



HALIFAX HEALTH

**Audit & Finance
Committee**

Wednesday, January 8, 2020

Meeting Location

Halifax Health

France Tower, Conference Room A

4:00 p.m.

HALIFAX HEALTH AUDIT & FINANCE COMMITTEE

4:00 p.m., Wednesday, January 8, 2020

AGENDA

I. CALL TO ORDER

II. MINUTES

- Investment Committee Minutes, August 12, 2019 portal page 4, **action requested**
- Audit & Finance Committee Minutes, October 30, 2019 portal page 6, **action requested**

III. AUDIT COMMITTEE

Corporate Compliance, Shelly Shiflet

- Monthly Compliance Dashboard Reports portal page 10, **information only**
- Proposed Revision to Monthly Compliance Dashboard portal page 14, **discussion**

Internal Audit, Bill Rushton

- Audit Services Discussion and Analysis portal page 18, **action requested**

FY 2019 Draft Audited Financial Statements, Lisa Tyler

- Audit Committee Presentation, Jon Hillmann, RSM **action requested**
- Halifax Hospital Medical Center Financial Report Draft portal page 32
- Schedule of Uses of Property Taxes Report Draft portal page 51
- Halifax Hospice, Inc. Financial Report Draft portal page 116
- Halifax Health Pension Plan Report Draft portal page 120
- Halifax Health Pension Plan Report Draft portal page 148

IV. FINANCE COMMITTEE

Financial Report, Eric Peburn

- FY 2020 Operating Performance portal page 169, **information only**
- November 2019 portal page 172, **action requested**
- S & P Global Ratings Report portal page 196, **information only**

Acquisitions, Leases and Disposals, Shawn Remington

- Capital Investment Strategy, November 2019 portal page 206, **information only**
- Capital Expenditures \$50,000 and over portal page 210, **action requested**
 - Beds and Mattresses for Critical Care and Specialty \$420,054
 - Ultrasound Echocardiogram Machines \$341,725
 - BiPap Machines for Respiratory Therapy \$99,577
 - Mako Total Knee Replacement Instrument Set \$61,818
 - Spinal Surgery Table Tops \$59,886
- Disposals, November 2019 portal page 221, **action requested**
- Comparison of Projected and Actual Financial Results for Significant Projects none

HALIFAX HEALTH AUDIT & FINANCE COMMITTEE

Old Business

- Meeting Request Tracker/Checklist none

New Business

- Proposed Investment Policy Changes portal page 222, **action requested**
 - Halifax Health Pension Plan portal page 223
 - Halifax Health Foundation portal page 234
 - Halifax Health Hospice portal page 246

Information Only

- Discharged Based - Average Length of Stay and Case Mix Index portal page 258, **information only**
- Investment Performance Report, November 2019 portal page 260, **information only**
- Capital Expenditures \$25,000 - \$50,000 portal page 265, **information only**
 - *Stretchers for Emergency Department* \$49,925
 - *CPU Upgrade for Electrophysiology System* \$45,000
 - *Nail Extraction System* \$29,500
 - *Hemodialysis Systems Dialysis* \$28,280

V. OPEN DISCUSSION

- VI. NEXT MEETING Monday, February 10, 2020 4 p.m. Investment Committee, **Conference Room D**
Wednesday, March 4, 2020, 4 p.m. Regular Meeting

VII. PUBLIC PARTICIPATION/EXECUTIVE SESSION/ADJOURN

Halifax Hospital Medical Center
Investment Committee Meeting, Sub Committee Audit & Finance Committee
France Tower, Conference Room A, 303 N. Clyde Morris Blvd., Daytona Beach, FL 32114
Monday, August 13, 2019

Present: Ted Serbousek, Chairman & Chairman, Audit & Finance Committee
Dan Francati, Member & Member, Audit & Finance Committee & Vice Chairman,
Board of Commissioners
Dave Graffagnino, Member
Susan Schandel, Member & Member, Audit & Finance Committee & Treasurer, Board of
Commissioners
Decker Youngman, Member, Audit & Finance Committee
James Wesner, Marquette Associates

Not Present: Greg Motto, Member, Audit & Finance Committee

Also Present: Jeff Feasel, President & Chief Executive Officer
Eric Peburn, Executive Vice President & Chief Financial Officer
Kent Bailey, Director of Finance
Lisa Tyler, Corporate Controller
Marcus Axthelm, Dimensional Fund Advisors
Drew Colantonio, Dimensional Fund Advisors

The meeting was called to order at 4:00 p.m. by Chairman Serbousek.

New Business

Discussion: Manager Presentation – Dimensional Fund Advisors Presentation
Mr. Axthelm and Mr. Colantonio were introduced and presented a portfolio update (board portal).

Action: None required.

Minutes

Discussion: Minutes from the May 13, 2019 Investment Committee meeting were reviewed.

Action: Mr. Francati moved to approve the May 13, 2019 Investment Committee minutes as presented.
Mr. Graffagnino seconded the motion and it carried unanimously.

Old Business

Discussion: None, no action required.

New Business

Discussion: Dimensional Fund Advisors Assessment
Mr. Wesner presented the results of his comparative evaluation for DFA (U.S. Equity, Non-U.S. Equity). Brief discussion ensued.

Action: Mr. Francati moved to remain with DFA. Ms. Schandel seconded the motion and it carried unanimously.

Discussion: Annual Investment Allocation Review
Mr. Bailey referred to the policy review checklist indicating that the asset allocation strategy review is in process by Marquette Associates who is expected to propose changes for the

Pension, Hospice and Foundation portfolios.

Action: None required at this time. The investment allocation review will be brought back to the November 2019 committee meeting.

Discussion: Annual Investment Policies Checklist
Mr. Bailey referred to the policy review checklist, stating that all requirements were reviewed and completed, with the exception of the allocation review, as noted above.

Annual Investment Policies Review

Mr. Bailey and Mr. Wesner reported the policies review will be brought back to the committee at the November 2019 meeting.

Annual Investment Charter Review

Mr. Bailey reported that the Investment Committee Charter was included for review; there are not any changes recommended at this time.

Action: Mr. Graffagnino moved to approve that no changes to the Annual Investment Policies Review and Annual Investment Charter were required. Mr. Francati seconded the motion and it carried unanimously.

Investment Review

Discussion: Advisor Report, Marquette Associates
Mr. Wesner presented the advisor report as well as the portfolio review, the asset allocation study and alternative investment options (Pension, Hospice, Foundation, HHMC and HH Holdings).

Action: None required.

Next Meeting: Monday, November 11, 2019, 4 p.m. – Regular scheduled meeting

Open Discussion

Discussion: None.

Adjournment

Ted Serbousek

Halifax Hospital Medical Center
Audit and Finance Committee Meeting
303 N. Clyde Morris Blvd., France Tower, Conference Room A
Wednesday, October 30, 2019

Present: Ted Serbousek, Chairman
Daniel Francati, Member & Vice Chairman, Board of Commissioners
Susan Schandel, Member & Treasurer, Board of Commissioners
Greg Motto, Member
Decker Youngman, Member
Ammar Hemaidan, MD, Member & Member, Medical Staff

Also Present: Jeff Feasel, President and Chief Executive Officer
Eric Peburn, Executive VP/Chief Financial Officer
Bill Rushton, Director, Internal Audit
Shelly Shiflet, Chief Compliance Officer
Shawn Remington, Director, Corporate Finance
Lisa Tyler, Corporate Controller
Arvin Lewis, SVP & CRO
Alberto Tineo, SVP and Hospital Chief Operating Officer
Kelly Kwiatek, SVP & General Counsel
Andrea Kurak, Senior Corporate Counsel
Tom Stafford, Vice President and Chief Information Officer
Mary Jo Allen, VP of Post Acute Services and Ex. Dir
Dr. Margaret Crossman, SVP and CMO
Bob Williams, Director, Population Health Business Development and VHN
Ben Eby, Director of Operations, Hospice
Jon Hillmann, RSM
Brandon Slauter, RSM

The meeting was called to order at 4:00 p.m. by Chairman Serbousek. Attendance was recorded.

AUDIT COMMITTEE

EXTERNAL AUDIT

Discussion: Ms. Tyler introduced Mr. Hillmann and Mr. Slauter to present the FY 2019 Client Service and Audit Plan. Committee members were led through the audit scope, the expectations of RSM, highlighting the organization chart of the service team, the risk area and summary audit procedures and timeline. Brief discussion ensued.

Action: None required.

MINUTES

Discussion: Minutes from the May 13, 2019 Investment Committee Meeting and June 26, 2019 Audit & Finance Committee Meeting were reviewed.

Action: Mr. Francati moved to approve the minutes as presented and recommends approval by the Halifax Health Board of Commissioners. Mr. Motto seconded the motion and it carried unanimously.

AUDIT COMMITTEE

CORPORATE COMPLIANCE

Discussion: Monthly Compliance Program Update Dashboard
Ms. Shiflet presented the Compliance Dashboard for the months ended August 31, 2019 and September 30, 2019 referencing no issues in September 2019, but citing the attendance of the Compliance Committee fell short of the 70% or greater internal target in August 2019. Committee members were briefed on the status of two level cases with no objections to close. Ms. Shiflet concluded her report by stating she has not heard from the OIG to date.

Action: None required.

INTERNAL AUDIT

Discussion: Mr. Rushton led committee members through IADA that included highlights of the FY 2019 Plan Status, Results of FY 19 Audit Projects and Summary of five audit reports:

- Emergency Department Charge Capture Audit
- Oncology Charge Capture Audit
- Meditech Expense Post Implementation IT Audit
- Physician Billing and Collections Controls Audit
- RMA and RVU Payments Audit

Mr. Rushton proceeded in presenting the Annual Communication to Governance and Management, the Audit Plan Adjustments, Risk Areas, Proposed Audit Plan and Audit Follow-Up.

Action: Mr. Motto moved to approve the Summary of Audit Reports. Mr. Francati seconded the motion and it carried unanimously.

Action: Mr. Youngman moved to approve the Audit Plan Adjustments. Ms. Schandel seconded the motion and it carried unanimously.

Action: Mr. Francati moved to approve the FY 20 Proposed Audit Plan. Ms. Schandel seconded the motion and it carried unanimously.

Action: Ms. Schandel moved to approve the Audit Follow-up Summary Report. Mr. Francati seconded the motion and it carried unanimously.

FINANCE COMMITTEE

FINANCIAL REPORT

Discussion: Mr. Peburn led committee members through the Fiscal Year 2019 Income Statement Forecast, updated with actual activity through September 30, 2019. Highlights shared resulted in brief discussion regarding significant challenges in FY 2019 and highlights of the management recovery plan and financial results.

Action: Mr. Youngman moved to approve the September 2019 Financial Report and recommends approval by the Halifax Health Board of Commissioners. Mr. Francati seconded the motion and it carried unanimously.

ACQUISITIONS, LEASES & DISPOSALS

Discussion: Capital Investment Strategy, September 2019

Action: None required.

Discussion: Capital Expenditures \$50,000 and over

| | |
|---|-------------|
| • Pulmonary Medical Office Acquisition, 601 N. Clyde Morris Blvd. | \$1,137,066 |
| • Retail Pharmacy | \$1,109,493 |
| • BrainLab Navigation System | \$488,774 |
| • Epiphany EKG Data Management System | \$402,785 |
| • C-Arm for Radiology | \$401,401 |
| • SQL Licenses | \$335,622 |
| • Surgical Microscope | \$285,891 |
| • Wireless Access Points | \$148,626 |
| • Ultrasound for OB Diagnostics/Maternal Fetal Medicine | \$139,567 |
| • EKG Machines with Carts | \$65,912 |
| • Televisions for France Tower | \$58,104 |

Action: Ms. Schandel moved to approve the Capital Expenditures, \$50,000 and over and

recommends approval by the Board of Commissioners. Mr. Motto seconded the motion and it carried unanimously.

Discussion: Disposals, September 2019

Action: Mr. Francati moved to approve the disposals and recommends approval by the Board of Commissioners. Ms. Schandel seconded the motion and it carried unanimously.

Discussion: Comparison of Projected and Actual Financial Results for Significant Projects

Action: Mr. Francati moved to approve the comparison as presented. Mr. Youngman seconded the motion and it carried unanimously.

OLD BUSINESS

Discussion: Meeting Request Tracker/Checklist – Observation Management Presentation
Ms. Allen presented an update regarding observation management, highlighting:

- % Observation Rate – All-Payor from September 2017 – August 2019
- % Observation Rate – Medicare from September 2017 – August 2019
- Observation to Inpatient Conversation Rate – All-Payor from September 2017 – August 2019
- Observation to Inpatient Conversation Rate – Medicare from September 2017 – August 2019

Action: None required.

NEW BUSINESS

Discussion: 2019 Conflict of Interest disclosure forms were made available for committee members to complete and return to the Compliance Department

Action: None required.

Discussion: Proposed 2020 meeting schedule was shared with no conflicts noted.

Action: None required.

Discussion: Board Resolution - Emergency Purchase of Reverse Osmosis

Action: Mr. Youngman moved to approve the Resolution for the Emergency Purchase of Reverse Osmosis, authorizing acquisition of the reverse osmosis system for a total cost of \$25,222.00 and recommends approval by the Board of Commissioners. Ms. Schandel seconded the motion and it carried unanimously.

Discussion: Extension of JPMorgan Chase Direct Pay Letter of Credit
Mr. Peburn presented an update on the Letter of Credit with JPMorgan, which is set to expire in November 2020, requesting an extension to November 2024 at a reduced annual fee.

Action: Mr. Youngman moved to approve the amendment to extend the letter of credit with JPMorgan for the five-year term to 2024 as well as the below stated Resolutions, recommending approval by the Board of Commissioners:

- Resolution Authorizing Extension of Expiration Date (HHMC)
- Resolution Authorizing Amendment Reimbursement Agreement (HHMC and HH Holdings, Inc.)
- 2019 Amendment to Reimbursement Agreement

Mr. Motto seconded the motion and it carried unanimously.

Discussion: Through continued discussion, Mr. Peburn provided an update regarding the Deltona debt structure. He shared that it is anticipated the financing structure will take the form of a Securities Lending Agreement or Total Return Swap; an illustration was provided and discussed ensued.

Action: Mr. Francati moved to approve the financing structure and proposed terms shared for the Medical Center of Deltona, recommending approval by the Board of Commissioners. Ms. Schandel seconded the motion and it carried unanimously.

INFORMATIONAL REPORTS

Discussion: The Schedule Uses of Property Taxes for September 2019, the Discharged Based-Average Length of Stay and Case Mix Index, the Investment Performance Report for September 2019, and the Capital Expenditures, \$25,000 - \$50,000 were presented under Information Only:

- *Diagnostic Reading Monitors* \$27,750

Action: None required.

OPEN DISCUSSION

Discussion: Mr. Feasel introduced Andrea Kurak, Senior Corporate Counsel, who recently joined the legal department at Halifax Health.

**NEXT MEETING DATE: WEDNESDAY, November 11, 2019, 4:00 p.m. – Quarterly Investment Committee
MONDAY, January 8, 2020, 5:05 p.m. – Regular meeting**

ADJOURNMENT

Action: There being no further business, the meeting was adjourned.

Ted Serbousek, Chairman



HALIFAX HEALTH

To: Audit and Finance Committee and Board of Commissioners
Cc: Jeff Feasel, Chief Executive Officer
From: Shelly Shiflet, Vice President, and Chief Compliance Officer
Date: December 10, 2019
Re: Compliance Dashboard Report for the month ended November 30, 2019

The Compliance Program Dashboard Report for November 2019 is attached.

Feel free to contact the Board's Compliance Expert, Robert Wade, Esq., or me regarding any questions on this report.

Mr. Wade can be reached at: Bob.Wade@btlaw.com
Office: 574-237-1107

I can be reached at: Shelly.Shiflet@halifax.org
Office: 386-425-4970

Recommended Action: None. Information only.

Halifax Health
Corporate Compliance Program
Board Report – 11/30/19

ON TARGET

ALERT

I. EMPLOYEE AND BOARD EDUCATION – Halifax Health’s compliance program and Corporate Integrity Agreement requires most employees to acknowledge the Code of Conduct within 30 days of hire. Employees who are considered “Covered Persons” are required to complete 1 hour of general compliance training within 30 days of hire and annually thereafter. Managers and others who are considered “Arrangements Covered Persons” must complete an additional hour of general education and 2 hours of arrangements training within 30 days of becoming an “Arrangements Covered Person,” and annually thereafter. Members of the Board are required to complete 6 hours (2 hours general, 2 hours arrangements, and 2 hours governance) of training within 30 days of becoming a member. The following is the status of education for Halifax Health’s employees and other Covered Persons:

| | | |
|----|-------|--|
| | ➤ | Code of Conduct Attestation¹ |
| 1. | 3,919 | Number of Covered Persons and Board Members required to complete as of end of period |
| 2. | 100% | % of Covered Persons who have completed (On Target at 100%) |

| | | |
|----|-------|--|
| | ➤ | CIA Required Training² |
| 1. | 3,986 | Number of Covered Persons and Board Members required to complete as of end of period |
| 2. | 100% | % of Covered Persons who have completed (On Target at 100%) |

II. SANCTION CHECKS - Halifax Health’s Corporate Integrity Agreement requires all “Covered Persons” be screened for exclusions from participation in federal programs monthly. During the period:

| | | |
|----|-------|--|
| | ➤ | Sanction Check for Covered Persons³ |
| 1. | 4,893 | Number of Covered Persons as of the end of the period |
| 2. | 100% | % of Covered Persons above who had no sanctions, based on monthly sanction check results (On Target at 100%) |

III. COMPLIANCE COMMITTEE – Halifax Health has a Compliance Committee responsible for regulatory compliance matters, which meets monthly. Members of senior leadership across service lines as well as representatives from Hospice and the Medical Staff are represented. During the period:

| | | | |
|--|----|-------|--|
| | 1. | 15 | Number of members on <i>Compliance Committee</i> |
| | 2. | 80.0% | % of members who attended the meeting (On Target at 70% or Greater) last meeting with approved minutes |
| | 3. | 2 | Number of meetings in the last quarter (On Target if 2 or more) |

IV. HELP LINE [844-251-1880] or **halifaxhealth.ethicspoint.com**

| | | | |
|--|----|------|--|
| | 1. | 4/30 | Number of Help Line calls received during month/past 12 months |
| | 2. | 2/17 | Of calls in 1, how many related to Human Resource issues |
| | 3. | 0 | Number of open Help Line calls rated as High Priority as of 10/31/19 |
| | 4. | 0 | Number of open Help Line calls rated as High Priority as of 11/30/19 |
| | 5. | 4 | Number of Help Line calls closed since last month |

V. COMPLIANCE ISSUES

| | | | |
|--|----|-----|---|
| | 1. | 24 | Number of issues open as of 10/31/19 |
| | 2. | 15 | Of the issues in item 1, ___ remain open as of 11/30/19 |
| | 3. | 9 | Number of issues from item 1 closed as of 11/30/19 |
| | 4. | 38% | Percent of open issues from item 1 closed (On Target at 25% or Greater) |

VI. COMPLIANCE POLICIES – Halifax Health’s Compliance Program involves the development, implementation and monitoring of policies to ensure the organization conducts business compliant with applicable statutes, rules and regulations. During the period:

| | | | |
|--|----|---|--|
| | 1. | 1 | Number of Compliance Policies reviewed/ updated in the last month (On Target at 1) |
|--|----|---|--|

VII. BILLING AND CODING REVIEWS - Halifax Health will conduct reviews as part of scheduled audits or to investigate concerns brought to the attention of the Compliance Committee or the Compliance Officer.

| | | | |
|--|----|---|--|
| | 1. | 4 | Number of concerns related to billing/coding received during the month |
| | 2. | 4 | Number of concerns from #1 that required a billing/ coding review |
| | 3. | 4 | Number of reviews from #1 still being investigated |
| | 4. | 0 | Number of reviews from #1 closed or pending Committee review |
| | 5. | 3 | Number of reviews from #1 expected to require repayment/processing of claims |

¹ Code of Conduct Attestation – employees and vendors who meet the definition of a *Covered Person* and new Board Members.

² CIA Required Training – employees (except for housekeeping, maintenance, and foodservice employees), Medical Staff who are party to a *Focus Arrangement*, and vendors who meet the definition of a *Covered Person* and new Board Members.

³ Sanction Check for Covered Persons - employees, Medical Staff and vendors who meet the definition of a *Covered Person*.



HALIFAX HEALTH

To: Audit and Finance Committee and Board of Commissioners
Cc: Jeff Feasel, Chief Executive Officer
From: Shelly Shiflet, Vice President, and Chief Compliance Officer
Date: November 13, 2019
Re: Compliance Dashboard Report for the month ended October 31, 2019

The Compliance Program Dashboard Report for October 2019 is attached.

Feel free to contact the Board's Compliance Expert, Robert Wade, Esq., or me regarding any questions on this report.

Mr. Wade can be reached at: Bob.Wade@btlaw.com
Office: 574-237-1107

I can be reached at: Shelly.Shiflet@halifax.org
Office: 386-425-4970

Recommended Action: None. Information only.

Halifax Health
Corporate Compliance Program
Board Report – 10/31/19

ON TARGET

ALERT

I. EMPLOYEE AND BOARD EDUCATION – Halifax Health’s compliance program and Corporate Integrity Agreement requires most employees to acknowledge the Code of Conduct within 30 days of hire. Employees who are considered “Covered Persons” are required to complete 1 hour of general compliance training within 30 days of hire and annually thereafter. Managers and others who are considered “Arrangements Covered Persons” must complete an additional hour of general education and 2 hours of arrangements training within 30 days of becoming an “Arrangements Covered Person,” and annually thereafter. Members of the Board are required to complete 6 hours (2 hours general, 2 hours arrangements, and 2 hours governance) of training within 30 days of becoming a member. The following is the status of education for Halifax Health’s employees and other Covered Persons:

| | | |
|--|----------|--|
| | ➤ | Code of Conduct Attestation¹ |
| | 1. 4,005 | Number of Covered Persons and Board Members required to complete as of end of period |
| | 2. 100% | % of Covered Persons who have completed (On Target at 100%) |

| | | |
|--|----------|--|
| | ➤ | CIA Required Training² |
| | 1. 4,095 | Number of Covered Persons and Board Members required to complete as of end of period |
| | 2. 100% | % of Covered Persons who have completed (On Target at 100%) |

II. SANCTION CHECKS - Halifax Health’s Corporate Integrity Agreement requires all “Covered Persons” be screened for exclusions from participation in federal programs monthly. During the period:

| | | |
|--|----------|--|
| | ➤ | Sanction Check for Covered Persons³ |
| | 1. 4,988 | Number of Covered Persons as of the end of the period |
| | 2. 100% | % of Covered Persons above who had no sanctions, based on monthly sanction check results (On Target at 100%) |

III. COMPLIANCE COMMITTEE – Halifax Health has a Compliance Committee responsible for regulatory compliance matters, which meets monthly. Members of senior leadership across service lines as well as representatives from Hospice and the Medical Staff are represented. During the period:

| | | |
|--|----------|--|
| | 1. 15 | Number of members on <i>Compliance Committee</i> |
| | 2. 73.3% | % of members who attended the meeting (On Target at 70% or Greater) last meeting with approved minutes |
| | 3. 3 | Number of meetings in the last quarter (On Target if 2 or more) |

IV. HELP LINE [844-251-1880] or **halifaxhealth.ethicspoint.com**

| | | |
|--|---------|--|
| | 1. 1/29 | Number of Help Line calls received during month/past 12 months |
| | 2. 0/14 | Of calls in 1, how many related to Human Resource issues |
| | 3. 0 | Number of open Help Line calls rated as High Priority as of 9/30/19 |
| | 4. 0 | Number of open Help Line calls rated as High Priority as of 10/31/19 |
| | 5. 1 | Number of Help Line calls closed since last month |

V. COMPLIANCE ISSUES

| | | |
|--|--------|---|
| | 1. 25 | Number of issues open as of 9/30/19 |
| | 2. 12 | Of the issues in item 1, ___ remain open as of 10/31/19 |
| | 3. 13 | Number of issues from item 1 closed as of 10/31/19 |
| | 4. 50% | Percent of open issues from item 1 closed (On Target at 25% or Greater) |

VI. COMPLIANCE POLICIES – Halifax Health’s Compliance Program involves the development, implementation and monitoring of policies to ensure the organization conducts business compliant with applicable statutes, rules and regulations. During the period:

| | | |
|--|------|--|
| | 1. 2 | Number of Compliance Policies reviewed/ updated in the last month (On Target at 1) |
|--|------|--|

VII. BILLING AND CODING REVIEWS - Halifax Health will conduct reviews as part of scheduled audits or to investigate concerns brought to the attention of the Compliance Committee or the Compliance Officer.

| | | |
|--|------|--|
| | 1. 1 | Number of concerns related to billing/coding received during the month |
| | 2. 1 | Number of concerns from #1 that required a billing/ coding review |
| | 3. 1 | Number of reviews from #1 still being investigated |
| | 4. 0 | Number of reviews from #1 closed or pending Committee review |
| | 5. 1 | Number of reviews from #1 expected to require repayment/processing of claims |

¹ Code of Conduct Attestation – employees and vendors who meet the definition of a *Covered Person* and new Board Members.

² CIA Required Training – employees (except for housekeeping, maintenance, and foodservice employees), Medical Staff who are party to a *Focus Arrangement*, and vendors who meet the definition of a *Covered Person* and new Board Members.

³ Sanction Check for Covered Persons - employees, Medical Staff and vendors who meet the definition of a *Covered Person*.



HALIFAX HEALTH

To: Audit and Finance Committee and Board of Commissioners
Cc: Jeff Feasel, Chief Executive Officer
From: Shelly Shiflet, Vice President, and Chief Compliance Officer
Date: December 10, 2019
Re: Proposed Revision- Compliance Dashboard Report for the month ended November 30, 2019

Attached is a proposed revision of metrics to our monthly Compliance Program Dashboard report for your review.

The proposed report attached is for month ended November 30, 2019

Feel free to contact me regarding any questions on this report.

I can be reached at: Shelly.Shiflet@halifax.org
Office: 386-425-4970

Recommended Action: None. Information Only

Halifax Health
Corporate Compliance Program
Board Report- 11/30/19

On Target



Alert



I. COMPLIANCE COMMITTEE – Halifax Health has a Compliance Committee responsible for regulatory compliance matters, which meets monthly. Members of senior leadership across service lines as well as representatives from Hospice and the Medical Staff are represented. During the period:

| | | |
|----|-----|--|
| 1. | 15 | Number of members on <i>Compliance Committee</i> |
| 2. | 80% | % of members who attended last Compliance Committee Meeting 11/20/19 (On Target at 70% or Greater) |

II. HELP LINE [844-251-1880] or **halifaxhealth.ethicspoint.com** or **EMS Occurrence Report**

| | | |
|----|--------|--|
| 1. | 32 | Number of “in process” cases at last Compliance Committee- 11/20/19 |
| 2. | 10/35% | Number of cases closed at last Compliance Committee-11/20/19 (On Target at 25% or Greater) |

| | | | | | | | |
|--|---|---------|--|-----------------------------|---|--|-------------------|
| 3. | <p>Case Issue Type (Rolling 90 days) as of 11/30/19 (9/1/19-11/30/19)</p> <ul style="list-style-type: none">➤ HIPAA- 15 Cases- 46.88%➤ Misconduct or Inappropriate Behavior- 8 Cases- 25%➤ Billing/Coding- 5 Cases- 15.63%➤ Physician Payments- 2 Cases – 6.25%➤ Disclosure of Confidential Information- 1 Case – 3.13%➤ Substance Abuse- 1 Case 3.13% <div><p>Case Issue Type</p><table><tr><td>■ HIPAA</td><td>■ Misconduct or Inappropriate Behavior</td></tr><tr><td>■ Billing and Coding Issues</td><td>■ Physician Payment and Referral Concerns</td></tr><tr><td>■ Disclosure of Confidential Information</td><td>■ Substance Abuse</td></tr></table></div> | ■ HIPAA | ■ Misconduct or Inappropriate Behavior | ■ Billing and Coding Issues | ■ Physician Payment and Referral Concerns | ■ Disclosure of Confidential Information | ■ Substance Abuse |
| ■ HIPAA | ■ Misconduct or Inappropriate Behavior | | | | | | |
| ■ Billing and Coding Issues | ■ Physician Payment and Referral Concerns | | | | | | |
| ■ Disclosure of Confidential Information | ■ Substance Abuse | | | | | | |

III. Compliance Audits/Provider Education - Compliance completed chart audits/provider educations on the following specialties for this reporting period

| | | |
|----|---|---|
| 1. | 4 | Number of outpatient physician audits completed |
| | | <ul style="list-style-type: none"> ➤ Family Medicine- 2 ➤ Pediatrics- 1 ➤ 45 day re-audits completed- 1 |
| | 0 | Number of Outpatient New Provider Educations |
| 2. | 9 | Number of Inpatient/Specialty audits completed |
| | | <ul style="list-style-type: none"> ➤ Hospitalist- 4 ➤ Intensivist- 1 ➤ Chest Pain Center- 1 ➤ 45 day re-audits completed- 3 |
| | 2 | Number of Inpatient/Specialty New Provider Educations |

IV. Physician Payment Errors - Compliance will investigate and report on the errors found in payments made to physicians

| | | |
|----|---|---|
| 1. | 2 | Number of active cases related to Physician Payment Errors (as of last Compliance Committee) 11/20/19 |
|----|---|---|

V. Billing/Coding Refunds- Compliance cases which after review/investigation resulted in a refund to the payer in this reporting period

| | | |
|----|---|--|
| 1. | 1 | Number of cases related to Billing/Coding issues with refunds closed at last Compliance Committee-11/20/19 |
|----|---|--|

Compliance Special Projects- 4th Quarter (Oct, Nov, Dec)

- Hospitalist Education Project (Dr. Hemaidan)
- Palliative Care Template Revision



HALIFAX HEALTH

To: Audit and Finance Committee and Board of Commissioners
Cc: Jeff Feasel, Chief Executive Officer
From: Shelly Shiflet, Vice President, and Chief Compliance Officer
Date: November 13, 2019
Re: Proposed Revision- Compliance Dashboard Report for the month ended October 31, 2019

Attached is a proposed revision of metrics to our monthly Compliance Program Dashboard report for your review.

The proposed report attached is for month ended October 31, 2019

Feel free to contact me regarding any questions on this report.

I can be reached at: Shelly.Shiflet@halifax.org
Office: 386-425-4970

Recommended Action: None. Information Only

Halifax Health
Corporate Compliance Program
Board Report- 10/31/19

On Target



Alert



| I. COMPLIANCE COMMITTEE – Halifax Health has a Compliance Committee responsible for regulatory compliance matters, which meets monthly. Members of senior leadership across service lines as well as representatives from Hospice and the Medical Staff are represented. During the period: | | |
|--|-----------|--|
| | 1. 15 | Number of members on <i>Compliance Committee</i> |
| | 2. 80% | % of members who attended last Compliance Committee Meeting 10/30/19 (On Target at 70% or Greater) |
| II. HELP LINE [844-251-1880] or halifaxhealth.ethicspoint.com or EMS Occurrence Report | | |
| | 1. 32 | Number of “in process” cases at last Compliance Committee- 10/30/19 |
| | 2. 13/40% | Number of cases closed at last Compliance Committee-10/30/19 (On Target at 25% or Greater) |
| | 3. | <p>Case Issue Type (Rolling 90 days) as of 10/31/19 (8/1/19-10/31/19)</p> <ul style="list-style-type: none"> ➤ HIPAA- 14 Cases- 58.33% ➤ Misconduct or Inappropriate Behavior- 7 Cases- 29.17% ➤ Physician Payments- 2 Cases – 8.33% ➤ Billing/Coding- 1 Cases 4.17% <div style="text-align: center;"> <p>Case Issue Type</p> <ul style="list-style-type: none"> ■ HIPAA ■ Misconduct or Inappropriate Behavior ■ Physician Payments ■ Billing and Coding Issues </div> |
| III. Compliance Audits/Provider Education - <i>Compliance completed chart audits/provider educations on the following specialties for this reporting period</i> | | |
| | 1. 9 | Number of outpatient physician audits completed |
| | | <ul style="list-style-type: none"> ➤ Family Medicine- 9 ➤ 45 day re-audits completed- 0 |
| | 0 | Number of Outpatient New Provider Educations |
| | 2. 11 | Number of Inpatient/Specialty audits completed |
| | | <ul style="list-style-type: none"> ➤ Hospitalist- 4 ➤ Adult Psychiatry- 1 ➤ 45 day re-audits completed- 6 |
| | 3 | Number of Inpatient/Specialty New Provider Educations |
| IV. Physician Payment Errors - <i>Compliance will investigate and report on the errors found in payments made to physicians</i> | | |
| | 1. 2 | Number of active cases related to Physician Payment Errors (as of last Compliance Committee) 10/30/19 |
| V. Billing/Coding Refunds - <i>Compliance cases which after review/investigation resulted in a refund to the payer in this reporting period</i> | | |
| | 1. 1 | Number of cases related to Billing/Coding issues with refunds closed at last Compliance Committee-10/30/19 |

Compliance Special Projects- 4th Quarter (Oct, Nov, Dec)

- Hospitalist Education Project (Dr. Hemaidan)
- Palliative Care Template Revision



Audit Services Discussion & Analysis

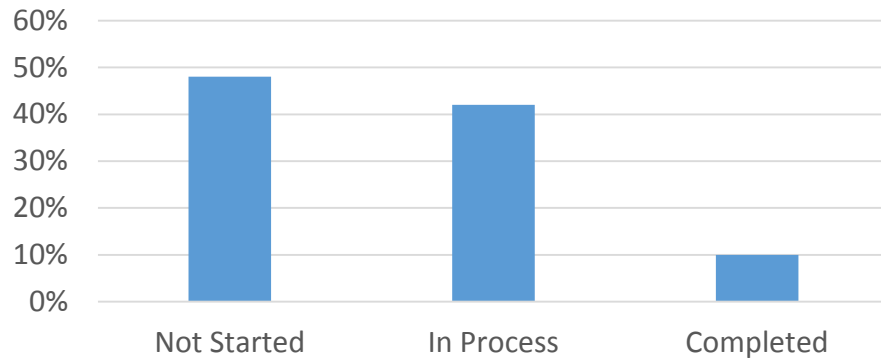
Halifax Health Audit & Finance Committee

Presented January 8, 2020

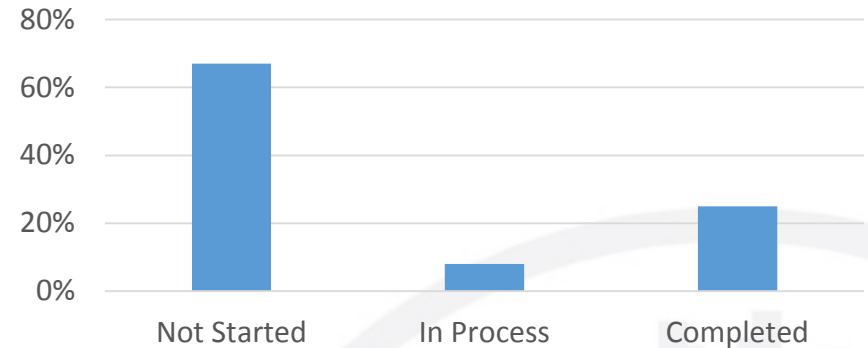
For the period covering October 24, 2019 through December 30, 2019

Audit Plan: FY 20 Plan Status

Combined Internal & Co Source Projects



Internal Only Projects



| FY Audit Plan | Internal | CoSource | Total Audits |
|---------------|----------|----------|--------------|
| Approved | 12 | 9 | 21 |
| Added | 0 | 0 | 0 |
| Removed | 0 | 0 | 0 |
| Plan Total | 12 | 9 | 21 |

Results: FY 20 Audit Projects

| Audit Source | Project Name | Issues by Impact Level | | |
|--------------|---|------------------------|-----------------------|-----|
| | | High | Moderate | Low |
| IAS | 2019 YE Audit Assistance | | Completed | |
| IAS | Charity Care Controls | 0 | 2 | 1 |
| IAS | Timekeeping – Pre & Post Adjustments | | Fieldwork | |
| Co Source | Deltona Construction Expenses FY 19 | | Fieldwork | |
| Co Source | PBFS Projects (CDM, Billing/Collections, Denials, 837i) | | Pre Close & Reporting | |
| Co Source | Surgical Services Charge Capture | | Fieldwork | |

Summary of Halifax Health Audit Report

| Local Audit Plan | | Charity Care Controls Audit | | | Issues by Impact Level | | |
|---|--|--|--|--|------------------------|----------|-----|
| Audit Objective – Internal Audit Services evaluated charity care determinations, account adjustments and reporting to system policy and procedures. | | | | | High | Moderate | Low |
| Key Business Objective at Risk(s) – Reporting charity care accurately and with sufficient support. | | | | | 0 | 2 | 1 |
| Significant Finding(s) | | <ul style="list-style-type: none"> The EPSi report included improper charity care payments and adjustments that fed to Worksheet S-10. IAS analysis of the EPSi report indicated that this error caused total charity care to be understated by an estimated \$1.6M. Testing patients' charity care determinations to system procedures disclosed multiple issues including missing means testing support, missing communications to patients and improper charity coding to patient accounts. | | | | | |
| Audit Conclusion | | <p>Review of charity care processes identified opportunities for improvement in documenting consistent and fair charity care determinations and reporting charity care to the Center for Medicare and Medicaid Services via Worksheet S-10. Management will develop a control environment that will include creating adequate procedures to guide Team Member work and charity care reporting.</p> | | | | | |

Executive Audit Summary

Local Audit Plan

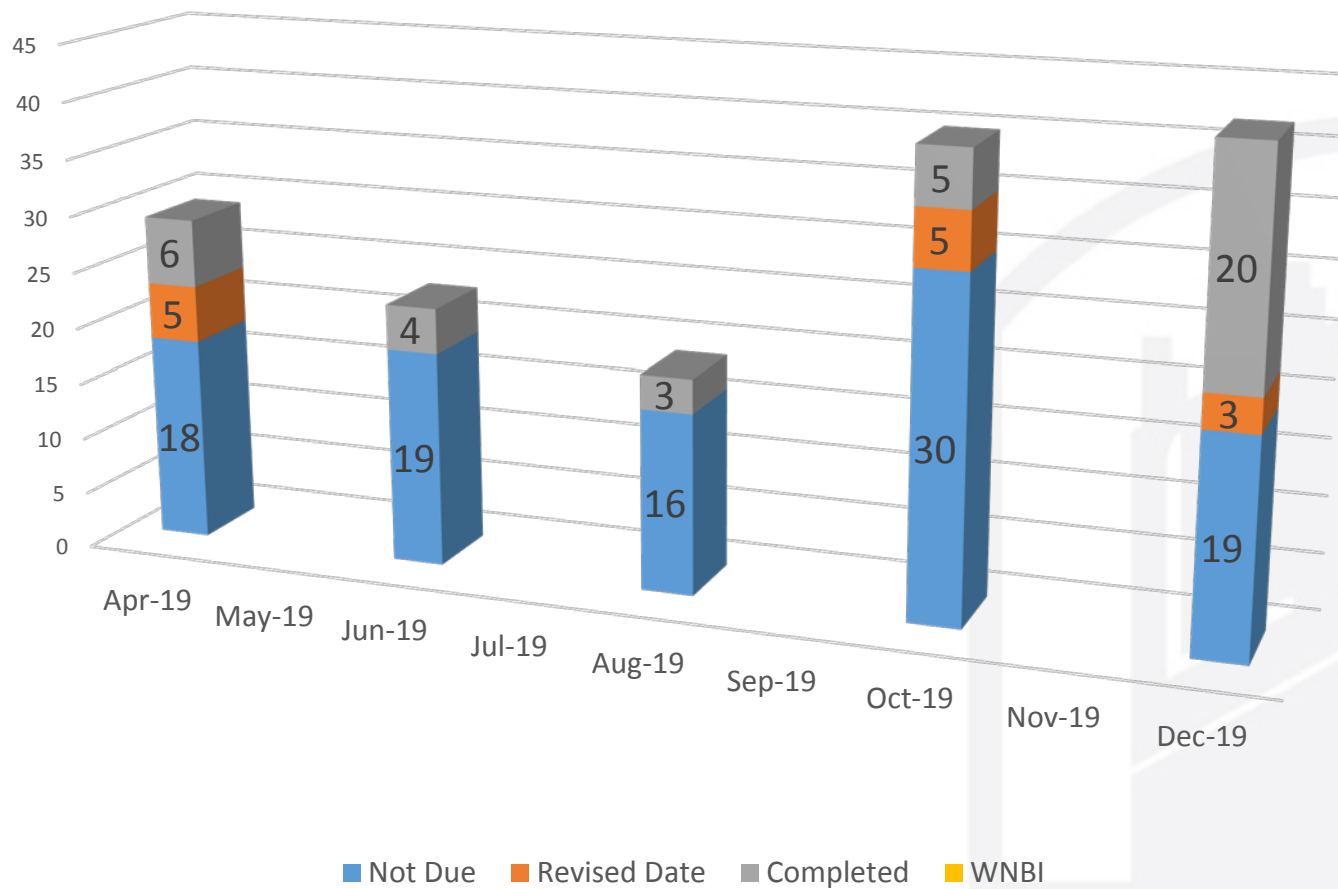
RSM – 2019 Year End Audit Assistance

Objective – At the direction of RSM below required audit projects were performed by Internal Audit Services and delivered to the local RSM team.

1. Internal Control Reports and Walkthroughs
2. Submission of internal audit results and audit charter
3. Control and substantive test of details over 36 HMC selections
4. Control and substantive test of details over 30 Hospice selections
5. Control and substantive test of details over 58 payroll selections

Estimated expense savings to Halifax Hospital was \$42K dollars

Audit Issue Follow-Up: Status of Management Action Plans



See BoardEffect for Audit Follow Up Detail.

Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date | Risk Rank |
|--|--|------------------------------|--|----------------------|-----------|
| Network Security Testing 4/24/2019 | ISSUE 1: Web Application Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | Low |
| Network Security Testing 4/24/2019 | ISSUE 2: Windows and AD System Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | High |
| Network Security Testing 4/24/2019 | ISSUE 3: Data Storage and Access Controls Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | High |
| Network Security Testing 4/24/2019 | ISSUE 4: Network Architecture Infrastructure Management Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | Moderate |
| Network Security Testing 4/24/2019 | ISSUE 5: Patch Management Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | Moderate |
| Network Security Testing 4/24/2019 | ISSUE 6: Security Awareness and Physical Security Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | Moderate |
| Network Security Testing 4/24/2019 | ISSUE 7: Email Architecture Security Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | Low |
| Network Security Testing 4/24/2019 | ISSUE 8: Wireless Network Security Confidential | Confidential | Tom Stafford, VP & Chief Information Officer | *4/1/20 | Low |



Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date* | Risk Rank |
|--|---|---|---|-----------------------|-----------|
| Consignment and Trunk Stock Controls Audit 6/17/2019 | <p>ISSUE 1: New Automation Is Not Decrementing From The Inventory Account</p> <p>IAS was informed by Management that patient supply operations recorded \$3.5 million in trunk stock inventory.</p> <p>IAS mapped 114 trunk stock items through Meditech applications to determine root causes for the incorrect inventory. Results of the audit disclosed new BZQ automation did not decrement 97 (85%) recorded receipts under the bill and replace operation required by Meditech for trunk stock. The automation error requires Accounting to perform a corrective journal entry to properly report supply inventory.</p> | <p>A Service Issue SUR ticket has been submitted to Meditech Application Department to research BZQ issues. If it is an uncorrectable situation, business owners will consider discontinuing BZQ automation and bill and replace operations and process trunk stock as bill only.</p> | <p>Matthew Petkus, Vice President of Operations</p> <p>Judy Steiner, Director Information Systems</p> <p>Lisa Tyler, Corporate Controller</p> <p>Allison Brown, Manager Supply Chain/BI</p> | 9/30/19 | Moderate |
| Consignment and Trunk Stock Controls Audit 6/17/2019 | <p>ISSUE 2: Consignment Item Reconciliations Were Not Performed and/or Documented Appropriately</p> <p>IAS tested 12 consignment reconciliations to determine if item levels are monitored and maintained at the contracted level and if Team Members follow up and correct identified discrepancies. Results of testing disclosed the following:</p> <ul style="list-style-type: none"> • Reconciliations were not approved by the vendor and/or Team Member in six instances (50%). • Vendor signed and approved the Bolton Medical reconciliation in place of a Halifax Health Team Member. • Four (33%) reconciliations resulted in variances that remained unreconciled between actual on hand, system amounts and agreement. • IAS was unable to audit three (25%) consignment reconciliations. Reconciliation documentation lacked sufficient detail, was poor quality or was not submitted for auditing. | <ul style="list-style-type: none"> • Materials Management will develop formal guidance to the Departments regarding the steps to perform reconciliations with consignment vendors. • Department Managers will be trained on these new procedures. | <p>Matthew Petkus, Vice President of Operations</p> <p>Allison Brown, Manager Supply Chain/BI</p> <p>Anthony Carillo, SCS Purchasing Manager</p> | 12/31/19 | Moderate |



Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date* | Risk Rank |
|--|--|---|---|-----------------------|-----------|
| Consignment and Trunk Stock Controls Audit 6/17/2019 | ISSUE 4: Meditech Item File Does Not Agree With Actual or Contracted Consignment Inventory Levels The recorded consignment inventory quantity as of April 17, 2019 was not correct for 12 (43%) consignment items tested. IAS testing identified the following variances: <ul style="list-style-type: none"> • Meditech Stock and Item File was overstated by 45 items to the quantity on hand and 33 items to agreed upon inventory; and • Actual quantity on hand exceeded the agreed upon quantity by 12. | Leadership will leverage min/max variance reporting and perform periodic reconciliations and physical counts to determine if quantities on hand are aligned with quantities reported by Meditech/Merge. Resolution of significant variances will be documented. | Matthew Petkus, Vice President of Operations Eric Little, Director Surgical Services Allison Brown, Manager Supply Chain/BI | 12/31/191 | Moderate |
| Meditech Expanse PI IT Audit 9/10/2019 | ISSUE 4: Access Request Documentation Missing Testing disclosed that 6 (17%) of 35 users with active Meditech Expanse access did not have evidence of access requests documented and approved. Examination of exceptions disclosed the users were Non-Halifax Health workers. | HEAT Non-Halifax Employee Access operation is active and archives user access, provisioning and oversight data. IT Security will research non-employees without documented account access and approval for the purposes of updating HEAT. | Derek Rife - Manager IT Security | 11/29/19 | Low |
| Oncology Charge Capture Audit 8/30/2019 | ISSUE 1: Improvements Needed in Charge Reconciliation The Oncology department performed daily charge reconciliation to identify missed charges. However, overall data analytics testing results revealed 31 charge errors and six missed charges that were not detected via the daily reconciliation process. Issues 2 through 6 describe the specific charge capture exceptions and include action plans to correct the issues and enhance the daily reconciliation process. In addition, Coding Team Members generate a monthly Unbilled Report that identifies missed charges and charge errors. However, testing of this report revealed that it only detected one of the six missed charges and none of the 31 charge issues found during data analytics testing. | Oncology Management will discuss the types of missed charges found during the audit with Coding Management to assess why the missed charges were not listed on the Unbilled Report. Management will also discuss the types of charging errors that were found during the audit to determine if the reporting can be enhanced to include not just missed charges but corresponding code sets. | Debra Trovato - SLA, Oncology, Research Oversight & Infusion Services | 1/31/2020 | High |
| ED Charge Capture Audit 8/5/2019 | ISSUE 1: Missing/Incomplete PNA Forms A sample of 42 ED patient records were tested for completeness of the registration elements required in the Registration ED procedure document. Testing revealed that: <ul style="list-style-type: none"> • Thirty-one (74%) records were missing evidence of a PNA form in the patient's medical record. • Two (5%) records tested revealed incomplete (missing initials and/or date) acknowledgement of the receipt of Privacy Notice. | Education Specialist will provide training to Patient Access employees regarding the Privacy Notice procedures. Additionally, leadership will research obtaining the Privacy Notice Acknowledgement and Patient Consent signatures simultaneously to aid in preventing missing evidence of patient signatures. | Angela Bolte - Manager, PBFS | 11/29/2019 | High |

Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date* | Risk Rank |
|--|---|---|---|-----------------------|-----------|
| ED Charge Capture Audit 8/5/2019 | <p>ISSUE 6: Missing Administration of Injection Charges</p> <p>Use of data analytics to test ED patient accounts with non-self administered drug charges but missing administration of an injection or IV infusion charges revealed that of 27 accounts tested, 18 accounts were missing administration of injection charges. This resulted in total estimated missed gross charges of \$8.7K. Exceptions by location are as follows:</p> <p>Daytona: Of 12 records tested, eight exceptions were noted:</p> <ul style="list-style-type: none"> • Five accounts were missing an administration charge (three accounts for Intramuscular (IM) injection and two for Intravenous Push (IVP)). • One account was missing documentation of the route of administration, resulting in a potential opportunity for an administration charge. • One account with a drug charge was missing an electronic physician order for a drug order that was given verbally. • One account with a drug charge was missing the physician order and the route of administration was not documented. <p>Port Orange: Of 10 records tested, eight exceptions were noted:</p> <ul style="list-style-type: none"> • Six accounts were missing an administration charge (three accounts for IM injection and three for IVP). • One account was missing documentation of the route of administration, resulting in a potential opportunity for an administration charge. • One account had a drug charge but with no documentation in the medical record to support the drug was given. <p>Deltona: Of five records tested, two exceptions were noted:</p> <ul style="list-style-type: none"> • One account was missing an IM injection administration charge. • One account was missing documentation of the route of administration, resulting in a potential opportunity for an administration charge. | <p>Management will provide education to physicians related to the additional routes of administration options in Meditech.</p> <p>Management will provide education to ED Nursing staff related to requirements for documenting route of drug administration in the patient medical record. Additionally, Management will provide education to physicians related to entering of physician drug orders into Meditech for orders given verbally.</p> | <p>Dominick Damiani - Director, Pharmacy</p> <p>Lindsay Martin - Manager, Nursing, ED</p> | 11/29/2019 | Moderate |

Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date* | Risk Rank |
|--|--|--|--|-----------------------|-----------|
| Physician Billing & Collection Audit 9/26/2019 | ISSUE 1: Bill Holds Are Not Corrected In A Timely Manner IAS analyzed the September 10, 2019 bill hold report to determine if holds are monitored and staff is correcting and resubmitting claims timely. Results of analysis disclosed the following: <ul style="list-style-type: none"> 28,491 bill holds totaling \$4.5M, oldest 758 days. Top reason code was credentialing pending. 99% of the holds are "unassigned." Humana bill holds totaling \$633K, oldest 652 days. Top hold reason code was executed take backs. Emergency Department bill holds totaling \$1.3M, oldest 599 days. Top reason code was credentialing pending. 1306 bill holds, oldest 758 days, were coded as "fully worked." | New claim hold processors will be hired by PBFS, which will reduce hold inventory. (SD) Physician Services leaders, PBFS and Athena are working together to develop and improve hold workflow procedures, this includes efforts to remove duplicate hold codes, assigning holds to Team Members by payor, reassigning clerical work, closing aging claims coded "fully worked" and reducing the volume of aging and uncollectable holds. (JC) | Jeanne Connelly, Service Line Administrator & Executive Director of Physician Services Suzanne D'Amico, Physician Services Manager PBFS | 3/31/2020 | High |
| Physician Billing & Collection Audit 9/26/2019 | ISSUE 2: User Access Setup Did Not Segregate Duties Adequately and Terminated Team Members Retained Access to Athena 75 Team Members have access roles and rights to bill the payor and also post the payor's payment. This included 16 with additional superuser access, which would allow them to create payment profiles in Athena. - 75 (6%) of the 1,254 active accounts, have superuser or high level administration roles to Athena. Typically, no more than 1% to 2% of accounts are superuser or administrative. - 126 terminated workers had access to Athena. It should be noted, the users directory access is disabled upon termination and prevents access to Athena. | Going forward business owners will be required to review quarterly and approve user access and job roles. Physician Services and PBFS will research access and provisioning and remove unnecessary superuser accounts and instances of high risk access. Terminated workers access was disabled. | Jeanne Connelly, Service Line Administrator & Executive Director of Physician Services Derek Rife, IT Security Risk Manager | 3/31/2020 | High |
| Physician Billing & Collection Audit 9/26/2019 | ISSUE 3: Adult Psych Charge Capture Process in Athena is Manual Automated charge entry process for Adult Psych professional charges was not developed during Athena implementation. Unlike other areas (e.g. ED and Oncology) where professional charges are recorded in Meditech and upload automatically to Athena, Adult Psych professional fee entry is manually entered from encounter forms. | Physician Services leadership is developing a charge entry interface for Adult Psych Hospital Based Charges. | Jeanne Connelly, Executive Director Physician Services Suzanne D'Amico, Physician Services Manager PBFS | 3/31/2020 | Moderate |



Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date* | Risk Rank |
|--|--|---|--|-----------------------|-----------|
| RVU Physician Reimbursement 10/21/2019 | RMA and RVU Payments for the Same Service IAS tested 8,959 (97%) Emergency Department patient services reimbursed via RVU payments in July 2019 to determine if these services were also reimbursed via RMA payments. Results disclosed eleven (65%) Physicians, 252 patient services (3%), were reimbursed via RVU and RMA payments. Inappropriate RVU payments totaled \$4K. | <ul style="list-style-type: none"> • Management will research Athena reporting, current payment models and/or agreements for Physicians in order to identify a solution to RVU and RMA payment issues. | Dr. Viel, Director of Emergency Medical Services | 3/27/2020 | Moderate |
| Charity Care Audit 12/20/2019 | ISSUE 1: Charity Care Reporting to CMS Was Inaccurate IAS analyzed the EPSi FY 2018 Worksheet S-10 Report, which supported charity care amounts entered on Worksheet S-10, a document submitted to CMS that partially determined reimbursement. Testing disclosed the following results: <ul style="list-style-type: none"> • The EPSi report included non-charity care adjustments that fed to Worksheet S-10. IAS analysis of the EPSi report indicated that this error caused total charity care to be overstated by an estimated \$300K. • The EPSi report included payments from insurances and expected payments from patients that fed to Worksheet S-10. IAS analysis of the EPSi report indicated that this error caused total charity care to be understated by an estimated \$1.9M. • For one patient account, Team Member entered incorrect codes for account adjustments, which caused total charity care to be understated by \$8K on Worksheet S-10. | <ul style="list-style-type: none"> • Management will research correcting the EPSi report to feed data to Worksheet S-10 in alignment with CMS guidelines. An amended cost report will be submitted with corrections. (KD) • Patient accounting error was corrected. (BZ) | Barbara Zdanis, Manager Managed Care & Revenue Integrity Kern Dowsett, Reimbursement Specialist | 3/27/2020 | Moderate |
| Charity Care Audit 12/20/2019 | ISSUE 3: The Presumptive Charity Care Eligibility Report Was not Reviewed Effectively IAS testing of 20 patient accounts listed on the monthly presumptive charity care eligibility report to Management's intentions disclosed the following: <ul style="list-style-type: none"> • Four (20%) patient accounts were inappropriately removed from the presumptive charity care eligibility report. All four accounts were ultimately adjusted to charity care at a later date. • Two (10%) patient accounts that did not have a Social Security Number on file were inappropriately retained on the report and received presumptive charity care. | <ul style="list-style-type: none"> • Collections will research improvements to presumptive charity care eligibility report criteria in order to improve data integrity. • Collections will develop a procedure for scrubbing the presumptive charity care eligibility report. Additionally, Collections will receive training on the new procedure. | Susan Barbaro, Manager of Customer Service | 1/31/2020 | Moderate |

Audit Issue Follow Up: Open Action Plans

| Audit | Findings | Actions Management Will Take | Action Plan Owner | Action Plan Due Date* | Risk Rank |
|---|---|--|---|-----------------------|-----------------|
| <p>Charity Care Audit 12/20/2019</p> | <p>ISSUE 2: Charity Care Determinations Were Not Accurate or Consistent</p> <p>IAS tested 35 patients' charity care determinations to Halifax policy and procedures. Testing disclosed the following:</p> <ul style="list-style-type: none"> • In 17 (51%) instances, means test documentation was missing. This included patient bank statements, W-2 forms, and means testing (e.g. calculated household income). (C, PA) • In eight (23%) instances, account documentation regarding Team Member communication with patients was missing. This included documentation that Team Members notified patients of being approved for charity care or being denied for charity care due to incomplete documentation. (C) • Income amounts used for means testing were inconsistent. In five (14%) instances, net amounts were used for means testing whereas gross amounts were used for the other accounts tested. (C, PA) • In four (11%) instances, a code was not entered into patient accounts to prevent them from being transferred to a third party collection agency while the patients were applying for charity care. (C) • In four (11%) instances, patients met eligibility requirements to be considered for a continue care card; however, they were not routed to Patient Access to receive this evaluation. (C) • In three (9%) instances, archival of supporting documents was not properly performed. (C) • In three (9%) instances, out-of-district patients were assigned in-district charity care. (C) • In one (3%) instance, a patient was approved for charity care, but the balance of one of his or her eligible accounts was not adjusted. (C) <p>Additionally, IAS noted during testing that policies and procedures did not provide guidance on what or if expenses are to be considered, amounts to be used for calculating patient income and adjustment and approval authority levels.</p> | <ul style="list-style-type: none"> • Management evaluated charity care determinations' compliance to state regulations and will update procedures to include additional internal control steps. (SM, AB) Collectors and Patient Access Specialists will receive training on updated charity care procedures. (SB, AB) • Management will evaluate aligning the different Department charity care responsibilities and system processes in order to improve efficiency. (SM, AB) • For the identified accounts, Collections will evaluate correcting the district classification and adjusting the balance of the eligible account. (SB) | <p>Steve Mach, Director of Patient Business and Financial Services</p> <p>Susan Barbaro, Manager of Customer Service</p> <p>Angela Bolte, Manager of Patient Access</p> | | <p>Moderate</p> |

Recommended Committee Action

Internal Audit recommends the following for Committee's approval:

- Summary of Audit Reports
- Audit Follow-up Summary Report

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



HALIFAX HEALTH

2019 Summary of Audit Results



January 8, 2020





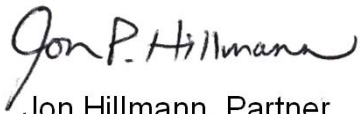
January 8, 2020

To the Audit Committee
Halifax Health
303 N. Clyde Morris Blvd.
Daytona Beach, Florida 32114

We are pleased to submit the enclosed update with regard to our 2019 audits for Halifax Health (Halifax). At your October meeting, we presented our 2019 Audit Plan and since the meeting, we have concluded our planning, interim and final fieldwork audit procedures. For this presentation, we have used this document to provide an overview of the status of our audits. If you have any questions, please feel free to contact us. We look forward to issuing our final audit opinions and our required communications and other related reports prior to January 17, 2020.

Sincerely,

RSM US LLP



Jon Hillmann, Partner
563 888 4029



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| Internal Control Deficiencies and Other Recommendations | 10 |
| Pending Accounting Standards | 11 |
| Next Steps | 12 |
| Contact Information | 13 |



Summary of Status as of January 8

- We have completed our planning, interim and final fieldwork related to the audits of:
 - The Halifax Hospital Medical Center financial statements, including a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*
 - The Halifax Hospice, Inc. financial statements
 - Schedule of Expenditures of Federal Awards and Compliance Report for Halifax Hospital Medical Center
 - Examination report over Schedule of Uses of Property Taxes
- The financial statements of Halifax Pension Plan were audited by other auditors
- Review of the audit work performed by the team has been substantially completed

Summary of Status as of January 8 - Continued

- We have certain audit wrap up procedures underway including performing our “keeping current” activities
- There were no post-closing adjustments during the course of the audit that impacted the change in Net Position
- We received full cooperation from management in conducting our audits and would like to thank the management team and internal audit personnel for their full support throughout the process
- We have identified certain internal control and business observations as part of the audit
- We have performed our initial reviews of the financial statements and will work with management to complete and issue the final versions in the coming week
- The concurring partner review is currently in process
- We anticipate issuing unmodified opinions on the financial statements

2

Required Communications

- Our responsibilities in relation to the financial statement audit under generally accepted auditing standards
- Fraud, illegal acts and violations that result in a material misstatement – **None identified**
- Circumstances or events that create considerable doubt about the entity's ability to continue as a going concern – **None identified**
- Consultations with other accountants by management – **None**, other than James Moore & Co. who audited the Pension Plan

Required Communications - Continued

- Significant estimates:
 - Patient accounts receivable and revenue allowances
 - Third-party settlements
 - Self-insurance reserves
 - Interest-rate swap valuation
 - Net pension liability
 - Other postemployment benefit obligations
 - Contingent liabilities
- Representations requested of management

Required Communications - Continued

- Disagreements with management - **None**
- Significant difficulties encountered in performing the audit - **None**
- Substantial matters discussed with management and unusual and/or infrequent transactions – **None**
- Audit adjustments – **None**

Required Communications - Continued

- Uncorrected misstatements – There was one uncorrected misstatement identified:
 - (Update with details on late charge entry)
 - (Still in process, will update finalization of additional open items)

Risk Areas

- There were no significant changes to our audit plan and identified risks that we discussed in October. Therefore, we focused on the following:
 - Patient accounts receivable and revenue, including allowances
 - Third-party payor settlements and valuation allowances
 - Investment valuation accounting and disclosure
 - Long-term debt:
 - Compliance with covenants
 - Accounting for interest-rate swap
 - Employee benefit obligations, including pension liability and other postemployment benefits

Risk Areas - Continued

- Self-insured liabilities
- Commitments and contingencies, including legal claims and compliance matters
- Internal control documentation and testing
- Information system general computer controls understanding
- Financial statement close process, including disclosures
- Consideration of Fraud in a Financial Statement Audit

Use of Internal Audit

- Internal auditors are employees and thus not completely independent:
 - Re-performed testing performed by internal audit
- Insights provided by internal audit:
 - We reviewed reports prepared by internal audit during current year
 - Internal audit findings were considered in the development of our audit plan
- Assistance provided by internal audit:
 - Patient accounts receivable and revenue existence testing
 - Payroll attribute testing

Internal Control Deficiencies and Other Recommendations

- (Still in process, will update based on finalization of additional open items)

Pending Accounting Standards

- Pending Accounting Standards to be Adopted in Future Periods:
 - GASB Statement No. 87, Leases:
 - Effective for year ending September 30, 2021
 - Requires recognition of certain leased assets and liabilities for leases that were previously classified as operating leases

Next Steps

- Complete final concurring partner reviews of audit documentation (RSM)
- Review and approval of draft financial statements by the Board of Commissioners (Management)
- Final review of all financial statement drafts (RSM & Management)
- Update inquiries of all attorneys (RSM)
- Update inquiries of management regarding potential subsequent events and commitments and/or contingencies (RSM & Management)
- Update inquiries of James Moore & Co. and obtain representations from them (RSM)
- Obtain representations from management (Management)
- Issuance of final audit reports by January 17, 2020

Contact Information

| Name | Title | Engagement Responsibility | Contact Phone | E-mail Addresses |
|------------------|-------------------------|---------------------------------|---------------|--|
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QUESTIONS AND ANSWERS?



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Preliminary Draft

Halifax Hospital Medical Center d/b/a Halifax Health

Financial Report
September 30, 2019

Preliminary Draft

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Independent Auditor's Report

To the Honorable Commissioners of the Board
Halifax Hospital Medical Center
d/b/a Halifax Health

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2019, as presented on pages 16–17, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Halifax Health's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Health's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Halifax Health as of September 30, 2019, 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.

Preliminary Draft

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–10 and the required supplementary information on pages 50–55 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Halifax Health's basic financial statements. The accompanying Obligated Group financial information on pages 56–59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Obligated Group financial 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, based on our audit the Obligated Group financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated [ReportDate], on our consideration of Halifax Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Halifax Health's internal control over financial reporting and compliance.

Orlando, Florida

[ReportDate]

Preliminary Draft

Independent Auditor's Report

To the Honorable Commissioners of the Board
Halifax Hospital Medical Center
d/b/a Halifax Health

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2019, as presented on pages 16–17, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Halifax Health's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Health's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of Halifax Health as of September 30, 2019, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–10 and the required supplementary information on pages 50–55 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Halifax Health's basic financial statements. The accompanying Obligated Group financial information on pages 56–59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Obligated Group financial 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, based on our audit the Obligated Group financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Orlando, Florida

[ReportDate]

Preliminary Draft

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019**

INTRODUCTION

This section of the Halifax Hospital Medical Center (the "Medical Center") d/b/a Halifax Health's annual financial report provides an overview of the organization and management's discussion and analysis of financial performance and results for the fiscal year ended September 30, 2019. This analysis should be read in conjunction with the accompanying basic financial statements.

On May 10, 2019 the governor for the State of Florida signed the bill enacted by The Legislature of the State of Florida to amend chapter 2003-374, Laws of Florida, the enabling act for Halifax Hospital Medical Center (the "District"). The amending Legislation authorizes the District to establish, own, construct, equip, operate, manage, and maintain hospitals and facilities and services within and beyond the boundaries of the District in the counties of Brevard, Flagler, Lake, and Volusia.

The amended legislation also expressly authorizes the District to continue to construct, own, equip, operate, manage, and, maintain all facilities and services in which the District was engaged as of January 1, 2019; it authorizes the District to contract with third-parties to carry out the authorized activities; prohibits the District from expending proceeds from ad valorem taxes and non-ad valorem special assessments outside the boundaries of the District; and authorizes the District to conduct hospice care services throughout the State of Florida.

The Medical Center was originally created in 1925 under the name Halifax Hospital District by Chapter 112.72, Laws of Florida, 1925. The Medical Center's Board of Commissioners (the "Board") is empowered to levy ad valorem taxes for operating expenses, capital outlays, and other purposes. Pursuant to the Act, the Medical Center has all the powers of a body corporate, including, but not limited to, the power to establish, construct, operate, and maintain such hospitals, medical facilities, and healthcare facilities and services for the preservation of the public health, for the public good, and for the use of the public; the power to enter into contracts; borrow money; establish for-profit and not-for-profit corporations; the power to acquire, purchase, hold, lease, and convey real and personal property; and the power of eminent domain.

The Medical Center owns and operates three inpatient hospital facilities under one license. The main campus of the Medical Center, located in Daytona Beach, is the inpatient referral center, which includes a Level II neonatal intensive care center and a Level II state-certified trauma center, offering open-heart surgery, neurosurgery, inpatient rehabilitation and other specialty inpatient and outpatient services. The Port Orange campus, located ten miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and southeast Volusia County. The Halifax Behavioral Services (HBS) campus, two miles north of the main campus, provides inpatient and outpatient child, adolescent, and adult psychiatric services. The Medical Center is licensed by the Agency for Health Care Administration (AHCA) to operate with 673 beds. The licensed beds by location are set forth in the table below:

Licensed Beds by Location

| | |
|--------------------------|------------|
| Main campus: | |
| Inpatient hospital | 523 |
| Inpatient rehabilitation | 40 |
| Port Orange campus | 80 |
| HBS campus | 30 |
| Total | 673 |

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**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019**

In addition to its inpatient facilities, the Medical Center owns and operates a freestanding emergency room located in Deltona and outpatient centers in Daytona Beach, Port Orange, Ormond Beach, Palm Coast, New Smyrna Beach, and Deland.

The Medical Center has established not-for-profit corporations (the "component units" or the "affiliates") to assist in carrying out its purpose to provide health care and related services to the community. The component units are legally separate organizations for which the Medical Center is financially accountable and the nature and significance of their relationship to the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The component units of the Medical Center are:

- East Volusia Health Services, Inc. ("EVHS")
- HH Holdings, Inc. ("Holdings")
- Halifax Healthcare Systems, Inc. ("HHCSI")
- Halifax Healthy Families Corporation d/b/a Healthy Communities ("Healthy Communities")
- Halifax Staffing, Inc. ("Staffing")
- Patient Business & Financial Services, Inc. ("PBFS")
- Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice")
- Halifax Management System, Inc. ("HMS")
- Halifax Medical Center Foundation, Inc. ("Foundation")
- Medical Center of Deltona, Inc. ("MCD")
- Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN")

These corporations are considered blended component units of the Medical Center and their financial results are blended with the Medical Center in the accompanying financial statements. See Note 1 of the audited financial statements for a description of each component unit and combining schedules. The Medical Center, together with all of its component units, is referred to as "Halifax Health."

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report includes the independent auditor's report, management's discussion and analysis, and the basic financial statements of Halifax Health. The basic financial statements are intended to describe the net position, results of operations, sources and uses of cash, and the capital structure of Halifax Health. Fiduciary fund statements for the pension trust fund are also provided as part of the basic financial statements. The basic financial statements include notes providing detailed information for select accounts and transactions.

In addition to the aforementioned content, the annual financial report includes required supplementary information composed of unaudited schedules of changes in net pension liability, funding progress, and actuarially determined contributions for the Halifax Pension Plan, and schedules of funding progress for the Halifax Health Retiree HRA and for the Halifax Retiree Medical postemployment benefit plans.

Schedules of net position and revenues, expenses, and changes in net position for the Obligated Group are included as additional (supplementary) information. The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group financial information, including EVHS, Staffing, HHCSI and PBFS.

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Halifax Hospital Medical Center
d/b/a Halifax Health

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

NET POSITION AND CHANGES IN NET POSITION

Net position is an indicator of the financial health of an organization. Increases in net position over time indicate that the financial condition is improving while decreases in net position over time signify a declining financial condition. A comparative summary of the financial condition of Halifax Health is presented below:

Condensed Statements of Net Position
(In Thousands)

| | 2019 | 2018 |
|--|--------------|------------|
| Current assets | \$ 469,284 | \$ 487,236 |
| Assets whose use is limited, noncurrent | 34,306 | 51,108 |
| Capital assets, net | 424,247 | 379,971 |
| Other noncurrent assets and deferred outflows | 80,705 | 70,902 |
| Total assets and deferred outflows | \$ 1,008,542 | \$ 989,217 |
| Current liabilities | \$ 104,778 | \$ 102,732 |
| Long-term debt and premium on long-term debt, net | 431,772 | 438,237 |
| Noncurrent liabilities and deferred inflows | 139,144 | 135,837 |
| Total liabilities and deferred inflows | 675,694 | 676,806 |
| Net investment in capital assets | 121,174 | 71,661 |
| Restricted net position | 5,671 | 5,671 |
| Unrestricted net position | 206,003 | 235,079 |
| Total net position | 332,848 | 312,411 |
| Total liabilities, deferred inflows and net position | \$ 1,008,542 | \$ 989,217 |

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**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019**

The statement of revenues, expenses, and changes in net position measures the annual operating success of the organization and can be used to determine whether costs have been recovered through operating revenue sources. Following is a comparative summary of the operations of Halifax Health.

**Condensed Statements of Revenues and Expenses
(In Thousands)**

| | 2019 | 2018 |
|----------------------------|------------|------------|
| Operating revenue | \$ 564,698 | \$ 549,616 |
| Operating expenses | (538,751) | (524,299) |
| Income from operations | 25,947 | 25,317 |
| Nonoperating expenses, net | (5,510) | (8,118) |
| Increase in net position | \$ 20,437 | \$ 17,199 |

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

Total assets and deferred outflows of Halifax Health increased \$19.3 million from September 30, 2018. Current assets of Halifax Health decreased \$18.0 million from fiscal year 2018 primarily as a result of an decrease in investments of \$46.0 million offset by an increase in cash and cash equivalents of \$38.4 million and a decrease in net accounts receivable of \$9.2 million. Capital assets, net of accumulated depreciation increased \$44.3 million from 2018 primarily as a result of capital acquisitions of approximately \$65.1 million, offset by depreciation and amortization expense of \$26.8 million and disposals of certain equipment. Other noncurrent assets and deferred outflows increased \$9.8 million from 2018 primarily due to the increase in the fair value of the interest rate swap of \$17.3 million, decreases in deferred outflows related to the pension plan of \$6.2 million and a decrease in goodwill of \$1.3 million.

Total liabilities and deferred inflows of Halifax Health decreased \$1.1 million from September 30, 2018. The fair value of the interest rate swap liability increased by \$17 million. Current liabilities increased from fiscal year 2018 primarily as a result of an increase in current payables of \$1.4 million due to timing of payments.

Long-term debt, excluding current portion due, decreased approximately \$6.5 million from September 30, 2018 primarily as a result of the 2015 and 2016 principal payments made. As of September 30, 2019, the Medical Center's outstanding bonds (Series 2008, Series 2015, Series 2016, and Series 2018) were rated A- by Standard & Poor's, and A- by Fitch Ratings with a stable outlook.

The increase in noncurrent liabilities and deferred inflows of Halifax Health of \$3.4 million from fiscal year 2018 is primarily due to the increase in long-term value of interest rate swap of \$17.3 million offset by the decrease in the net pension liability of \$10.8 million and other liabilities of \$3.2 million.

The net position of Halifax Health at September 30, 2019, was \$332.8 million, an increase of \$20.4 million from September 30, 2018.

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**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019**

Operating Revenues

The increase in operating revenues of \$15.1 million over 2018 at Halifax Health is primarily the result of an increase in admissions, outpatient visits and new services offered. Halifax Health continues to expand the quality and continuum of services that it provides to the community.

Utilization statistics for the years ended September 30, 2019 and 2018 are as follows:

Halifax Health Utilization Statistics

| | 2019 | 2018 |
|-------------------------------------|----------------|-------------|
| Medical Center Activity: | | |
| Admissions | 24,243 | 23,361 |
| Patient days | 134,063 | 130,212 |
| Average daily census | 368 | 357 |
| Total outpatient visits | 320,825 | 311,101 |
| Observation patient day equivalents | 9,402 | 10,084 |
| Hospice Activity: | | |
| Hospice patient days | 212,682 | 208,167 |

Halifax Health's inpatient admissions for 2019 increased by 882 admissions compared to 2018, and patient days for 2019 increased by 3,851 (3.0%) compared to 2018. The increase in patient days led to an increase in the average daily census by 10 patients per day from the prior year. Outpatient visits for 2019 increased by 9,724 compared to 2018 due to increased oncology volume and increased emergency room activity at the Deltona location.

Operating Expenses

Total operating expenses of Halifax Health increased by \$14.5 million in fiscal year 2019 compared to fiscal year 2018 primarily due to an increase in salaries and benefits of \$9.0 million, an increase in purchased services of \$7.4 million and a decrease in supplies expense of \$1.2 million.

Halifax Health also incurs expenses related to ad valorem taxes levied. These expenses include payments to Volusia County and the cities of Daytona Beach, Ormond Beach, Holly Hill, South Daytona and Port Orange (tax collector and appraiser commissions, Medicaid matching funds, and redevelopment taxes) and the costs of non-hospital community health services (physician services, community clinics, prescription drugs, medical supplies, etc.). Ad valorem tax-related expenses were substantially the same from 2019 to 2018.

Nonoperating Revenues, Expenses, Gains and Losses

Investment income increased \$2.2 million in fiscal year 2019 compared to fiscal year 2018 as a result of the decrease in interest rates and the improved performance of the equity markets. Investment income for the year ended September 30, 2019 includes unrealized losses of approximately \$2.4 million.

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Halifax Hospital Medical Center
d/b/a Halifax Health

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

KEY FINANCIAL INDICATORS

The following represents a summary of key financial indicators of Halifax Health:

Key Financial Indicators

| | 2019 | 2018 |
|---|----------|----------|
| Total margin | 3.6% | 3.1% |
| Days cash on hand | 278.0 | 302.0 |
| Unrestricted cash to long-term debt | 92.9% | 96.5% |
| Long-term debt to capitalization | 56.8% | 58.8% |
| Total net patient service revenue, before provision for bad debts (in millions) | \$ 608.9 | \$ 603.0 |

The total margin increased to 3.6% in fiscal year 2019 due to the increase in operating revenues of Halifax Health, offset by increases in operating and nonoperating expenses compared to fiscal year 2018. The number of days cash on hand, which includes unrestricted cash, investments and board designated assets whose use is limited, decreased from 302.0 days at September 30, 2018, to 278 days at September 30, 2019, due primarily to capital expenditures related to the Deltona hospital project.

Total net patient service revenue, before provision for bad debts, increased \$6.0 million from 2018 as a result of increased oncology visits, increased cardiology procedures, increased Deltona emergency visits and new services offered by the Medical Center.

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Halifax Hospital Medical Center
d/b/a Halifax Health

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

COMMUNITY BENEFIT

Halifax Health provides a continuum of health care services to the community and is involved in numerous outreach programs that help meet the public health needs of the community. Halifax Health provided an estimated \$70.0 million in community benefits during fiscal year 2019, which is comprised of amounts paid for community health and wellness services and the cost of uncompensated care.

The table below shows the sources and uses of the ad valorem tax revenues of Halifax Health, which includes community benefits (in thousands):

SCHEDULE OF USES OF PROPERTY TAXES

| | 2019 | 2018 |
|---|-------------|-------------|
| Gross property tax levy | \$ 6,129 | \$ 6,048 |
| Tax discounts and uncollectible taxes | (144) | (119) |
| Net property taxes collected | 5,985 | 5,929 |
| Amounts paid to Volusia County and Cities: | | |
| Tax collector and appraiser commissions | (212) | (212) |
| Volusia County Medicaid matching assessment | (3,152) | (2,996) |
| Redevelopment taxes paid to Cities | (321) | (375) |
| Subtotal | (3,685) | (3,583) |
| Net taxes available for community health, wellness and readiness | 2,300 | 2,346 |
| Amounts paid for community health and wellness services: | | |
| Preventive health services (clinics, Healthy Kids, etc.) | (646) | (820) |
| Physician services | (6,710) | (8,812) |
| Trauma services | (5,629) | (6,045) |
| Pediatric and neonatal intensive care services | (243) | (467) |
| Child and adolescent behavioral services | (823) | (614) |
| Subtotal | (14,051) | (16,758) |
| Deficiency of net taxes available to fund hospital operating expenses | (11,751) | (14,412) |
| Uncompensated care provided by Halifax Health, <i>at cost</i> | | |
| Halifax Health patients at facilities within the Halifax Health tax district | (33,031) | (31,945) |
| Non Halifax Health taxing district patients and other write-offs | (22,784) | (16,282) |
| Subtotal | (55,815) | (48,227) |
| Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, <i>at cost</i> | \$ (67,566) | \$ (62,639) |

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

RISK FACTORS

The health care industry is highly dependent on several factors that could have a significant effect on the future operations and financial condition of Halifax Health. These factors include, but are not limited to, competition, state and federal regulatory authorities, Medicare and Medicaid laws and regulations, healthcare reform initiatives, environmental laws, advances in technology, changes in demand for health care services, demographic changes, and managed care contract terms and conditions.

As of the date of this report, the following known facts, decisions, or conditions may have a significant effect on net position or the results of operations:

- Salaries in the health care industry continue to be very competitive due to increased costs of attracting and retaining quality physicians, registered nurses, and other health care professionals.
- The laws and regulations governing the Medicare and Medicaid program are complex and subject to change. As such, changes to these programs could have a negative effect on the financial performance of the Halifax Health. Audits of hospital compliance with Medicare and Medicaid program laws and regulations present exposure for repayments and fines and penalties.
- In March 2010, President Barack Obama signed the Affordable Care Act ("ACA"). The ACA was enacted to increase the quality and affordability of healthcare and lower the uninsured rate. Unsuccessful congressional efforts have been made to repeal the ACA and the following concerns continue to exist:
 - The State of Florida has not approved Medicaid expansion, which has constrained state funding.
 - Changes to the 340B drug regulations will reduce cost savings achieved by the program for Halifax Health.
 - Bundled payment and value-based payment initiatives of the Medicare program may reduce net payments received by Halifax Health.
 - Federal legislative efforts, both directly and via tax reform, could significantly reduce access to individual insurance coverage currently provided under the ACA. In December 2017, Congress repealed the shared responsibility payment provisions of the ACA starting in 2019.
 - At the state level, the Medicaid managed care program has continued to expand and a prospective payment system for outpatient services has been implemented. These changes will limit the ability of local governments and related providers to positively affect Medicaid payment rates.
 - The State of Florida Low Income Pool Program has been extended to June 30, 2022. Payments from the LIP program have been limited to the cost of charity care services provided, meaning that LIP funds are not available to offset Medicaid costs in excess of Medicaid payments.

The uncertainties listed above may adversely impact future operating results and financial position. The estimated effects of these matters have been considered in the development of the fiscal year 2019 Halifax Health operating budget.

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Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position
September 30, 2019
(In Thousands)

Assets and Deferred Outflows

| | |
|--|---------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 87,234 |
| Investments | 290,437 |
| Current assets whose use is limited—Trustee-held self-insurance funds | 450 |
| Accounts receivable, patients, net of estimated uncollectibles of \$74,436 | 62,980 |
| Inventories | 11,204 |
| Other current assets | 16,979 |
| Total current assets | 469,284 |
| Noncurrent Assets Whose Use is Limited: | |
| Board-designated, funded depreciation | 25,985 |
| Restricted by donor | 5,671 |
| Board-designated, other | 2,650 |
| Depreciable Capital Assets, Net | 270,407 |
| Nondepreciable Capital Assets | 153,840 |
| Other Assets | 5,152 |
| Total assets | 932,989 |
| Deferred Outflows: | |
| Interest rate swap | 38,347 |
| Pension, contribution after measurement | 19,500 |
| Pension, other | 1,771 |
| Deferred outflows related to other postemployment benefits | 1,300 |
| Loss on refunding of debt, net | 14,635 |
| Total deferred outflows | 75,553 |
| Total assets and deferred outflows | \$ 1,008,542 |

(Continued)

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position (Continued)
September 30, 2019
(In Thousands)

Liabilities, Deferred Inflows and Net Position

Current Liabilities:

| | | |
|---|----|----------------|
| Accounts payable and accrued liabilities | \$ | 65,444 |
| Accrued payroll and personal leave time | | 23,392 |
| Current portion of accrued self-insurance liability | | 5,085 |
| Current portion of long-term debt | | 5,795 |
| Other current liabilities | | 5,062 |
| Total current liabilities | | 104,778 |

Noncurrent Liabilities:

| | | |
|--|--|----------------|
| Long-term debt, less current portion | | 413,850 |
| Premium on long-term debt, net | | 17,922 |
| Net pension liability | | 61,899 |
| Other postemployment benefits liability | | 19,466 |
| Accrued self-insurance liability, less current portion | | 8,499 |
| Other liabilities | | 10,268 |
| Long-term value of interest rate swap | | 38,347 |
| Total liabilities | | 675,029 |

| | | |
|--|--|----------------|
| Deferred Inflows Related to Pension | | 331 |
| Deferred Inflows Related to Other Post Employment Benefits | | 334 |
| Total liabilities and deferred inflows | | 675,694 |

Net Position:

| | | |
|-------------------------------------|--|----------------|
| Net investment in capital assets | | 121,174 |
| Restricted by donors, expendable | | 5,427 |
| Restricted by donors, nonexpendable | | 244 |
| Unrestricted | | 206,003 |
| Total net position | | 332,848 |

**Total liabilities, deferred inflows and
net position**

\$ 1,008,542

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2019
(In Thousands)

| | |
|--|----------------|
| Operating Revenues: | |
| Net patient service revenue, before provision for bad debts | \$ 608,887 |
| Provision for bad debts | (74,666) |
| Net patient service revenue | 534,221 |
| Ad valorem tax revenue | 6,129 |
| Other revenue | 24,348 |
| Total operating revenues | 564,698 |
| Operating Expenses: | |
| Salaries and benefits | 277,127 |
| Supplies | 101,242 |
| Purchased services | 93,029 |
| Depreciation and amortization | 26,835 |
| Ad valorem tax-related expenses | 6,320 |
| Leases and rentals | 5,879 |
| Other | 28,319 |
| Total operating expenses | 538,751 |
| Income from operations | 25,947 |
| Nonoperating Revenues (Expenses): | |
| Interest expense | (19,287) |
| Investment income – net | 10,008 |
| Donation revenue | 498 |
| Nonoperating gains – net | 3,271 |
| Total nonoperating expenses | (5,510) |
| Increase in net position | 20,437 |
| Net Position: | |
| Beginning net position | 312,411 |
| End of year | \$ 332,848 |

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows
Year Ended September 30, 2019
(In Thousands)

| | |
|---|------------------|
| Cash Flows from Operating Activities: | |
| Receipts from third-party payors and patients | \$ 545,575 |
| Payments to employees | (294,431) |
| Payments to suppliers | (209,128) |
| Ad valorem taxes | 6,129 |
| Other receipts | 44,804 |
| Other payments | (39,239) |
| Net cash provided by operating activities | 53,710 |
| Cash Flows from Noncapital Financing Activities: | |
| Proceeds from donations received | 498 |
| Other nonoperating expenses | 3,271 |
| Net cash provided by noncapital financing activities | 3,769 |
| Cash Flows from Capital and Related Financing Activities: | |
| Acquisition of capital assets | (65,109) |
| Principal paid on long-term debt | (5,520) |
| Payment of interest on long-term debt | (19,371) |
| Net cash provided by capital and related financing activities | (90,000) |
| Cash Flows from Investing Activities: | |
| Realized investment income | 12,421 |
| Purchase of investments and assets whose use is limited | (42,217) |
| Proceeds from sales and maturities of investments and assets whose use is limited | 100,780 |
| Net cash used in investing activities | 70,984 |
| Net increase in cash and cash equivalents | 38,463 |
| Cash and Cash Equivalents: | |
| Beginning of year | 48,771 |
| End of year | <u>\$ 87,234</u> |
| Supplemental schedule of noncash capital and related financing activities, acquisition of capital assets included in accounts payable and accrued liabilities | <u>\$ -</u> |

(Continued)

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows (Continued)
Year Ended September 30, 2019
(In Thousands)

| | |
|---|------------------|
| Reconciliation of Income from Operations to Net Cash | |
| Provided by Operating Activities: | |
| Income from operations | \$ 25,947 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | |
| Depreciation and amortization expense | 26,835 |
| Unrealized losses on investments considered operating activity | 1,942 |
| Provision for bad debts | 74,666 |
| Changes in assets and liabilities: | |
| Accounts receivable, patients | (65,451) |
| Inventories and other current assets | 1,084 |
| Other assets | 6,260 |
| Accounts payable and accrued liabilities | (1,384) |
| Other liabilities | (16,189) |
| Net cash provided by operating activities | \$ 53,710 |

| | |
|--|---------------|
| Noncash Investing Activities, unrealized gains on investments and assets whose use is limited, net | \$ 605 |
|--|---------------|

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2019
(In Thousands)

Assets:

Investments, at fair value:

Money market funds

\$ 677

U.S. treasury notes and bonds

100,856

Mutual Funds - at fair value

173,073

Accrued income

596

Net position restricted for pension benefits

\$ 275,202

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2019
(In Thousands)

Additions:

Investment results:

| | |
|---|----------------|
| Depreciation in fair value of investments | \$ (9,329) |
| Interest and dividends | 5,360 |
| Net investment results | <u>(3,969)</u> |

Employer contributions

Total additions

19,500

15,531

Deductions:

| | |
|--|---------------|
| Administrative expenses | 68 |
| Benefits paid directly to participants | 20,359 |
| Total deductions | <u>20,427</u> |

Decrease in net position restricted for pension benefits

(4,896)

Net Position Restricted for Pension Benefits:

| | |
|-------------------|-------------------|
| Beginning of year | 280,098 |
| End of year | <u>\$ 275,202</u> |

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization

Reporting Entity: Halifax Hospital Medical Center (the "Medical Center") d/b/a Halifax Health was created by a special act of the Legislature of the State of Florida, Chapter 2003-374, Laws of Florida, as a special taxing district (the "District"), a public body corporate and politic of the State of Florida and successor to Halifax Hospital District created pursuant to Chapter 112.72, Laws of Florida, Special Acts of 1925. The Medical Center's Board of Commissioners (the "Board") is empowered to levy ad valorem taxes for operating expenses, capital outlays, and other purposes.

