u>365,519</u>	<u>343,858</u>	<u>314,299</u>	<u>328,061</u>	<u>321,931</u>
Fiduciary net position, ending (b)	\$ <u>394,498</u>	\$ <u>444,032</u>	<u>372,156</u>	<u>374,699</u>	<u>365,519</u>	<u>343,858</u>	<u>314,299</u>	<u>328,061</u>
Net pension (asset) liability, ending = (a) - (b)	\$ <u>(51,394)</u>	\$ <u>(103,876)</u>	<u>(32,402)</u>	<u>(12,937)</u>	<u>(3,538)</u>	<u>(3,304)</u>	<u>24,795</u>	<u>3,123</u>
Fiduciary net position as a % of total pension liability	114.98%	130.54%	109.54%	103.58%	100.98%	100.97%	92.69%	99.06%
Covered payroll	\$ 387,944	\$ 389,554	362,948	377,071	375,867	376,441	353,296	351,806
Net pension (asset) liability as a % of covered payroll	-13.25%	-26.67%	-8.93%	-3.43%	-0.94%	-0.88%	7.02%	0.89%

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

Schedule of Employer Contributions – Defined Benefit Pension Plan (Unaudited)

July 1, 2012 Through June 30, 2022

(in thousands of dollars)

Fiscal Year Ending June 30	Actuarially Determined Contribution*	Actual Employer Contribution**	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2022	\$ 0	\$ 2,688	\$ (2,688)	\$ 387,944	0.69%
2021	0	10,725	(10,725)	389,554	2.75%
2020	4,271	16,000	(11,729)	362,948	4.41%
2019	9,758	16,000	(6,242)	377,071	4.24%
2018	9,028	16,010	(6,982)	375,867	4.26%
2017	11,052	17,491	(6,439)	376,441	4.65%
2016	11,834	15,656	(3,822)	353,296	4.43%
2015	14,957	18,126	(3,169)	351,806	5.15%
2014	15,688	18,169	(2,481)	336,524	5.40%
2013	17,205	20,204	(2,999)	345,555	5.85%

*Minimum contribution determined as of plan year end under Florida statutes.

**Interest adjusted to plan year end.

Notes to Schedule

Assumed rate of return on investments	6.25%
Mortality basis	Pub-2010 with generational projection per MP-2021, per Florida State Statute
Amortization method	Level dollar closed
Existing amortization period	20 Years
Asset valuation method	
Smoothing period	Three years
Corridor	90% to 110% of Market
Assumed inflation rate	2.30%
Salary increases	4.50%
Cost of living adjustments	None
Actuarial cost method	Entry age normal

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

Schedule of Money-Weighted Rate of Return – Defined Benefit Pension Plan (Unaudited)

Fiscal Years Ending June 30, 2013 Through June 30, 2022

<u>Fiscal Year Ending June 30</u>	<u>Net Money-Weighted Rate of Return</u>
2013	N/A
2014	N/A
2015	4.87%
2016	-0.38%
2017	13.96%
2018	11.71%
2019	7.09%
2020	3.58%
2021	24.70%
2022	-4.61%

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
Fiscal Years Ending June 30, 2018 Through June 30, 2022
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 2,472	2,603	2,587	2,246	3,066
Interest on total OPEB liability	1,485	4,158	5,579	6,083	8,217
Effect of plan changes	—	(110,357)	—	—	(68,863)
Effect of economic/demographic gains or losses	—	(12,207)	—	(1,906)	—
Effect of assumption changes or inputs	(10,274)	1,438	26,543	1,921	(6,393)
Benefit payments	<u>(4,232)</u>	<u>(5,529)</u>	<u>(6,408)</u>	<u>(6,532)</u>	<u>(8,563)</u>
Net change in total OPEB liability	(10,549)	(119,894)	28,301	1,812	(72,536)
Total OPEB liability, beginning	<u>68,394</u>	<u>188,288</u>	<u>159,987</u>	<u>158,175</u>	<u>230,711</u>
Total OPEB liability, ending	\$ <u>57,845</u>	<u>68,394</u>	<u>188,288</u>	<u>159,987</u>	<u>158,175</u>
Covered payroll	\$ N/A	390,359	391,701	385,993	428,904
Total OPEB liability as a % of covered payroll	N/A	17.52%	48.07%	41.45%	36.88%

See accompanying independent auditors' report.

