



ANNUAL REPORT

FOR THE FISCAL YEAR ENDED

April 30, 2021

Memorial Healthcare System Disclosure Representative:

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Important Information

In accordance with undertakings of the South Broward Hospital District d/b/a Memorial Healthcare System (the “Issuer”), regarding secondary market disclosure made pursuant to SEC Rule 15c2-12(b)(5)(i), by various continuing disclosure certificates, attached is the annual financial information (hereinafter collectively called the “Fiscal Year 2021 Annual Information”) and operating data for the Fiscal Year ended April 30, 2021 (“Fiscal Year 2021”). This information also satisfies the requirement for year-to-date financial information and operating data for the fiscal quarter ended April 30, 2021. Certain information regarding “Other Funding Sources” and “Subsequent Events” may be found in Notes 4 and 17 to the Issuer’s Audited Financial Statements for the Fiscal Year ending April 30, 2021, which are being posted contemporaneously with this report. The information in this Annual Report should be read in connection with the Audited Financial Statements (filed separately) including the Management’s Discussion and Analysis, narratives and Notes to the Annual Financial Statements.

The provision of this information is not intended as an offer to sell any securities. It is provided solely to comply with the contractual undertakings made by the Issuer with respect to certain outstanding obligations of the Issuer, which contractual undertakings require the provision of limited financial information and operating data with respect to the Issuer. It is not intended to be and is not an update of all of the information included in the Issuer’s prior Official Statements. Other events may have occurred since the date of the Issuer’s prior Official Statements which might be material to investors in the Issuer’s bonds including, without limitation, changes in regulation of the healthcare industry and certain other risk factors. No representation is made as to whether any such other events have occurred with respect to the Issuer or its outstanding debt that might be material or important to owners of the Issuer’s outstanding debt. No representation is made as to the materiality or completeness of the Fiscal Year 2021 Annual Information. No representation is made that the Fiscal Year 2021 Annual Information is indicative of financial or operating results of the Issuer since the end of Fiscal Year 2021 or of future financial or operating results.

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

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

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

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER

Sources of Patient Revenue

The table below lists the approximate percentages of gross charges by category for the fiscal years ended April 30, 2020 and 2021.

<u>Percentage of Gross Charges</u>	<u>April 30, 2020</u>	<u>April 30, 2021</u>
Medicare	16.6%	15.3%
Medicaid	4.2%	3.9%
Managed Care	66.9%	69.7%
Other	12.3%	11.1%
Total	100.0%	100.0%

Levy and Collection of Taxes (\$ in Thousands)

The following table sets forth, for the fiscal years 2020 and 2021 the millage, assessed valuation, and gross taxes levied.

	<u>2020</u>	<u>2021</u>
Millage	0.1260	0.1199
Assessed Valuation	\$61,960,005	\$65,071,742
Taxes Levied	\$7,807	\$7,802

Maximum Annual Debt Service (\$ in Thousands)

The Issuer's Maximum Annual Debt Service for the Outstanding Indebtedness for both the fiscal years ended April 30, 2020 and 2021 was approximately \$43.9 million. The Net Income Available for Debt Service and the Maximum Annual Debt Service on Outstanding Indebtedness is computed below for the years ended April 30, 2020 and 2021 as provided in Section 3.07 of the Master Trust Indenture ("MTI").

	<u>Maximum Annual Debt Service Coverage</u>	
	<u>Fiscal Year Ended April 30</u>	
	<u>2020</u>	<u>2021</u>
Net excess of revenue and net nonoperating gains over expenses	\$ 155,673	\$ 262,102
Average of unrestricted contributions and grants for the prior three years	1,990	8,399
Unrealized gains on investments	(45,348)	(20,643)
Interest expense	25,495	24,159
Depreciation and amortization expense	93,340	89,324
Loss (gain) on disposal of capital assets	1,650	(244)
Net Income Available for Debt Service	\$ 232,800	\$ 363,097
Maximum Annual Debt Service	43,867	43,867
Long-Term Debt Service Coverage Ratio	5.31	8.28
Maximum Annual Debt Service	43,867	43,867
Percentage to adjust pursuant to MTI	110%	110%
Adjusted Maximum Annual Debt Service	\$ 48,254	\$ 48,254
Adjusted Long-Term Debt Service Coverage Ratio	4.82	7.52

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Summary of Historical Financial Information (\$ in Thousands)

The following selected financial data as of April 30, 2020 and 2021 and for the years then ended are derived from the audited financial statements of the Issuer. The financial data presented should be read in conjunction with the financial statements and related notes for the respective fiscal year.