The Medical Center, located in Daytona Beach, Florida, is a full-service, accredited, acute care hospital licensed to operate 673 beds. The Medical Center owns and operates three inpatient hospital facilities under one license and several ambulatory facilities. The main campus of the Medical Center is the inpatient referral center, providing Level II neonatal intensive care and a Level II state-certified trauma center, in addition to open-heart surgery, neurosurgery, and other specialty inpatient and outpatient services. The Port Orange campus, located ten miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and Southeast Volusia County. The Halifax Behavioral Services campus, located two miles north of the main campus, provides child, adolescent, and adult inpatient and outpatient psychiatric services to the residents of Volusia and Flagler Counties.

As required by accounting principles generally accepted in the United States of America ("GAAP"), these financial statements represent the primary government, the Medical Center, and its component units. The component units discussed below are included because of the significance of their operational or financial relationships with the Medical Center. The Medical Center, together with its component units, is referred to as "Halifax Health." All significant intercompany accounts and balances have been eliminated in the financial statements.

Component Units: East Volusia Health Services, Inc. ("EVHS"); Halifax Healthcare Systems, Inc. ("HHCSI"), HH Holdings, Inc. ("Holdings"); Halifax Healthy Families Corporation d/b/a Healthy Communities ("Healthy Communities"); Halifax Staffing, Inc. ("Staffing"); Patient Business & Financial Services, Inc. ("PBFS"); Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice"); Halifax Management System, Inc. ("HMS"); Halifax Medical Center Foundation, Inc. ("Foundation"); and Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN") are legally separate organizations for which the Medical Center is financially accountable and the nature and significance of their relationship to the Medical Center are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. With the exception of the Foundation, the Medical Center Board appoints the Board of Directors for the other component units, and each has a specific financial benefit or burden to the Medical Center. While the Foundation appoints its own Board of Directors, it also has a specific financial benefit to the Medical Center, and is fiscally dependent on the Medical Center. Accordingly, all of these organizations represent component units of the Medical Center.

Each component unit was established to provide administrative and other services for and on behalf of the Medical Center. In accordance with GASB Statement No. 80, which was adopted by the Medical Center in 2016, these entities are blended within the financial results of the Medical Center because they are organized as not-for-profit corporations and the Medical Center is the sole corporate member of each component unit, with the exception of HMS and VHN. HMS is blended within the financial results of the Medical Center in accordance with GASB Statement No. 61 because it has a specific financial benefit to the Medical Center, and management of the Medical Center have operational responsibility for the results of HMS. The activities of VHN are not considered material to the Medical Center.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

EVHS is a not-for-profit corporation organized under the laws of Florida. EVHS was organized for the purpose of entering into joint-venture agreements to enhance the access and quality of patient care provided to the community.

HHCSI is a not-for-profit corporation organized under the laws of Florida. HHCSI was organized for the purpose of enhancing the access and quality of patient care provided to the community.

Holdings is a not-for-profit corporation organized under the laws of Florida that was established to manage the remaining assets that resulted from the sale of Florida Health Care Plan in 2008.

Healthy Communities is a not-for-profit corporation organized under the laws of Florida that coordinates the delivery of education, health resources, and direct assistance to the community. The services provided by Healthy Communities include administering Healthy Kids (child health insurance program), facilitating the provision of preventive care, and providing education and other activities relating to the general welfare of all children in Volusia and Flagler counties.

Staffing is a not-for-profit corporation organized under the laws of Florida, formed for the purpose of providing individuals to staff and manage the Medical Center, its component units, and any other related entities and facilities. The Medical Center is obligated to reimburse Staffing for all costs incurred in meeting its obligations under an agreement between the parties.

PBFS is a not-for-profit corporation that operates the patient accounting services for the Medical Center and employs certain staff for this function.

Hospice was organized in 1984 as a not-for-profit corporation under the laws of Florida. Hospice provides palliative medical care and treatment to patients who have less than six months to live via four inpatient care centers and in-home hospice services. The Port Orange care center is a 16-bed inpatient care center located in Port Orange. The West Volusia Care Center is an 18-bed center in Orange City. The Southeast Volusia care center is a 12-bed facility located in Edgewater. The Ormond Beach Care Center is a 12-bed facility.

HMS was organized in 1984 as a not-for-profit corporation under the laws of Florida. HMS owns and leases to the Medical Center two ambulatory facilities and one hospital facility. Facilities located in Ormond Beach and on the Medical Center's main campus in Daytona Beach provide outpatient hospital services and medical offices. The third facility located in Port Orange is an 80-bed inpatient hospital.

The Foundation was organized in 1988 as a not-for-profit corporation under the laws of Florida. The Foundation is the fund-raising organization for the Medical Center.

VHN was organized in 1984 as a not-for-profit corporation under Florida law. VHN operates a preferred provider network of physicians and hospitals in the service area and offers the network and certain related services to employers that are self-insured for the health insurance coverage of their employees.

EVHS has a 95% interest in Daytona Area Senior Services (DASS) d/b/a Halifax Health Care at Home, which provides home health services to the residents of the local area. DASS' financial activity is included in these financial statements.

Presented on the following pages are condensed combining schedules for the component units.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Net Position
September 30, 2019
(In Thousands)

| | Blended Component Units | | | | | | | | | | Intercompany | |
|---|-------------------------|-------------------|-------------|-------------|----------------|------------------|-------------------|--------------|------------------|-------------------|--------------------|---------------------|
| | Medical Center | Holdings | Staffing | PBFS | HHCSI | EVHS | Hospice | VHN | Foundation | HMS | Eliminations | Halifax Health |
| Assets and Deferred Outflows | | | | | | | | | | | | |
| Current Assets | \$ 252,922 | \$ 84,112 | \$ - | \$ - | \$ 239 | \$ 11,117 | \$ 81,087 | \$ 15 | \$ 40,161 | \$ 4,497 | \$ (4,866) | \$ 469,284 |
| Noncurrent Assets Whose Use is Limited | 25,985 | - | - | - | - | - | 2,650 | - | 5,671 | - | - | 34,306 |
| Capital Assets, net | 274,650 | 21,626 | - | - | 146 | 13 | 17,354 | 2 | - | 110,456 | - | 424,247 |
| Other Assets and Deferred Outflows | 74,599 | 86,815 | - | - | - | 5,019 | 4,677 | - | - | - | (90,405) | 80,705 |
| Total assets and deferred outflows | \$ 628,156 | \$ 192,553 | \$ - | \$ - | \$ 385 | \$ 16,149 | \$ 105,768 | \$ 17 | \$ 45,832 | \$ 114,953 | \$ (95,271) | \$ 1,008,542 |
| Liabilities, Deferred Inflows and Net Position | | | | | | | | | | | | |
| Current Liabilities | \$ 90,397 | \$ 436 | \$ - | \$ - | \$ 2,966 | \$ 345 | \$ 2,206 | \$ 80 | \$ 112 | \$ 13,100 | \$ (4,864) | \$ 104,778 |
| Long-Term Debt, less current portion | 413,850 | - | - | - | - | - | - | - | - | 82,815 | (82,815) | 413,850 |
| Other Liabilities and Deferred Inflows | 158,272 | - | - | - | - | - | 3,720 | 677 | 1,989 | - | (7,592) | 157,066 |
| Total liabilities and deferred inflows | 662,519 | 436 | - | - | 2,966 | 345 | 5,926 | 757 | 2,101 | 95,915 | (95,271) | 675,694 |
| Net Position: | | | | | | | | | | | | |
| Net investment in capital assets | (28,423) | 21,626 | - | - | 146 | 13 | 17,354 | 2 | - | 110,456 | - | 121,174 |
| Restricted by donors, expendable | - | - | - | - | - | - | - | - | 5,427 | - | - | 5,427 |
| Restricted by donors, nonexpendable | - | - | - | - | - | - | - | - | 244 | - | - | 244 |
| Unrestricted | (5,940) | 170,491 | - | - | (2,727) | 15,791 | 82,488 | (742) | 38,060 | (91,418) | - | 206,003 |
| Total net position | (34,363) | 192,117 | - | - | (2,581) | 15,804 | 99,842 | (740) | 43,731 | 19,038 | - | 332,848 |
| Total liabilities, deferred inflows and net position | \$ 628,156 | \$ 192,553 | \$ - | \$ - | \$ 385 | \$ 16,149 | \$ 105,768 | \$ 17 | \$ 45,832 | \$ 114,953 | \$ (95,271) | \$ 1,008,542 |

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2019
(In Thousands)

| | Blended Component Units | | | | | | | | | | Intercompany Eliminations | Halifax Health |
|---|-------------------------|-----------------|------------------|-----------------|-----------------|--------------|-----------------|---------------|---------------|-----------------|------------------------------|------------------|
| | Medical Center | Holdings | Staffing | PBFS | HHCSI | EVHS | Hospice | VHN | Foundation | HMS | | |
| Operating Revenues | \$ 506,315 | \$ 1,694 | \$ - | \$ - | \$ 3,690 | \$ 3,175 | \$ 47,339 | \$ 1,251 | \$ 1,295 | \$ 3,139 | \$ (3,200) | \$ 564,698 |
| Operating Expenses, before depreciation and amortization | 203,130 | 266 | 233,345 | 25,145 | 4,044 | 3,154 | 44,194 | 1,083 | 693 | 62 | (3,200) | 511,916 |
| Depreciation and Amortization | 24,408 | 756 | - | - | 52 | 18 | 775 | - | - | 826 | - | 26,835 |
| Total operating expenses | 227,538 | 1,022 | 233,345 | 25,145 | 4,096 | 3,172 | 44,969 | 1,083 | 693 | 888 | (3,200) | 538,751 |
| Income (loss) from operations | 278,777 | 672 | (233,345) | (25,145) | (406) | 3 | 2,370 | 168 | 602 | 2,251 | - | 25,947 |
| Nonoperating Revenues (Expenses) | (270,506) | 5,482 | 233,345 | 25,145 | - | - | 1,087 | - | - | (63) | - | (5,510) |
| Increase (decrease) in net position | \$ 8,271 | \$ 6,154 | \$ - | \$ - | \$ (406) | \$ 3 | \$ 3,457 | \$ 168 | \$ 602 | \$ 2,188 | \$ - | \$ 20,437 |

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Cash Flows
Year Ended September 30, 2019
(In Thousands)

| Net cash provided by (used in): | Blended Component Units | | | | | | | | | | Total Blended Component Units | Intercompany Eliminations | Halifax Health |
|---|-------------------------|---------------|--------------|-------------|-------------|------------------|-----------------|-------------|-----------------|-----------------|-------------------------------------|------------------------------|------------------|
| | Medical Center | Holdings | Staffing | PBFS | HHCSI | EVHS | Hospice | VHN | Foundation | HMS | | | |
| Operating Activities | \$ 304,088 | \$ 1,115 | \$ (233,344) | \$ (25,145) | \$ (267) | \$ 3,890 | \$ 2,584 | \$ 206 | \$ 2,493 | \$ (1,910) | \$ 3,373 | \$ - | \$ 53,710 |
| Noncapital Financing Activities | (253,654) | (56,999) | 233,344 | 25,145 | 267 | (577) | 315 | (206) | - | 56,134 | 56,243 | - | 3,769 |
| Capital and Related Financing Activities | (37,629) | (1,004) | - | - | - | - | (113) | - | - | (51,254) | (51,367) | - | (90,000) |
| Investing Activities | 18,134 | 56,439 | - | - | - | - | (1,504) | - | (2,085) | - | (3,589) | - | 70,984 |
| Net increase (decrease) in cash and cash equivalents | 30,939 | (449) | - | - | - | 3,313 | 1,282 | - | 408 | 2,970 | 4,660 | - | 38,463 |
| Cash and Cash Equivalents: | | | | | | | | | | | | | |
| Beginning of year | 34,165 | 709 | - | - | - | 6,725 | 4,415 | - | 1,579 | 1,178 | 7,172 | - | 48,771 |
| End of year | <u>\$ 65,104</u> | <u>\$ 260</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,038</u> | <u>\$ 5,697</u> | <u>\$ -</u> | <u>\$ 1,987</u> | <u>\$ 4,148</u> | <u>\$ 11,832</u> | <u>\$ -</u> | <u>\$ 87,234</u> |

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Fiduciary Fund Financial Statements: The Pension Trust Fund (the "Pension Fund"), the fiduciary fund, is used to account for the net position restricted for the pension benefits of certain employees of Staffing and Hospice.

Note 2. Significant Accounting Policies

A summary of the significant accounting policies used by Halifax Health follows:

Accounting Standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board ("GASB") codification ("GASB Cod."). The financial statements of the component units are also prepared in accordance with the GASB codification, as they are established for the direct benefit of the Medical Center. The financial statements of the Medical Center and its component units have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents: All unrestricted highly liquid investments with maturities of three months or less when purchased are considered cash equivalents, excluding cash and cash equivalents included in assets whose use is limited. Cash deposits are fully collateralized and federally insured up to FDIC limits.

Investments: Investments are reported at fair value or amortized cost, if not materially different from fair value. Investments are marketable securities representing the investment of cash available for current operations, and as such are reported as current assets. Interest and dividends, when earned, and realized and unrealized investment gains and losses are recorded as nonoperating revenue in the statements of revenues, expenses, and changes in net position, with the exception of Foundation. Interest and dividends, when earned, and realized and unrealized investment gains and losses of the Foundation are recorded as operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

Net Patient Accounts Receivable: Net patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results of this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimated allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts.

Assets Whose Use is Limited: Assets whose use is limited includes assets held for self-insurance funds, restricted funds under indenture agreements for debt service, Board-designated funded depreciation, donor restricted funds, and Board-designated assets set aside for other purposes. The Board may change these Board designations at its discretion.

Inventories: Inventories consist of medical supplies, which are stated at the lower of cost or market (on a first-in, first-out basis).

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Capital Assets: Purchases of real property and equipment greater than \$1,000 that have a useful life of longer than one year are capitalized at cost. The costs of replacement assets are capitalized in the same manner. Interest expense incurred during construction, net of investment gains on proceeds from issued debt, is capitalized. Interest cost incurred during construction for which no debt has been issued is evaluated based on the size and duration of the project for capitalization. The cost of minor equipment less than \$1,000 and repairs are recorded in operating expenses.

Capital assets are reviewed and considered for impairment whenever indicators of impairment are present, such as the decline in service utility of a capital asset that is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

Intangible Assets: Certain intangible assets are capitalized in accordance with GASB Cod. Sec. 1400, *Reporting Capital Assets*. Generally, those intangible assets would meet the same criteria for capitalization as other capital assets; cost greater than \$1,000 and a useful life of longer than one year.

Goodwill: Goodwill represents the purchase price in excess of the fair value of net assets acquired that is attributed to future years. Goodwill is included in deferred outflows on the accompanying statement of net position.

Depreciation and Amortization: Capital assets, excluding land and construction in progress, are depreciated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 20 years for building improvements, 10 to 40 years for buildings, 10 to 20 years for fixed equipment, and 3 to 20 years for major movable equipment. Capitalized intangible assets and goodwill are amortized over their estimated useful lives of three years and five years, respectively. Bond premium (discount) is reported in the accompanying financial statements as an increase (deduction) from long-term debt and is deferred and amortized in a manner that approximates the effective interest method.

Debt Issue Costs and Unamortized Bond Premium: Debt issuance costs are expensed as incurred. Unamortized bond premium is amortized over the period the related obligation is outstanding. The amortization of bond premium is included as a component of interest expense.

Derivative Instruments: The Medical Center has entered into an interest rate-swap agreement (the "Swap") and applies hedge accounting in accordance with GASB Cod. Sec. D40, *Derivative Instruments*. For effective hedging instruments, the change in fair value is recorded as a deferred outflow in noncurrent assets on the accompanying statement of net position, and the fair value of the Swap is reported in noncurrent liabilities. See Note 8 for more information on the Swap.

Deferred Outflows and Inflows: In addition to the Swap described above, certain pension costs, other postemployment benefits, and losses on refunding of debt in prior years are included in deferred outflows and inflows and amortized over a specified period. Amortization of pension and other postemployment benefits related deferred outflows and inflows is included in salaries and benefits expense in the accompanying statement of revenues, expenses, and changes in net position. Amortization of losses on refunding of long-term debt is included in interest expense.

Personal Leave Time: Personal leave time, which includes holiday, sick, and vacation time, that is accrued but not used at September 30, 2019, is included in accrued payroll and personal leave time in the accompanying statement of net position.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Pension Plan: The Halifax Pension Plan (the “Plan”) is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan that covers certain employees of the two participating employers, Hospice and Staffing. The Plan is accounted for in accordance with GASB Cod. Sec. Pe5, *Pension Plans—Defined Benefit*. Contributions are made based on the minimum recommended contribution as determined by actuarial valuation. The Plan is considered a governmental plan exempt from Employee Retirement Income Security Act requirements based upon rulings received from the Internal Revenue Service. See Note 9 for more information on the Plan.

Self-Insurance: Halifax Health is self-insured for various risks of loss, including professional and general liability losses, workers’ compensation claims, and employees’ health claims. Estimated liabilities include known claims and claims that have been incurred but not reported. The noncurrent portion of estimated professional and general liability losses and workers’ compensation claims have been discounted using a 4% interest rate for 2019. Estimated losses for employees’ health claims are not discounted as all amounts are considered current liabilities. See Note 6 for more information on self-insurance liabilities.

Income Taxes: The Medical Center is tax exempt under Section 115 of the Internal Revenue Code (“IRC”). With the exception of VHN, all of the component units are not-for-profit corporations described in Section 501(c)(3) of the IRC and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the IRC and Chapter 220.13 of the Florida Statutes, respectively. VHN is a taxable Florida not-for-profit corporation. There was no material amount of tax expense or benefit for the year ended September 30, 2019.

Net Position: In accordance with GASB Cod. Sec. 2200, *Comprehensive Annual Financial Report*, net position is reported in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt issued that is attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position consists of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, or laws or regulations of other governments, or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources and liabilities, and deferred inflows of resources that do not meet the definitions of the other two components of net position.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Expenses: For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions, such as interest expense, donations, and investment income are reported as nonoperating revenues, expenses, gains, and losses, with the exception of the Foundation. Interest and dividends when earned, and realized and unrealized investment gains and losses of the Foundation are recorded as operating revenue in the accompanying statements of revenues, expenses and changes in net position.

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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Ad valorem taxes levied and received by the Medical Center are designated by law to fund the Medical Center's operating expenses, which may include maintenance, construction, improvements, and repairs to the Medical Center or fund other expenses in carrying out the business of the Medical Center. The Medical Center considers ad valorem tax receipts to be ongoing and central to the provision of health care services and, accordingly, classifies these funds as operating revenue.

Ad valorem taxes received by the Medical Center are based on the assessed valuation of certain taxable real and personal property at the Board-approved millage rate for the year. Gross receipts of \$6.1 million are included in operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Certain expenses directly attributable to the Medical Center's status as a taxing authority are classified as ad valorem tax-related expenses. These expenses, when added to the charity care and other uncompensated care provided to qualifying patients, exceed ad valorem taxes received and are considered by the Board when determining the tax levy.

Substantially all expenses, including those expenses directly attributable to the Medical Center's status as a taxing authority, are considered by management to be ongoing and central to the provision of health care services and, therefore, are reported as operating expenses. The excess of revenue over expenses is reported as income from operations in the accompanying statement of revenues, expenses, and changes in net position and excludes nonoperating revenues, expenses, gains, and losses.

When an expense is incurred for which both unrestricted and restricted resources are available, restricted resources are applied first.

Net Patient Service Revenue: The Medical Center and Hospice serve certain patients whose medical costs are not paid at established rates. These include patients sponsored under government programs, such as Medicare and Medicaid, patients sponsored under private contractual agreements, and uninsured patients who have limited ability to pay.

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others when services are rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Approximately \$10.5 million in amounts due to Medicare and Medicaid relating to estimated future retroactive adjustments is recorded in accounts payable and accrued liabilities.

Revenue from the Medicare and Medicaid programs accounted for approximately 59% of net patient service revenue for the year ended September 30, 2019. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. There were no adjustments to revenue related to prior periods during the year ended September 30, 2019.

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Halifax Hospital Medical Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

The Medical Center and Hospice classify a patient as charity based on established policies. These policies define charity services as those services for which no additional payment is anticipated. When assessing a patient's ability to pay, the Medical Center utilizes percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. Beginning fiscal year 2016, the Medical Center's policy was revised from 200% to 400% of the federal poverty income level. Hospice classifies charity patients as those whose income is at or below the federal poverty guidelines. Core services may be covered in full, or discounted based on income and a sliding scale. Charity care, based on estimated costs, totaled approximately \$44.9 million for the year ended September 30, 2019. Cost of charity care is calculated by applying the cost-to-charge ratio to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the total expenses, excluding bad debt, and dividing by gross charges of the Medical Center.

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2019, as follows (in thousands):

| | |
|---|-------------------|
| Gross patient charges | \$ 2,107,594 |
| Charity adjustments | (169,568) |
| Contractual adjustments | (1,329,139) |
| Net patient service revenue before provision for bad debts | 608,887 |
| Provision for bad debts | (74,666) |
| Net patient service revenue | \$ 534,221 |

Pending Accounting Pronouncements: In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This standard is effective for fiscal years beginning after December 15, 2018. Halifax Health is evaluating the impact of this on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The lease assets and liabilities will be recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard is effective for fiscal years beginning after December 15, 2019. Halifax Health is evaluating the impact of this statement on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. Halifax Health is evaluating the impact of this statement on its financial statements.

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Halifax Hospital Medical Center
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Notes to Financial Statements

Note 3. Investments and Assets Whose Use is Limited

Halifax Health measures and records its investments and assets whose use is limited using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active; and
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 3. Investments and Assets Whose Use is Limited (Continued)

The composition and fair value classification of investments and assets whose use is limited of Halifax Health at September 30, 2019, is set forth in the following table:

| | Assets Whose Use is Limited and Restricted Assets | | | | | |
|--|---|--|--|------------------------|------------------------------|-------------------|
| | Investments | Trustee- Held Self- Insurance Funds | Board- Designated Funded Depreciation | Restricted by Donor | Board Designated Other | Total |
| | (In Thousands) | | | | | |
| <u>Level 1</u> | | | | | | |
| Money market funds | \$ 11,099 | \$ 450 | \$ 2,105 | \$ - | \$ - | \$ 13,654 |
| Mutual funds: | | | | | | |
| DFA Emerging Markets Value Portfolio | 2,088 | - | - | 399 | 95 | 2,582 |
| DFA International Value Portfolio | 2,580 | - | - | 887 | 227 | 3,694 |
| DFA Small Cap Value Portfolio | 7,088 | - | - | 1,856 | 430 | 9,374 |
| DFA U.S. Large Cap Value Portfolio | 18,785 | - | - | 2,284 | 868 | 21,937 |
| Vanguard Energy Fund Admiral Shares | - | - | - | - | 52 | 52 |
| Vanguard Energy Fund | 1,999 | - | - | - | - | 1,999 |
| Vanguard Health Care Fund | 1,491 | - | - | - | 60 | 1,551 |
| Vanguard Large Cap Growth Index Fund | 10,569 | - | - | - | - | 10,569 |
| Vanguard Short-Term Investment Grade Inst Fund | 37,866 | - | - | - | 918 | 38,784 |
| Vanguard Small Cap Growth Index Fund | 11,955 | - | - | - | - | 11,955 |
| U.S. Treasury obligations | 158,184 | - | 8,088 | - | - | 166,272 |
| Total Level 1 | 263,704 | 450 | 10,193 | 5,426 | 2,650 | 282,423 |
| <u>Level 2</u> | | | | | | |
| U.S. Government-sponsored enterprises: | | | | | | |
| Federal National Mortgage Association | 1,491 | - | 7,587 | - | - | 9,078 |
| Federal Home Loan Bank | 371 | - | 4,025 | - | - | 4,396 |
| Federal Home Loan Mortgage Corporation | 2,356 | - | 4,111 | - | - | 6,467 |
| Corporate bonds | 20,107 | - | - | - | - | 20,107 |
| Other | 2,408 | - | 69 | 245 | - | 2,722 |
| Total Level 2 | 26,733 | - | 15,792 | 245 | - | 42,770 |
| Total | \$ 290,437 | \$ 450 | \$ 25,985 | \$ 5,671 | \$ 2,650 | \$ 325,193 |

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Halifax Hospital Medical Center
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Notes to Financial Statements

Note 3. Investments and Assets Whose Use is Limited (Continued)

All investments of the Halifax Pension Plan were classified as Level 1 at September 30, 2019. The composition of investments in the Halifax Pension Plan at September 30, 2019, is set forth in the following table (in thousands):

| | | |
|--|-----------|----------------|
| Money market funds | \$ | 677 |
| U.S. Government Securities, US Treasury Notes and Bonds | | 100,856 |
| Mutual funds: | | |
| DFA Emerging Markets Value Portfolio | | 7,985 |
| DFA International Value Portfolio | | 40,007 |
| DFA Small Cap Value Portfolio | | 28,847 |
| DFA U.S. Large Cap Value Portfolio | | 29,960 |
| Vanguard Energy Fund Admiral Shares | | 10,655 |
| Vanguard Health Care Fund | | 11,250 |
| Vanguard Large Cap Growth Index Fund | | 17,801 |
| Vanguard Short-Term Investment Grade Inst Fund | | 8,492 |
| Vanguard Small Cap Growth Index Fund | | 18,076 |
| Other | | 596 |
| Total | \$ | 275,202 |

Assets whose use is limited for obligations classified as current liabilities are reported as current assets.

The Medical Center invests in money market and mutual funds that qualify as fixed-income securities in accordance with its investment policy described in Note 4. At September 30, 2019, the Medical Center was invested in one money market fund, the Wells Fargo Advantage Government Money Market Fund, and the following mutual funds:

- Vanguard Short-Term Federal Admiral Fund (VSGDX) invests at least 80% of its portfolio in short-term debt securities issued by the U.S. government, its agencies and U.S. government-sponsored enterprises. The fund had an average duration of 2.2 years as of September 30, 2019.
- Vanguard Short-Term Investment-Grade Institutional Fund (VFSIX) invests at least 80% of its portfolio in short and intermediate-term investment grade securities. The fund had an average duration of 2.4 years as of September 30, 2019.

At September 30, 2019, the Medical Center held debt securities in U.S. Treasury Obligations and U.S. Government-sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation.

Investment income on assets whose use is limited, restricted assets, and investments for the year ended September 30, 2019, was \$10 million and includes unrealized losses of \$2.4 million. Investment income of the Foundation includes unrealized losses of approximately \$1.9 million and is included in other operating revenue.

Halifax Hospital Medical Center
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Notes to Financial Statements

Note 4. Deposits and Investment Risk

GASB Cod. Sec. 150, *Investments*, requires disclosures related to investment and deposit risks, including risks related to credit risk, consisting of custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. GASB Cod. Sec. 150 also requires the disclosure of the credit quality of investments in debt securities, except for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.

Investment Risk: Investment policies were established in order to control and diversify risk by limiting specific security types and/or concentration with individual financial institutions. Specific investment types are limited to a percentage of the total investment portfolio and maximum maturity date. Investment strategies are influenced by relative market yields and the cash needs of Halifax Health. Excess funds of the Medical Center and its component units may be invested in accordance with the respective investment policies. Excess funds of the Medical Center may be invested in, but are not limited to:

- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic bank certificates of deposit provided that any such investments are in Federal Deposit Insurance Corporation guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Securities of, or other interests in, any management-type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the U.S. Government or any agency or instrumentality thereof;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations; and
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above.

The Halifax Pension Plan's investment policy provides guidelines for the types of investments that can be acquired in order to provide maximum diversity and reduce risk. Specific asset classes are limited to a percentage of the total investment portfolio. Specific investment strategies are influenced by relative market yields and the cash needs of the Halifax Pension Plan. The Halifax Pension Plan may be invested in, but not limited to:

- Local government investment pool;
- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic Bank Certificates of Deposit provided that any such investments are in Federal Deposit Insurance Corporation ("FDIC") guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations;
- Commercial Paper and Stocks; limited to issuers with an A rating or better; and
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above.

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Halifax Hospital Medical Center
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Notes to Financial Statements

Note 4. Deposits and Investment Risk (Continued)

All investment decisions are made based on reasonable research as to credit quality, liquidity, and counterparty risk prior to the investment. An investment advisory firm is utilized to monitor the investment of all funds and quarterly performance of the portfolio is reported to management and the Investment Committee of the Board.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, Halifax Health and the Halifax Pension Plan will not be able to recover its deposits. At September 30, 2019, Halifax Health and the Halifax Pension Plan's deposits, consisting primarily of cash and cash equivalents, were covered by federal depository insurance, collateralized with U.S. Treasury Securities and Federal agency securities or guaranteed 100% by the State of Florida and collateralized through the Florida Bureau of Collateralization.

Credit Risk: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- or A rating or better for Halifax Health and the Halifax Pension Plan, respectively, and established asset allocation limits to reduce the concentration of credit risk. Guidelines are provided to investment managers and monitored by the investment advisory firm and management for compliance. As of September 30, 2019, Halifax Health has an investment in debt securities with Federal Home Loan Bank totaling approximately \$9 million, representing 2.79% of total investments. At September 30, 2019, the money market fund at Halifax Health had a credit rating of Aaa-mf, and other debt securities each had credit ratings of Aaa from Moody's Investors Service Inc.

As of September 30, 2019, the Halifax Pension Plan did not have investments in debt securities in any one issuer that represents 5% or more of the Halifax Pension Plan's fiduciary net position except for the U.S. Treasury Note that comprises of 36.6%. The Halifax Pension Plan's investment in a mutual fund that primarily invests in debt securities had a credit rating of Aaa-mf from Moody's Investor Services.

Interest Rate Risk: Changes in interest rates can adversely affect the fair value of an investment. Halifax Health and the Halifax Pension Plan manage exposure to interest rate risk by limiting investment maturities and diversifying its investment portfolios.

As of September 30, 2019, Halifax Health had investments, assets whose use is limited and restricted assets maturing as follows:

| | | No Maturity | | |
|---------------------------------------|----------------|-------------|-----------|----------|
| | | Date or | | |
| | | Less than | 1 – 5 | 6 – 10 |
| | Fair Value | 1 Year | Years | Years |
| | (In Thousands) | | | |
| Money market funds | \$ 13,654 | \$ 13,654 | \$ - | \$ - |
| Mutual funds | 102,497 | 102,497 | - | - |
| U.S. Government securities | 166,272 | 164,180 | 2,092 | |
| U.S. Government-sponsored enterprises | 19,941 | 9,339 | 9,590 | 1,012 |
| Corporate bonds | 20,107 | 6,146 | 13,451 | 510 |
| Other | 2,722 | 2,722 | - | - |
| Total | \$ 325,193 | \$ 298,538 | \$ 25,133 | \$ 1,522 |

At September 30, 2019, all of the Halifax Pension Plan's investments had maturity dates within one year or no maturity date.

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Halifax Hospital Medical Center d/b/a Halifax Health

Notes to Financial Statements

Note 5. Capital Assets

Capital assets are recorded at cost and presented net of accumulated depreciation in the accompanying statements of net position. Projects in progress includes short-term capitalizable projects and construction costs related to the Deltona hospital that were not yet in service as of September 30, 2019. Interest related to the Deltona hospital project was capitalized during the year ended September 30, 2019 of approximately \$1.5 million. A summary of the activities for the year ended September 30, 2019, is presented below:

| | Balance at September 30, 2018 | Increases/ Transfers | Decreases/ Transfers | Balance at September 30, 2019 |
|---------------------------------------|-------------------------------------|-------------------------|-------------------------|-------------------------------------|
| Capital Assets—at cost: | | | | |
| Land | \$ 50,431 | \$ 60 | \$ - | \$ 50,491 |
| Land improvements | 6,359 | 49 | - | 6,408 |
| Buildings | 407,066 | 3,069 | 84 | 410,051 |
| Fixed equipment | 31,713 | 484 | 293 | 31,904 |
| Major moveable equipment | 91,989 | 1,941 | 4,737 | 89,193 |
| Computers and software | 27,979 | 4,109 | 3,442 | 28,646 |
| Projects in progress | 42,219 | 64,791 | 3,662 | 103,349 |
| Total capital assets—at cost | 657,756 | 74,503 | 12,218 | 720,042 |
| Accumulated Depreciation: | | | | |
| Land improvements | 3,720 | 237 | - | 3,957 |
| Buildings | 170,556 | 13,132 | 92 | 183,596 |
| Fixed equipment | 18,354 | 3,506 | 275 | 21,585 |
| Major moveable equipment | 67,390 | 5,540 | 4,737 | 68,193 |
| Computers and software | 17,765 | 4,009 | 3,311 | 18,464 |
| Total accumulated depreciation | 277,785 | 26,424 | 8,415 | 295,795 |
| Capital assets—net | \$ 379,971 | \$ 48,079 | \$ 3,803 | \$ 424,247 |

The Medical Center was issued a certificate of need for an establishment of a 96-licensed bed acute care hospital to be located in the City of Deltona, Florida. Construction of the hospital at the Halifax Crossing Development, a mixed use medically focused development site, has begun with a targeted completion date near the end of calendar year 2019. The estimated cost of the first phase of the hospital, consisting of 43 acute care beds, including development, building and equipment costs, is \$108 million. Total cost incurred through September 30, 2019 is \$83.3 million. Long-term financing for the project was obtained on December 18, 2019 (see Note 14).

Note 6. Self-Insurance and Insurance

Self-Insurance: The Medical Center is self-insured for various risks of loss, including professional and general liability losses, workers' compensation claims, and employees' health claims. Certain component units participate in the Medical Center's employee health and workers' compensation self-insurance programs. Self-insurance funds are held by a trustee bank and recorded as assets whose use is limited.

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Notes to Financial Statements

Note 6. Self-Insurance and Insurance (Continued)

The Medical Center, as a subdivision of the State of Florida, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28, Laws of Florida, the Medical Center and its component units are not liable to pay a claim by or judgment to any one person which exceeds the sum of \$200,000 or any claim or judgment, or portions thereof, which when totaled with all other claims or judgments paid by the state or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of \$300,000. Chapter 768.28 also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to and approved by the Florida Legislature.

Professional and general liability losses are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Accrued self-insurance liabilities include an amount for claims that have been incurred but not reported based on actuarial determinations. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in actual claim amounts. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The liabilities for employees' health insurance and workers' compensation claims are estimated based on historical data. The Medical Center has commercial insurance policies for health insurance and workers' compensation for cases that exceed certain limits. The health insurance policy includes an 80% indemnity of cases that exceed \$325,000 and a \$1 million lifetime maximum. Specific excess coverage for workers' compensation includes retention of \$750,000 per incident.

Changes in the accrued self-insurance liabilities for the years ended September 30, 2019 and 2018 are as follows:

| | Balance at September 30, 2018 | Current Year Claims and Changes in Estimates | Claim Payments | Balance at September 30, 2019 |
|------------------------|-------------------------------------|---|-------------------|-------------------------------------|
| Employee health | \$ 1,525 | \$ 7,103 | \$ (7,303) | \$ 1,325 |
| Professional liability | 9,121 | 1,166 | (645) | 9,642 |
| Workers' compensation | 2,325 | 2,027 | (1,735) | 2,617 |
| Total | \$ 12,971 | \$ 10,296 | \$ (9,683) | \$ 13,584 |

| | Balance at September 30, 2017 | Current Year Claims and Changes in Estimates | Claim Payments | Balance at September 30, 2018 |
|------------------------|-------------------------------------|---|--------------------|-------------------------------------|
| (In Thousands) | | | | |
| Employee health | \$ 1,100 | \$ 8,541 | \$ (8,116) | \$ 1,525 |
| Professional liability | 9,730 | 489 | (1,098) | 9,121 |
| Workers' compensation | 2,500 | 1,499 | (1,674) | 2,325 |
| Total | \$ 13,330 | \$ 10,529 | \$ (10,888) | \$ 12,971 |

Certain matters of litigation against Halifax Health arise in the normal course of business. Losses in excess of amounts accrued may occur although an estimate of such excess cannot be made. It is the opinion of management that the ultimate liability, if any, resulting from these matters will not have a material adverse effect on Halifax Health's financial statements.

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Notes to Financial Statements

Note 7. Long-Term Debt

Long-term debt at September 30, 2019, consists of the following:

| | Current Portion of Long-Term Debt | Long-Term Debt | Premium |
|----------------------------|---|-------------------|------------------|
| | (In Thousands) | | |
| Bonds payable: | | | |
| Series 2008 | \$ - | \$ 70,000 | \$ - |
| Series 2015 | 4,570 | 98,940 | 9,147 |
| Series 2016 | 1,225 | 159,910 | 8,775 |
| Series 2018 | - | 85,000 | - |
| Total bonds payable | \$ 5,795 | \$ 413,850 | \$ 17,922 |

Bonds Payable: Halifax Health has outstanding \$437.6 million of debt, which was issued to refund prior debt and to provide funding for capital projects and operating reserves. The debt is organized with outstanding principal balances as follows: \$70 million of tax-exempt, variable-rate demand-obligation ("VRDO") bonds ("Series 2008"), secured by a letter of credit; \$98.9 million of tax-exempt, fixed rate bonds ("Series 2015"), \$159.9 million of tax-exempt, fixed rate bonds ("Series 2016"), and \$85 million of revenue bonds ("Series 2018"). Pursuant to the terms of the Master Trust Indenture ("MTI") under which the bonds were issued (excluding conduit indebtedness), principal and interest on each bond series are payable from and secured by a pledge of net revenues of the Obligated Group. The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group's financial information, including EVHS, Staffing, HHCSI and PBFS.

The Series 2018 bonds are subject to a variable interest rate which is the 30 day LIBOR plus 120 basis points, and are subject to redemption at any time on or after December 1, 2018, and prior to maturity, at the option of the Medical Center. If the redemption occurs after June 1, 2019, the Series 2018 bonds can be redeemed at the principal amount outstanding, plus accrued interest.

The Series 2015 bonds and Series 2016 bonds have maturities extending through 2046. Interest rates range from 3.0% to 5.0%.

The Series 2008 bonds are tax-exempt, variable-rate securities with a weekly interest-rate period. The Series 2008 bonds have final maturities of June 1, 2048, subject to the demand provisions described below. The net proceeds of the Series 2008 bonds were used to advance refund a portion of the Medical Center's outstanding indebtedness, to provide funds for future capital projects, and for reimbursement of prior capital expenditures.

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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

The Series 2008 bonds are subject to purchase from time to time at the option of the owners thereof and are required to be purchased in certain circumstances. As such, the bonds are supported by a remarketing agreement and an irrevocable direct pay letter of credit with a bank in the aggregate amount of \$70 million at September 30, 2019. The remarketing agreement generally provides the Medical Center the option to market the obligations at the then-prevailing short-term rate, as determined by the remarketing agent. The obligations were marketed weekly during 2019, with interest rates ranging from 1.25% to 2.30%. The term of the letter of credit expires November 5, 2024. The letter of credit is secured by an interest in any bonds purchased with draws on the letter of credit and amounts payable under the MTI. The Medical Center did not draw on the letter of credit during 2019. In the event that the Series 2008 bonds are unable to be remarketed, the Medical Center would be required to draw on the letter of credit. Repayments of principal and interest would begin 367 days after the date of the draw (and no draw may be made on the letter of credit without seven days written notice). Repayments will be made in 12 equal quarterly installments of principal plus interest. Therefore, the final quarterly installment to be made under the provisions of the letter of credit would occur on July 10, 2023. Pursuant to the terms of the letter of credit, the Medical Center is required to comply with certain provisions regarding additional borrowings, capital expenditures, and the maintenance of certain financial ratios.

The Medical Center has a \$70 million notional-amount fixed-pay percentage of the London InterBank Offered Rate ("LIBOR") interest rate swap on the Series 2008 bonds (the "Swap"). The variable interest paid on the Series 2008 bonds is expected to correlate very closely with the rate that is received on the related Swap. The effective interest rate on the Swap is a synthetic fixed rate of interest of 4.02% at September 30, 2019. See Note 8 for further information on the Swap.

The Obligated Group is required to comply with certain provisions regarding additional borrowings and the maintenance of certain minimum debt service coverage, liquidity, and indebtedness ratios.