SUPPLEMENTAL COMBINING INFORMATION

NORTH BROWARD HOSPITAL DISTRICT

Combining Schedule of Net Position

June 30, 2022

(In thousands of dollars)

Assets	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 8	3	2	3	—	64,164	—	64,180
Cash and investments externally restricted by donors	—	—	—	—	13,729	199	—	13,928
Short-term investments	—	—	—	—	—	478,139	—	478,139
Assets whose use is limited required for current liabilities – investments	4,358	2,030	1,009	1,014	—	1,352	—	9,763
Due from patients and other, net of allowance for uncollectibles	89,824	39,917	12,870	27,359	—	12,504	—	182,474
Inventories	15,125	8,012	2,620	3,881	—	4,122	—	33,760
Estimated third-party payor settlements	41,396	13,583	3,036	6,002	—	14,930	—	78,947
Other current assets	4,459	2,936	634	1,135	2,253	49,339	(24,232)	36,524
Total current assets	155,170	66,481	20,171	39,394	15,982	624,749	(24,232)	897,715
Assets whose use is limited – cash and investments:								
Amounts designated for self-insurance	16,023	8,117	6,381	4,908	—	4,122	—	39,551
	16,023	8,117	6,381	4,908	—	4,122	—	39,551
Less amount required to meet current obligations	(4,358)	(2,030)	(1,009)	(1,014)	—	(1,352)	—	(9,763)
Assets whose use is limited, net	11,665	6,087	5,372	3,894	—	2,770	—	29,788
Investments	—	—	—	—	—	215,532	—	215,532
Due from/(to) affiliates	706,308	108,910	56,593	195,723	(154)	(1,067,380)	—	—
Capital assets, net	187,187	99,841	44,333	99,367	1,108	168,004	—	599,840
Net pension asset	19,700	10,304	5,468	6,440	51	9,209	—	51,172
Other assets	2,307	5,066	—	2,209	3,438	37,613	—	50,633
Total assets	\$ 1,082,337	296,689	131,937	347,027	20,425	(9,503)	(24,232)	1,844,680
Deferred outflows of resources:								
Loss on debt refundings	\$ 12,620	1,303	726	495	—	1,750	—	16,894
Deferred pension amounts	2,956	957	575	767	7	1,582	—	6,844
Deferred other postemployment benefits	6,417	3,275	1,815	2,369	14	3,986	—	17,876
Total deferred outflows of resources	\$ 21,993	5,535	3,116	3,631	21	7,318	—	41,614

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

Combining Schedule of Net Position (Continued)

June 30, 2022

(In thousands of dollars)

Liabilities	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Current liabilities:								
Current maturities of revenue bonds payable	\$ 2,648	392	355	379	—	2,041	—	5,815
Accounts payable and accrued expenses	61,908	21,837	9,116	15,232	—	50,016	(24,232)	133,877
Accrued salaries, benefits, and payroll taxes	14,081	6,736	3,574	5,769	42	29,376	—	59,578
Accrued personal leave	11,080	5,073	2,496	4,170	15	7,774	—	30,608
Current portion of lease obligations	1,982	909	626	1,545	—	4,590	—	9,652
Estimated third-party payor settlements	35,570	8,275	4,580	7,027	—	9,724	—	65,176
Current portion of self-insurance program liability	4,358	2,030	1,009	1,014	—	1,352	—	9,763
Interest payable	3	2	2	6	—	32	—	45
Total current liabilities	131,630	45,254	21,758	35,142	57	104,905	(24,232)	314,514
Revenue bonds, net of current maturities	144,107	21,320	19,317	20,643	—	111,109	—	316,496
Lease obligations, net of current portion	3,079	1,811	604	2,366	—	4,710	—	12,570
Self-insurance program liability, net of current portion	6,781	3,811	3,422	1,126	69	8,643	—	23,852
Other postemployment benefit program liability	24,347	8,713	5,205	6,480	2	13,098	—	57,845
Total liabilities	\$ 309,944	80,909	50,306	65,757	128	242,465	(24,232)	725,277
Deferred inflows of resources:								
Deferred pension amounts	\$ 8,581	4,274	2,188	1,948	28	4,525	—	21,544
Deferred other postemployment benefits	7,437	3,598	2,052	2,825	18	5,140	—	21,070
Leases	3,439	6,882	—	2,764	—	12,901	—	25,986
Total deferred inflows of resources	\$ 19,457	14,754	4,240	7,537	46	22,566	—	68,600
Net position:								
Net investment in capital assets	\$ 47,991	76,712	24,156	74,930	1,108	47,304	—	272,201
Restricted for donor restrictions	—	—	—	—	19,415	199	—	19,614
Restricted for pension	14,075	6,987	3,855	5,259	30	6,266	—	36,472
Unrestricted	712,863	122,862	52,496	197,175	(281)	(320,985)	—	764,130
Total net position	\$ 774,929	206,561	80,507	277,364	20,272	(267,216)	—	1,092,417