	<u>Fiscal Year Ended April 30</u>	
	<u>2020</u>	<u>2021</u>
Cash, cash equivalents and investments	\$2,340,984	\$2,548,449
Designated investments	20,181	20,169
Patient accounts receivable, net	191,588	278,849
Total current assets	2,678,462	2,975,576
Total assets incl. deferred outflows	\$3,747,124	\$4,106,119
Total current liabilities	428,827	452,699
Long term debt (excl. current portion)	676,939	663,042
Net position	\$2,403,656	\$2,687,421
LT Debt-to-Capitalization Ratio	22%	20%
Days Cash on Hand	427	425

	<u>Fiscal Year Ended April 30</u>	
	<u>2020</u>	<u>2021</u>
Total operating revenue	\$ 2,159,666	\$ 2,339,546
Total operating expenses	2,111,211	2,294,352
Income from operations	48,455	45,194
Non-operating gains, net (including depreciation expense of \$1,406 and \$1,686 in 2020 and 2021, respectively)	107,218	216,908
Excess of revenues and net non-operating gains over expenses and before capital contributions and grants	\$155,673	\$262,102
Capital contributions and grants	933	21,663
Net margin	7.21%	11.20%
Depreciation and amortization	\$91,934	\$87,638
Interest	\$25,495	\$24,159

Liquidity (\$ in Thousands)

The following table sets forth the Issuer's liquidity position and days cash on hand as of April 30, 2020 and 2021.

	<u>As of April 30</u>	
	<u>2020</u>	<u>2021</u>
Cash and cash equivalents*	\$ 276,620	\$ 137,950
Investments*	2,064,364	2,410,499
Designated Investments	20,181	20,169
Total Cash on Hand	\$ 2,361,165	\$ 2,568,618
Operating Expenses	2,111,211	2,294,352
Depreciation and amortization	(91,934)	(87,638)
Days Cash On Hand	427	425

*Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the total reported results of operations.

SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER (CONTINUED)

Capitalization (\$ in Thousands)

The following table sets forth the Issuer's capitalization as of April 30, 2020 and 2021.

	<u>As of April 30</u>	
	<u>2020</u>	<u>2021</u>
Long-term debt including Current portion	\$ 688,604	\$ 675,227
Capital lease obligations including Current portion	1,682	1,358
Total Long-term debt and Capital leases	\$ 690,286	\$ 676,585
Net Position	2,403,656	2,687,421
Total capitalization	\$ 3,093,942	\$ 3,364,006
Debt to Capitalization Ratio	22%	20%

HISTORICAL UTILIZATION STATISTICS

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

		<u>Fiscal Year Ended April 30</u>	
		<u>2020</u>	<u>2021</u>
Admissions		65,271	66,876
Observation Discharges		<u>52,509</u>	34,396
Total		117,780	101,272
Patient Days	(1)	389,098	429,654
Observation Days		<u>84,548</u>	55,308
Total		473,646	484,962
Average Length of Stay (Days)	(1)	5.96	6.42
Average Daily Census	(2)	1,294	1,329
Percent of Occupancy	(2)	65.4%	67.2%
Licensed Beds	(3)	1,978	1,978
Hospital Outpatient Visits		531,519	538,262
Urgent Care Center (UCC) Visits		20,738	28,855
24/7 Care Center Visits		62,951	55,276
Memorial Primary Care (MPC) Visits	(4)	146,486	94,859
Home Health (HH) Visits		<u>42,727</u>	37,436
Total Outpatient, 24/7, UCC, MPC and HH Visits		804,421	754,688
Emergency Room Visits		376,699	282,295

(1) *Inpatients only*

(2) *Combined inpatient and observation patients*

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

(4) *South Broward Community Health Services (SBCHS) is now known as Memorial Primary Care (MPC)*