A summary of bond issues follows (in thousands):

Fixed Rate Bonds

| Series | Date Issued/ Converted | Term Bonds | | | Serial Bonds | | |
|-------------|---------------------------|--------------------------|------------------|------------------|--------------------------|------------------|------------------|
| | | Original Issue Amount | Interest Rate | Maturity Date | Original Issue Amount | Interest Rate | Maturity Date |
| Series 2015 | April 29, 2015 | \$ 57,795 | 5.00% | June 1, 2035 | \$ 57,530 | 4.00%–5.00% | June 1, 2046 |
| | | | 4.00 | June 1, 2038 | | | |
| | | | 4.00 | June 1, 2041 | | | |
| | | | 5.00 | June 1, 2046 | | | |
| Series 2016 | March 28, 2016 | \$ 48,430 | 5.00 | June 1, 2030 | \$ 117,060 | 3.38%–5.00% | June 1, 2046 |
| | | | 3.38 | June 1, 2031 | | | |
| | | | 5.00 | June 1, 2036 | | | |
| | | | 3.75 | June 1, 2041 | | | |
| | | | 4.00 | June 1, 2046 | | | |

Variable-Rate Bonds

| Series | Date Issued | Original Issue Amount | Interest Rate at September 30, 2019 | Maturity Date | Interest Rate Period |
|--------------|--------------------|--------------------------|--|------------------|----------------------------|
| Series 2008 | September 18, 2008 | \$ 70,000 | 1.38% * | June 1, 2048 | 7 days |
| Series 2018A | June 1, 2018 | 85,000 | 3.30% | October 31, 2030 | 30 days |

* This rate is the remarketed interest rate in effect as of September 30, 2019. The Medical Center also has a fixed-pay interest rate as part of the Swap. See Note 8 for more information on the Swap.

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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

Listed below are the debt service payments for Halifax Health for each of the five years ending September 30, 2020 through 2024 and in five-year increments thereafter (in thousands). The principal shown on the Series 2008 bonds is based on scheduled repayments; however, as described above the principal is subject to call by the bondholders, in which case the principal may be due by 2021. The interest rate used to calculate interest on the Series 2008 bonds was the remarketed interest rate in effect at September 30, 2019. The interest rate used to calculate interest on the Series 2018 bonds was the 30-day LIBOR plus 120 basis points in effect at September 30, 2019. The table below excludes interest amounts related to the swap (see Note 8).

| | Series 2008 | | Series 2015 | | Series 2016 | | Series 2018 | | Total Debt Secured by Obligated Group | | Total Halifax Health | |
|--------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|-----------------|--|-------------------|-------------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ - | \$ 1,155 | \$ 4,570 | \$ 4,952 | \$ 1,225 | \$ 7,094 | 85,000 | 2,806 | \$ 90,795 | \$ 16,007 | \$ 90,795 | \$ 16,007 |
| 2021 | - | 1,155 | 4,785 | 4,723 | 1,305 | 7,032 | - | - | 6,090 | 12,910 | 6,090 | 12,910 |
| 2022 | - | 1,155 | 5,025 | 4,484 | 1,365 | 6,967 | - | - | 6,390 | 12,606 | 6,390 | 12,606 |
| 2023 | - | 1,155 | 5,285 | 4,233 | 1,425 | 6,899 | - | - | 6,710 | 12,287 | 6,710 | 12,287 |
| 2024 | - | 1,155 | 5,555 | 3,969 | 1,490 | 6,828 | - | - | 7,045 | 11,952 | 7,045 | 11,952 |
| 2025-2029 | - | 5,775 | 18,205 | 16,109 | 22,645 | 32,262 | - | - | 40,850 | 54,146 | 40,850 | 54,146 |
| 2030-2034 | - | 5,775 | 12,645 | 12,800 | 39,035 | 24,739 | - | - | 51,680 | 43,314 | 51,680 | 43,314 |
| 2035-2039 | 4,435 | 5,702 | 15,970 | 9,500 | 44,730 | 14,626 | - | - | 65,135 | 29,828 | 65,135 | 29,828 |
| 2040-2044 | 25,185 | 4,193 | 22,000 | 5,714 | 32,260 | 7,007 | - | - | 79,445 | 16,914 | 79,445 | 16,914 |
| 2045-2048 | 40,380 | 1,292 | 9,470 | 716 | 15,655 | 946 | - | - | 65,505 | 2,954 | 65,505 | 2,954 |
| Total | \$ 70,000 | \$ 28,512 | \$ 103,510 | \$ 67,200 | \$ 161,135 | \$ 114,400 | \$ 85,000 | \$ 2,806 | \$ 419,645 | \$ 212,918 | \$ 419,645 | \$ 212,918 |

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Halifax Hospital Medical Center
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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

Long-Term Notes Payable and Other Indebtedness:

Long-term debt activity for the year ended September 30, 2019, consisted of the following:

| | Balance at September 30, 2018 | Additions (Reductions) Net of Amortization of Original Issue Premium | Balance at September 30, 2019 |
|--------------|-------------------------------------|--|-------------------------------------|
| Series 2008 | \$ 70,000 | \$ - | \$ 70,000 |
| Series 2015 | 117,346 | (4,689) | 112,657 |
| Series 2016 | 171,411 | (1,501) | 169,910 |
| Series 2018 | 85,000 | - | 85,000 |
| Total | \$ 443,757 | \$ (6,190) | \$ 437,567 |

Note 8. Interest Rate Swap

The Medical Center has previously entered into a Swap agreement with a notional amount of \$70 million in conjunction with the issuance of the Series 2008 bonds that effectively converts the variable rate bonds to a fixed rate. Under the terms of the Swap, the Medical Center pays to the counterparty a fixed rate of interest equal to 3.837% of the remaining notional amount. In turn, the Medical Center receives a payment of variable interest equal to 67% of LIBOR. The termination date of this Swap agreement is June 1, 2048, which coincides with the maximum maturity of the Series 2008 bonds. Payments under the Swap agreement are insured by AGMC. For the year ended September 30, 2019, the Medical Center made approximately \$2.7 million in payments under the Swap agreement to the counterparty and received approximately \$1.1 million in payments under the Swap agreement from the counterparty. The payments made and received under the Swap agreement are included in interest expense on the accompanying statement of revenues, expenses and changes in net position.

In accordance with GASB Cod. Sec. D40, the Medical Center applies hedge accounting for its Swap. At September 30, 2019, the fair value of the Swap liability of approximately \$38.3 million was included in other long-term liabilities, with the current-year change in fair value of approximately \$17 million recorded as a decrease in deferred outflows in noncurrent assets. The fair value of the Swap was approximately \$38.3 million at September 30, 2019, as determined by an independent source. In accordance with GASB Statement No. 72, the fair value measurement of the Swap is classified as Level 2 and is valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: The Medical Center is exposed to interest rate risk on the Swap. As LIBOR decreases, the Medical Center's net payment on the Swap increases.

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Notes to Financial Statements

Note 8. Interest Rate Swap (Continued)

Basis Risk: The Medical Center is exposed to basis risk on the Swap because the variable-rate interest payments it receives on the Swap is based on a rate other than the interest rate the Medical Center pays on its hedged, variable rate debt, which is remarketed every seven days. As of September 30, 2019, the interest rate on the hedged variable-rate debt is 1.46% and 67% of LIBOR is 1.38%.

Termination Risk: The Medical Center or its counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the Swap is in a liability position, the Medical Center would be liable to the counterparty for payment equal to the liability, subject to net settlement.

The following table summarizes the Medical Center's anticipated net cash flows from outstanding variable rate debt and the related Swap at September 30, 2019 (in thousands). The interest rates used to calculate interest on the variable rate debt and the variable portion of the Swap were the respective interest rates in effect at September 30, 2019. The rate used for the fixed-pay portion of the Swap is the actual interest rate of 3.837%.

| Years ending September 30, | Principal | Interest | Net Interest on Swap | Total Interest |
|-------------------------------|------------------|------------------|-------------------------|-------------------|
| 2020 | \$ - | \$ 1,155 | \$ 1,723 | \$ 2,878 |
| 2021 | - | 1,155 | 1,723 | 2,878 |
| 2022 | - | 1,155 | 1,723 | 2,878 |
| 2023 | - | 1,155 | 1,723 | 2,878 |
| 2024 | - | 1,155 | 1,723 | 2,878 |
| 2025 – 2029 | - | 5,775 | 8,618 | 14,393 |
| 2030 – 2034 | - | 5,775 | 8,618 | 14,393 |
| 2035 – 2039 | 4,435 | 5,702 | 8,510 | 14,212 |
| 2040 – 2044 | 25,185 | 4,193 | 6,257 | 10,450 |
| 2045 – 2048 | 40,380 | 1,292 | 1,929 | 3,221 |
| Total | \$ 70,000 | \$ 28,512 | \$ 42,547 | \$ 71,059 |

Note 9. Pension Plan

Defined Benefit Pension Plan: Certain employees participate in the Halifax Pension Plan, which is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan (the "Plan") with two participating employers, Staffing and Hospice. The Plan is treated as a single employer plan for the purposes of making contributions and paying pension benefits, determining whether there has been any termination of service, and applying the maximum benefit limitation. Plan provisions are established and may be amended by the Board of Staffing, the Plan's sponsor. The Plan issues stand-alone financial statements that can be obtained by contacting the Plan's sponsor or by accessing Halifax Health's website at www.halifaxhealth.org. The Plan's financial statements are prepared using the accrual basis of accounting.

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Notes to Financial Statements

Note 9. Pension Plan (Continued)

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Halifax Health assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs. As of October 1, 2017, the valuation date, the Plan included 449 active employees, 525 terminated but vested participants, and 1004 retired participants and beneficiaries.

Pension plan benefits are based on the number of years of service and the employee's highest three-year average annual compensation. Effective October 1, 2013 the Plan was frozen and as such, participants of the Plan will no longer accrue credit for years of service and, upon eligibility, calculation of benefits will be made based on compensation information through October 1, 2013. Participants may elect to receive pension plan benefits as a monthly annuity or as one lump-sum payment for an amount equal to the present value of future benefits, as calculated by an actuary. Beneficiaries receive an annual, automatic 3% cost of living adjustment.

The Medical Center is obligated by contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. Halifax Health contributed \$19.5 million to the Plan in fiscal year 2019. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2019. Staffing's proportionate share of the contribution, expense and net pension liability is 95.32% and Hospice's proportionate share is 4.68% for fiscal year 2019. The proportionate share calculation is based on the present value of future salaries for active employees of Staffing and Hospice.

Significant assumptions of the Plan are presented in the following table:

Actuarial Methods and Assumptions

| | |
|---------------------------|---|
| Mortality table | RP-2014 Mortality Table (Sex-Distinct), Scale MP2018 |
| Interest rate | 6.75% annually, compounded |
| Pay increase | N/A |
| Cost of living adjustment | 3% |
| Measurement date | September 30, 2018 |
| Valuation date | October 1, 2017 |
| Allocation of Plan assets | 40-70% Equities 30-60% Fixed income |
| Real rate of return | Overall - 7.20%, arithmetic mean Equities - 10.96% Fixed income - 0.41% |
| Experience study date | October 1, 2018 |

The discount rate used in measuring the total pension liability was 6.75% for fiscal year 2019. The long-term expected rate of return on plan assets is 6.75%. The discount rates and rate of return are based on the long-term rate of return on pension plan investments expected to finance the payment of benefits into the future. Net pension liability at September 30, 2019 using a discount rate of 5.75% would have been \$98.2 million, and using a discount rate of 7.75% would have been \$30.8 million.

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Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 9. Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table above.

The projection of cash flows used to determine the discount rate assumed that contributions from the Medical Center and Hospice will continue into the future and that the Plan will eventually be fully funded. It is also assumed that 25% of benefit payments will be paid out as one-time, lump-sum payments. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to Financial Statements

Note 9. Pension Plan (Continued)

The net pension liability at September 30, 2019 using a discount rate of 6.75% was \$61.9 million. Since the last measurement date, September 30, 2017, the Plan updated its assumptions regarding mortality tables to the same assumption as used by the actuary for the Florida Retirement System Pension Plan per Florida Statutes. Changes in the pension accounts since the last valuation date, and pension expense, are as follows (in thousands):

| | Deferred Outflow - Pension Contributions | Deferred Outflow - Investment Gains | Deferred Outflow - Liability Loss | Deferred Inflow - Change in Assumptions | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability | Pension Expense |
|--|--|--|--------------------------------------|---|----------------------------|--------------------------------|--------------------------|--------------------|
| Balance at September 30, 2018 | \$ 19,876 | \$ 159 | \$ 2,287 | \$ (1,979) | \$ (335,391) | \$ 266,359 | \$ (69,032) | \$ - |
| Service cost | - | - | - | - | (3,311) | - | (3,311) | 3,311 |
| Interest cost | - | - | - | - | (22,154) | - | (22,154) | 22,154 |
| Difference in expected and actual experience | - | 3,325 | 2,965 | - | (2,965) | (3,325) | (6,290) | - |
| Changes of assumptions | - | - | - | (475) | 475 | - | 475 | - |
| Projected investment income | - | - | - | - | - | 18,608 | 18,608 | (18,608) |
| Benefit payments | - | - | - | - | 21,349 | (21,349) | - | - |
| Expenses | - | - | - | - | - | (71) | (71) | 71 |
| Contributions recognized in Plan Fiduciary Net Position | (19,876) | - | - | - | - | 19,876 | 19,876 | - |
| Contributions made after measurement date | 19,500 | - | - | - | - | - | - | - |
| Amortization of deferred outflows and inflows | - | (3,246) | (3,719) | 2,123 | - | - | - | 4,842 |
| Balance at September 30, 2019 | <u>\$ 19,500</u> | <u>\$ 238</u> | <u>\$ 1,533</u> | <u>\$ (331)</u> | <u>\$ (341,997)</u> | <u>\$ 280,098</u> | <u>\$ (61,899)</u> | <u>\$ 11,770</u> |

Proportionate share of the above balances as of September 30, 2019:

| | | | | | | | | |
|----------------|------------------|---------------|-----------------|-----------------|---------------------|-------------------|--------------------|------------------|
| Medical Center | \$ 18,587 | \$ 227 | \$ 1,461 | \$ (316) | \$ (325,992) | \$ 266,989 | \$ (59,002) | \$ 11,219 |
| Hospice | 913 | 11 | 72 | (15) | (16,005) | 13,109 | (2,897) | 551 |
| | <u>\$ 19,500</u> | <u>\$ 238</u> | <u>\$ 1,533</u> | <u>\$ (331)</u> | <u>\$ (341,997)</u> | <u>\$ 280,098</u> | <u>\$ (61,899)</u> | <u>\$ 11,770</u> |

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Notes to Financial Statements

Note 9. Pension Plan (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2019, the amount of deferred outflows to be realized in future years and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

| | Deferred Outflow - Contributions | Deferred Outflow - Investment Gains | Deferred Outflow - Liability Loss | Deferred Inflow - Change in Assumptions | To Be Recognized in Future Pension Expense |
|-------------------------------|--|--|---|--|---|
| Balance at September 30, 2019 | \$ 19,500 | \$ 238 | \$ 1,533 | \$ (331) | \$ - |
| 2020 | (19,500) | (2,869) | (1,533) | 331 | 4,071 |
| 2021 | - | 2,217 | - | - | (2,217) |
| 2022 | - | 1,079 | - | - | (1,079) |
| 2023 | - | (665) | - | - | 665 |
| | \$ - | \$ - | \$ - | \$ - | \$ 1,440 |

Defined Contribution Pension Plan: Eligible employees may participate in a 403(b) defined contribution pension plan (the "Contribution Plan"). The Contribution Plan covers all eligible employees who have attained the age of 18 and have completed 30 days of employment. Employee contributions are matched dollar-for-dollar up to 3% of annual salary. Employees vest 20% per year of employment for employer-matched funds.

Total expense of the Contribution Plan for the year ended September 30, 2019, was approximately \$9.1 million and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position. Participants contributed approximately \$4.6 million to the Contribution Plan for the year ended September 30, 2019.

Note 10. Other Postemployment Benefits

Other Postemployment Benefit Plans: Qualified retired employees are eligible for certain postretirement benefit plans other than pensions ("OPEB").

Retiree HRA Plan description: All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or the Florida Retirement System are eligible to receive a subsidy for health insurance premiums ("Retiree HRA Plan"). The Retiree HRA Plan is a multi-employer defined benefit plan. The participant must present, at the time of retirement, evidence of health insurance coverage, either through an insurance company or Medicare. Contributions to the Retiree HRA Plan are calculated based on the number of years of service and is limited to a maximum annual benefit of \$1,800 per participant. The Retiree HRA Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Retiree Medical Plan description: Health insurance is also offered as a continuation of retiree group health benefits to certain retirees. All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or with 30 years of benefit service who elect coverage from benefit eligible, active employment are able to participate in the Retiree Medical Plan ("Retiree Medical Plan").

Retirees and spouses on or before October 1, 2017 (Grandfathered): Receive benefit coverage for the life of the retiree, provided the retiree and spouse, if applicable, elect Medicare Parts B and D when first eligible.

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Notes to Financial Statements

Retirees after October 1, 2017 may receive benefit coverage until attainment of age 65. Spouses of retirees after October 1, 2017, may receive benefit coverage until the earlier of attainment of age 65, the date the retiree reaches age 65 or the date the retiree ceases to be covered for any reason. There is no surviving spouse coverage under the plan.

The Retiree Medical Plan is a multi-employer defined benefit plan. Contributions to the Retiree Medical Plan are determined based on the calculated subsidized premium per participant. The Retiree Medical Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Employees Covered by Benefit Terms: At September 30, 2019, the following employees were covered by the benefit terms:

| | Retiree HRA Plan | Retiree Medical Plan |
|--|---------------------|-------------------------|
| Active employees not fully eligible for benefits | 369 | 315 |
| Inactive employees currently receiving benefits | 1,272 | 69 |
| Active employees fully eligible for benefits | 79 | 133 |
| | <u>1,720</u> | <u>517</u> |

Total Retiree Liability: Halifax Health's total Retiree HRA Plan and Retiree Medical Plan's liabilities of \$17.2 million and \$2.3 million, respectively, were measured as of October 1, 2018, and were determined by an actuarial valuation as of that date.

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Halifax Hospital Medical Center
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Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions: The total Retiree HRA Plan and Retiree Medical Plan's liabilities in the September 30, 2019 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| Actuarial Methods and Assumptions | Retiree HRA Plan | Retiree Medical Plan |
|--|--------------------|----------------------|
| Reporting date | September 30, 2019 | September 30, 2019 |
| Measurement date | September 30, 2018 | September 30, 2018 |
| Actuarial valuation date | October 1, 2017 | October 1, 2017 |
| Discount rate | 3.83% | 3.83% |
| Rate of compensation increase | 3.00% | 3.00% |
| Health care cost trend rates | N/A | ** |
| Inflation rate | 2.25% | 2.25% |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Amortization method | Straight-Line | Straight-Line |
| Amortization period | 1.823 Years | 1.835 Years |
| Method used to determine actuarial value of assets | N/A | N/A |

** 7.25% for healthcare costs, decreasing to an ultimate rate of 3.89% in 2075. 10.50% for prescription drugs, decreasing to an ultimate rate of 3.89% in 2075.

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index.

The actuarial assumptions used in the September 30, 2019 report were based on the results of an actuarial experience study for the period ending October 1, 2018. These actuarial assumptions are based on the presumption that the Retiree HRA Plan and the Retiree Medical Plan will continue. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Changes in the Retiree HRA Plan and the Retiree Medical Plan Liability:

| | Retiree HRA Plan | Retiree Medical Plan |
|--|------------------|----------------------|
| | (In Thousands) | |
| Balance as of October 1, 2018 | \$ 17,833 | \$ 2,790 |
| Changes for the year: | | |
| Service cost | 197 | 3 |
| Interest | 617 | 89 |
| Change of benefit terms | - | - |
| Differences between expected and actual experience | 43 | - |
| Changes of assumptions or other inputs | (1,255) | (58) |
| Benefit payments | (274) | (519) |
| Net changes | (672) | (485) |
| Balance as of September 30, 2019 | \$ 17,161 | \$ 2,305 |

Changes of assumptions or other inputs reflect a change in the discount rate from 3.5% as of October 1, 2018 to 3.8% as of September 30, 2019.

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Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total Retiree HRA Plan and Retiree Medical Plan OPEB liability of Halifax Health, as well as what the approximate total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.83%) or 1-percentage-point higher (4.83%) than the current discount rate:

| | 1% Decrease 2.83% | Discount Rate 3.83% | 1% Increase 4.83% |
|--------------------------------------|----------------------|------------------------|----------------------|
| | (In Thousands) | | |
| Total Retiree HRA Plan liability | \$ 19,115 | \$ 17,161 | \$ 15,492 |
| Total Retiree Medical Plan liability | 2,393 | 2,305 | 2,222 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the year ended September 30, 2019 Halifax Health recognized a Retiree HRA Plan expense credit in the amount of \$398,000 and an expense in the Retiree Medical Plan expense of \$509,000. At September 30, 2019, Halifax reported deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan from the following sources:

| | Retiree HRA Plan | | Retiree Medical Plan | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| | (In Thousands) | | | |
| Differences between expected and actual experience | \$ - | \$ - | \$ - | \$ - |
| Changes of assumptions or other inputs | - | (307,251) | - | (26,525) |
| Employer contributions subsequent to the measurement date | 845,773 | - | 453,728 | - |
| | <u>\$ 845,773</u> | <u>\$ (307,251)</u> | <u>\$ 453,728</u> | <u>\$ (26,525)</u> |

Employer contributions subsequent to the measurement date of October 1, 2017 of \$846,000 for the Retiree HRA Plan and \$454,000 for the Retiree Medical Plan, which are reported as deferred outflows of resources as of September 30, 2019, will be recognized as a reduction of the OPEB liability in Halifax Health's year ending September 30, 2020. Other amounts reported as the deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

| | Retiree HRA Plan | Retiree Medical Plan |
|---------------------------|---------------------|-------------------------|
| | (In Thousands) | |
| Year ending September 30: | | |
| 2020 | <u>\$ (307)</u> | <u>\$ (27)</u> |

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Notes to Financial Statements

Note 11. Commitments and Contingencies

Leases: The Medical Center is committed under various noncancelable operating leases. These expire in various years through 2029. Future minimum operating lease payments are as follows (in thousands):

| | |
|--|------------------|
| Years ending September 30, | |
| 2020 | \$ 6,826 |
| 2021 | 6,022 |
| 2022 | 5,541 |
| 2023 | 3,902 |
| 2024 | 1,614 |
| 2025 – 2029 | 10,146 |
| Total minimum lease payments required | \$ 34,051 |

Contingencies: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed.

Note 12. Concentrations of Credit Risk

The Medical Center and Hospice grant credit without collateral to its patients, most of who are local residents that are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2019, was as follows:

| | |
|--------------------------|-------------|
| Medicare | 19% |
| Medicaid | 12% |
| Other third-party payors | 65% |
| Self-pay patients | 4% |
| Total | 100% |

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 13. Joint Ventures

EVHS has a 50% equity interest in a joint venture to operate East Central Florida Outpatient Imaging, LLC (ECFOI). During the year ended September 30, 2019, EVHS received distributions of \$3.3 million from ECFOI and recognized its proportionate share of ECFOI's net income or loss by adjusting its equity interest balance. At September 30, 2019, EVHS had \$726,000 recorded as an equity interest in ECFOI that is included in other assets in the accompanying financial statements. ECFOI issues stand-alone financial statements.

EVHS has a 50% equity interest in a joint venture to operate HB Rehabilitative Services, Inc. (HB). During the year ended September 30, 2019, EVHS received distributions of \$2.6 million from HB, and at September 30, 2019, EVHS had \$3.7 million recorded as an equity interest in HB that is included in other assets in the accompanying financial statements. HB does not issue stand-alone financial statements.

Note 14. Subsequent Events

Deltona Hospital Financing and Management

On December 18, 2019, HMS, as the Borrower, entered into financing agreements with the County of Volusia, Florida, as Issuer, for the issuance of County of Volusia, Florida Hospital Revenue Bonds (Medical Center of Deltona Project) in the aggregate principal amount of \$123,055,000 (2019 Bonds) to finance the acquisition, construction and equipping of a 43-bed general hospital located in the City of Deltona, Florida, including reimbursing HMS for costs previously incurred. Construction of the Medical Center of Deltona is expected to be completed and operational in February 2020. HMS will lease the hospital facility to Medical Center of Deltona, Inc. (MCD), a not-for-profit corporation whose sole member is the District. The application has been submitted, and it is expected that MCD will become qualified as an organization described in section 501(c)(3) of the Internal Revenue Code. The Medical Center of Deltona is constructed on land leased by HMS from Holdings. The 2019 Bonds are secured by a mortgage on the assets and pledges of rents and income derived from the facility. MCD will also lease the assets of the free-standing emergency department from the District and will operate these assets as a component of the Medical Center of Deltona. The 2019 Bonds were issued at par value (the Initial Price) with a 5.25% interest rate coupon and may be redeemed at the option of the Borrower in whole or in part beginning on December 15, 2020, at 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

On December 18, 2019, MCD entered into a Master Securities Loan Agreement (MSLA) with JP Morgan Chase Bank, N.A. (JPMC). MCD and JPMC are the only parties to the MSLA. Under the terms and conditions of the MSLA, JPMC is obligated to make payments to MCD equal to the actual interest paid on the 2019 Bonds in exchange for payments from MCD based upon the outstanding par amount of the 2019 Bonds and a variable index rate (regularly scheduled payments). The MSLA has a scheduled termination date of December 18, 2026. Upon the occurrence of certain events, both MCD and JPMC maintain early termination rights. Additionally, MCD maintains the right to optionally terminate the MSLA at any point in time after December 18, 2020. Upon any scheduled, unscheduled, or optional termination, MCD will be obligated to make a settlement payment to JPMC if the fair value of the 2019 Bonds as of the termination date is less than the Initial Price, in addition to any regularly scheduled payments due. No settlement payment is due if the Series 2019 Bonds are redeemed, converted or refunded and JPMC receives the redemption prices of the Series 2019 Bonds (redemption price will reflect the optional redemption price of 100% of par beginning on December 15, 2020).

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 14. Subsequent Events (Continued)

On December 17, 2019, MCD entered into a Management Services, Governance, and Contribution Agreement (Agreement) with the District, HMS, and Hospice, as well as Shands Teaching Hospital and Clinics, Inc. (Shands). Under the Agreement, the District and Shands will: (i) provide management services to operate the Medical Center of Deltona, (ii) provide equal capital funding contributions, and (iii) equally receive MCD profits and distributions. Additionally, under the Agreement, Shands, HMS, and Hospice agreed to individually provide (and have provided) joint and several liability guarantees for the obligations under the MSLA.

Under the financing agreements between HMS and the County of Volusia, Florida, MCD may assume all obligation for the 2019 Bonds (becoming the Borrower) upon fulfilling certain covenants and provisions including acquisition of fee title by MCD of certain real property associated with MCD. It is anticipated that the assumption of the obligation for the 2019 Bonds will occur upon MCD receiving 501(c)(3) status. The MSLA guarantees provided by Shands, HMS, and Hospice will continue even with the assumption of the 2019 Bonds by MCD. Upon MCD receiving 501(c)(3) status, Shands will appoint 50% of the Board of Directors of MCD, and until then, will participate equally on a Management Committee.

Preliminary Draft

Required Supplementary Information

Preliminary Draft

**Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan**

**Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
(In Thousands)**

| | Total Pension Liability, (a) | Plan Fiduciary Net Pension, (b) | Net Pension Liability, (a) - (b) |
|---|------------------------------------|---------------------------------------|--|
| Balance, September 30, 2014 | \$ 311,814 | \$ 207,198 | \$ 104,616 |
| Service cost | 2,776 | - | 2,776 |
| Interest | 20,547 | - | 20,547 |
| Difference between expected and actual experience and assumption changes | (2,241) | - | (2,241) |
| Contributions - employer | - | 20,000 | (20,000) |
| Net investment income | - | 12,954 | (12,954) |
| Benefit payments | (15,077) | (15,077) | - |
| Plan administrative expenses | - | (59) | 59 |
| Balance, September 30, 2015 | 317,819 | 225,016 | 92,803 |
| Service cost | 4,282 | - | 4,282 |
| Interest | 20,943 | - | 20,943 |
| Difference between expected and actual experience and assumption changes | (4,845) | - | (4,845) |
| Contributions - employer | - | 15,218 | (15,218) |
| Net investment income | - | (9,853) | 9,853 |
| Benefit payments | (15,355) | (15,355) | - |
| Plan administrative expenses | - | (115) | 115 |
| Balance, September 30, 2016 | 322,844 | 214,911 | 107,933 |
| Service cost | 4,441 | - | 4,441 |
| Interest | 21,234 | - | 21,234 |
| Difference between expected and actual experience and assumption changes | (2,804) | - | (2,804) |
| Contributions - employer | - | 21,236 | (21,236) |
| Net investment income | - | 20,892 | (20,892) |
| Benefit payments | (16,818) | (16,818) | - |
| Plan administrative expenses | - | (77) | 77 |
| Balance, September 30, 2017 | 328,897 | 240,144 | 88,753 |
| Service cost | 3,770 | - | 3,770 |
| Interest | 21,776 | - | 21,776 |
| Difference between expected and actual experience and assumption changes | 1,387 | - | 1,387 |
| Contributions - employer | - | 21,060 | (21,060) |
| Net investment income | - | 25,668 | (25,668) |
| Benefit payments | (20,439) | (20,439) | - |
| Plan administrative expenses | - | (74) | 74 |
| Balance, September 30, 2018 | 335,391 | 266,359 | 69,032 |
| Service cost | 3,311 | - | 3,311 |
| Interest | 22,154 | - | 22,154 |
| Difference between expected and actual experience and assumption changes | 2,490 | - | 2,490 |
| Contributions - employer | - | 19,876 | (19,876) |
| Net investment income | - | 15,283 | (15,283) |
| Benefit payments | (21,349) | (21,349) | - |
| Plan administrative expenses | - | (71) | 71 |
| Balance, September 30, 2019 | \$ 341,997 | \$ 280,098 | \$ 61,899 |

Source: BPAS Actuarial and Pension Services.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
(In Thousands)

| Actuarial Valuation Date | Total Pension | | Plan | | Medical Center | | Hospice | | Fiduciary Net | Net Pension |
|-----------------------------|---------------|----|--------------|-----------|----------------|---------------|---------------|----------------|-----------------|-------------|
| | Liability | | Fiduciary | | Proportionate | | Proportionate | | Position as a % | Liability |
| | (a) | | Net Position | Liability | Share | Share | Covered | of Net Pension | as a % of | Covered |
| | | | (b) | (a-b) | (a-b) * 95.32% | (a-b) * 4.68% | (c) | (b/a) | | Payroll |
| October 1, 2017 | \$ 341,997 | \$ | 280,098 | \$ 61,899 | \$ 59,000 | \$ 2,899 | \$ 32,092 | 82% | | 193% |
| October 1, 2016 | 335,391 | | 266,359 | 69,032 | 65,145 | 3,887 | 33,515 | 79 | | 231 |
| October 1, 2015 | 328,897 | | 240,144 | 88,753 | 83,756 | 4,997 | 38,361 | 73 | | 231 |
| October 1, 2014 | 322,844 | | 214,911 | 107,933 | 101,856 | 6,077 | 42,387 | 67 | | 255 |
| October 1, 2013 | 317,819 | | 225,016 | 92,803 | 87,578 | 5,225 | 43,613 | 71 | | 213 |
| October 1, 2012 | 311,814 | | 207,198 | 104,616 | 98,726 | 5,890 | 46,960 | 66 | | 223 |

Source: BPAS Actuarial and Pension Services.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
(In Thousands)

| Actuarial Valuation Date | Actuarially Determined Contributions (a) | Contributions Recognized During the year (b) | Difference of Actuarially Determined and Recognized Contributions (a-b) | % Contributions Recognized to Contributions Actuarially Determined (b/a) | Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|-----------------------------|---|---|--|---|---------------------------|---|
| October 1, 2017 | \$ 19,500 | \$ 19,876 | \$ (376) | 102% | \$ 33,515 | 59% |
| October 1, 2016 | 19,876 | 21,060 | (1,184) | 106 | 33,515 | 63 |
| October 1, 2015 | 21,060 | 21,236 | (176) | 101 | 38,361 | 55 |
| October 1, 2014 | 21,236 | 15,218 | 6,018 | 72 | 42,387 | 36 |
| October 1, 2013 | 15,218 | 20,000 | (4,782) | 131 | 43,613 | 46 |
| October 1, 2012 | 17,278 | 12,688 | 4,590 | 73 | 46,960 | 27 |

Source: BPAS Actuarial and Pension Services.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Note to Required Supplementary Information – Halifax Pension Plan (Unaudited)

Note 1. Key Assumptions

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|--|
| Valuation date | October 1, 2017 |
| Actuarial cost method | Traditional Unit Credit |
| Amortization method | 10 year, closed |
| Remaining amortization period | Varies |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% |
| Projected salary increases | NA |
| Cost-of-living adjustments | 3.00% |
| Mortality | RP-2014 Mortality Table (sex-distinct), Scale MP-2018 |
| Retirement age | 62 |

These actuarial assumptions are based on the presumption that the Plan will continue. Should the Plan terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits. Also, changes in actuarial assumptions and methods may affect the amounts reported and information presented in the required supplemental schedules.

Since the last measurement date, September 30, 2017, the Plan updated its assumptions regarding mortality tables. This change in Plan assumption resulted in a decrease in the pension liability of approximately \$475,000 at September 30, 2019.

In accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit*, Halifax Health is required to present ten years of data in the required supplemental schedules; however, only five years of information is available since implementing GASB Statement No. 68 at October 1, 2014. Annual Plan information will be added until the required ten years is presented.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree HRA Plan Liability and Related Ratios
(In Thousands)

| | 2019 | 2018 |
|--|----------------------|------------------|
| Total Retiree HRA Plan liability | | |
| Service cost | \$ 197 | \$ 173 |
| Interest | 617 | 601 |
| Changes of benefit terms | - | (559) |
| Differences between expected and actual experience | 43 | 96 |
| Changes of assumptions or other inputs | (1,255) | (1,949) |
| Benefit payments | (274) | (750) |
| Net change in total Retiree HRA Plan liability | (672) | (2,388) |
| Total Retiree HRA Plan liability—beginning | 17,833 | 20,221 |
| Total Retiree HRA Plan liability—ending | \$ 17,161 | \$ 17,833 |
| Covered-employee payroll | \$ 32,092 | \$ 33,468 |
| Total Retiree HRA Plan liability as a percentage of covered-employee payroll | 53.48% | 53.28% |

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018 to 3.8% as of September 30, 2019.

This schedule is presented to illustrate the requirement to show information for 10 years. However, only two years of information are available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree Medical Plan Liability and Related Ratios
(In Thousands)

| | 2019 | 2018 |
|--|----------------------|-----------------|
| Total Retiree Medical Plan liability | | |
| Service cost | \$ 3 | \$ 170 |
| Interest | 89 | 205 |
| Changes of benefit terms | - | (5,085) |
| Differences between expected and actual experience | - | 1,510 |
| Changes of assumptions or other inputs | (58) | (530) |
| Benefit payments | (519) | (320) |
| Net change in total Retiree Medical Plan liability | (485) | (4,050) |
| Total Retiree Medical Plan liability—beginning | 2,790 | 6,840 |
| Total Retiree Medical Plan liability—ending | \$ 2,305 | \$ 2,790 |
| Covered-employee payroll | \$ 32,092 | \$ 33,468 |
| Total Retiree Medical Plan liability as a percentage of covered-employee payroll | 7.18% | 8.34% |

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017, to 3.5% as of September 30, 2018, to 3.8% as of September 30, 2019.

This schedule is presented to illustrate the requirement to show information for 10 years. However, only two years of information are available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Preliminary Draft

Other Supplementary Information

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group
September 30, 2019
(In Thousands)

Assets and Deferred Outflows

| | |
|--|-------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 75,404 |
| Investments | 178,832 |
| Current assets whose use is limited: | |
| Trustee-held self-insurance funds | 450 |
| Accounts receivable, patients, net of estimated uncollectibles of \$74,053 | 61,281 |
| Inventories | 11,102 |
| Other current assets | 17,450 |
| Total current assets | 344,519 |
| Noncurrent Assets Whose Use is Limited: | |
| Board-designated funded depreciation | 25,985 |
| Depreciable Capital Assets, Net | 240,207 |
| Nondepreciable Capital Assets | 56,227 |
| Investment in Affiliates | 155,060 |
| Other Assets | 87,929 |
| Total assets | 909,927 |
| Deferred Outflows: | |
| Interest rate swap | 38,347 |
| Pension, contribution after measurement date | 18,587 |
| Pension, other | 1,688 |
| Deferred outflows related to other postemployment benefits | 1,247 |
| Loss on refunding of debt | 14,635 |
| Total deferred outflows | 74,504 |
| Total assets and deferred outflows | \$ 984,431 |

(Continued)

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group (Continued)
September 30, 2019
(In Thousands)

Liabilities, Deferred Inflows and Net Position

| | |
|---|-------------------|
| Current Liabilities: | |
| Accounts payable and accrued liabilities | \$ 51,405 |
| Accrued payroll and personal leave time | 22,356 |
| Current portion of accrued self-insurance liability | 5,085 |
| Current portion of long-term debt | 5,795 |
| Other current liabilities | 4,953 |
| Total current liabilities | 89,594 |
| Noncurrent Liabilities: | |
| Long-term debt, less current portion | 431,772 |
| Net pension liability | 59,000 |
| Other postemployment benefits liability | 18,674 |
| Accrued self-insurance liability, less current portion | 8,499 |
| Other liabilities | 11,965 |
| Long-term value of interest rate swap | 38,347 |
| Total liabilities | 657,851 |
| Deferred Inflows Related to Pension | 315 |
| Deferred Inflows Related to Other Post Employment Benefits | 320 |
| Total liabilities and deferred inflows | 658,486 |
| Net Position: | |
| Unrestricted | 325,945 |
| Total net position | 325,945 |
| Total liabilities, deferred inflows and net position | \$ 984,431 |

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information

Schedule of Revenues, Expenses and Changes in Net Position—Obligated Group

Year Ended September 30, 2019

(In Thousands)

| | |
|---|-------------------|
| Operating Revenues: | |
| Net patient service revenue, before provision for bad debts | \$ 563,018 |
| Provision for bad debts | (74,177) |
| Net patient service revenue | 488,841 |
| Ad valorem taxes | 6,129 |
| Other revenue | 19,904 |
| Total operating revenues | 514,874 |
| Operating Expenses: | |
| Salaries and benefits | 253,563 |
| Supplies | 98,754 |
| Purchased services | 77,931 |
| Depreciation and amortization | 25,234 |
| Ad valorem tax-related expenses | 6,320 |
| Leases and rentals | 6,881 |
| Other | 25,632 |
| Total operating expenses | 494,315 |
| Income from operations | 20,559 |
| Nonoperating Revenues (Expenses): | |
| Interest expense | (19,222) |
| Bond issue cost | - |
| Investment income—net | 9,342 |
| Donation revenue | 77 |
| Nonoperating gains (losses)—net | 3,270 |
| Income from affiliates | 6,414 |
| Total nonoperating expenses | (119) |
| Increase in net position | 20,440 |
| Net Position: | |
| Beginning net position | 305,505 |
| End of year | \$ 325,945 |

Preliminary Draft

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information Note to Schedules – Obligated Group

Note 1. Summary of Significant Accounting Policies

Obligated Group: The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group financial information, including EVHS, Staffing, HHCSI and PBFS. In addition, Hospice, VHN, Foundation and HMS are accounted for under the equity method in the Obligated Group financial information. The Medical Center has an equity interest in these entities, which are expected to produce income, appreciation in value, or other economic benefit. The net investment in capital assets and unrestricted components of the net position of the affiliates are included in equity interest in affiliates on the schedule of net position and income from affiliates is separately disclosed on the schedule of revenues, expenses, and changes in net position. In accordance with the MTI, the Obligated Group does not have ownership rights to the affiliates' restricted component of net position; therefore, they are excluded from the equity interest in affiliates.

The affiliates are not members of the Obligated Group and are not required to pay operating expenses or debt service of the Obligated Group. Except as may be requested by the Medical Center of Hospice, subject to certain limitations, to avoid or remedy a payment or covenant default, affiliates are not required to make any payments with respect to the outstanding indebtedness of the Medical Center or the Obligated Group.

Preliminary Draft

Halifax Hospital Medical Center d/b/a Halifax Health

Schedule of Uses of Property Taxes
(For Uncompensated Hospital Services)
September 30, 2019

Preliminary Draft

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| Schedule of uses of property taxes, for uncompensated hospital services | 2 |

Preliminary Draft

Independent Accountant's Report

To the Honorable Commissioners of the Board
Halifax Hospital Medical Center
d/b/a Halifax Health

We have examined management of Halifax Hospital Medical Center d/b/a Halifax Health's ("Halifax Health") assertion that the net ad valorem tax revenue of Halifax Hospital Medical Center is insufficient to cover the cost of uncompensated care (as defined below) for Halifax Health's patients within the District (as defined below) for the year ended September 30, 2019, as documented in the Schedule of Uses of Property Taxes (for uncompensated hospital services). Halifax Health's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The District is an independent special taxing district established under enabling legislation passed by the Florida Legislature. The current enabling act of the District was passed as Chapter 2003-374, Laws of Florida, which codified all prior laws establishing the District. The District was originally created in 1925 under the name "Halifax Hospital District" by Chapter 11272, Laws of Florida, 1925. The enabling legislation defines a geographic area of the District within Volusia County, Florida. Halifax Health used addresses provided by patients to classify whether or not the patients were within the geographical area of the District.

Charity care and other patient write-offs comprise uncompensated care. In accordance with Halifax Health's Financial Assistance Policy, charity care is defined as those services provided to patients who meet established policy guidelines for a limited ability to pay and for which no additional payment is anticipated. When assessing a patient's ability to pay, Halifax Health utilizes percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. A patient is considered uninsured when no insurance coverage is available at the time of service for the services provided. The cost of uncompensated care is computed by multiplying uncompensated care charges times the ratio of cost to charges. The cost to charge ratio is calculated by taking total expenses, excluding bad debts, divided by gross charges for all Halifax Health patients.

In our opinion, management's assertion that the net ad valorem tax revenue of Halifax Hospital Medical Center is insufficient to cover the cost of uncompensated care for Halifax Health's patients within the District for the year ended September 30, 2019, as documented in the Schedule of Uses of Property Taxes (for uncompensated hospital services) is fairly stated, in all material respects.

Orlando, Florida
[ReportDate]

Preliminary Draft

Halifax Health Medical Center

Schedule of Uses of Property Taxes (For Uncompensated Hospital Services) Year Ended September 30, 2019

| | |
|---|-------------------------------|
| Gross property tax levy | \$ 6,129,468 |
| Tax discounts and uncollectible taxes | <u>(143,822)</u> |
| Net property taxes collected | <u>5,985,646</u> |
| Amounts paid to Volusia County and Cities: | |
| Tax collector and appraiser commissions | (211,603) |
| Volusia County Medicaid matching assessment | (3,152,091) |
| Redevelopment taxes paid to cities | <u>(321,553)</u> |
| | <u>(3,685,247)</u> |
| Net taxes available for uncompensated care for hospital services | <u>2,300,399</u> |
| Uncompensated care, at cost: | |
| Halifax Health patients at facilities within the Halifax Health Medical Center taxing District | (33,030,827) |
| Non Halifax Health taxing district patients and other write-offs | <u>(22,784,523)</u> |
| | <u>(55,815,350)</u> |
| Total deficiency of net taxes available for uncompensated care for hospital services provided by Halifax Health, at cost | <u><u>\$ (53,514,951)</u></u> |

The schedule above is prepared as a subset of the Schedule of Uses of Property Taxes of Halifax Health Medical Center.