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT
Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

(In thousands of dollars)

	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Operating revenues:								
Net patient service revenue (net of provision for uncollectible accounts)	\$ 533,170	265,373	110,187	218,070	—	49,032	—	1,175,832
Other operating revenue	30,000	10,205	724	1,867	—	92,864	(14,989)	120,671
Total operating revenues	<u>563,170</u>	<u>275,578</u>	<u>110,911</u>	<u>219,937</u>	<u>—</u>	<u>141,896</u>	<u>(14,989)</u>	<u>1,296,503</u>
Operating expenses:								
Salaries	207,399	103,195	50,863	81,738	811	179,850	—	623,856
Employee benefits	32,823	16,804	8,802	12,954	95	31,388	—	102,866
Professional fees	33,278	19,764	6,116	8,219	—	4,248	(7,621)	64,004
Purchased services and temporary labor	58,009	43,229	12,159	34,881	—	826	—	149,104
Outside services	11,849	2,823	1,074	2,017	1	18,246	—	36,010
Supplies	130,785	67,964	21,797	35,947	8	18,625	—	275,126
Insurance	3,592	1,817	1,123	1,418	26	3,986	—	11,962
Utilities	8,043	3,170	2,001	2,163	2	5,339	—	20,718
Repairs and maintenance	6,562	3,997	2,907	2,504	—	2,788	—	18,758
State assessments	5,916	2,787	1,325	2,028	—	853	—	12,909
Depreciation and amortization	21,297	9,665	4,782	8,960	57	15,197	—	59,958
Other	81,634	47,154	24,358	35,110	245	(100,541)	(7,368)	80,592
Total operating expenses	<u>601,187</u>	<u>322,369</u>	<u>137,307</u>	<u>227,939</u>	<u>1,245</u>	<u>180,805</u>	<u>(14,989)</u>	<u>1,455,863</u>
Operating loss	<u>(38,017)</u>	<u>(46,791)</u>	<u>(26,396)</u>	<u>(8,002)</u>	<u>(1,245)</u>	<u>(38,909)</u>	<u>—</u>	<u>(159,360)</u>
Nonoperating revenues (expenses):								
Ad valorem tax revenue	71,593	37,872	15,984	28,162	—	25,937	—	179,548
Investment income, net	84	43	147	216	(102)	(44,855)	—	(44,467)
Interest expense	(8,222)	(1,278)	(1,037)	(1,125)	(1)	(5,454)	—	(17,117)
CARES Act Stimulus	—	—	—	—	—	4,073	—	4,073
Other	(5,008)	(185)	(111)	(668)	16,056	(10,707)	—	(623)
Total nonoperating revenues (expenses)	<u>58,447</u>	<u>36,452</u>	<u>14,983</u>	<u>26,585</u>	<u>15,953</u>	<u>(31,006)</u>	<u>—</u>	<u>121,414</u>
Income (loss) before capital contributions	20,430	(10,339)	(11,413)	18,583	14,708	(69,915)	—	(37,946)
Capital contributions	4	—	—	—	—	534	—	538
Increase (decrease) in net position	20,434	(10,339)	(11,413)	18,583	14,708	(69,381)	—	(37,408)
Net position:								
Beginning of year, as adjusted (note 2)	754,495	216,900	91,920	258,781	5,564	(197,835)	—	1,129,825
End of year	<u>\$ 774,929</u>	<u>206,561</u>	<u>80,507</u>	<u>277,364</u>	<u>20,272</u>	<u>(267,216)</u>	<u>—</u>	<u>1,092,417</u>

See accompanying independent auditors' report.