Preliminary Draft

Halifax Hospice, Inc.

d/b/a Halifax Health Hospice

**(A Blended Component Unit of Halifax Hospital
Medical Center)**

Financial Report
September 30, 2019

Preliminary Draft

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Preliminary Draft

Independent Auditor's Report

To the Board of Directors
Halifax Hospice, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice"), a blended component unit of Halifax Hospital Medical Center, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Hospice's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Hospice's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hospice's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hospice as of September 30, 2019, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Preliminary Draft

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on pages 20–25 be presented to supplement the 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 the 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Orlando, Florida

[ReportDate]

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Statement of Net Position
September 30, 2019
(In Thousands)

Assets and Deferred Outflows

| | |
|---|-------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 5,694 |
| Investments | 73,436 |
| Accounts receivable, patients, net of estimated uncollectibles of \$367 | 1,694 |
| Inventories | 104 |
| Other current assets | 159 |
| Total current assets | 81,087 |
| Noncurrent Assets: | |
| Assets whose use is limited, board-designated | 2,650 |
| Depreciable capital assets, net | 15,387 |
| Nondepreciable capital assets | 1,967 |
| Other assets | 3,628 |
| Total assets | 104,719 |
| Deferred outflows related to pension | 913 |
| Deferred outflows related to other postemployment benefits | 53 |
| Pension other | 83 |
| Total assets and deferred outflows | \$ 105,768 |

Liabilities, Deferred Inflows and Net Position

| | |
|---|-------------------|
| Current Liabilities: | |
| Accounts payable and accrued liabilities | \$ 1,198 |
| Accrued payroll and personal leave time | 1,007 |
| Total current liabilities | 2,205 |
| Noncurrent Liabilities: | |
| Net pension liability | 2,899 |
| Other postemployment benefits liability | 792 |
| Total liabilities | 5,896 |
| Deferred Inflows Related to Pension | 16 |
| Deferred Inflows Related to Other Postemployment Benefits | 14 |
| Total liabilities and deferred inflows | 5,926 |
| Net Position: | |
| Net investment in capital assets | 17,354 |
| Unrestricted | 82,488 |
| Total net position | 99,842 |
| Total liabilities, deferred inflows and net position | \$ 105,768 |

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2019
(In Thousands)

| | |
|--|------------------|
| Operating Revenues: | |
| Net patient service revenue, before provision for bad debt | \$ 45,869 |
| Provision for bad debt | (489) |
| Net patient service revenue | 45,380 |
| Other revenue | 1,959 |
| Total operating revenues | 47,339 |
| Operating Expenses: | |
| Salaries and benefits | 22,829 |
| Supplies | 2,486 |
| Purchased services | 14,621 |
| Depreciation and amortization | 784 |
| Leases and rentals | 2,136 |
| Other | 2,113 |
| Total operating expenses | 44,969 |
| Income from operations | 2,370 |
| Nonoperating Revenues: | |
| Investment income | 666 |
| Donation revenue | 421 |
| Total nonoperating revenues | 1,087 |
| Increase in net position | 3,457 |
| Net Position: | |
| Beginning of year | 96,385 |
| End of year | \$ 99,842 |

See Notes to Financial Statements.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Statement of Cash Flows
Year Ended September 30, 2019
(In Thousands)

| | |
|--|-------------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from third-party payors and patients | \$ 44,692 |
| Payments to employees | (22,834) |
| Payments to suppliers | (16,863) |
| Other receipts | 1,877 |
| Other payments | (4,305) |
| Net cash provided by operating activities | 2,567 |
| Cash Flows from Noncapital Financing Activities: | |
| Proceeds from contributions received | 421 |
| Transfer from affiliate | (110) |
| Net cash provided by noncapital financing activities | 311 |
| Cash Flows Used in Capital and Related Financing Activities: | |
| Acquisition of capital assets | (96) |
| Cash Flows from Investing Activities: | |
| Investment income | 5,091 |
| Purchases of investments and assets whose use is limited | (21,650) |
| Proceeds from sales and maturities of investments and assets whose use is limited | 15,056 |
| Net cash used in investing activities | (1,503) |
| Net increase in cash and cash equivalents | 1,279 |
| Cash and Cash Equivalents | |
| Beginning of year | 4,415 |
| End of year | <u><u>\$ 5,694</u></u> |
| Reconciliation of Income from Operations to Net Cash Provided by Operating Activities: | |
| Income from operations | \$ 2,370 |
| Adjustments to reconcile loss from operations to net cash provided by operating activities: | |
| Depreciation and amortization | 784 |
| Provision for bad debts | 489 |
| Changes in assets and liabilities: | |
| Accounts receivable, patients | (1,177) |
| Inventories and other current assets | (82) |
| Other assets | (75) |
| Accounts payable and accrued liabilities | 314 |
| Other liabilities | (56) |
| Net cash provided by operating activities | <u><u>\$ 2,567</u></u> |

See Notes to Financial Statements.

Preliminary Draft

**Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)**

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies

Description of Organization: Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice") is a not-for-profit corporation, incorporated in the state of Florida, which provides home-based skilled nursing care, social service counseling, inpatient services, and other related services to terminally ill patients located in Volusia, Flagler, Orange and Osceola Counties of Florida. Income is derived from the fees charged for services, donations, and other miscellaneous sources. Hospice is a blended component unit of Halifax Hospital Medical Center ("Medical Center") d/b/a Halifax Health in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 80 since Hospice is organized as a not-for-profit corporation and the Medical Center is its sole corporate member.

A summary of Hospice's significant accounting policies follows:

Accounting Standards: These financial statements have been prepared in accordance with the GASB Codification ("GASB Cod."). The financial statements of Hospice have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents: Hospice considers all unrestricted highly liquid investments with maturities of three months or less when purchased to be cash equivalents, excluding cash and cash equivalents included in assets whose use is limited. Cash deposits are fully collateralized and federally insured up to FDIC limits.

Investments: All investments are reported at fair value in the accompanying statement of net position. Investments are marketable securities representing the investment of cash available for current operations, and as such are reported as current assets. Interest, dividend income, and realized and unrealized gains and losses are included as investment income in the statement of revenues, expenses, and changes in net position.

Assets Whose Use is Limited: Assets whose use is limited are marketable securities that are designated and set aside and controlled by the Board of Directors (the "Board") for repair and replacement of capital assets and for other purposes. The Board retains control of, and may use, these designated assets for purposes other than those for which the assets were initially designated.

Capital Assets: Purchases of real property and equipment greater than \$1,000 that have a useful life of longer than one year are capitalized at cost. The cost of minor equipment less than \$1,000 and repairs are recorded in operating expenses.

Capital assets are reviewed and considered for impairment whenever indicators of impairment are present, such as the decline in service utility of the capital asset that is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

Deferred Outflows and Inflows: Certain pension and other postemployment benefit costs are included in deferred outflows and inflows and amortized over a specified period. Amortization of pension and other postemployment benefit related deferred outflows and inflows are included in salaries and benefits expense in the accompanying statement of revenues, expenses, and changes in net position.

Inventories: Inventories consist of medical supplies, which are stated at the lower of cost or market (on a first-in, first-out basis).

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

Net Position: Hospice reports net position in accordance with GASB Cod. Sec. 2200 – *Comprehensive Annual Financial Report*. As such, net position is reported in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt issued that is attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent debt proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position would consist of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets. There was no restricted net position as of September 30, 2019.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definitions of the other two components of net position.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Expenses: For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of patient care are reported as operating revenue and expenses. Peripheral or incidental transactions, such as gains and losses on the sale and disposal of capital assets, donations, and investment income, are reported as nonoperating revenues, expenses, gains, or losses.

Net Patient Service Revenue and Patient Accounts Receivable: Net patient service revenue and patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered, and includes an estimate for retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Hospice is reimbursed by Medicare and Medicaid based upon per diem rates established by the programs. Medicare makes interim biweekly payments to Hospice based upon projected utilization levels. Differences between payments received and amounts due for actual services rendered are adjusted tri-annually between the fiscal intermediary and Hospice. Hospice is paid by commercial insurance companies at established billing rates for each visit or contracted per diem rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 94% of Hospice's net patient service revenue for the year ended September 30, 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results are used to make modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts after collection efforts have been followed in accordance with Hospice policies.

Hospice classifies a patient as charity based on established policies. These policies define charity services as those services for which no additional payment is anticipated. Therefore, these amounts are excluded from net patient service revenue. When assessing a patient's ability to pay, Hospice utilizes percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. Services may be covered in full, or discounted based on income and a sliding scale.

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2019, as follows (in thousands):

| | |
|---|------------------|
| Gross patient charges | \$ 47,594 |
| Charity adjustments | (1,035) |
| Contractual adjustments | (690) |
| Net patient service revenue before provision for bad debts | 45,869 |
| Provision for bad debts | (489) |
| Net patient service revenue | \$ 45,380 |

Depreciation: Capital assets, excluding land and construction in progress, are depreciated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 20 years for land improvements, 10 to 40 years for buildings, and 3 to 15 years for equipment.

Personal Leave Time: Personal leave time, which includes holiday, sick, and vacation time, that is accrued, but not used at September 30, 2019, is included in accrued payroll and personal leave time in the accompanying statement of net position.

Contributions: Hospice reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are subject to stipulations that expire with the passage of time. However, to the extent that all or a portion of the donor restrictions are met during the same period as the contributions are received, Hospice records the contributions as unrestricted support. The net balance of these donations is recorded as a restricted component of net position in the statement of net position. At September 30, 2019, there was no such restricted component of net position. Gifts of land, buildings, and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported separately as nonoperating revenues, expenses and gains (losses) in the statement of revenues, expenses and changes in net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Hospice reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

Legally enforceable pledges are recorded as receivables in the year the pledge is made. Unconditional pledges for support of current operations are recorded as unrestricted revenue. There are no material amounts of pledges receivable at September 30, 2019.

Costs incurred for soliciting donations, for promotional materials, as well as costs of holding fund-raising events, are recorded as a contra revenue, and is netted in the donation revenue in the accompanying financial statements. Fund-raising expenses were approximately \$240,000 for the year ended September 30, 2019.

Pension Plan: The Halifax Pension Plan (the "Plan") is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan that covers certain employees of Hospice. The Plan is accounted for in accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit*. Contributions are made based on the minimum recommended contribution as determined by actuarial valuation. The Plan is considered a governmental plan exempt from Employee Retirement Income Security Act requirements based upon rulings received from the Internal Revenue Service. See Note 5 for more information.

Income Taxes: The Internal Revenue Service has recognized Hospice as exempt from income taxes under Internal Revenue Code Section 501(c)(3), and Hospice is classified as a publicly-supported charity described by Internal Revenue Code Section 509(a)(1). Hospice previously obtained an IRS determination letter that it is exempt from filing Form 990 as an affiliate of a government unit. Although Hospice is not required to file Form 990, the organization is still required to file Form 990T in the event it generates unrelated business income. Hospice had no unrelated business income for the year ended September 30, 2019.

Pending Accounting Pronouncements: In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This standard is effective for fiscal years beginning after December 15, 2018. Hospice is evaluating the impact of this on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The lease assets and liabilities will be recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard is effective for fiscal years beginning after December 15, 2019. Hospice is evaluating the impact of this statement on its financial statements and expects to record lease assets and liabilities for its operating leases.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The standard is effective for fiscal years beginning after December 15, 2019. Hospice is evaluating the impact of this statement on its financial statements.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 2. Assets Whose Use is Limited and Investments

Hospice measures and records its investments and assets whose use is limited using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At September 30, 2019, all of Hospice's assets whose use is limited and investments were classified as Level 1. Mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Assets whose use is limited is comprised primarily of mutual funds with a fair value of approximately \$2.7 million at September 30, 2019.

The composition of assets whose use is limited and investments at September 30, 2019, is set forth below (in thousands):

| | |
|---|------------------|
| U.S. Government securities, | |
| US Treasury Securities | \$ 26,380 |
| Mutual funds: | |
| DFA Emerging Markets Value Portfolio | 1,837 |
| DFA International Value Portfolio | 1,838 |
| DFA Small Cap Value Portfolio | 5,265 |
| DFA U.S. Large Cap Value Portfolio | 12,944 |
| Vanguard Energy Fund | 1,066 |
| Vanguard Growth Index Fund | 6,326 |
| Vanguard Health Care Fund | 752 |
| Vanguard Short-Term Investment Grade Institutional Fund | 11,782 |
| Vanguard Small Cap Growth Index Fund | 7,742 |
| Other | 154 |
| Total | \$ 76,086 |

Hospice invests in a mutual fund that qualifies as a fixed-income security in accordance with its investment policy described in Note 3. At September 30, 2019, Hospice is invested in the following mutual fund:

- Vanguard Short-Term Investment Grade Institutional Fund (VFSIX) invests at least 80% of its portfolio in short and intermediate-term investment grade securities. The fund had an average duration of 2.7 years as of September 30, 2019.

Investment income on assets whose use is limited and investments for the year ended September 30, 2019, was approximately \$0.7 million and includes changes in unrealized gains and losses of approximately \$4.4 million.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 3. Deposits and Investment Risk

GASB Cod. Sec. 150, *Investments*, requires disclosures related to investment and deposit risks, including risks related to credit risk, consisting of custodial credit risk and concentrations of credit risk; interest rate risk; and foreign currency risk. GASB Cod. Sec. 150 also requires the disclosure of the credit quality of investments in debt securities, except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. Government.

Investment Risk: Hospice has an established investment policy in order to control and diversify risk by limiting specific security types and/or concentration with individual financial institutions. Specific investment types are limited to a percentage of the total investment portfolio and maximum maturity date. Investment strategies are influenced by relative market yields and the cash needs of Hospice. Excess funds may be invested in, but not limited to:

- U.S. Government securities and repurchase agreements;
- U.S. Government agency obligations;
- Domestic bank certificates of deposit provided that any such investments are in Federal Deposit Insurance Corporation guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Securities of, or other interests in, any management-type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations; and
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above.

All investment decisions are made based on reasonable research as to credit quality, liquidity, and counterparty risk prior to the investment. An investment advisory firm is utilized to monitor the investment of all funds and performance of the portfolio is reported to Hospice's management and the Board.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, Hospice will not be able to recover its deposits. Hospice's deposits are covered by federal depository insurance, collateralized with U.S. Treasury securities and federal agency securities, or guaranteed 100% by the State of Florida and collateralized through the Florida Bureau of Collateralization.

Credit Risk: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- rating or better. The policy also has established asset allocation limits to reduce the concentration of credit risk. Guidelines are provided to investment managers and monitored by the investment advisory firm and management for compliance. As of September 30, 2019, Hospice has an investment in debt securities in U.S. Treasury Securities that represents 35% of total investments.

Interest Rate Risk: Changes in interest rates can adversely affect the fair value of an investment. Hospice manages its exposure to interest rate risk by limiting investment maturities and diversifying its investment portfolios.

As of September 30, 2019, all of Hospice's investments and assets whose use is limited had a maturity date within one year or no maturity date.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 4. Capital Assets

Capital assets are recorded at cost and presented net of accumulated depreciation. A summary of the activities for the year ended September 30, 2019, is as follows:

| | Balance at September 30, 2018 | Increases/ Transfers | Decreases/ Transfers | Balance at September 30, 2019 |
|---------------------------------------|-------------------------------------|-------------------------|-------------------------|-------------------------------------|
| Capital Assets—at cost: | | | | |
| Land | \$ 1,954 | \$ - | \$ - | \$ 1,954 |
| Land improvements | 67 | 10 | - | 77 |
| Buildings | 22,695 | - | - | 22,695 |
| Fixed equipment | 632 | 103 | - | 735 |
| Major moveable equipment | 2,255 | - | 6 | 2,249 |
| Projects in progress | 30 | 61 | 78 | 13 |
| Total capital assets—at cost | 27,633 | 174 | 84 | 27,723 |
| Accumulated Depreciation: | | | | |
| Land improvements | 44 | 5 | - | 49 |
| Buildings | 7,369 | 664 | - | 8,033 |
| Fixed equipment | 259 | 67 | - | 326 |
| Major moveable equipment | 1,919 | 48 | 6 | 1,961 |
| Total accumulated depreciation | 9,591 | 784 | 6 | 10,369 |
| Capital Assets—net | \$ 18,042 | \$ (610) | \$ 78 | \$ 17,354 |

Note 5. Pension Plan and Other Postemployment Benefits

Defined Benefit Pension Plan: Certain employees participate in the Halifax Pension Plan, which is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan (the "Plan") with two participating employers, Halifax Staffing, Inc. ("Staffing") and Hospice. The Plan is treated as a single employer plan for the purposes of making contributions and paying pension benefits, determining whether there has been any termination of service, and applying the maximum benefit limitation. Hospice's proportional share of deferred outflows, inflows and net pension liability are recorded in the accompanying statement of net position. Plan provisions are established and may be amended by the Board of Staffing, the Plan's sponsor. The Plan issues stand-alone financial statements that can be obtained by contacting the Plan's sponsor or by accessing the Medical Center's website at www.halifaxhealth.org. The Plan's financial statements are prepared using the accrual basis of accounting.

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Staffing and Hospice assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs. As of September 30, 2018, the measurement date, the Plan included 449 active employees, 525 terminated but vested participants, and 1,004 retired participants and beneficiaries.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

Pension plan benefits are based on the number of years of service and the employee's highest three-year average annual compensation. Effective October 1, 2013 the Plan was frozen and as such, participants of the Plan will no longer accrue credit for years of service and, upon eligibility, calculation of benefits will be made based on compensation information through October 1, 2013. Participants may elect to receive pension plan benefits as a monthly annuity or as one lump-sum payment for an amount equal to the present value of future benefits, as calculated by an actuary. Beneficiaries receive an annual, automatic 3% cost of living adjustment.

The contribution rate is determined on an actuarial basis. Hospice and Medical Center contributed \$19.5 million to the Plan in fiscal year 2019 of which \$913,000 relates to Hospice's portion of the contribution and is recorded on the statement of net position as a deferred outflow at September 30, 2019. Staffing's proportionate share of the contribution, expense and net pension liability is 95.32% and Hospice's proportionate share is 4.68% for fiscal year 2019. The proportionate share calculation is based on the present value of future salaries for active employees of Staffing and Hospice.

Significant assumptions of the Plan are presented in the following table:

Actuarial Methods and Assumptions

| | |
|---------------------------|--|
| Mortality table | RP-2014 Mortality Table (Sex-Distinct), Scale MP2018 |
| Interest rate | 6.75% annually, compounded |
| Pay increase | N/A |
| Cost of living adjustment | 3% |
| Measurement date | September 30, 2018 |
| Valuation date | October 1, 2017 |
| Allocation of Plan assets | 40-70% Equities 30-60% Fixed income |
| Real rate of return | Overall -7.20%, arithmetic mean Equities - 10.96% Fixed income - 0.41% |
| Experience study date | October 1, 2018 |

The discount rate used in measuring the total pension liability was 6.75% for fiscal year 2019. The long-term expected rate of return on Plan assets is 6.75%. The discount rates and rate of return are based on the long-term rate of return on pension plan investments expected to finance the payment of benefits into the future. The Plan's net pension liability at September 30, 2019 using a discount rate of 5.75% would have been \$98.2 million, and using a discount rate of 7.75% would have been \$30.8 million. Hospice's portion of the liability using a discount rate of 5.75% would have been \$4.6 million and using a discount rate of 7.75% would have been \$1.4 million.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table above.

Preliminary Draft

Halifax Hospice, Inc.
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(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from the Medical Center and Hospice will continue into the future and that the Plan will eventually be fully funded. It is also assumed that 25% of benefit payments will be paid out as one-time, lump-sum payments. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

The Plan's net pension liability at September 30, 2019 using a discount rate of 6.75% was \$61.9 million. The liability of Hospice using a discount rate of 6.75% was \$2.5 million. Since the last measurement date, September 30, 2018, there were no changes to assumptions regarding mortality tables. Changes in the pension accounts since the last valuation date, and pension expense are as follows (in thousands):

| | Deferred Outflow - Pension Contributions | Deferred Outflow - Investment Gains | Deferred Outflow - Liability Loss | Deferred Inflow - Change in Assumptions | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability | Pension Expense |
|--|---|--|--------------------------------------|--|----------------------------|--------------------------------|--------------------------|--------------------|
| Balance at September 30, 2018 | \$ 19,876 | \$ 159 | \$ 2,287 | \$ (1,979) | \$ (335,391) | \$ 266,359 | \$ (69,032) | |
| Service cost | - | - | - | - | (3,311) | - | (3,311) | 3,311 |
| Interest cost | - | - | - | - | (22,154) | - | (22,154) | 22,154 |
| Difference in expected and actual experience | - | 3,325 | 2,965 | - | (2,965) | (3,325) | (6,290) | - |
| Changes of assumptions | - | - | - | (475) | 475 | - | 475 | - |
| Projected investment income | - | - | - | - | - | 18,608 | 18,608 | (18,608) |
| Benefit payments | - | - | - | - | 21,349 | (21,349) | - | - |
| Expenses | - | - | - | - | - | (71) | (71) | 71 |
| Contributions recognized in Plan fiduciary net position | (19,876) | - | - | - | - | 19,876 | 19,876 | - |
| Contributions made after measurement date | 19,500 | - | - | - | - | - | - | - |
| Amortization of deferred inflows | - | (3,246) | (3,719) | 2,123 | - | - | - | 4,842 |
| Balance at September 30, 2019 | \$ 19,500 | \$ 238 | \$ 1,533 | \$ (331) | \$ (341,997) | \$ 280,098 | \$ (61,899) | \$ 11,770 |

Proportionate share of the above balances as of September 30, 2019:

| | | | | | | | | |
|----------------|-----------|--------|----------|----------|--------------|------------|-------------|-----------|
| Medical Center | \$ 18,587 | \$ 227 | \$ 1,461 | \$ (315) | \$ (325,992) | \$ 266,989 | \$ (59,000) | \$ 11,219 |
| Hospice | 913 | 11 | 72 | (16) | (16,005) | 13,109 | (2,899) | 551 |
| | \$ 19,500 | \$ 238 | \$ 1,533 | \$ (331) | \$ (341,997) | \$ 280,098 | \$ (61,899) | \$ 11,770 |

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Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2019, the amount of deferred outflows to be realized in future years, and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

| | Deferred Outflow - Contributions | Deferred Outflow - Investment Gains | Deferred Outflow - Liability Loss | Deferred Inflow - Change in Assumptions | To Be Recognized in Future Pension Expense |
|-------------------------------|--|--|---|--|---|
| Balance at September 30, 2019 | \$ 913 | \$ 11 | \$ 72 | \$ (16) | \$ - |
| 2020 | (913) | (134) | (72) | 16 | 190 |
| 2021 | - | 104 | - | - | (104) |
| 2022 | - | 50 | - | - | (50) |
| 2023 | - | (31) | - | - | 31 |
| | \$ - | \$ - | \$ - | \$ - | \$ 67 |

Defined Contribution Pension Plan: Hospice offers a 403(b) defined contribution pension plan (the "Contribution Plan") to employees. The Contribution Plan covers all eligible employees who have attained the age of 18 and have completed 30 days of employment. Employee contributions are matched dollar for dollar up to 3% of annual salary. Employees vest 20% per year of employment for employer-matched funds.

Hospice's cost of the Contribution Plan for the year ended September 30, 2019, was approximately \$386,000 and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position.

Other Postemployment Benefit Plans—Retiree HRA Plan: Qualified retired employees are eligible for certain postretirement benefit plans other than pensions ("OPEB"). All employees with ten years of benefited service as a participant in the Halifax Pension Plan or the Florida Retirement System are eligible to receive a subsidy for health insurance premiums ("Retiree HRA Plan"). The Retiree HRA Plan OPEB is a multi-employer defined benefit plan. The participant must present, at the time of retirement, evidence of health insurance coverage, either through an insurance company or Medicare. The Retiree HRA Plan OPEB is calculated based on the number of years of service and is limited to a maximum annual benefit of \$1,800 per participant. The Retiree HRA Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

The actuarial assumptions used in the September 30, 2019 report were based on the results of an actuarial experience study for the period ending October 1, 2018.

Changes in the Total Retiree HRA Plan Liability

| | FY 2019 (In Thousands) |
|---|---------------------------|
| Total Retiree HRA Plan liability, October 1, 2018 | \$ 725 |
| Changes for the year: | |
| Service cost | 8 |
| Interest | 24 |
| Changes of assumptions or other inputs | (27) |
| Benefit payments | (32) |
| Net changes | (27) |
| Balance, September 30, 2019 | \$ 698 |

Other Postemployment Benefit Plans—Retiree Medical Plan: Health insurance is also offered as a continuation of retiree group health benefits to certain retirees. All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or with 30 years of benefit service who elect coverage from benefit eligible, active employment are able to participate in the Retiree Medical Plan (“Retiree Medical Plan”).

Retirees and spouses on or before October 1, 2017 (Grandfathered): Receive benefit coverage for the life of the retiree, provided the retiree and spouse, if applicable, elect Medicare Parts B and D when first eligible.

Retirees after October 1, 2017 may receive benefit coverage until attainment of age 65. Spouses of retirees after October 1, 2017, may receive benefit coverage until the earlier of attainment of age 65, the date the retiree reaches age 65 or the date the retiree ceases to be covered for any reason. There is no surviving spouse coverage under the plan.

The Retiree Medical Plan is a multi-employer defined benefit plan. The Retiree Medical Plan OPEB does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

Changes in the Total Retiree Medical Plan Liability

| | FY 2019 (In Thousands) |
|---|---------------------------|
| Total Retiree Medical Plan liability, October 1, 2018 | \$ 113 |
| Changes for the year: | |
| Interest | 4 |
| Differences between expected and actual experience | (2) |
| Changes of assumptions or other inputs | (21) |
| Net changes | (19) |
| Balance, September 30, 2019 | \$ 94 |

Note 6. Related-Party Transactions

The Medical Center provides certain inpatient and outpatient services to Hospice patients. Payments for these services by Hospice to the Medical Center are based upon a per diem rate and percentage of established rates, and approximated \$200,000 during the year ended September 30, 2019. Also, the Medical Center pays certain expenses of Hospice, and provides certain services, which are subsequently reimbursed. The Medical Center holds approximately \$3.5 million on deposit from Hospice to cover such future expenses. Hospice has reported this amount in other assets. Hospice also leases land from the Medical Center for approximately \$113,000 annually.

Note 7. Commitments and Contingencies

Hospice is insured for professional liability coverage under an occurrence-basis policy. Management expects that any claims against Hospice would be settled within the coverage limits of the policy. Hospice participates in the Medical Center's workers' compensation insurance plans. Hospice is subject to potential litigation arising in the ordinary course of business. Management is currently not aware of any such litigation.

Leases: Hospice is committed under various noncancelable operating leases, including those in Note 6. These expire in various years through 2025. Future minimum operating lease payments are as follows (in thousands):

| | |
|--|-----------------|
| Years ending September 30: | |
| 2020 | \$ 723 |
| 2021 | 559 |
| 2022 | 505 |
| 2023 | 329 |
| 2024 | 202 |
| 2025 | 2,395 |
| Total minimum lease payments required | \$ 4,713 |

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 7. Commitments and Contingencies (Continued)

Contingencies: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed.

Note 8. Concentrations of Credit Risk

Hospice grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2019, was as follows:

| | |
|--------------------------|-------|
| Medicaid | 78% |
| Other third-party payors | 15% |
| Patients | 7% |
| | <hr/> |
| | 100% |
| | <hr/> |

Preliminary Draft

Required Supplementary Information

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
(In Thousands)

| | Total Pension Liability, (a) | Plan Fiduciary Net Pension, (b) | Net Pension Liability, (a) - (b) |
|---|------------------------------------|---------------------------------------|--|
| Balance, September 30, 2014 | \$ 311,814 | \$ 207,198 | \$ 104,616 |
| Service cost | 2,776 | - | 2,776 |
| Interest | 20,547 | - | 20,547 |
| Difference between expected and actual experience | (2,241) | - | (2,241) |
| Contributions - employer | - | 20,000 | (20,000) |
| Net investment income | - | 12,954 | (12,954) |
| Benefit payments | (15,077) | (15,077) | - |
| Plan administrative expenses | - | (59) | 59 |
| Balance, September 30, 2015 | 317,819 | 225,016 | 92,803 |
| Service cost | 4,282 | - | 4,282 |
| Interest | 20,943 | - | 20,943 |
| Difference between expected and actual experience and assumption changes | (4,845) | - | (4,845) |
| Contributions - employer | - | 15,218 | (15,218) |
| Net investment income | - | (9,853) | 9,853 |
| Benefit payments | (15,355) | (15,355) | - |
| Plan administrative expenses | - | (115) | 115 |
| Balance, September 30, 2016 | 322,844 | 214,911 | 107,933 |
| Service cost | 4,441 | - | 4,441 |
| Interest | 21,234 | - | 21,234 |
| Difference between expected and actual experience and assumption changes | (2,804) | - | (2,804) |
| Contributions - employer | - | 21,236 | (21,236) |
| Net investment income | - | 20,892 | (20,892) |
| Benefit payments | (16,818) | (16,818) | - |
| Plan administrative expenses | - | (77) | 77 |
| Balance, September 30, 2017 | 328,897 | 240,144 | 88,753 |
| Service cost | 3,770 | - | 3,770 |
| Interest | 21,776 | - | 21,776 |
| Difference between expected and actual experience and assumption changes | 1,387 | - | 1,387 |
| Contributions - employer | - | 21,060 | (21,060) |
| Net investment income | - | 25,668 | (25,668) |
| Benefit payments | (20,439) | (20,439) | - |
| Plan administrative expenses | - | (74) | 74 |
| Balance, September 30, 2018 | 335,391 | 266,359 | 69,032 |
| Service cost | 3,311 | - | 3,311 |
| Interest | 22,154 | - | 22,154 |
| Difference between expected and actual experience and assumption changes | 2,490 | (3,325) | 5,815 |
| Contributions - employer | - | 19,876 | (19,876) |
| Net investment income | - | 18,608 | (18,608) |
| Benefit payments | (21,349) | (21,349) | - |
| Plan administrative expenses | - | (71) | 71 |
| Balance, September 30, 2019 | \$ 341,997 | \$ 280,098 | \$ 61,899 |

Source: BPAS Actuarial and Pension Services.

The schedule above reflects the total pension liability. Hospice's proportionate share is 4.68% of these balances.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
(In Thousands)

| Actuarial Valuation Date | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a-b) | Staffing Proportionate Share (a-b) * 95.32% | Hospice Proportionate Share (a-b) * 4.68% | Covered Payroll (c) | Fiduciary Net Position as a % of Net Pension Liability (b/a) | Net Pension Liability as a % of Covered Payroll (a-b)/(c) |
|-----------------------------|-----------------------------------|--|-----------------------------------|--|--|---------------------------|--|--|
| October 1, 2017 | \$ 341,997 | \$ 280,098 | \$ 61,899 | \$ 59,000 | \$ 2,899 | \$ 32,092 | 82% | 193% |
| October 1, 2016 | 335,391 | 266,359 | 69,032 | 66,222 | 2,810 | 33,515 | 79 | 206 |
| October 1, 2015 | 328,897 | 240,144 | 88,753 | 83,756 | 4,997 | 38,361 | 73 | 231 |
| October 1, 2014 | 322,844 | 214,911 | 107,933 | 101,856 | 6,077 | 42,387 | 67 | 255 |
| October 1, 2013 | 317,819 | 225,016 | 92,803 | 87,578 | 5,225 | 43,613 | 71 | 213 |
| October 1, 2012 | 311,814 | 207,198 | 104,616 | 98,726 | 5,890 | 46,960 | 66 | 223 |

Source: BPAS Actuarial and Pension Services

The schedule above reflects the total pension liability. Hospice's proportionate share is 4.68% of these balances.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
(In Thousands)

| Actuarial Valuation Date | Actuarially Determined Contributions (a) | Contributions Recognized During the year (b) | Difference of Actuarially Determined and Recognized Contributions (a-b) | % Contributions Recognized to Contributions Actuarially Determined (b/a) | Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|-----------------------------|---|---|--|---|---------------------------|---|
| October 1, 2017 | \$ 19,500 | \$ 19,876 | \$ (376) | 102% | \$ 33,515 | 59% |
| October 1, 2016 | 19,876 | 21,060 | (1,184) | 106 | 33,515 | 63 |
| October 1, 2015 | 21,060 | 21,236 | (176) | 101 | 38,361 | 55 |
| October 1, 2014 | 21,236 | 15,218 | 6,018 | 72 | 42,387 | 36 |
| October 1, 2013 | 15,218 | 20,000 | (4,782) | 131 | 43,613 | 46 |
| October 1, 2012 | 17,278 | 12,688 | 4,590 | 73 | 46,960 | 27 |

Source: BPAS Actuarial and Pension Services

The schedule above reflects the total pension liability. Hospice's proportionate share is 4.68% of these balances.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Discrete Component Unit of Halifax Hospital Medical Center)

Note to Required Supplementary Information – Halifax Pension Plan (Unaudited)

Note 1. Key Assumptions

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|--|
| Valuation date | October 1, 2017 |
| Actuarial cost method | Traditional Unit Credit |
| Amortization method | 10 year, closed |
| Remaining amortization period | Varies |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% |
| Projected salary increases | NA |
| Cost-of-living adjustments | 3.00% |
| Mortality | RP-2014 Mortality Table (sex-distinct), Scale MP2018 |
| Retirement age | 62 |

These actuarial assumptions are based on the presumption that the Plan will continue. Should the Plan terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits. Also, changes in actuarial assumptions and methods may affect the amounts reported and information presented in the required supplemental schedules.

Since the last measurement date, September 30, 2017, the Plan updated its assumptions regarding mortality tables. A recent update to the Florida statutes requires the use of the same assumption as used by the actuary for the Florida Retirement System Pension Plan. This change in Plan assumption resulted in a decrease in the pension liability of approximately \$475,000 at September 30, 2019.

In accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit*, Hospice is required to present ten years of data in the required supplementary schedules; however, only six years of information is available since implementing GASB Statement No. 68. Annual Plan information will be added until the required ten years is presented.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree HRA Plan Liability and Related Ratios
(In Thousands)

| | 2019 | 2018 |
|--|----------------|---------------|
| Total Retiree HRA Plan liability | | |
| Service cost | \$ 8 | \$ 7 |
| Interest | 24 | 24 |
| Changes of benefit terms | - | (23) |
| Differences between expected and actual experience | - | 4 |
| Changes of assumptions or other inputs | (27) | (79) |
| Benefit payments | (32) | (31) |
| Net change in total Retiree HRA Plan liability | (27) | (98) |
| Total Retiree HRA Plan liability—beginning | 725 | 823 |
| Total Retiree HRA Plan liability—ending | \$ 698 | \$ 725 |
| Covered-employee payroll | \$ 1,305 | \$ 1,362 |
| Total OPEB liability as a percentage of covered-employee payroll | 53.48% | 53.28% |

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018 to 3.83% as of September 30, 2019.

This schedule is presented to illustrate the requirement to show information for 10 years. However, only two years of information is available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Preliminary Draft

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree Medical Plan OPEB Liability and Related Ratios
(In Thousands)

| | 2019 | 2018 |
|--|------------------|---------------|
| Total Retiree Medical Plan liability | | |
| Service cost | \$ - | \$ 7 |
| Interest | 4 | 8 |
| Changes of benefit terms | - | (207) |
| Differences between expected and actual experience | (2) | 61 |
| Changes of assumptions or other inputs | (21) | (21) |
| Benefit payments | - | (13) |
| Net change in total Retiree Medical Plan liability | (19) | (165) |
| Total Retiree Medical Plan liability—beginning | 113 | 278 |
| Total Retiree Medical Plan liability—ending | \$ 94 | \$ 113 |
| Covered-employee payroll | \$ 1,305 | \$ 1,362 |
| Total OPEB liability as a percentage of covered-employee payroll | 7.20% | 8.34% |

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018 to 3.83% as of September 30, 2019.

This schedule is presented to illustrate the requirement to show information for 10 years. However, only two years of information is available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

HALIFAX PENSION PLAN
(Administered by Halifax
Staffing, Inc., a component unit of
Halifax Hospital Medical Center)
FINANCIAL STATEMENTS, SUPPLEMENTAL
SCHEDULES, AND INDEPENDENT
AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2019

DRAFT

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners, Halifax Pension Plan:

Report on the Financial Statements

We have audited the accompanying financial statements of the Halifax Pension Plan, a component unit of Halifax Hospital Medical Center (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2019, the statement of changes in fiduciary net position for the year ended September 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

- 1 -

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Halifax Pension Plan as of September 30, 2019, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary schedules, as listed in the table of contents, 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 principally of inquiries of the Plan's management and independent actuary regarding the methods of measurement and presentation of the required supplementary information. 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
December 19, 2019

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

STATEMENT OF FIDUCIARY NET POSITION

AS OF SEPTEMBER 30, 2019

(In thousands)

ASSETS:

| | |
|------------------------------|---------|
| Money market funds | \$ 677 |
| US Treasury Note | 100,856 |
| Mutual funds — at fair value | 173,073 |
| Accrued income | 596 |
| | <hr/> |
| Total assets | 275,202 |
| | <hr/> |

NET POSITION RESTRICTED FOR PENSION BENEFITS

(a schedule of funding progress is presented on page 13)

\$ 275,202

See notes to financial statements.

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2019 (In thousands)

ADDITIONS:

Investment results:

| | |
|--|--------------|
| Gain (loss) on fair value of investments | \$ (9,329) |
| Interest and dividends | <u>5,360</u> |
| Total investment gain (loss) | (3,969) |

| | |
|--------------------------|---------------|
| Employers' contributions | <u>19,500</u> |
|--------------------------|---------------|

| | |
|-----------------|---------------|
| Total additions | <u>15,531</u> |
|-----------------|---------------|

DEDUCTIONS:

| | |
|--|---------------|
| Administrative expenses | 68 |
| Benefits paid directly to participants | <u>20,359</u> |
| Total deductions | <u>20,427</u> |

| | |
|--|---------|
| NET INCREASE (DECREASE) IN PLAN NET POSITION | (4,896) |
|--|---------|

NET POSITION RESTRICTED FOR PENSION BENEFITS:

| | |
|-------------------|-------------------|
| Beginning of year | <u>280,098</u> |
| End of year | <u>\$ 275,202</u> |

See notes to financial statements.

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. DESCRIPTION OF THE PLAN

General — The Halifax Pension Plan (the “Plan”) is a multiple-employer, noncontributory defined benefit pension plan that covers certain employees of the two participating employers: Halifax Staffing, Inc. (“Staffing”) and Halifax Hospice, Inc. (“Hospice”) (the “Plan Sponsors,” collectively). Staffing is the Plan Sponsor and Administrator, and both Staffing and Hospice are component units of the Halifax Hospital Medical Center (the “Medical Center”) in Daytona Beach, FL. The Plan is treated as a single employer plan for the purpose of financial reporting. Plan provisions are established and may be amended by the Board of Directors of Staffing, the Plan’s sponsor. The Board of Directors has seven members who are appointed by the Board of Commissioners of the Medical Center.

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Staffing assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs.

Pension plan benefits are based on the number of years of service and the employee’s highest three-year average annual compensation. Effective October 1, 2013, the Plan was frozen and as such, participants of the Plan will no longer accrue credit for years of service and, upon eligibility, calculation of benefits will be made based on compensation information through October 1, 2013. Participants may elect to receive pension plan benefits as a monthly annuity or as one lump-sum payment for an amount equal to the present value of future benefits, as calculated by an actuary.

The Medical Center is obligated by contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. During the year ending September 30, 2019, \$19.5 million was contributed to the Plan. The Medical Center’s proportionate share of the contribution, expense and net pension liability is 95.32% and Hospice’s proportionate share is 4.68% for fiscal year 2019. The proportionate share calculation is based on the present value of future salaries for active employees of each Staffing and Hospice.

Pension Benefits — Employees with five or more years of service (including service under the Florida Retirement System (“FRS”) for those persons employed by Staffing and Hospice at their conversion dates) are entitled to annual pension benefits beginning at normal retirement age or completion of 30 benefit years equal to 1.6% of their highest three-year average annual compensation for each year of service, as defined in the Plan document.

1. DESCRIPTION OF THE PLAN (CONTINUED)

The Plan provides for improved benefits for persons retiring at a date later than the normal retirement date. Based on the participant's attained age or benefit years at the actual termination date, the 1.6% shall be replaced as follows:

| | |
|--|--------|
| Age 63 or 31 benefit years | 1.63 % |
| Age 64 or 32 benefit years | 1.65 % |
| Age 65 or later, or 33 or more benefit years | 1.68 % |

The Plan permits early retirement upon completion of ten years of service with a benefit reduction of 5/12% for each month that the benefit commencement date precedes the normal retirement date. Benefits are reduced by any vested benefit payable from the FRS. Benefits are increased annually by 3% as a cost of living adjustment.

Disability Benefits — Active employees with 10 or more years of service who become permanently and totally disabled receive annual disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled.

Death Benefits — In the event of an employee's death, the survivor portion of the joint and survivor annuity, actuarially reduced to reflect payment prior to the employee's normal retirement date, is payable to the employee's spouse, or other designated financial dependent, in accordance with the Plan document.

Plan Membership — Membership of the Plan consisted of the following at October 1, 2018, the date of the last actuarial valuation:

| | |
|---|-------|
| Retirees and beneficiaries receiving benefits | 1,031 |
| Terminated vested participants | 493 |
| Active participants | 414 |
| | <hr/> |
| Total | 1,938 |
| | <hr/> |

Membership in the Plan is closed to all employees of Staffing and Hospice whose initial hire date or rehire date is on or after October 1, 2000. All participants are vested in the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and accounted for in accordance with Governmental Accounting Standards Board ("GASB"). Contributions are recognized when due and the Medical Center and Hospice have made formal commitments to provide the contributions. Benefit payments are recognized when due and payable to the Plan participants in accordance with the terms of the Plan.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Policy — The investments of the Plan are governed by investment guidelines adopted by the Board of Directors for the Plan Sponsor. Authorized investments of the Plan include money market accounts, fixed income bonds, equity funds, and common stocks. Assets are allocated based on targets of 40-70% equities and 30-50% fixed income.

Investment Valuation and Income Recognition — Investments are stated at fair value based on quoted market prices as determined by Wells Fargo Bank N.A. Purchases and sales of securities are reflected on a trade-date basis. Changes in the current value of investments and gains and losses on disposal of investments are reported in the statements of changes in Plan net assets as the net appreciation or depreciation in current value of investments. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties — The Plan utilizes various investment securities including U.S. government securities, corporate debt instruments, mutual funds, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Expenses — Administrative expenses of the Plan are paid by the Plan. However, certain administrative expenses such as fees for investment and custodial services, legal, accounting, and actuarial services are paid by the Plan Sponsor or the Medical Center, as provided in the Plan document.

3. DEPOSITS AND INVESTMENT RISK

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (“GASB 40”), requires disclosures related to investment and deposit risks, including risks related to credit risk, consisting of custodial credit risk and concentrations of credit risk, interest rate risk and foreign currency risk.

Investment Risk — The Plan’s investment policy provides guidelines for the types of investments that can be acquired in order to provide maximum diversity and reduce risk. Specific asset classes are limited to a percentage of the total investment portfolio. Specific investment strategies are influenced by relative market yields and the cash needs of the Plan. The Plan may be invested in, but not limited to:

- Local government investment pool;
- U.S. government securities and repurchase agreements;
- U.S. government agency obligations;
- Domestic Bank Certificates of Deposit provided that any such investments are in Federal Deposit Insurance Corporation (“FDIC”) guaranteed accounts or deposits collateralized by U.S. government securities or obligations;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. government obligations; and

3. DEPOSITS AND INVESTMENT RISK (CONTINUED)

- Commercial Paper and Stocks; limited to issuers with an A rating or better.

All investment decisions are made based on reasonable research as to credit quality, liquidity and counterparty risk prior to the investment. An investment advisory firm is engaged to manage the investment of all funds and performance of the portfolio is reported to Staffing management quarterly.

Credit Risk — GASB 40 requires the disclosure of the credit quality of investments in debt securities, other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government. The Plan's investment policy provides guidelines for its investment managers which restricts investments to debt securities with an "A" rating or better unless the fixed income securities are held by a registered investment advisor. At September 30, 2019, the Plan's investment in debt securities was limited to one fixed income mutual fund with credit ratings of underlying debt securities ranging from A3 to Baa3 from Moody's Investor Services.

Custodial Credit Risk — The Plan's investment policies have established asset allocation limits to reduce concentration of credit risk. Guidelines are provided to cash investment managers and monitored by management for compliance. At September 30, 2019, the Plan did not have investments in any one issuer that represents 5% or more of the Plan's fiduciary net position except for US Treasury Notes that comprises 36.6% of the Plan's fiduciary net position.

Interest Rate Risk — Changes in interest rates can adversely affect the fair value of an investment. Staffing manages its exposure to interest rate risk by limiting investment maturities and diversifying its investment portfolios. At September 30, 2019, all of the Plan's investments had maturity dates within 18 months.

4. FUNDING POLICY

The Plan is funded through contributions from the Medical Center and Hospice, as calculated by an actuary. Total contributions for the Plan year ended September 30, 2019, are greater than the minimum recommended contribution based on the October 1, 2018 actuarial valuation.

Although they have not expressed any intention to do so, the Plan Sponsor has the right under the Plan to discontinue their contributions at any time and to terminate the Plan. In the event of a Plan termination, and dependent upon the funded status of the Plan, assets of the Plan may be allocated among participants and beneficiaries on the basis of the present value of accrued benefits. However, the net assets of the Plan may not be available on a pro rata basis to provide participants' benefits. Whether a particular participant's accumulated Plan benefits will be paid depends on both the priority of those benefits and the value of the then existing assets.

5. NET PENSION LIABILITY

The net pension liability of the Plan is the total pension liability offset by the Plan's fiduciary net position. The components of net pension liability at September 30, 2019 for both the Medical Center and Hospice are as follows (in thousands):

5. NET PENSION LIABILITY (CONTINUED)

| | Medical Center | Hospice | Total |
|-------------------------|------------------|-----------------|------------------|
| Total pension liability | \$ 331,326 | \$ 16,267 | \$ 347,593 |
| Fiduciary net position | (262,323) | (12,879) | (275,202) |
| Net pension liability | <u>\$ 69,003</u> | <u>\$ 3,388</u> | <u>\$ 72,391</u> |

As of September 30, 2019, the fiduciary net position as a percentage of the total pension liability was 79%.

Significant actuarial methods and assumptions of the plan are presented in the following table:

Actuarial Methods and Assumptions

| | |
|---------------------------|--|
| Mortality table | RP-2014 Mortality Table (Blue-Collar), Scale MP-2018 |
| Interest rate | 6.75% annually, compounded |
| Pay increase | 3% |
| Cost of living adjustment | 3% |
| Measurement date | September 30, 2019 |
| Valuation date | October 1, 2018 |
| Experience study dates | October 1, 2011 - September 30, 2014 |

The discount rate applied in the measurement of the total pension liability is 6.75% and the long-term expected rate of return on Plan investments is 6.75%. The discount rate and rate of return are based on the long-term rate of return on Plan investments expected to finance the payment of benefits into the future. Net pension liability at September 30, 2019 using a discount rate of 5.75% would have been \$108.1 million, and using a discount rate of 7.75% would have been \$41.8 million.

It is assumed that 40% of participants will elect a one-time lump sum benefit payment upon termination, and 15% of participants will elect a one-time lump sum benefit payment upon retirement. It is also assumed that contributions from the Medical Center and Hospice will continue into the future and that the Plan will eventually be fully funded.

6. INVESTMENTS

The Plan measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

6. INVESTMENTS (CONTINUED)

At September 30, 2019, all of the Plan's investments were considered Level 1.

The Plan's investments are held by a bank-administered trust fund. At September 30, 2019, the Plan's investments (including investments bought, sold, as well as held during the year) had a loss in fair value as determined by quoted market prices as follows (in thousands):

| | |
|--|-------------------|
| Money market, US Treasury note, and mutual funds | \$ (9,329) |
| Gain (loss) on fair value of investments | <u>\$ (9,329)</u> |

The annual money-weighted rate of return on Plan investments, net of Plan expenses, was -2.39% for the year ended September 30, 2019. This percentage is a measure of investment performance, net of Plan investment expenses, and adjusted for changes in amounts contributed and invested.

7. EXEMPT PARTY-IN-INTEREST

Certain Plan investments are shares of mutual funds of the investment managers, as defined by the Plan, therefore, these transactions qualify as exempt party-in-interest transactions.

8. FEDERAL INCOME TAX STATUS

The Plan is considered a governmental plan exempt from certain Employee Retirement Income Security Act ("ERISA") requirements based upon certain rulings received from the Internal Revenue Service ("IRS"). The Medical Center requested and received during 1998 and 1999 a series of rulings from the IRS with respect to the status of the Medical Center as a political subdivision of the state of Florida and the status of Staffing, Hospice, and other entities as instrumentalities of the Medical Center.

The Plan has received a determination letter from the IRS dated June 16, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

* * * * *

REQUIRED SUPPLEMENTAL SCHEDULES

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)

(Dollars in thousands)

| Measurement Date | September 30, 2019 | September 30, 2018 | September 30, 2017 | September 30, 2016 | September 30, 2015 | September 30, 2014 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Beginning Net Pension Liability | \$ 62,797 | \$ 71,446 | \$ 88,753 | \$ 107,933 | \$ 92,803 | \$ 123,869 |
| Beginning Total Pension Liability | \$ 342,895 | \$ 337,805 | \$ 328,897 | \$ 322,844 | \$ 317,819 | \$ 311,815 |
| Service cost | 2,963 | 3,553 | 4,024 | 4,441 | 4,282 | 2,776 |
| Interest cost | 22,469 | 22,093 | 21,522 | 21,234 | 20,943 | 20,547 |
| Method Change | - | - | - | - | - | - |
| Benefit payments | (20,359) | (21,349) | (20,439) | (16,818) | (15,355) | (15,078) |
| Changes of assumptions | (948) | (2,103) | - | (4,800) | (6,430) | - |
| Difference between expected and actual experience | 573 | 2,896 | 3,801 | 1,996 | 1,585 | (2,241) |
| Ending Total Pension Liability | 347,593 | 342,895 | 337,805 | 328,897 | 322,844 | 317,819 |
| Beginning Fiduciary Net Position | (280,098) | (266,359) | (240,144) | (214,911) | (225,016) | (207,199) |
| Contributions - employer | (19,500) | (19,876) | (21,060) | (21,236) | (15,217) | (20,000) |
| Net investment loss (income) | 3,969 | (15,283) | (25,668) | (20,892) | 9,852 | (12,954) |
| Benefit payments | 20,359 | 21,349 | 20,439 | 16,818 | 15,355 | 15,078 |
| Administrative expenses | 68 | 71 | 74 | 77 | 115 | 59 |
| Ending Fiduciary Net Position | (275,202) | (280,098) | (266,359) | (240,144) | (214,911) | (225,016) |
| Ending Net Pension Liability | \$ 72,391 | \$ 62,797 | \$ 71,446 | \$ 88,753 | \$ 107,933 | \$ 92,803 |

Source: BPAS Actuarial & Pension Services

*Ten years of data will be presented as it becomes available.

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

(Dollars in thousands)

| Measurement Date Actuarial Valuation Date | September 30, 2019 October 1, 2018 | September 30, 2018 October 1, 2017 | September 30, 2017 October 1, 2016 | September 30, 2016 October 1, 2015 | September 30, 2015 October 1, 2014 | September 30, 2014 October 1, 2013 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Total Pension Liability (a) | \$ 347,593 | \$ 342,895 | \$ 337,805 | \$ 328,897 | \$ 322,844 | \$ 317,819 |
| Plan Fiduciary Net Position (b) | \$ 275,202 | \$ 280,098 | \$ 266,359 | \$ 240,144 | \$ 214,911 | \$ 225,016 |
| Net Pension Liability (a-b) | \$ 72,391 | \$ 62,797 | \$ 71,446 | \$ 88,753 | \$ 107,933 | \$ 92,803 |
| Covered Payroll (c) | \$ 32,092 | \$ 33,515 | \$ 38,361 | \$ 42,387 | \$ 43,613 | \$ 46,960 |
| Fiduciary Net Position as a % of Total Pension Liability (b/a) | 79% | 82% | 79% | 73% | 67% | 71% |
| Net Pension Liability as a % of Covered Payroll ((a-b)/c)) | 226% | 187% | 186% | 209% | 247% | 198% |

Source: BPAS Actuarial & Pension Services

*Ten years of data will be presented as it becomes available.

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS (UNAUDITED)

(Dollars in thousands)

| Fiscal Year Ended September 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 20,245 | \$ 19,047 | \$ 20,449 | \$ 21,061 | \$ 15,110 | \$ 17,278 |
| Contribution recognized by the Plan | 19,500 | 19,876 | 21,060 | 21,236 | 15,218 | 20,000 |
| Annual contribution excess (deficiency) | (745) | 829 | 611 | 175 | 108 | 2,722 |
| Medical Center proportional share: | | | | | | |
| Actuarially determined contribution | 19,298 | 18,272 | 19,298 | 19,976 | 14,332 | 16,388 |
| Contribution recognized by the Plan | 18,587 | 19,067 | 19,874 | 20,142 | 14,434 | 14,434 |
| Hospice proportional share: | | | | | | |
| Actuarially determined contribution | 947 | 775 | 1,151 | 1,085 | 778 | 890 |
| Contribution recognized by the Plan | 913 | 809 | 1,186 | 1,094 | 784 | 784 |
| Covered payroll | 32,092 | 33,515 | 38,361 | 42,387 | 43,613 | 46,960 |
| Contribution as a % of covered payroll | 61% | 59% | 55% | 50% | 35% | 43% |

Source: BPAS Actuarial & Pension Services

*Ten years of data will be presented as it becomes available.

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN (UNAUDITED) (Dollars in thousands)

| Asset Valuation Date | Annual Money-Weighted Rate of Return |
|----------------------|---|
| September 30, 2014 | 7.17% |
| September 30, 2015 | -4.33% |
| September 30, 2016 | 9.31% |
| September 30, 2017 | 10.56% |
| September 30, 2018 | 6.64% |
| September 30, 2019 | -2.39% |

* * * * *

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of
Halifax Hospital Medical Center)

NOTES TO REQUIRED SCHEDULES

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation for determination of contributions follows:

| Valuation date | October 1, 2018 | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|--|-----|-------------|---------------------------------------|-----|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|----|------|
| Actuarial cost method | Traditional Unit Credit | | | | | | | | | | | | | | | | | | | | | | |
| Amortization method | 10 year, closed | | | | | | | | | | | | | | | | | | | | | | |
| Remaining amortization period | Varies | | | | | | | | | | | | | | | | | | | | | | |
| Asset valuation method | Market value | | | | | | | | | | | | | | | | | | | | | | |
| Actuarial assumptions: | | | | | | | | | | | | | | | | | | | | | | | |
| Investment rate of return | 6.75% | | | | | | | | | | | | | | | | | | | | | | |
| Projected salary increases | NA | | | | | | | | | | | | | | | | | | | | | | |
| Cost-of-living adjustments | 3.00% | | | | | | | | | | | | | | | | | | | | | | |
| Mortality | RP-2014 Mortality Table (Blue-Collar), Scale MP-2018 | | | | | | | | | | | | | | | | | | | | | | |
| Assumed retirement age | <table><thead><tr><th>Age</th><th>Probability</th></tr></thead><tbody><tr><td>Prior to 62, with 30 years of service</td><td>10%</td></tr><tr><td>62</td><td>25%</td></tr><tr><td>63</td><td>20%</td></tr><tr><td>64</td><td>20%</td></tr><tr><td>65</td><td>33%</td></tr><tr><td>66</td><td>50%</td></tr><tr><td>67</td><td>20%</td></tr><tr><td>68</td><td>20%</td></tr><tr><td>69</td><td>20%</td></tr><tr><td>70</td><td>100%</td></tr></tbody></table> | Age | Probability | Prior to 62, with 30 years of service | 10% | 62 | 25% | 63 | 20% | 64 | 20% | 65 | 33% | 66 | 50% | 67 | 20% | 68 | 20% | 69 | 20% | 70 | 100% |
| Age | Probability | | | | | | | | | | | | | | | | | | | | | | |
| Prior to 62, with 30 years of service | 10% | | | | | | | | | | | | | | | | | | | | | | |
| 62 | 25% | | | | | | | | | | | | | | | | | | | | | | |
| 63 | 20% | | | | | | | | | | | | | | | | | | | | | | |
| 64 | 20% | | | | | | | | | | | | | | | | | | | | | | |
| 65 | 33% | | | | | | | | | | | | | | | | | | | | | | |
| 66 | 50% | | | | | | | | | | | | | | | | | | | | | | |
| 67 | 20% | | | | | | | | | | | | | | | | | | | | | | |
| 68 | 20% | | | | | | | | | | | | | | | | | | | | | | |
| 69 | 20% | | | | | | | | | | | | | | | | | | | | | | |
| 70 | 100% | | | | | | | | | | | | | | | | | | | | | | |

These actuarial assumptions are based on the presumption that the Plan will continue. Should the Plan terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits. Also, changes in actuarial assumptions and methods may affect the amounts reported and information presented in the required supplemental schedules.

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DRAFT

OTHER REPORT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,
Halifax Pension Plan:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of Halifax Pension Plan, a component unit of Halifax Hospital Medical Center (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2019, the statement of changes in fiduciary net position for the year ended September 30, 2019, and the related notes to the financial statements and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daytona Beach, Florida
December 19, 2019

James Moore & Co., P.L.

Halifax Health

Fiscal Year 2020 Operating Performance

Presentation to Audit and Finance Committee, January 8, 2020



HALIFAX HEALTH

Live your life well.

Halifax Hospital Medical Center

FY 2020 October-November Financial Results

- October and November's actual results exceeded budget by \$800,000
 - Operating revenues were higher than budget by \$1.0M
 - Primarily due to higher inpatient (8% greater than budget) and ED volumes (2.4% greater than budget)
 - Operating expenses excluding interest expense were higher than budget by \$705,000 due to higher labor, purchased services and supply costs
 - Non operating gains including interest expense were \$448,000 higher than budget primarily due to donation revenue
- YTD Adjusted Operating EBIDA is greater than the YTD Budget (8.2% compared to 7.8%)

Live your life well.



HALIFAX
HEALTH

Halifax Health (System)

FY 2020 Operating Performance

- FY 2020 October-November Financial Results
 - October and November actual operating performance exceeded budget by \$618,000
 - Operating revenues were greater than budget by \$2.2 million
 - Primarily due to higher hospital inpatient volumes and ED visits compared to budget
- YTD Adjusted Operating EBIDA is greater than the YTD Budget (8.5% compared to 8.2%)
 - *Excludes Halifax Health Foundation's revenue and expense activity*
- Liquidity indicators (Days Cash on Hand and Cash to Debt ratio) compare unfavorable to budget
 - Management expects liquidity indicators to meet budget by the end of the fiscal year.

Live your life well.



HALIFAX
HEALTH

Halifax Health
Summary Financial Narrative
For the two months ended November 30, 2019

The performance of Halifax Health (HH) compared to budget and long-range targets (S&P "A" rated medians) for key financial indicators is as follows.

| Financial Indicator | YTD Actual FY 20 | YTD Budget FY 20 | YTD Actual vs. Budget | S&P "A" | YTD Actual FY 20 vs. S&P "A" |
|-----------------------------------|------------------|------------------|-----------------------|---------|------------------------------|
| Total Margin | 5.9% | 2.7% | Favorable | 4.2% | Favorable |
| Operating Margin | 1.8% | 1.1% | Favorable | 1.6% | Favorable |
| EBIDA Margin | 13.2% | 9.9% | Favorable | 10.7% | Favorable |
| Operating EBIDA Margin | 9.4% | 8.5% | Favorable | 8.2% | Favorable |
| Adjusted Operating EBIDA Margin * | 8.5% | 8.2% | Favorable | N/A | N/A |
| Days Cash on Hand | 249 | 264 | Unfavorable | 237 | Favorable |
| Cash to Debt | 86.1% | 87.1% | Unfavorable | 173.8% | Unfavorable |
| Debt to Capitalization | 56.3% | 58.0% | Favorable | 27.0% | Unfavorable |
| OG MADS Coverage | 2.11 | 2.10 | Favorable | 3.90 | Unfavorable |
| OG Debt to Capitalization | 55.8% | 49.7% | Unfavorable | 27.0% | Unfavorable |

* Excludes Halifax Health Foundation revenue and expense activity

Halifax Health Medical Center

Statistical Summary--

- Admissions for the month and fiscal year-to-date are greater than budget and prior year.
- Patient days for the month and fiscal year-to-date are greater than budget and prior year.
 - Observation patient days for the month and fiscal year-to-date are less than budget and prior year.
- Surgery volumes for the month and fiscal year-to-date are less than budget and prior year.
- Emergency Room visits for the month and fiscal year-to-date are greater than budget and prior year.

Financial Summary --

- Net patient service revenue for the fiscal year-to-date is 0.9% greater than budget.
- Total operating expenses for the fiscal year-to-date are 1.3% greater than budget.
- Income from operations for the fiscal year-to-date of \$222,000 compares unfavorably to budget by \$78,000.
- Nonoperating gains/losses for the fiscal year-to-date of \$1.7 million compares favorably to budget by \$878,000.
- The increase in net position for the fiscal year-to-date of \$2.0 million compares favorably to budget by \$800,000.

Halifax Health Hospice

Statistical Summary --

- Patient days for the month and fiscal year-to-date are less than budget and prior year.

Financial Summary --

- Net patient service revenue for the fiscal year-to-date is 2.2% less than budget.
- Income from operations for the fiscal year-to-date of \$187,000 compares unfavorably to budget by \$75,000.
- The increase in net position for the fiscal year-to-date of \$2.8 million compares favorably to budget by \$1.8 million.

Halifax Health Statistical Summary

| Month Ended November 30 | | | | | Two Months Ended November 30 | | | |
|----------------------------|---------------|---------------|---------------|--|---------------------------------|---------------|---------------|---------------|
| <u>2018</u> | <u>2019</u> | <u>Budget</u> | <u>Var.</u> | | <u>2018</u> | <u>2019</u> | <u>Budget</u> | <u>Var.</u> |
| | | | | <u>Inpatient Activity</u> | | | | |
| 1,459 | 1,624 | 1,505 | 7.9% | HHMC Adult/Ped Admissions | 3,053 | 3,336 | 3,108 | 7.3% |
| 127 | 207 | 181 | 14.4% | HHMCPO Adult/Ped Admissions | 284 | 424 | 374 | 13.4% |
| 159 | 186 | 175 | 6.3% | Adult Psych Admissions | 318 | 398 | 362 | 9.9% |
| 71 | 61 | 64 | -4.7% | Rehabilitative Admissions | 135 | 138 | 133 | 3.8% |
| 1,816 | 2,078 | 1,925 | 7.9% | Total Adult/Ped Admissions | 3,790 | 4,296 | 3,977 | 8.0% |
| 8,076 | 8,120 | 7,664 | 5.9% | HHMC Adult/Ped Patient Days | 16,157 | 16,774 | 15,825 | 6.0% |
| 374 | 677 | 499 | 35.7% | HHMCPO Adult/Ped Patient Days | 850 | 1,382 | 1,030 | 34.2% |
| 1,267 | 1,150 | 1,234 | -6.8% | Adult Psych Patient Days | 2,691 | 2,471 | 2,548 | -3.0% |
| 1,026 | 930 | 997 | -6.7% | Rehabilitative Patient Days | 2,059 | 2,014 | 1,999 | 0.8% |
| 10,743 | 10,877 | 10,394 | 4.6% | Total Adult/Ped Patient Days | 21,757 | 22,641 | 21,402 | 5.8% |
| 5.5 | 5.0 | 5.1 | -1.8% | HHMC Average Length of Stay | 5.3 | 5.0 | 5.1 | -1.2% |
| 2.9 | 3.3 | 2.8 | 18.6% | HHMCPO Average Length of Stay | 3.0 | 3.3 | 2.8 | 18.4% |
| 5.3 | 4.8 | 4.8 | -0.8% | HHMC/ HHMCPO Average Length of Stay | 5.1 | 4.8 | 4.8 | -0.2% |
| 8.0 | 6.2 | 7.1 | -12.3% | Adult Psych Average Length of Stay | 8.5 | 6.2 | 7.0 | -11.8% |
| 14.5 | 15.2 | 15.6 | -2.1% | Rehabilitative Length of Stay | 15.3 | 14.6 | 15.0 | -2.9% |
| 5.9 | 5.2 | 5.4 | -3.1% | Total Average Length of Stay | 5.7 | 5.3 | 5.4 | -2.1% |
| 358 | 363 | 346 | 4.7% | Total Average Daily Census | 357 | 371 | 351 | 5.8% |
| 1,012 | 540 | 782 | -30.9% | HHMC Observation Patient Day Equivalents | 1,920 | 1,233 | 1,615 | -23.7% |
| 241 | 173 | 161 | 7.5% | HHMCPO Observation Patient Day Equivalents | 461 | 424 | 332 | 27.7% |
| 1,253 | 713 | 943 | -24.4% | Total Observation Patient Day Equivalents | 2,381 | 1,657 | 1,947 | -14.9% |
| 42 | 24 | 31 | -22.6% | Observation Average Daily Census | 39 | 27 | 32 | -15.6% |
| 134 | 147 | 138 | 6.5% | HHMC Newborn Births | 300 | 290 | 311 | -6.8% |
| 203 | 307 | 256 | 19.9% | HHMC Nursery Patient Days | 530 | 619 | 584 | 6.0% |
| 604 | 532 | 565 | -5.8% | HHMC Inpatient Surgeries | 1,229 | 1,156 | 1,166 | -0.9% |
| 19 | 15 | 17 | -11.8% | HHMCPO Inpatient Surgeries | 35 | 26 | 35 | -25.7% |
| 623 | 547 | 582 | -6.0% | Total Inpatient Surgeries | 1,264 | 1,182 | 1,201 | -1.6% |
| | | | | <u>Inpatient Surgeries</u> | | | | |
| 196 | 186 | | | Orthopedics | 420 | 377 | | |
| 125 | 104 | | | Gastroenterology | 253 | 229 | | |
| 103 | 82 | | | General Surgery | 183 | 174 | | |
| 17 | 29 | | | Podiatry | 41 | 67 | | |
| 23 | 37 | | | Vascular Surgery | 52 | 67 | | |
| 159 | 109 | | | All Other | 315 | 268 | | |
| 623 | 547 | 582 | -6.0% | Total Inpatient Surgeries | 1,264 | 1,182 | 1,201 | -1.6% |

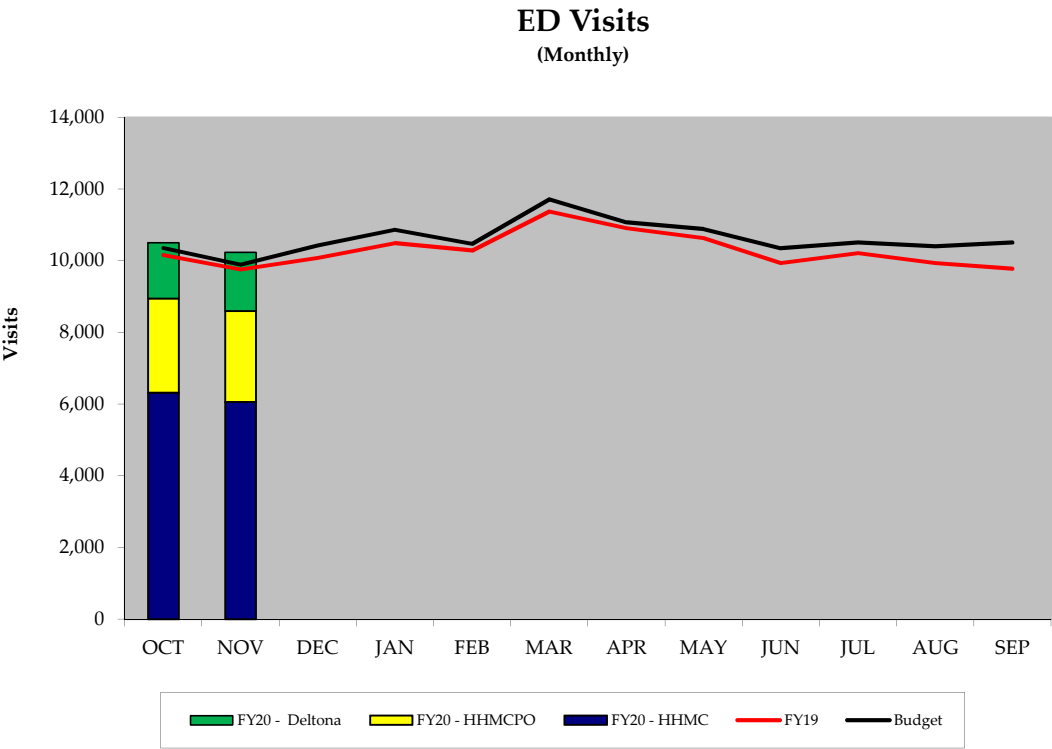
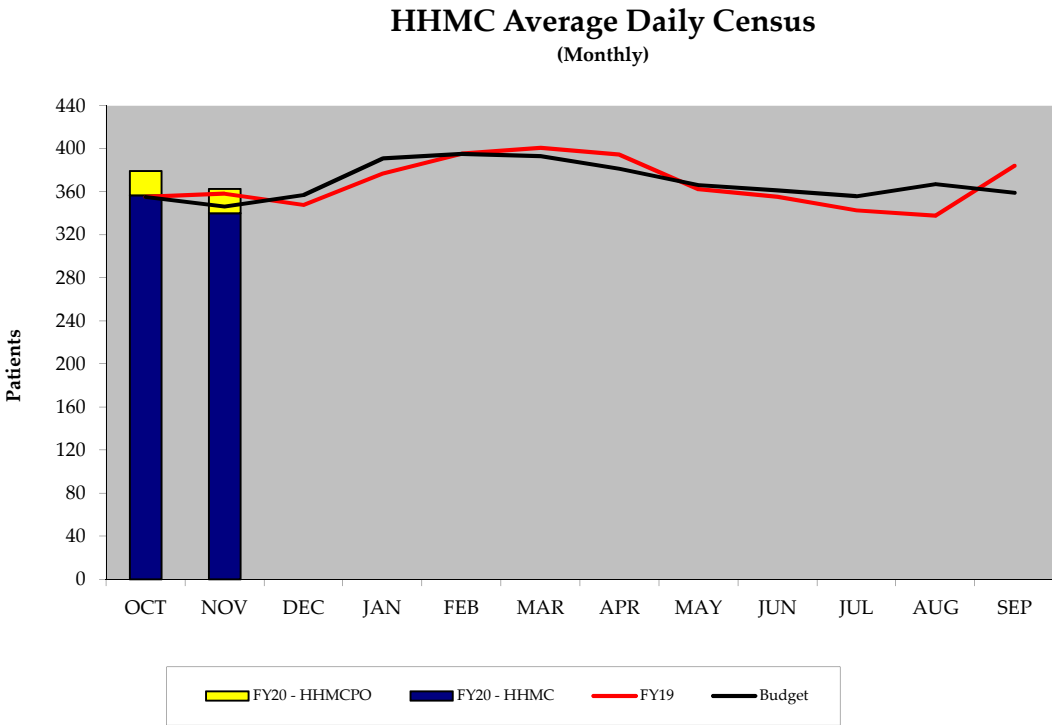
Halifax Health Statistical Summary

| Month Ended November 30 | | | | | Two Months Ended November 30 | | | |
|----------------------------|---------------|---------------|---------------|--|---------------------------------|---------------|---------------|---------------|
| <u>2018</u> | <u>2019</u> | <u>Budget</u> | <u>Var.</u> | | <u>2018</u> | <u>2019</u> | <u>Budget</u> | <u>Var.</u> |
| | | | | <u>Outpatient Activity</u> | | | | |
| 6,053 | 6,059 | 6,097 | -0.6% | HHMC ED Registrations | 12,409 | 12,378 | 12,550 | -1.4% |
| 2,349 | 2,541 | 2,354 | 7.9% | HHMCPO ED Registrations | 4,789 | 5,168 | 4,772 | 8.3% |
| 1,351 | 1,633 | 1,440 | 13.4% | Deltona ED Registrations | 2,710 | 3,187 | 2,928 | 8.8% |
| 9,753 | 10,233 | 9,891 | 3.5% | Total ED | 19,908 | 20,733 | 20,250 | 2.4% |
| 410 | 321 | 430 | -25.3% | HHMC Outpatient Surgeries | 804 | 734 | 845 | -13.1% |
| 124 | 103 | 136 | -24.3% | HHMCPO Outpatient Surgeries | 261 | 225 | 284 | -20.8% |
| 260 | 197 | 261 | -24.5% | Twin Lakes Surgeries | 558 | 479 | 560 | -14.5% |
| 794 | 621 | 827 | -24.9% | Total Outpatient Surgeries | 1,623 | 1,438 | 1,689 | -14.9% |
| | | | | <u>Outpatient Surgeries</u> | | | | |
| 150 | 126 | | | General Surgery | 331 | 289 | | |
| 137 | 91 | | | Gastroenterology | 259 | 241 | | |
| 78 | 54 | | | OB/GYN | 172 | 125 | | |
| 85 | 42 | | | Orthopedics | 165 | 114 | | |
| 58 | 52 | | | Ophtalmology | 105 | 113 | | |
| 286 | 256 | | | All Other | 591 | 556 | | |
| 794 | 621 | 827 | -24.9% | Total Outpatient Surgeries | 1,623 | 1,438 | 1,689 | -14.9% |
| | | | | <u>Cardiology Procedures</u> | | | | |
| 18 | 23 | | | Open Heart Cases | 27 | 52 | | |
| 115 | 128 | | | Cardiac Caths | 230 | 253 | | |
| 23 | 31 | | | CRM Devices | 46 | 54 | | |
| 40 | 21 | | | EP Studies | 87 | 70 | | |
| 196 | 203 | 215 | -5.6% | Total Cardiology Procedures | 390 | 429 | 455 | -5.7% |
| | | | | <u>Interventional Radiology Procedures</u> | | | | |
| 73 | 80 | 73 | 9.6% | Vascular | 184 | 171 | 184 | -7.1% |
| 69 | 97 | 66 | 47.0% | Nonvascular | 139 | 191 | 133 | 43.6% |
| 142 | 177 | 139 | 27.3% | Total Interventional Radiology Procedures | 323 | 362 | 317 | 14.2% |
| | | | | <u>HH Hospice Activity</u> | | | | |
| | | | | <u>Patient Days</u> | | | | |
| 15,900 | 15,366 | 15,600 | -1.5% | Volusia/ Flagler | 31,881 | 31,017 | 31,720 | -2.2% |
| 1,501 | 1,562 | 1,649 | -5.3% | Orange/ Osceola | 3,209 | 3,183 | 3,321 | -4.2% |
| 17,401 | 16,928 | 17,249 | -1.9% | HH Hospice Patient Days | 35,090 | 34,200 | 35,041 | -2.4% |
| | | | | <u>Average Daily Census</u> | | | | |
| 530 | 512 | 520 | -1.5% | Volusia/ Flagler | 523 | 508 | 520 | -2.2% |
| 50 | 52 | 55 | -5.3% | Orange/ Osceola | 53 | 52 | 54 | -4.2% |
| 580 | 564 | 575 | -1.9% | HH Hospice Average Daily Census | 576 | 561 | 574 | -2.4% |

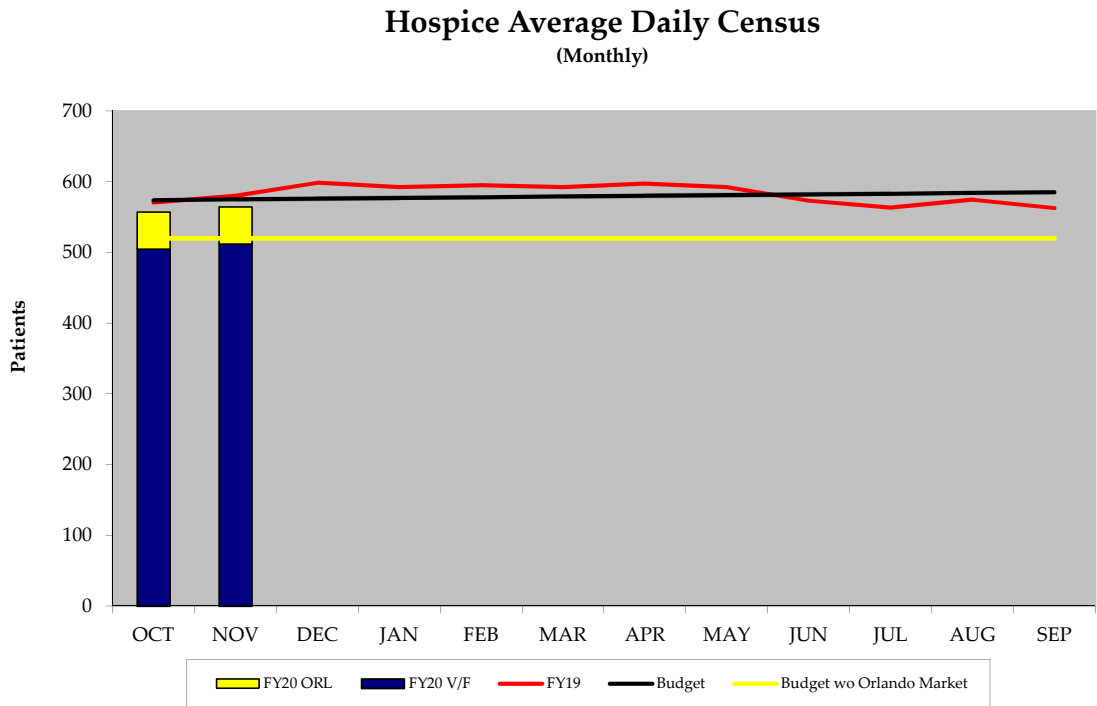
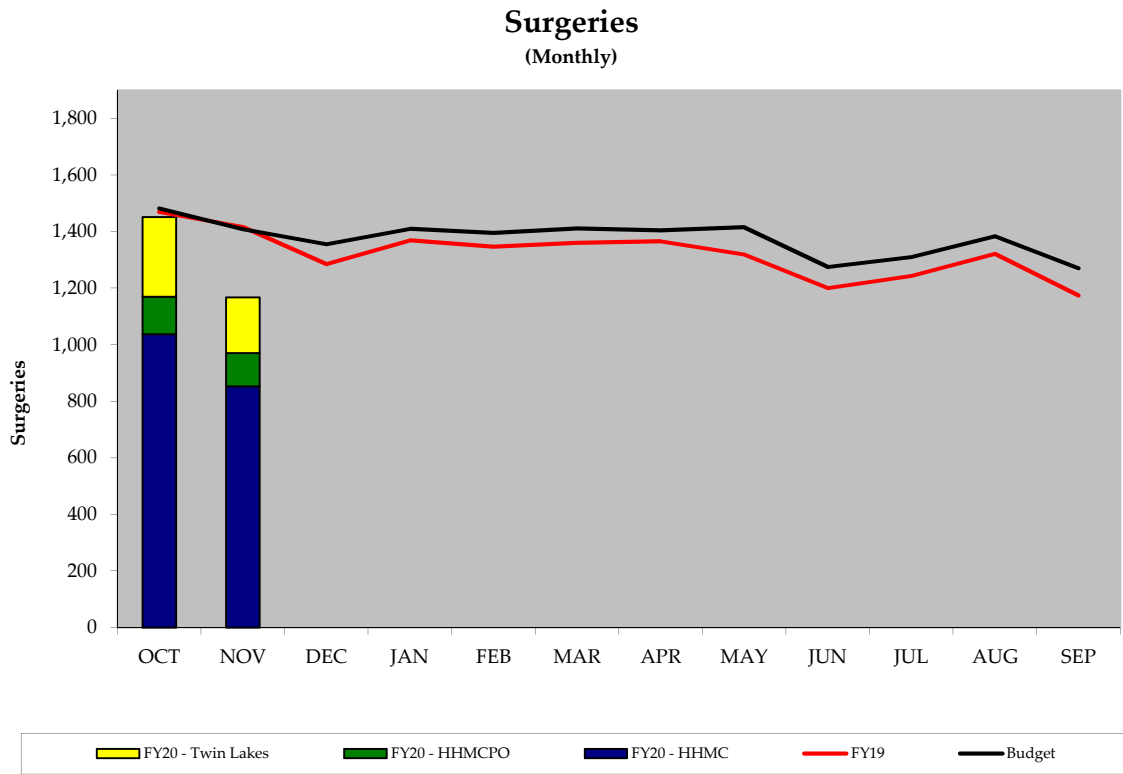
Halifax Health Statistical Summary

| Month Ended November 30 | | | | Two Months Ended November 30 | | | | |
|------------------------------------|--------------|---------------|---------------|--|---------------|---------------|---------------|--------------|
| <u>2018</u> | <u>2019</u> | <u>Budget</u> | <u>Var.</u> | | <u>2018</u> | <u>2019</u> | <u>Budget</u> | <u>Var.</u> |
| <u>Physician Practice Activity</u> | | | | | | | | |
| <u>Primary Care Visits</u> | | | | | | | | |
| 459 | 484 | 579 | -16.4% | Ormond Beach | 908 | 1,079 | 1,145 | -5.8% |
| 1,096 | 1,041 | 1,132 | -8.0% | Daytona Beach | 2,343 | 2,150 | 2,421 | -11.2% |
| 700 | 591 | 934 | -36.7% | Port Orange | 1,367 | 1,349 | 1,823 | -26.0% |
| 174 | 217 | 459 | -52.7% | Deltona | 339 | 653 | 933 | -30.0% |
| 741 | 827 | 707 | 17.0% | New Smyrna | 1,516 | 1,824 | 1,446 | 26.1% |
| 639 | 437 | 595 | -26.6% | Daytona Beach (Women's/OB) | 1,453 | 955 | 1,209 | -21.0% |
| 324 | 413 | 366 | 12.8% | Ormond Beach - Urgent Care | 612 | 752 | 692 | 8.7% |
| 4,133 | 4,010 | 4,772 | -16.0% | Primary Care Visits | 8,538 | 8,762 | 9,669 | -9.4% |
| <u>Pediatric Visits</u> | | | | | | | | |
| 858 | 781 | 775 | 0.7% | Ormond Beach-CMC | 1,684 | 1,744 | 1,521 | 14.6% |
| 245 | 339 | 292 | 16.1% | Ormond Beach-Primary Care | 501 | 726 | 597 | 21.6% |
| 451 | 430 | 467 | -7.9% | Daytona Beach - Keech Street | 941 | 884 | 975 | -9.3% |
| 459 | 464 | 468 | -0.9% | Palm Coast-CMC | 965 | 907 | 985 | -7.9% |
| 466 | 503 | 430 | 16.9% | Port Orange-CMC | 1,051 | 1,083 | 970 | 11.6% |
| 2,479 | 2,517 | 2,433 | 3.5% | Pediatric Visits | 5,142 | 5,344 | 5,048 | 5.9% |
| <u>Oncology Visits</u> | | | | | | | | |
| 940 | 1,083 | 974 | 11.2% | Daytona | 1,929 | 2,129 | 1,998 | 6.6% |
| 504 | 470 | 522 | -10.0% | Ormond | 1,067 | 932 | 1,106 | -15.7% |
| 832 | 860 | 835 | 3.0% | New Smyrna | 1,697 | 1,766 | 1,704 | 3.7% |
| 780 | 888 | 789 | 12.6% | Port Orange | 1,695 | 1,758 | 1,714 | 2.5% |
| 3,056 | 3,301 | 3,120 | 5.8% | Total Medical Oncology Visits | 6,388 | 6,585 | 6,522 | 1.0% |
| 1,536 | 1,703 | 1,515 | 12.4% | Daytona | 3,273 | 3,477 | 3,237 | 7.4% |
| 476 | 418 | 454 | -7.9% | New Smyrna | 1,083 | 913 | 1,032 | -11.6% |
| 2,012 | 2,121 | 1,969 | 7.7% | Total Radiation Oncology Visits | 4,356 | 4,390 | 4,269 | 2.8% |
| 5,068 | 5,422 | 5,089 | 6.5% | Total Oncology Visits | 10,744 | 10,975 | 10,791 | 1.7% |

Halifax Health Statistical Summary - Graphic



Halifax Health Statistical Summary - Graphic



Halifax Health

Condensed Statement of Net Position

(\$ in thousands)

| | November 30 | | |
|--|------------------|------------------|-----------------|
| | 2019 | 2018 | Change |
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$56,969 | \$28,790 | \$28,179 |
| Investments | 290,590 | 321,539 | (30,949) |
| Board designated assets | 28,885 | 45,634 | (16,749) |
| Accounts receivable | 64,071 | 69,737 | (5,666) |
| Restricted assets whose use is limited | 6,121 | 6,171 | (50) |
| Other assets | 51,072 | 52,665 | (1,593) |
| Deferred outflow - swap | 37,654 | 23,798 | 13,856 |
| Deferred outflow - loss on bond refunding | 14,491 | 15,389 | (898) |
| Deferred outflow - pension | 21,632 | 22,044 | (412) |
| Property, plant and equipment | 423,388 | 381,983 | 41,405 |
| Total Assets | <u>\$994,873</u> | <u>\$967,750</u> | <u>\$27,123</u> |
| <u>Liabilities and Net position</u> | | | |
| Accounts payable | \$46,740 | \$47,186 | (\$446) |
| Other liabilities | 92,374 | 90,037 | 2,337 |
| Deferred inflow - pension | 331 | 2,379 | (2,048) |
| Net pension liability | 41,449 | 50,968 | (9,519) |
| Long-term debt | 419,647 | 425,161 | (5,514) |
| Premium on LTD, net | 17,810 | 18,480 | (670) |
| Long-term value of swap | 37,654 | 23,798 | 13,856 |
| Net position | <u>338,868</u> | <u>309,741</u> | <u>29,127</u> |
| Total Liabilities and Net position | <u>\$994,873</u> | <u>\$967,750</u> | <u>\$27,123</u> |

Halifax Health
Statement of Cash Flows
(\$ in thousands)

| Month ended November 30, 2019 | Month ended November 30, 2018 | Variance | | Two Months ended November 30, 2019 | Two Months ended November 30, 2018 | Variance |
|----------------------------------|----------------------------------|-----------------|--|---------------------------------------|---------------------------------------|-----------------|
| | | | Cash flows from operating activities: | | | |
| \$43,613 | \$41,311 | \$2,302 | Receipts from third party payors and patients | \$89,791 | \$90,557 | (\$766) |
| (21,468) | (32,015) | 10,547 | Payments to employees | (52,327) | (53,303) | 976 |
| - | - | - | Payments to pension | (23,472) | (19,500) | (3,972) |
| (17,161) | (13,475) | (3,686) | Payments to suppliers | (36,150) | (37,893) | 1,743 |
| 683 | 923 | (240) | Receipt of ad valorem taxes | 700 | 949 | (249) |
| - | (905) | 905 | Receipt (payment) of State UPL funds, net | (523) | (905) | 382 |
| 3,187 | 3,828 | (641) | Other receipts | 6,109 | 6,400 | (291) |
| (3,499) | (3,600) | 101 | Other payments | (7,028) | (7,278) | 250 |
| 5,355 | (3,933) | 9,288 | Net cash provided by (used in) operating activities | (22,900) | (20,973) | (1,927) |
| | | | Cash flows from noncapital financing activities: | | | |
| 188 | 8 | 180 | Proceeds from donations received | 1,085 | 9 | 1,076 |
| 139 | 199 | (60) | Other nonoperating revenues, expenses and gains/(losses) | 256 | 407 | (151) |
| 327 | 207 | 120 | Net cash provided by noncapital financing activities | 1,341 | 416 | 925 |
| | | | Cash flows from capital and related financing activities: | | | |
| (583) | (774) | 191 | Acquisition of capital assets | (925) | (1,362) | 437 |
| (3,286) | (4,690) | 1,404 | Acquisition of capital assets- Deltona | (10,644) | (5,187) | (5,457) |
| (587) | (2,669) | 2,082 | Payment of interest on long-term debt | (1,129) | (5,348) | 4,219 |
| (4,456) | (8,133) | 3,677 | Net cash used in capital financing activities | (12,698) | (11,897) | (801) |
| | | | Cash flows from investing activities: | | | |
| 39 | 1,558 | (1,519) | Realized investment income (loss) | 1,329 | 1,828 | (499) |
| (148) | (7,946) | 7,798 | Purchases of investments/limited use assets | (6,709) | (10,874) | 4,165 |
| 367 | 15,272 | (14,905) | Sales/Maturities of investments/limited use assets | 9,372 | 21,519 | (12,147) |
| 258 | 8,884 | (8,626) | Net cash provided by investing activities | 3,992 | 12,473 | (8,481) |
| 1,484 | (2,975) | 4,459 | Net increase (decrease) in cash and cash equivalents | (30,265) | (19,981) | (10,284) |
| 55,485 | 31,765 | 23,720 | Cash and cash equivalents at beginning of period | 87,234 | 48,771 | 38,463 |
| <u>\$56,969</u> | <u>\$28,790</u> | <u>\$28,179</u> | Cash and cash equivalents at end of period | <u>\$56,969</u> | <u>\$28,790</u> | <u>\$28,179</u> |

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Actual Month Ended November 30, 2018 | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Actual Two Months Ended November 30, 2018 | Favorable (Unfavorable) Variance |
|--|--|--|---|---|---|--|
| | | | Operating revenues: | | | |
| \$50,251 | \$58,219 | (\$7,968) | Net patient service revenue, before provision for bad debts | \$104,929 | \$114,029 | (\$9,100) |
| (6,383) | (15,004) | 8,621 | Provision for bad debts | (14,147) | (26,705) | 12,558 |
| 43,868 | 43,215 | 653 | Net patient service revenue | 90,782 | 87,324 | 3,458 |
| 549 | 511 | 38 | Ad valorem taxes | 1,098 | 1,022 | 76 |
| 3,332 | 2,579 | 753 | Other revenue, including investment income/(losses), net | 6,277 | 3,058 | 3,219 |
| 47,749 | 46,305 | 1,444 | Total operating revenues | 98,157 | 91,404 | 6,753 |
| | | | Operating expenses: | | | |
| 23,076 | 23,101 | 25 | Salaries and benefits | 47,442 | 47,285 | (157) |
| 7,894 | 7,029 | (865) | Purchased services | 15,523 | 14,150 | (1,373) |
| 8,651 | 8,475 | (176) | Supplies | 18,103 | 17,178 | (925) |
| 2,151 | 2,267 | 116 | Depreciation and amortization | 4,325 | 4,543 | 218 |
| 1,573 | 1,630 | 57 | Interest | 3,137 | 3,246 | 109 |
| 511 | 523 | 12 | Ad valorem tax related expenses | 1,034 | 1,045 | 11 |
| 720 | 737 | 17 | Leases and rentals | 1,470 | 1,476 | 6 |
| 2,321 | 2,386 | 65 | Other | 5,403 | 4,752 | (651) |
| 46,897 | 46,148 | (749) | Total operating expenses | 96,437 | 93,675 | (2,762) |
| 852 | 157 | 695 | Excess (deficiency) of operating revenues over expenses | 1,720 | (2,271) | 3,991 |
| | | | Nonoperating revenues, expenses, and gains/(losses): | | | |
| 39 | 1,558 | (1,519) | Realized investment income/(losses) | 1,329 | 1,827 | (498) |
| 1,435 | 766 | 669 | Unrealized investment income/(losses) | 1,626 | (2,645) | 4,271 |
| 188 | 9 | 179 | Donation revenue | 1,084 | 10 | 1,074 |
| 139 | 199 | (60) | Nonoperating gains/(losses), net | 256 | 408 | (152) |
| 1,801 | 2,532 | (731) | Total nonoperating revenues, expenses, and gains/(losses) | 4,295 | (400) | 4,695 |
| \$2,653 | \$2,689 | (\$36) | Increase (decrease) in net position | \$6,015 | (\$2,671) | \$8,686 |

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Static Budget Month Ended November 30, 2019 | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Static Budget Two Months Ended November 30, 2019 | Favorable (Unfavorable) Variance |
|--|---|--|---|---|--|--|
| | | | Operating revenues: | | | |
| \$50,251 | \$48,589 | \$1,662 | Net patient service revenue, before provision for bad debts | \$104,929 | \$99,927 | \$5,002 |
| (6,383) | (4,751) | (1,632) | Provision for bad debts | (14,147) | (9,755) | (4,392) |
| 43,868 | 43,838 | 30 | Net patient service revenue | 90,782 | 90,172 | 610 |
| 549 | 549 | - | Ad valorem taxes | 1,098 | 1,098 | - |
| 3,332 | 2,339 | 993 | Other revenue, including investment income/(losses), net | 6,277 | 4,678 | 1,599 |
| 47,749 | 46,726 | 1,023 | Total operating revenues | 98,157 | 95,948 | 2,209 |
| | | | Operating expenses: | | | |
| 23,076 | 23,033 | (43) | Salaries and benefits | 47,442 | 47,512 | 70 |
| 7,894 | 7,588 | (306) | Purchased services | 15,523 | 15,205 | (318) |
| 8,651 | 8,651 | - | Supplies | 18,103 | 17,872 | (231) |
| 2,151 | 2,165 | 14 | Depreciation and amortization | 4,325 | 4,348 | 23 |
| 1,573 | 1,354 | (219) | Interest | 3,137 | 2,707 | (430) |
| 511 | 526 | 15 | Ad valorem tax related expenses | 1,034 | 1,053 | 19 |
| 720 | 769 | 49 | Leases and rentals | 1,470 | 1,540 | 70 |
| 2,321 | 2,303 | (18) | Other | 5,403 | 4,609 | (794) |
| 46,897 | 46,389 | (508) | Total operating expenses | 96,437 | 94,846 | (1,591) |
| 852 | 337 | 515 | Excess of operating revenues over expenses | 1,720 | 1,102 | 618 |
| | | | Nonoperating revenues, expenses, and gains/(losses): | | | |
| 39 | - | 39 | Realized investment income/(losses) | 1,329 | - | 1,329 |
| 1,435 | 639 | 796 | Unrealized investment income/(losses) | 1,626 | 1,277 | 349 |
| 188 | 59 | 129 | Donation revenue | 1,084 | 117 | 967 |
| 139 | 56 | 83 | Nonoperating gains/(losses), net | 256 | 112 | 144 |
| 1,801 | 754 | 1,047 | Total nonoperating revenues, expenses, and gains/(losses) | 4,295 | 1,506 | 2,789 |
| \$2,653 | \$1,091 | \$1,562 | Increase in net position | \$6,015 | \$2,608 | \$3,407 |

Halifax Health Medical Center
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Static Budget Month Ended November 30, 2019 | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Static Budget Two Months Ended November 30, 2019 | Favorable (Unfavorable) Variance |
|--|---|--|---|---|--|--|
| | | | Operating revenues: | | | |
| \$46,435 | \$44,746 | \$1,689 | Net patient service revenue, before provision for bad debts | \$97,225 | \$92,117 | \$5,108 |
| (6,266) | (4,664) | (1,602) | Provision for bad debts | (13,909) | (9,579) | (4,330) |
| 40,169 | 40,082 | 87 | Net patient service revenue | 83,316 | 82,538 | 778 |
| 549 | 549 | - | Ad valorem taxes | 1,098 | 1,098 | - |
| 1,825 | 1,576 | 249 | Other revenue | 3,442 | 3,163 | 279 |
| 42,543 | 42,207 | 336 | Total operating revenues | 87,856 | 86,799 | 1,057 |
| | | | Operating expenses: | | | |
| 21,013 | 20,990 | (23) | Salaries and benefits | 43,360 | 43,229 | (131) |
| 6,678 | 6,386 | (292) | Purchased services | 13,086 | 12,773 | (313) |
| 8,444 | 8,448 | 4 | Supplies | 17,686 | 17,459 | (227) |
| 2,020 | 2,030 | 10 | Depreciation and amortization | 4,060 | 4,077 | 17 |
| 1,573 | 1,354 | (219) | Interest | 3,137 | 2,707 | (430) |
| 511 | 526 | 15 | Ad valorem tax related expenses | 1,034 | 1,053 | 19 |
| 545 | 542 | (3) | Leases and rentals | 1,112 | 1,083 | (29) |
| 2,092 | 2,059 | (33) | Other | 4,159 | 4,118 | (41) |
| 42,876 | 42,335 | (541) | Total operating expenses | 87,634 | 86,499 | (1,135) |
| (333) | (128) | (205) | Excess (deficiency) of operating revenues over expenses | 222 | 300 | (78) |
| | | | Nonoperating revenues, expenses, and gains/(losses): | | | |
| 212 | - | 212 | Realized investment income/(losses) | 928 | - | 928 |
| (122) | 370 | (492) | Unrealized investment income/(losses) | (245) | 740 | (985) |
| - | - | - | Donation revenue | 791 | - | 791 |
| 139 | 56 | 83 | Nonoperating gains/(losses), net | 256 | 112 | 144 |
| 229 | 426 | (197) | Total nonoperating revenues, expenses, and gains/(losses) | 1,730 | 852 | 878 |
| (\$104) | \$298 | (\$402) | Increase (decrease) in net position | \$1,952 | \$1,152 | \$800 |

Halifax Health Medical Center
Net Patient Service Revenue
(\$ in thousands)

| Actual Month Ended November 30, 2018 | | Actual Month Ended November 30, 2019 | | Static Budget Month Ended November 30, 2019 | | | Actual Two Months Ended November 30, 2018 | | Actual Two Months Ended November 30, 2019 | | Static Budget Two Months Ended November 30, 2019 | |
|--|---------------|--|---------------|---|---------------|---|---|---------------|---|---------------|--|---------------|
| \$167,720 | 100.00% | \$169,062 | 100.00% | \$173,093 | 100.00% | Gross charges | \$337,395 | 100.00% | \$359,504 | 100.00% | \$356,474 | 100.00% |
| (11,897) | -7.09% | (14,333) | -8.48% | (15,058) | -8.70% | Charity | (19,227) | -5.70% | (32,066) | -8.92% | (31,023) | -8.70% |
| (101,463) | -60.50% | (108,294) | -64.06% | (113,289) | -65.45% | Contractual adjustments | (211,710) | -62.75% | (230,213) | -64.04% | (233,334) | -65.46% |
| 54,360 | 32.41% | 46,435 | 27.47% | 44,746 | 25.85% | Gross charges, before provision for bad debts | 106,458 | 31.55% | 97,225 | 27.04% | 92,117 | 25.84% |
| (14,908) | -8.89% | (6,266) | -3.71% | (4,664) | -2.69% | Provision for bad debts | (26,610) | -7.89% | (13,909) | -3.87% | (9,579) | -2.69% |
| \$39,452 | 23.52% | \$40,169 | 23.76% | \$40,082 | 23.16% | Net patient service revenue | \$79,848 | 23.67% | \$83,316 | 23.18% | \$82,538 | 23.15% |

Halifax Health Hospice
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Static Budget Month Ended November 30, | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Static Budget Two Months Ended November 30, 2019 | Favorable (Unfavorable) Variance |
|--|--|--|---|---|--|--|
| | | | Operating revenues: | | | |
| \$3,816 | \$3,843 | (\$27) | Net patient service revenue, before provision for bad debts | \$7,704 | \$7,810 | (\$106) |
| (117) | (87) | (30) | Provision for bad debts | (238) | (176) | (62) |
| 3,699 | 3,756 | (57) | Net patient service revenue | 7,466 | 7,634 | (168) |
| 166 | 205 | (39) | Other revenue | 333 | 398 | (65) |
| 3,865 | 3,961 | (96) | Total operating revenues | 7,799 | 8,032 | (233) |
| | | | Operating expenses: | | | |
| 2,009 | 1,982 | (27) | Salaries and benefits | 3,969 | 4,160 | 191 |
| 1,192 | 1,167 | (25) | Purchased services | 2,386 | 2,364 | (22) |
| 207 | 203 | (4) | Supplies | 417 | 412 | (5) |
| 62 | 66 | 4 | Depreciation and amortization | 127 | 133 | 6 |
| 170 | 172 | 2 | Leases and rentals | 348 | 347 | (1) |
| 176 | 176 | - | Other | 365 | 354 | (11) |
| 3,816 | 3,766 | (50) | Total operating expenses | 7,612 | 7,770 | 158 |
| 49 | 195 | (146) | Excess of operating revenues over expenses | 187 | 262 | (75) |
| | | | Nonoperating revenues, expenses, and gains/(losses): | | | |
| (173) | - | (173) | Realized investment income/(losses) | 401 | - | 401 |
| 1,557 | 269 | 1,288 | Unrealized investment income/(losses) | 1,871 | 537 | 1,334 |
| 188 | 59 | 129 | Donation revenue | 293 | 117 | 176 |
| 1,572 | 328 | 1,244 | Total nonoperating revenues, expenses, and gains/(losses) | 2,565 | 654 | 1,911 |
| 1,621 | \$523 | \$1,098 | Increase in net position | \$2,752 | \$916 | \$1,836 |

Volusia Health Network / Halifax Management Systems
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Static Budget Month Ended November 30, 2019 | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Static Budget Two Months Ended November 30, 2019 | Favorable (Unfavorable) Variance |
|---|--|---|---|--|---|---|
| | | | Operating revenues: | | | |
| \$0 | \$0 | \$0 | Net patient service revenue, before provision for bad debts | \$0 | \$0 | \$0 |
| - | - | - | Provision for bad debts | - | - | - |
| - | - | - | Net patient service revenue | - | - | - |
| 340 | 350 | (10) | Other revenue | 678 | 700 | (22) |
| 340 | 350 | (10) | Total operating revenues | 678 | 700 | (22) |
| | | | Operating expenses: | | | |
| 43 | 51 | 8 | Salaries and benefits | 91 | 102 | 11 |
| 24 | 34 | 10 | Purchased services | 49 | 67 | 18 |
| - | - | - | Supplies | - | 1 | 1 |
| 69 | 69 | - | Depreciation and amortization | 138 | 138 | - |
| - | - | - | Interest | - | - | - |
| 5 | 55 | 50 | Leases and rentals | 10 | 110 | 100 |
| 1 | 1 | - | Other | 2 | 3 | 1 |
| 142 | 210 | 68 | Total operating expenses | 290 | 421 | 131 |
| 198 | 140 | 58 | Excess of operating revenues over expenses | 388 | 279 | 109 |
| | | | Nonoperating revenues, expenses, and gains/(losses): | | | |
| - | - | - | Realized investment income/(losses) | - | - | - |
| - | - | - | Unrealized investment income/(losses) | - | - | - |
| - | - | - | Donation revenue | - | - | - |
| - | - | - | Nonoperating gains/(losses), net | - | - | - |
| - | - | - | Total nonoperating revenues, expenses, and gains/(losses) | - | - | - |
| \$198 | \$140 | \$58 | Increase in net position | \$388 | \$279 | \$109 |

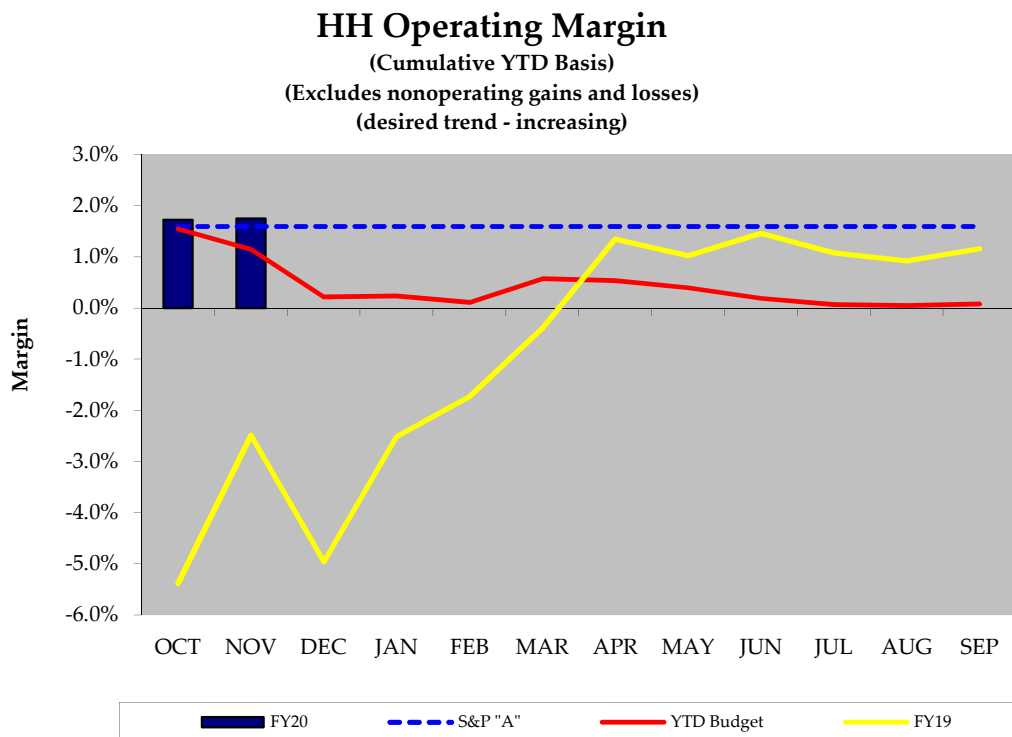
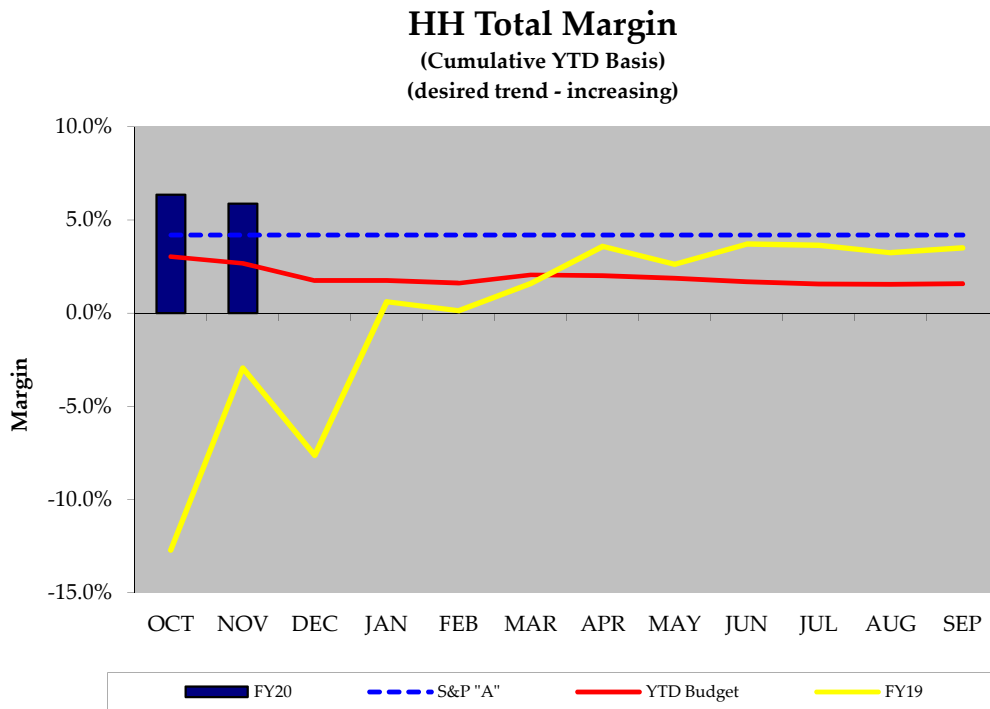
Halifax Health Foundation
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Static Budget Month Ended November 30, 2019 | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Static Budget Two Months Ended November 30, 2019 | Favorable (Unfavorable) Variance |
|--|---|--|---|---|--|--|
| | | | Operating revenues: | | | |
| \$0 | \$0 | \$0 | Net patient service revenue, before provision for bad debts | \$0 | \$0 | \$0 |
| - | - | - | Provision for bad debts | - | - | - |
| - | - | - | Net patient service revenue | - | - | - |
| (114) | - | (114) | Realized investment income/(losses) | 203 | - | 203 |
| 961 | 134 | 827 | Unrealized investment income/(losses) | 1,245 | 268 | 977 |
| - | - | - | Donation revenue | - | - | - |
| 154 | 74 | 80 | Other revenue | 376 | 149 | 227 |
| 1,001 | 208 | 793 | Total operating revenues | 1,824 | 417 | 1,407 |
| | | | Operating expenses: | | | |
| 11 | 10 | (1) | Salaries and benefits | 22 | 21 | (1) |
| - | 1 | 1 | Purchased services | 2 | 1 | (1) |
| - | - | - | Supplies | - | - | - |
| - | - | - | Depreciation and amortization | - | - | - |
| - | - | - | Interest | - | - | - |
| - | - | - | Leases and rentals | - | - | - |
| 52 | 67 | 15 | Other | 877 | 134 | (743) |
| 63 | 78 | 15 | Total operating expenses | 901 | 156 | (745) |
| \$938 | \$130 | \$808 | Increase in net position | \$923 | \$261 | \$662 |

Halifax Health Medical Center (Obligated Group)
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

| Actual Month Ended November 30, 2019 | Static Budget Month Ended November 30, 2019 | Favorable (Unfavorable) Variance | | Actual Two Months Ended November 30, 2019 | Static Budget Two Months Ended November 30, 2019 | Favorable (Unfavorable) Variance |
|--|---|--|---|---|--|--|
| | | | Operating revenues: | | | |
| \$46,435 | \$44,746 | \$1,689 | Net patient service revenue, before provision for bad debts | \$97,225 | \$92,117 | \$5,108 |
| (6,266) | (4,664) | (1,602) | Provision for bad debts | (13,909) | (9,579) | (4,330) |
| 40,169 | 40,082 | 87 | Net patient service revenue | 83,316 | 82,538 | 778 |
| 549 | 549 | - | Ad valorem taxes | 1,098 | 1,098 | - |
| 1,825 | 1,576 | 249 | Other revenue | 3,442 | 3,163 | 279 |
| 42,543 | 42,207 | 336 | Total operating revenues | 87,856 | 86,799 | 1,057 |
| | | | Operating expenses: | | | |
| 21,013 | 20,990 | (23) | Salaries and benefits | 43,360 | 43,229 | (131) |
| 6,678 | 6,386 | (292) | Purchased services | 13,086 | 12,773 | (313) |
| 8,444 | 8,448 | 4 | Supplies | 17,686 | 17,459 | (227) |
| 2,020 | 2,030 | 10 | Depreciation and amortization | 4,060 | 4,077 | 17 |
| 1,573 | 1,354 | (219) | Interest | 3,137 | 2,707 | (430) |
| 511 | 526 | 15 | Ad valorem tax related expenses | 1,034 | 1,053 | 19 |
| 545 | 542 | (3) | Leases and rentals | 1,112 | 1,083 | (29) |
| 2,092 | 2,059 | (33) | Other | 4,159 | 4,118 | (41) |
| 42,876 | 42,335 | (541) | Total operating expenses | 87,634 | 86,499 | (1,135) |
| (333) | (128) | (205) | Excess (deficiency) of operating revenues over expenses | 222 | 300 | (78) |
| | | | Nonoperating revenues, expenses, and gains/(losses): | | | |
| 212 | - | 212 | Realized investment income/(losses) | 928 | - | 928 |
| (122) | 370 | (492) | Unrealized investment income/(losses) | (245) | 740 | (985) |
| - | - | - | Donation revenue | 791 | - | 791 |
| 2,757 | 793 | 1,964 | Income (loss) from affiliates | 4,063 | 1,456 | 2,607 |
| 139 | 56 | 83 | Nonoperating gains/(losses), net | 256 | 112 | 144 |
| 2,986 | 1,219 | 1,767 | Total nonoperating revenues, expenses, and gains/(losses) | 5,793 | 2,308 | 3,485 |
| \$2,653 | \$1,091 | \$1,562 | Increase in net position | \$6,015 | \$2,608 | \$3,407 |

Halifax Health Financial Summary - Graphic

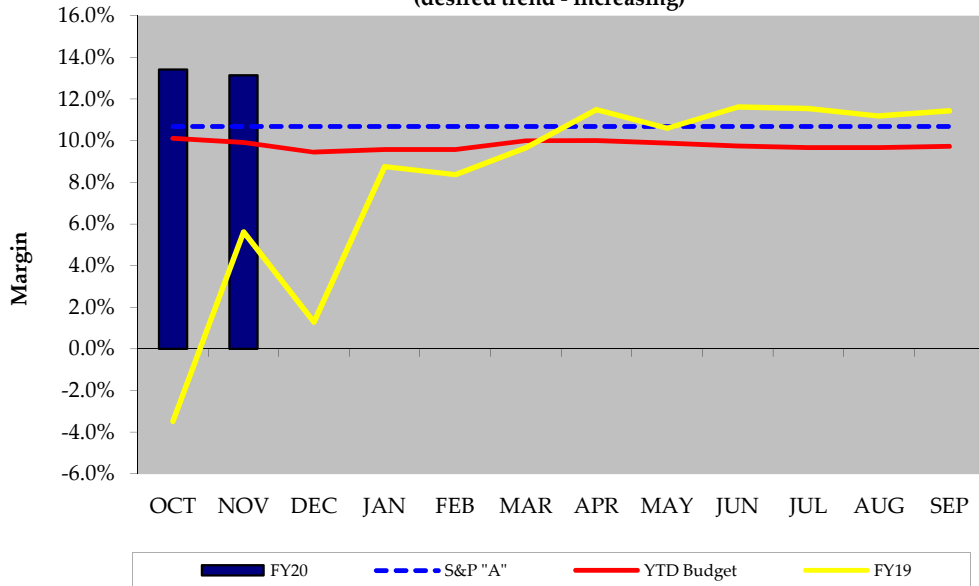


Halifax Health

Financial Summary - Graphic

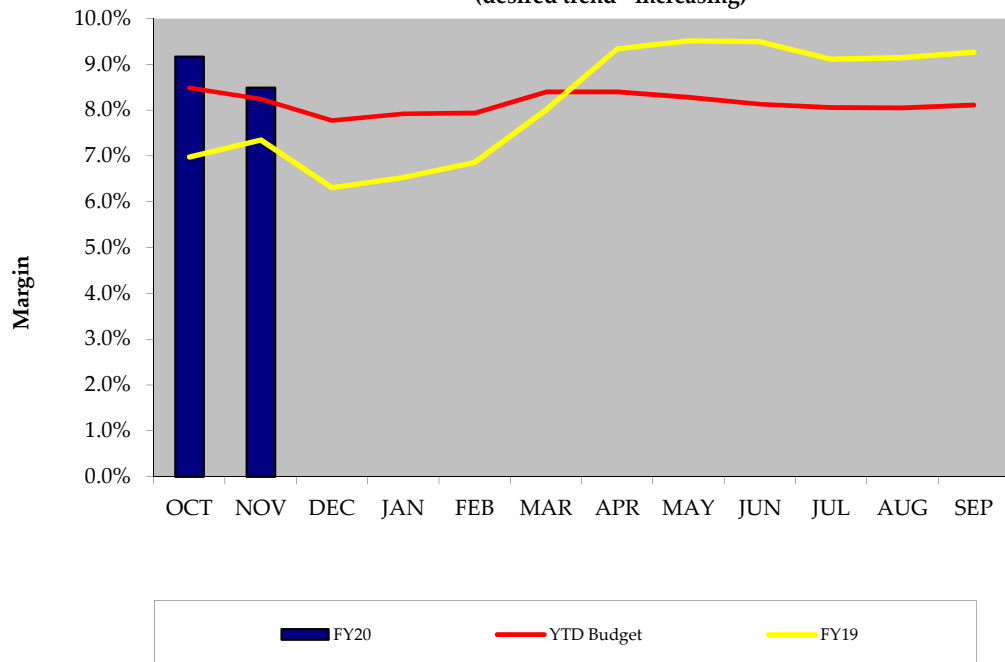
HH EBIDA Margin

(Cumulative YTD Basis)
(desired trend - increasing)

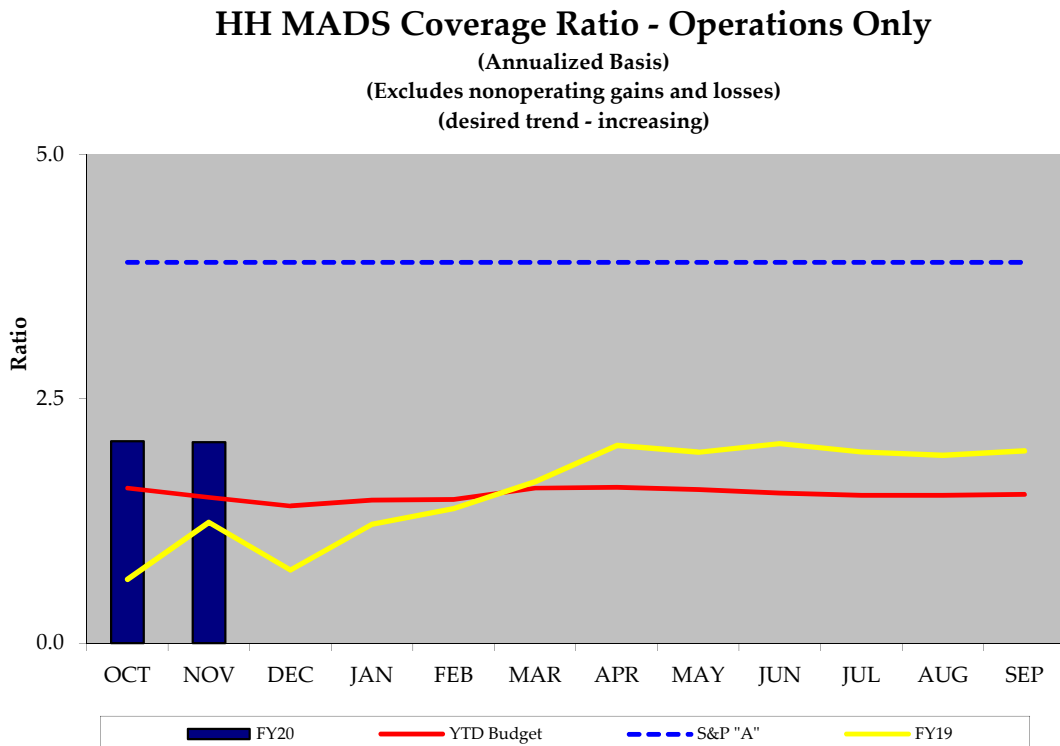
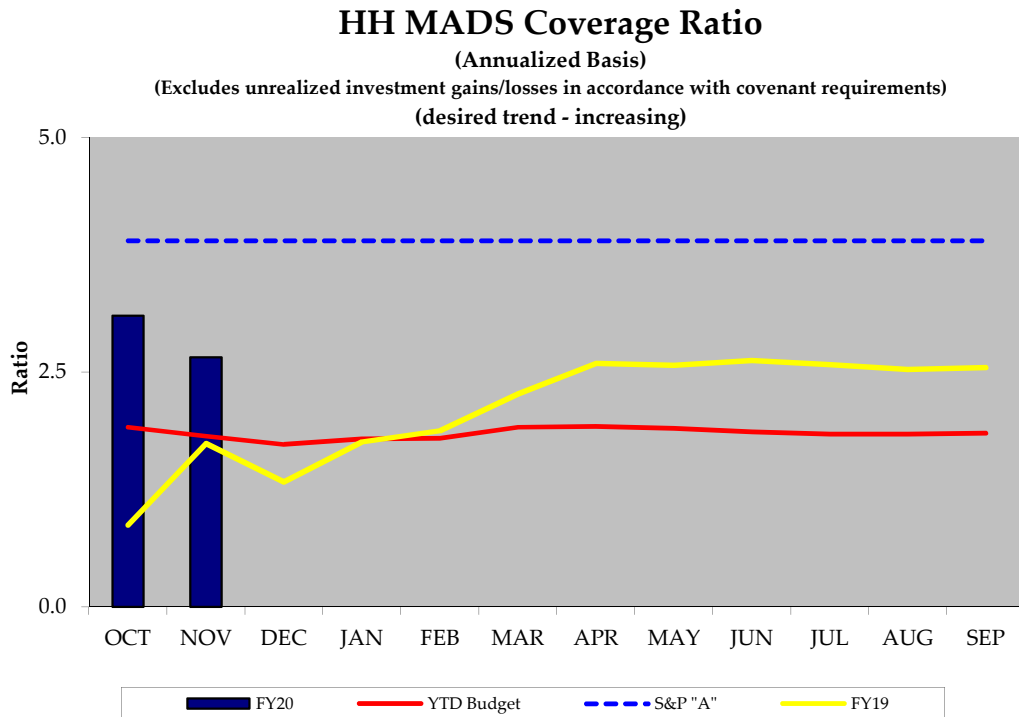


HH Adjusted Operating EBIDA Margin

(Cumulative YTD Basis)
(Excludes nonoperating gains and losses)
(desired trend - increasing)

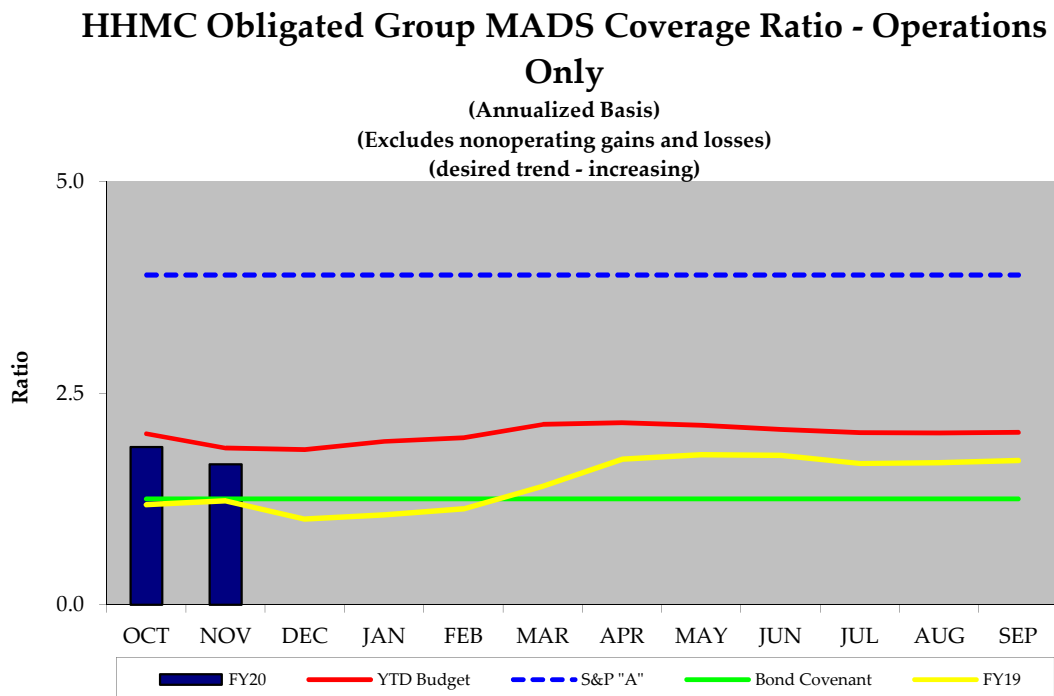
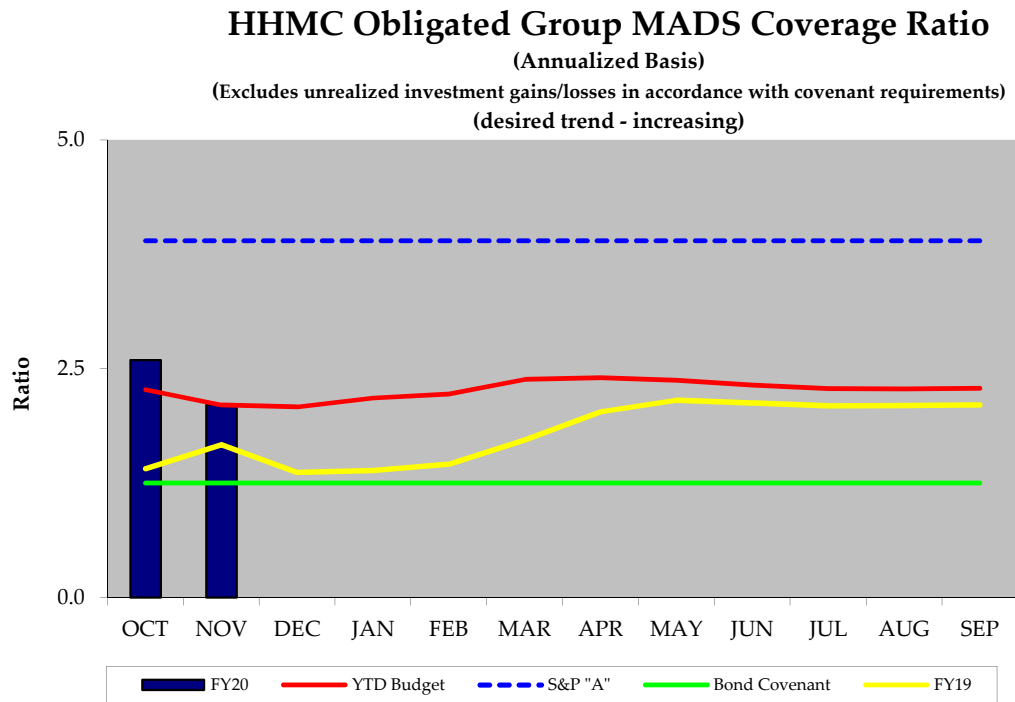


Halifax Health Financial Summary - Graphic



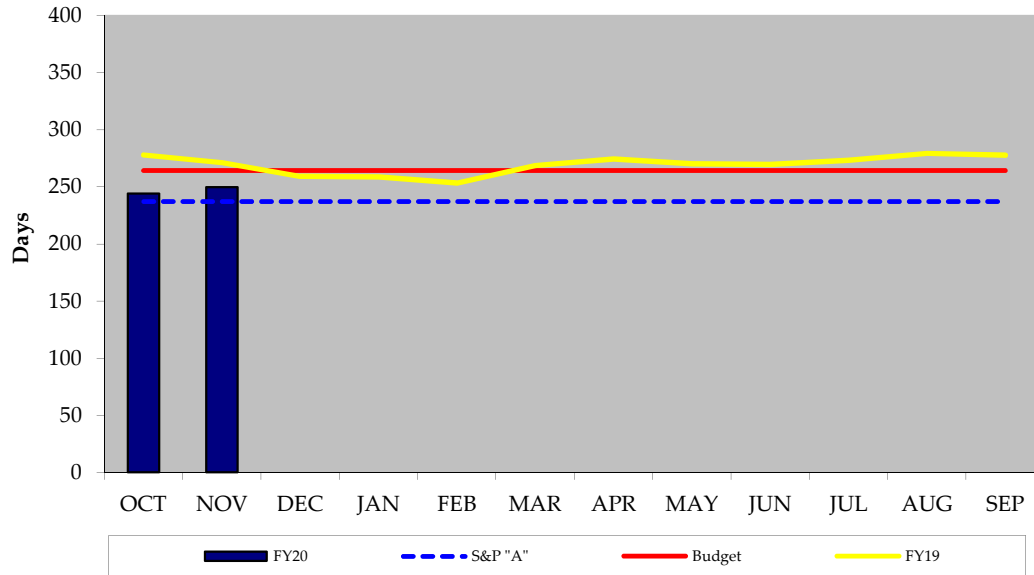
Halifax Health

Financial Summary - Graphic

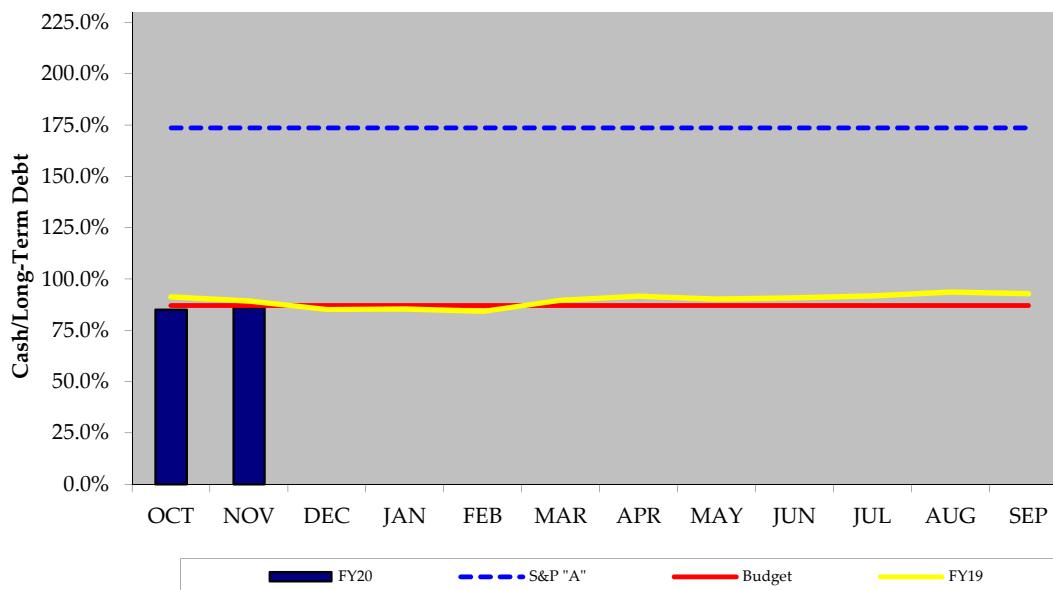


Halifax Health Financial Summary - Graphic

HH Days Cash on Hand
(Annualized Basis)
(desired trend - increasing)

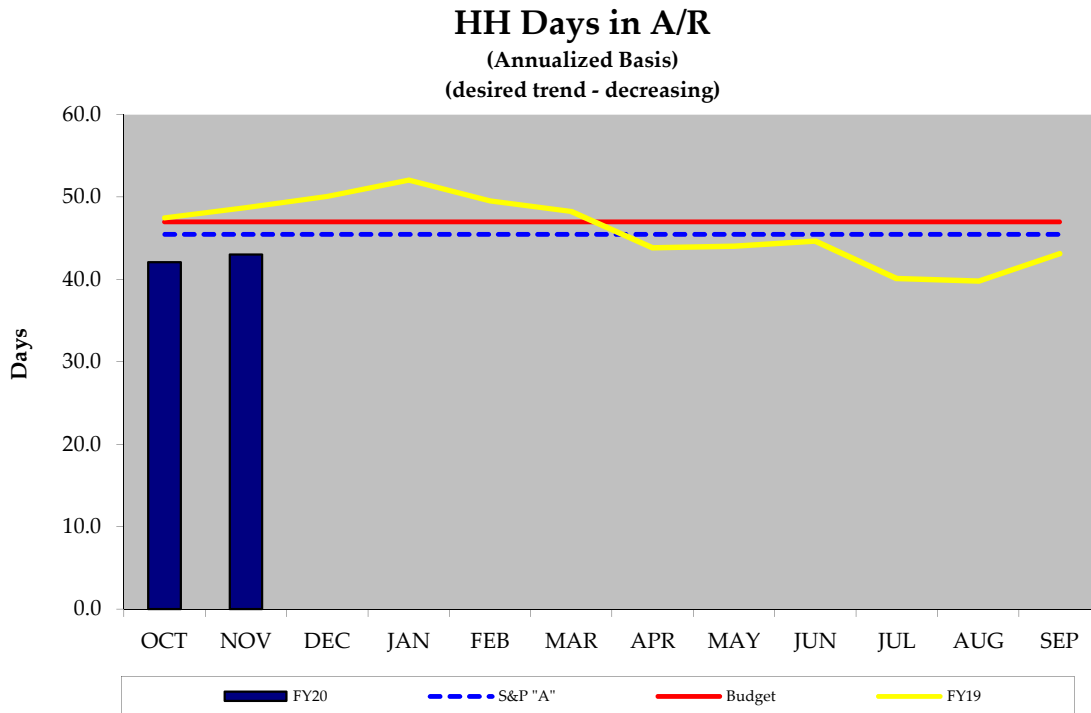
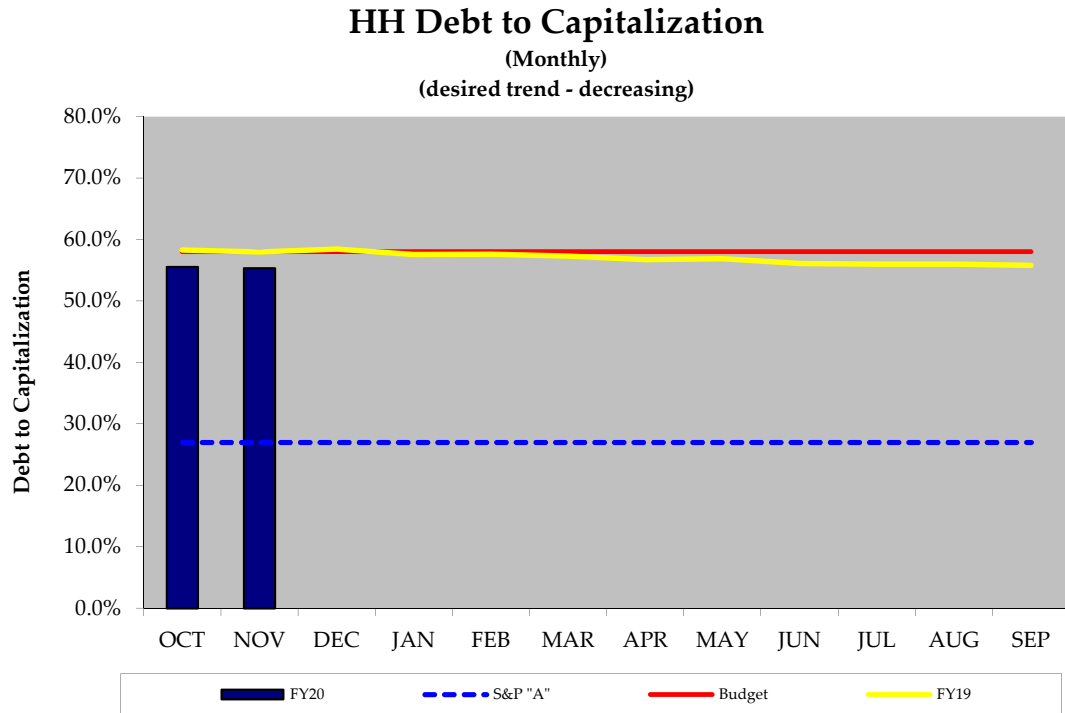


HH Cash/Debt
(Monthly)
(desired trend - increasing)



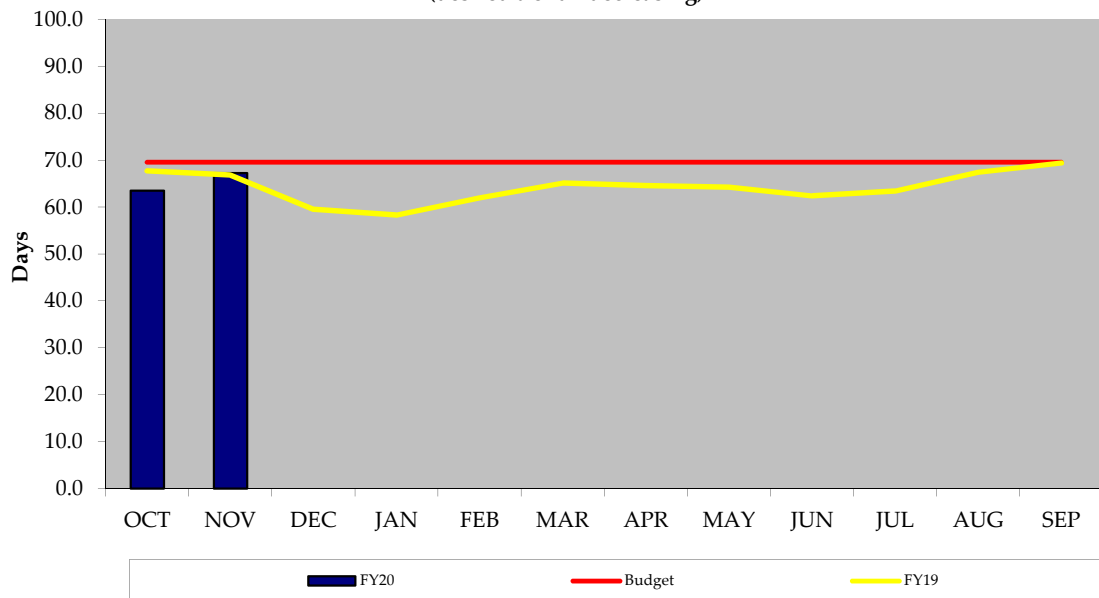
Halifax Health

Financial Summary - Graphic

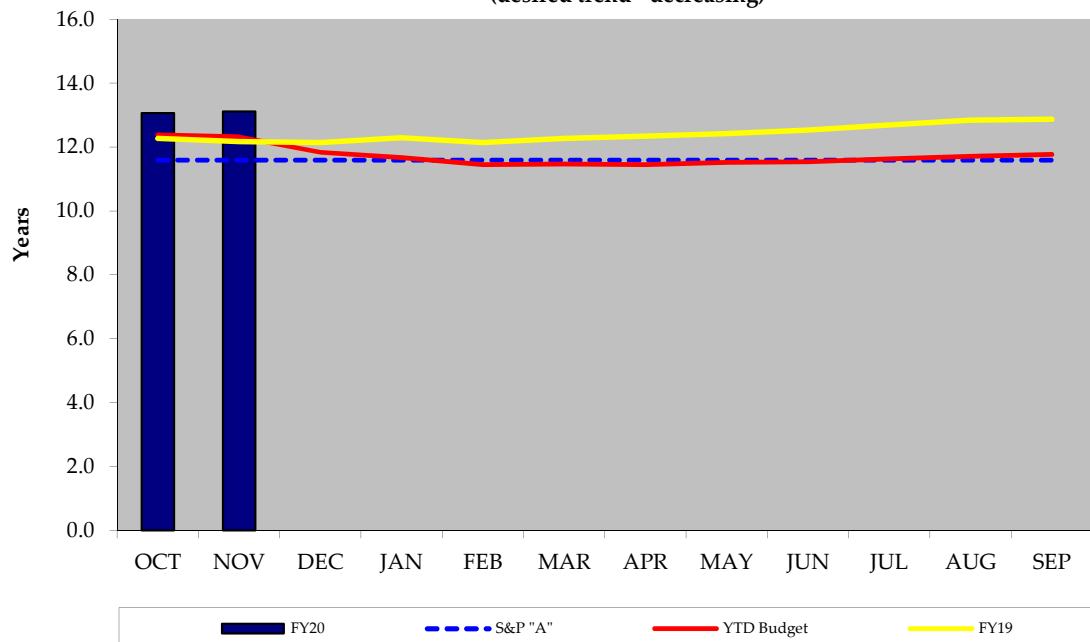


Halifax Health Financial Summary - Graphic

HH Average Payment Period (Annualized Basis) (desired trend - decreasing)



HH Average Age of Plant (Annualized Basis) (desired trend - decreasing)



Halifax Health
Financial Ratios and Operating Indicators
Definitions and Calculations

| Indicator | Definition | Calculation |
|----------------------------------|---|--|
| Total Margin * | Gauges the relative efficiency with which the System produces its output. | $\frac{\text{Net Income}}{\text{Total Revenues}}$ |
| EBIDA Margin * | Gauges the relative efficiency excluding capital costs with which the System produces its output. | $\frac{\text{Net income} + \text{Int} + \text{Depr} + \text{Amort}}{\text{Total Revenues}}$ |
| MADS Coverage Ratio * | Measures profitability relative to the Maximum Principal and Interest Payment of Debt | $\frac{\text{Net Income} + \text{Depr} + \text{Amort} + \text{Int}}{\text{Maximum Annual Debt Service}}$ |
| Days Cash on Hand | Measures the number of days of average cash expenses that the System maintains in cash and cash equivalents and unrestricted investments. | $\frac{\text{Unrestricted Cash and Investments}}{(\text{Total Expenses} - \text{Depr}) / \text{Days in Period}}$ |
| Cash to Long-term Debt | Measures the percentage of unrestricted cash and investments to long-term debt. | $\frac{\text{Unrestricted Cash and Investments}}{\text{Long-term Debt}}$ |
| Long-term Debt to Capitalization | Measures the reliance on long-term debt financing and ability to issue new debt. | $\frac{\text{Long-term Debt}}{\text{Long-term Debt} + \text{Net Position}}$ |
| Days in Accounts Receivable | Measures the average time that receivables are outstanding, or the average collection period. | $\frac{\text{Accounts Receivable}}{\text{Net Patient Service Revenue} / \text{Days in Period}}$ |
| Average Payment Period | Provides a measure of the average time that elapses before current liabilities are paid. | $\frac{\text{Current Liabilities}}{(\text{Total Expenses} - \text{Depr}) / \text{Days in Period}}$ |
| Average Age of Plant | Provides a measure of the average age in years of the System's fixed assets. | $\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}}$ |
| Operating Margin | Gauges the relative operating efficiency with which the System produces its output. | $\frac{\text{Excess of Operating Revenues}}{\text{Total Operating Revenues} + \text{Bad Debt}}$ |
| * Operations Only Indicators | Excludes realized and unrealized investment income, donations, and nonoperating gains and losses | |

Halifax Hospital Medical Center Obligated Group, Florida; Hospital; Joint Criteria

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Rationale

Outlook

Enterprise Profile: Strong

Financial Profile: Adequate

Credit Snapshot

Halifax Hospital Medical Center Obligated Group, Florida; Hospital; Joint Criteria

Credit Profile

Halifax Hospital Medical Center Obligated Group hosp VRDB ser 2008A

| | | |
|--------------------------|-----------------|-----------------|
| <i>Unenhanced Rating</i> | A-(SPUR)/Stable | Outlook Revised |
| <i>Long Term Rating</i> | AA/A-1 | Affirmed |

Series 2006A

| | | |
|-------------------------|-----------|-----------------|
| <i>Long Term Rating</i> | A-/Stable | Outlook Revised |
|-------------------------|-----------|-----------------|

Rationale

S&P Global Ratings revised its outlook to stable from negative on Halifax Hospital Medical Center (Halifax Health), Fla.'s revenue bonds. At the same time, S&P Global Ratings affirmed its 'A-' long-term rating on the bonds.

S&P Global Ratings also affirmed its 'AA/A-1' rating on the center's series 2008 variable-rate demand bonds based on the application of our joint criteria and assuming low correlation. The rating's long-term component is jointly based on our 'A-' underlying rating (SPUR) on Halifax Health and a letter of credit (LOC) from JPMorgan Chase Bank N.A. The short-term component of the rating is solely based on the short-term rating on the bank. The LOC was recently renewed for an additional five years and it now expires Nov. 17, 2024, unless extended or terminated earlier.

The outlook revision reflects the resolution of two legal matters that were present at the time of our last review. The cases presented risks, in our opinion, to the execution of Halifax Health's expansion plans for a new hospital in Deltona. In May 2019, the Florida governor signed a bill that amended Halifax Health's enabling act. The amendment authorizes the organization to operate hospitals outside its taxing district. The outlook revision also reflects management's progress toward completing the new hospital, which is now slated to open in February 2020, expanding Halifax Health's reach to an attractive and growing service area. In addition, Halifax Health plans to enter a joint management agreement with University of Florida Health (UF Health) that will allow the organizations to collaborate on running the new hospital, which will be jointly branded and known as Medical Center of Deltona (MCD). We consider this a positive development as the two organizations can leverage their collective strengths in opening and operating the new facility. Also, UF Health will be sharing in the hospital's initial working capital contribution of \$24 million (\$12 million each).

The rating reflects our view of Halifax Health's adequate financial profile, highlighted by its very healthy days' cash on hand, but tempered by modest margins and an elevated debt load relative to rating medians. We expect that with the opening of MCD in fiscal year 2020 that margins and days' cash on hand may be diluted due to the start-up costs associated with the new facility. However, we anticipate that the overall financial profile will remain appropriate for the rating and gradually improve as the operation matures. Our rating also reflects the organization's strong enterprise profile, including a healthy demand for services, economic growth in the service area and management's focus on

expanding services within and outside its primary service area (PSA). The rating also incorporates a positive adjustment to the initial indicative rating that reflects our view of Halifax Health's ability to levy taxes. While small relative to total operating revenues in recent years, we understand that management and the board have significant capacity to increase the organization's levy if necessary.

Management intends to issue \$122.2 million (plus issuance costs) of series 2019 revenue bonds in December 2019, which will be issued by Volusia County for Halifax Management System, Inc. (HMS), an affiliate and part of Halifax Health. While HMS is part of Halifax Health, it is not part of the obligated group. However, since we consider the obligated group "core" to Halifax Health under our Group Rating Methodology, the non-obligated debt is fully factored in our analysis. We understand that the bonds will be privately placed with a bank for a seven-year term. The bonds are expected to be supported by a joint and several guaranty among HMS, Halifax Hospice, Inc. and Shands Teaching Hospital and Clinics, Inc. Shands will be contractually limited to 50% of the guaranty. After the series 2019 financing, we expect Halifax Health's total debt will increase by about \$37 million. Proceeds will be used for various intercompany reimbursements. Around the same time, we also expect the \$85 million series 2018 revenue bonds will be refunded.

The rating further reflects our assessment of Halifax Health's:

- Leading market position, providing a broad range of services with an expanding presence in neighboring cities;
- Positive demographic trends within its PSA, and encouraging economic growth;
- Potential revenue diversification and market growth with the opening of MCD in partnership with UF Health;
- Ability to levy taxes up to \$74.3 million, although actual levies are much lower currently;
- Solid liquidity position with healthy unrestricted reserves, specifically days cash on hand; and
- Healthy non-operating activity--such as investment earnings and income from joint ventures and donations--that has, at times, helped balance weaker operating income.

The 'A-' rating reflects our assessment of Halifax Health's credit risks, including its:

- Margins that have been light in recent years relative to similarly rated hospitals;
- Start-up costs and inherent operating risks associated with the opening of MCD; and
- Debt metrics that we consider elevated in terms of both debt to capitalization and debt burden.

Outlook

The stable outlook reflects our expectation that Halifax Health will manage the opening of MCD in fiscal year 2020 according to plan so that the overall profitability of Halifax Health remains at least close to breakeven from operations. We believe the strength of the organization's balance sheet provides stability to the rating for some operating variability so our outlook also incorporates our expectation that days' cash on hand will remain above 'A-' medians.

Downside scenario

We could revise the outlook to negative or lower the rating if overall operating performance unexpectedly turns negative and weakens MADS coverage close to 2x. Also, given our view that the organization's liquidity provides stability during MCD's start-up period, a sharp decline in unrestricted reserves could also affect the rating. We would also view increased debt, beyond what is planned, unfavorably because we do not believe the organization has capacity for additional debt at the current rating.

Upside scenario

Upward rating potential is unlikely through the outlook period, given that the organization is in an expansion phase now that will likely limit growth in the financial profile until MCD matures. Over time, if Halifax is able to grow the overall system resulting in improved earnings and a more diversified revenue base, we could consider a positive outlook or higher rating. However, this would likely occur beyond the outlook period.

Enterprise Profile: Strong

Halifax Health's strong enterprise profile reflects its leading market share in the PSA and healthy demographic trends. Management reported significant construction within the region's hospitality sector, as well as projects related to the Daytona International Speedway. Projected economic data included in our analysis points to population growth in Volusia and Flagler counties that exceeds the national average. Also, the enterprise profile reflects benefits gained through Halifax Health's affiliations in recent years including a partnership with Brooks Rehabilitation hospital and an academic and clinical affiliation with UF Health. We believe these partnerships have contributed to service-line improvements and have also helped in recruiting and retaining physicians.

Halifax Health maintains a sizable medical staff of 532 physicians, 238 of whom are employed directly or have an exclusive contract. Active physicians are spread across primary care and many specialty clinical areas.

Halifax Health captures a leading 58.6% of inpatient admissions within its PSA. This has been fairly stable between 57%-60% during the past three years. Halifax Health's primary source of competition is Florida Hospital Memorial, a part of Advent Health.

Medical Center of Deltona

Management's recent growth plans have focused on expanding outpatient services in locations with favorable demographics and unmet health care needs, including the city of Deltona (23 miles southwest of Daytona). In addition to opening a new primary care/walk-in center in April 2014, Halifax Health acquired property in Deltona to construct a free-standing emergency department (ED), which opened in April 2017. Since then, Halifax has expanded with the construction of a new inpatient hospital facility and medical office building.

The new hospital is a six-story facility that will open with 43 beds initially, but will have the capacity to increase to 90 beds. The facility will also open with four operating rooms, one multi-purpose procedure room, and a gastroenterology procedure room. The construction of a new medical office building (MOB) is also underway at this site. The hospital is slated to open to patients in February 2020 and the MOB in March 2020. The ED has steadily grown and now has about 18,000 annual emergency room visits. We think this gives the organization a head start when it opens the doors

to inpatient care. Moreover, we expect the partnership with UF Health to be beneficial from a clinical and financial perspective.

Management believes the new facility will greatly improve local residents' access to care and will help capture additional market share. In our view, this venture should allow Halifax Health a sound opportunity to expand its services and diversify its revenues in this growing service area.

The total project cost is \$122 million, with \$97.9 million spent from cash and cash flow through Sept. 30, 2019.

Management and governance

Halifax Health's CEO has been with the organization since 2000 and the CFO since 1996. We do not expect any changes to management in the near term. The management team has been successful in navigating the organization through multiple challenges over its time while also growing the organization. Most recently, the leadership of Halifax Health resolved the issues threatening the Deltona expansion. Furthermore, the team has been effective at building partnerships in the region, including the relationship with UF Health.

The board includes seven commissioners that are residents of the taxing district, who the governor appoints. We typically view a self-perpetuating board as best practice, with negative consideration given to an appointed structure. However, management indicates the design works effectively for the hospital and the partnership between the board and management is strong.

Following a legal settlement associated with Stark Law violations in 2014, the hospital operated under a five-year corporate integrity agreement (CIA). We understand that the hospital completed the CIA in March 2019 and it is awaiting formal release from the Office of Inspector General. Management plans to continue to use a compliance expert to help with physician contracts and participate in compliance committee meetings.

Table 1

| Halifax Health, Fla.--Enterprise Statistics | | | |
|---|--------------------------------|---------|---------|
| | --Fiscal year ended Sept. 30-- | | |
| | 2019 | 2018 | 2017 |
| PSA population | N.A. | 248,150 | 248,150 |
| PSA market share (%) | N.A. | 58.6 | 57.0 |
| Inpatient admissions* | 21,110 | 20,347 | 20,593 |
| Equivalent inpatient admissions | 40,248 | 38,793 | 39,263 |
| Emergency visits | 123,526 | 129,090 | 116,747 |
| Inpatient surgeries | 7,074 | 7,290 | 7,553 |
| Outpatient surgeries | 8,798 | 9,505 | 10,314 |
| Medicare case mix index | 1.7700 | 1.8000 | 1.7000 |
| FTE employees | 3,565 | 3,654 | 3,807 |
| Active physicians | 532 | 528 | 496 |
| Top 10 physicians admissions (%) | N/A | N/A | N/A |
| Based on net/gross revenues | Net | Net | Net |
| Medicare (%) | 41.1 | 42.7 | 42.2 |
| Medicaid (%) | 12.3 | 11.5 | 12.5 |

Table 1

| Halifax Health, Fla.--Enterprise Statistics (cont.) | | | |
|---|--------------------------------|------|------|
| | --Fiscal year ended Sept. 30-- | | |
| | 2019 | 2018 | 2017 |
| Commercial/Blues (%) | 43.8 | 42.8 | 42.5 |

*Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. PSA--Primary service area.
FTE--Full-time equivalent. N/A--Not applicable. N.A.--Not available.

Financial Profile: Adequate

Tax support

Within Halifax Health's taxing district, which encompasses northeastern Volusia County, the hospital may assess up to 4 mills on taxable property. The millage rate stood at just 0.3546 mills in fiscal 2019, allowing for significant revenue-raising flexibility should the need arise. The organization's board of commissioners approved the same rate for fiscal year 2020, due to strong tax-base growth, which will yield a tax levy of \$6.6 million. We understand the rate can be increased up to the 4-mill cap with a simple majority board vote. While the board has historically been willing to support the center, both for indigent care and capital projects, Halifax Health's strategy since 2006 has been to reduce its reliance on tax revenue. Management indicates its excess millage capacity--the difference between the current and maximum millage--equals approximately \$67.7 million. We consider this a substantial cushion for the center that it could access during difficult financial circumstances.

Financial performance

Halifax Health finished fiscal 2019 strong after it got off to a slow start suffering an operating loss of about \$6.7 million in the first quarter due to lower volumes and costs related to an upgrade of its Meditech electronic medical record (EMR). Management responded through a variety of initiatives that helped successfully turn around results and restore profitability for the full year. These efforts included initiatives to improve charge capture and increase revenues and also to cull expenses through targeted restructurings and position eliminations.

As a result, Halifax Health generating positive results through each of the next three quarters and finished fiscal 2019 with a slightly higher profit margin than in fiscal 2018. The fiscal 2019 results include about \$1 million of start-up costs related to MCD. Our MADS coverage calculation assumes pro forma MADs of \$27.3 million and includes obligated and non-obligated debt. Unhedged variable-rate debt is assumed at a 3.5% interest rate.

Halifax Medical Center owns 50% interests in two joint ventures (JVs) operating in radiology and inpatient/outpatient rehabilitation. The combined benefit of the JVs is represented in other operating revenue on the income statement. The JV's typically yield cash distributions that approximate Halifax Health's share of revenues recorded. The inpatient rehabilitation joint venture is part of a 50-50 management services agreement in partnership with Brooks Health System, whereby the district pays a management fee equally to both Halifax Medical Center and Brooks to manage the program.

Balance sheet

Halifax Health's liquidity position has historically been a credit strength, measured by robust unrestricted reserves and

days' cash on hand. On June 1, 2018, the organization issued \$85 million in private placement debt with J.P. Morgan. We understand the proceeds were for general corporate purposes and have been invested in U.S. Treasuries. According to management, none of these proceeds have been spent and still sit in its investment portfolio. The proceeds have offset the impact of other cash and cash flow invested in the increased capital spending in recent years which has allowed for the maintenance of healthy overall reserve levels.

After the series 2019 financing, we expect Halifax Health's total debt will increase by about \$37 million. Proceeds will be used for various intercompany reimbursements. Around the same time, we also expect the \$85 million series 2018 revenue bonds will be refunded. Management expects these proceeds will reimburse unrestricted reserves for previous capital by \$13 million and fund about \$24 million remaining to complete MCD. The financing will result in a slight uptick in debt, but to a level that we consider manageable at the current rating. Halifax Health's pro forma debt position is elevated relative to 'A-' medians, with pro forma long-term debt to capitalization of 59% based on the unaudited fiscal 2019 financials.

Halifax Health's defined-benefit pension plan was 79% funded as of the fiscal 2018 audit. Additional accruals were frozen effective Oct. 1, 2013, and the hospital implemented a cash buyout for select pension participants. We expect the obligation and related expenses will gradually decline, because the organization plans to substantially fund the plan by 2023. It contributed \$23.4 million in October 2019 and \$19.5 million in October 2018.

Halifax Health is party to a floating-to-fixed-rate swap on a notional amount of \$70 million in conjunction with the series 2008 variable-rate bonds. It receives 67% of LIBOR from the swap counterparty, Citibank N.A., and pays a fixed rate of 3.84%. The swap had a negative mark-to-market value of \$38.3 million as of Sept. 30, 2019. There are no collateral posting requirements.

Table 2

Halifax Health, Fla.--Financial Statistics

| | --Unaudited 12 months ended Sept. 30 -- | --Fiscal year ended Sept. 30-- | | --Medians reported for 'A' rated stand-alone hospitals-- | --Medians reported for 'A' rated stand-alone hospitals-- | --Medians reported for 'BBB+' rated stand-alone hospitals-- |
|--|---|-----------------------------------|---------|---|---|---|
| | 2019 | 2018 | 2017 | 2018 | 2018 | 2018 |
| Financial performance | | | | | | |
| Net patient revenue (\$000s) | 534,221 | 516,029 | 508,359 | 500,684 | 315,718 | 303,750 |
| Total operating revenue (\$000s) | 566,687 | 546,141 | 539,088 | MNR | MNR | MNR |
| Total operating expenses (\$000s) | 561,370 | 542,189 | 542,217 | MNR | MNR | MNR |
| Operating income (\$000s) | 5,317 | 3,952 | (3,129) | MNR | MNR | MNR |
| Operating margin (%) | 0.94 | 0.72 | (0.58) | 1.60 | 2.30 | (0.10) |
| Net nonoperating income (\$000s) | 18,792 | 11,854 | 10,434 | MNR | MNR | MNR |
| Excess income (\$000s) | 24,109 | 15,806 | 7,305 | MNR | MNR | MNR |
| Excess margin (%) | 4.12 | 2.83 | 1.33 | 4.20 | 4.50 | 2.40 |
| Operating EBIDA margin (%) | 9.08 | 8.79 | 7.00 | 8.20 | 7.60 | 7.20 |
| EBIDA margin (%) | 12.00 | 10.73 | 8.76 | 10.70 | 10.70 | 8.80 |
| Net available for debt service (\$000s) | 70,229 | 59,853 | 48,157 | 60,175 | 37,959 | 23,012 |

Table 2

| Halifax Health, Fla.--Financial Statistics (cont.) | | | | | | |
|--|---|--------------------------------|---------|--|---|---|
| | --Unaudited 12 months ended Sept. 30 -- | --Fiscal year ended Sept. 30-- | | --Medians reported for 'A' rated stand-alone hospitals-- | --Medians reported for 'A-' rated stand-alone hospitals-- | --Medians reported for 'BBB+' rated stand-alone hospitals-- |
| | 2019 | 2018 | 2017 | 2018 | 2018 | 2018 |
| Pro forma maximum annual debt service (\$000s)* | 27,372 | 27,372 | 27,372 | MNR | MNR | MNR |
| Pro forma maximum annual debt service coverage (x)* | 2.57 | 2.19 | 1.76 | 3.90 | 4.00 | 2.60 |
| Pro forma operating lease-adjusted coverage (x)* | 2.43 | 2.06 | 1.67 | 3.20 | 3.10 | 2.40 |
| Liquidity and financial flexibility | | | | | | |
| Unrestricted reserves (\$000s) | 406,283 | 430,694 | 377,066 | 313,536 | 187,503 | 165,129 |
| Unrestricted days' cash on hand | 277.4 | 304.6 | 265.6 | 236.90 | 232.30 | 207.90 |
| Unrestricted reserves/total long-term debt (%) | 92.9 | 98.3 | 104.9 | 173.80 | 165.40 | 132.50 |
| Unrestricted reserves/contingent liabilities (%) | 580.4 | 615.3 | 538.7 | 420.30 | 611.30 | 331.60 |
| Average age of plant (years) | 10.0 | 10.6 | 11.2 | 11.60 | 11.80 | 13.10 |
| Capital expenditures/depreciation and amortization (%) | 236.5 | 157.0 | 91.3 | 97.30 | 129.50 | 111.80 |
| Debt and liabilities | | | | | | |
| Total long-term debt (\$000s) | 437,567 | 438,237 | 359,427 | MNR | MNR | MNR |
| Long-term debt/capitalization (%) | 56.8 | 58.8 | 53.9 | 27.00 | 30.10 | 34.00 |
| Contingent liabilities (\$000s) | 70,000 | 70,000 | 70,000 | MNR | MNR | MNR |
| Contingent liabilities/total long-term debt (%) | 16.0 | 16.0 | 19.5 | 39.80 | 19.30 | 47.60 |
| Debt burden (%) | 4.68 | 4.91 | 4.98 | 2.70 | 2.80 | 3.40 |
| Defined-benefit plan funded status (%) | N.A. | 79.42 | 73.01 | 84.80 | 80.10 | 89.80 |
| Pro forma balance-sheet ratios* | | | | | | |
| Unrestricted reserves (\$000s) | 419,283 | | | | | |
| Total long-term debt (\$000s) | 474,796 | | | | | |
| Unrestricted days' cash on hand | 286.3 | | | | | |
| Unrestricted reserves/total long-term debt (%) | 88.3 | | | | | |
| Long-term debt/capitalization (%) | 58.8 | | | | | |

*Includes obligated and non-obligated group debt of Halifax Health. Pro forma ratios include a planned issuance in December 2019 of \$122 million series 2019 privately placed bonds. The 2019 bonds are expected to be issued outside of the obligated group. A portion of the proceeds will be used to refund the obligated group's \$85 million series 2018 private placement. Proceeds are also expected to reimburse \$13 million for prior capital. N/A--Not applicable. N.A.--Not available. MNR--Median not reported.

Credit Snapshot

- Security pledge: A pledge of the obligated group's net revenue secures the bonds.
- Group Rating Methodology: Core.
- Organization description: Halifax Health is based in Daytona Beach, in Volusia County. The system includes its main tertiary facility, Halifax Medical Center (with 568 licensed beds); Halifax Port Orange Hospital (80); Halifax Behavioral Services (30); and several outpatient and hospice facilities throughout the local area. Halifax Hospital Medical Center (the district) is an independent special taxing district of the state of Florida. The district and HH Holdings represent the obligated group. Together with affiliates, the district conducts business under the name Halifax Health.

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Halifax Health
FY 2020 Capital Investment Strategy
Executive Summary
As of November 30, 2019
(\$ in thousands)

Summary of Capital Approvals

| | |
|--|-----------------------------|
| FY 2020 Capital Budget | \$ 20,000 |
| Projected funds available in excess of FY 2020 Capital Investment | 8,303 |
| FY 2020 Adjusted Capital Budget | <u>28,304</u> |
| FY 2020 Board of Commissioners approved projects | \$ 2,247 |
| FY 2020 CIC approved projects, net of those subsequently approved by the Board | 231 |
| Approved capital projects | <u>2,478</u> |
| Available for new projects | <u><u>\$ 25,826</u></u> |

Project(s) proposed for Board of Commissioners approval:

| | |
|--|--------------|
| T-Zone AHU | \$ 1,250 |
| Beds & Mattresses for Critical Care and Med/Surg Units | 420 |
| Ultrasound Echo Carts (x2) | 342 |
| BiPap Machines (x8) | 100 |
| Mako Total Knee Replacement Instrument Set | 62 |
| Spinal Surgery Tops (x2) | 60 |
| | <u>2,233</u> |

| | |
|---|-------------------------|
| Available Capital if Proposed Projects are Approved | <u><u>\$ 23,593</u></u> |
|---|-------------------------|

Halifax Health
FY 2020 Capital Investment Strategy
As of November 30, 2019
(\$ in thousands)

| | Hospital Only | HH Holdings | HH Obligated Group | VHS/HMS/MCD | Foundation | Hospice | Total Halifax Health |
|--|---------------------------|---------------------------|---------------------------|----------------------------|-------------------------|--------------------------|--------------------------|
| Unrestricted Cash and Investments and days cash on hand | | | | | | | |
| Actual unrestricted Cash and Investments as of November 30, 2019 | \$ 167,489 | \$ 80,184 | \$ 247,673 | \$ 4,674 | \$ 41,084 | \$ 83,012 | \$ 376,444 |
| Days cash on hand [S&P Calculation] | 134.3 | | 196.6 | | | 676.5 | 249.3 |
| Days cash on hand including bad debt [Bond Compliance Calculation] | 113.5 | | 166.5 | | | 655.7 | 216.1 |
| Projection of Cash Available for Capital Investment - FY 2020 | | | | | | | |
| Actual unrestricted Cash and Investments as of November 30, 2019 | \$ 167,489 | \$ 80,184 | \$ 247,673 | \$ 4,674 | \$ 41,084 | \$ 83,012 | \$ 376,444 |
| Budgeted Cash and Investments at September 30, 2020 | 186,194 | 105,700 | 291,894 | 813 | 40,654 | 73,177 | 406,538 |
| Difference | (18,705) | (25,516) | (44,221) | 3,861 | 431 | 9,836 | (30,094) |
| Calculation of Cash from Operations Available for Capital Investment | | | | | | | |
| Gain from operations - budgeted FY 2020- Remaining | \$ 5,583 | \$ 528 | \$ 6,111 | \$ (9,651) | \$ 1,302 | \$ 1,589 | \$ (649) |
| GASB 68 pension accounting - budgeted FY 2020- Remaining | 11,570 | - | 11,570 | - | - | 620 | 12,190 |
| Depreciation expense - budgeted FY 2020- Remaining | 18,906 | 630 | 19,536 | 4,411 | - | 654 | 24,600 |
| Expected cash from operations- budgeted FY 2020- Remaining | 36,059 | 1,158 | 37,216 | (5,240) | 1,302 | 2,863 | 36,141 |
| Donations and nonoperating gains, net- budgeted FY 2020- Remaining | 562 | - | 562 | - | - | 588 | 1,150 |
| Investment gains- budgeted FY 2020- Remaining | \$ 2,778 | \$ 1,659 | \$ 4,437 | \$ - | \$ - | \$ 3,222 | \$ 7,659 |
| Portion being made available for capital expenditures | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 2018 Bond refunding | (85,000) | | (85,000) | | | | (85,000) |
| Proceeds from 2019 Bond issuance | - | 123,000 | 123,000 | - | - | - | 123,000 |
| Expected changes in working capital through September 30, 2020 | (2,474) | - | (2,474) | - | - | - | (2,474) |
| Deltona capital expenditures | - | - | - | (13,960) | - | - | (13,960) |
| FEMA reimbursement for capital projects | 426 | | 426 | - | - | - | 426 |
| Principal payments on debt | (5,795) | - | (5,795) | - | - | - | (5,795) |
| Total expected cash and investments available for capital expenditures | (A) \$ 12,851 | (A) \$ 100,301 | (A) \$ 113,152 | (A) \$ (15,339) | (A) \$ 1,733 | (A) \$ 16,508 | (A) \$ 31,054 |
| Projected Capital Investments FY 2020 | | | | | | | |
| Capital projects approved in FY 2019 and prior | \$ 11,359 | \$ - | \$ 11,359 | \$ - | \$ - | \$ - | \$ 11,359 |
| FY2020 capital budget | 19,700 | - | 19,700 | - | - | 300 | 20,000 |
| FY2019 capital budget carry over | 3,391 | - | 3,391 | - | - | - | 3,391 |
| Estimated carryover of approved projects to FY 2020 | (12,000) | - | (12,000) | - | - | - | (12,000) |
| Projected capital expenditures | (B) 22,450 | (B) - | (B) 22,450 | (B) - | (B) - | (B) 300 | (B) 22,750 |
| Projected funds available in excess of capital expenditures | (A)-(B) \$ (9,599) | (A)-(B) \$ 100,301 | (A)-(B) \$ 90,701 | (A)-(B) \$ (15,339) | (A)-(B) \$ 1,733 | (A)-(B) \$ 16,208 | (A)-(B) \$ 8,303 |
| Summary of Capital Approvals | | | | | | | |
| FY 2020 Capital Budget | \$ 19,700 | \$ - | \$ 19,700 | \$ - | \$ - | \$ 300 | \$ 20,000 |
| Projected funds available in excess of FY 2020 Capital Investment | (9,599) | 100,301 | 90,701 | (15,339) | 1,733 | 16,208 | 8,303 |
| FY 2020 Adjusted Capital Budget | (C) 10,101 | (C) 100,301 | (C) 110,402 | (C) (15,339) | (C) 1,733 | (C) 16,508 | (C) 28,304 |
| FY 2020 Board of Commissioners approved projects | 2,247 | - | 2,247 | - | - | - | 2,247 |
| FY 2020 CIC approved projects, net of those subsequently approved by the Board | 231 | - | 231 | - | - | - | 231 |
| Approved capital projects | (D) 2,478 | (D) - | (D) 2,478 | (D) - | (D) - | (D) - | (D) 2,478 |
| Available for new projects | (C)-(D) \$ 7,623 | (C)-(D) \$ 100,301 | (C)-(D) \$ 107,924 | (C)-(D) \$ (15,339) | (C)-(D) \$ 1,733 | (C)-(D) \$ 16,508 | (C)-(D) \$ 25,826 |
| Project(s) proposed for Board of Commissioners approval: | | | | | | | |
| T-Zone AHU | \$ 1,250 | \$ - | \$ 1,250 | \$ - | \$ - | \$ - | \$ 1,250 |
| Beds & Mattresses for Critical Care and Med/Surg Units | 420 | - | 420 | - | - | - | 420 |
| Ultrasound Echo Carts (x2) | 342 | - | 342 | - | - | - | 342 |
| BiPap Machines (x8) | 100 | - | 100 | - | - | - | 100 |
| Mako Total Knee Replacement Instrument Set | 62 | - | 62 | - | - | - | 62 |
| Spinal Surgery Tops (x2) | 60 | - | 60 | - | - | - | 60 |
| Total | 2,233 | - | 2,233 | - | - | - | 2,233 |
| Available Capital if Proposed Projects are Approved | \$ 5,390 | \$ 100,301 | \$ 105,691 | \$ (15,339) | \$ 1,733 | \$ 16,508 | \$ 23,593 |

Halifax Health
FY 2020 Capital Budget
(in Thousands)

| | | (A) | (B) | (A) + (B) |
|------|--|----------------------|-------------------|-------------------|
| Item | Information Technology | FY 20 Capital Budget | FY 20 Approvals | Remaining Balance |
| 1 | IT Enterprise Projects | \$ 1,000 | \$ - | \$ 1,000 |
| 2 | SAN Replacement | 900 | - | 900 |
| 3 | Core Network Upgrade | 550 | - | 550 |
| 4 | IT Internal Resource Capitalization | 500 | - | 500 |
| 5 | Laptop/Desktop Refresh | 300 | - | 300 |
| 6 | Wireless Upgrade | 150 | - | 150 |
| 7 | Firewall/NAC Hardware Replacement | 125 | - | 125 |
| 8 | WOW Replacements | 100 | - | 100 |
| 9 | Enterprise Infrastructure | 100 | - | 100 |
| | Total Information Technology | \$ 3,725 | \$ - | \$ 3,725 |
| Item | Medical Equipment | | | |
| 10 | HHPO MRI Scanner | \$ 3,000 | \$ - | \$ 3,000 |
| 11 | EMR for Advent Health NSB | 500 | - | 500 |
| 12 | Patient Monitors (15) | 461 | - | 461 |
| 13 | Echo Cart Replacement (2) | 333 | - | 333 |
| 14 | Excess for Siemens Nexaris Angio/CT Oncology Suite Project | 277 | - | 277 |
| 15 | Diagnostic Ultrasound (1) | 160 | - | 160 |
| 16 | Medical Equipment Emergency Purchases over \$100,000 | 2,000 | - | 2,000 |
| 17 | Medical Equipment Projects under \$100,000 | 1,269 | (388) | 881 |
| | Total Medical Equipment | \$ 8,000 | \$ (388) | \$ 7,613 |
| Item | Infrastructure/Facilities | | | |
| 18 | T-Zone AHU Replacement | \$ 1,250 | \$ (1,250) | \$ - |
| 19 | Central and 63 Building (68 building) | 600 | - | 600 |
| 20 | AHU Replacement #9 | 400 | - | 400 |
| 21 | Service Building Roof Replacement | 310 | - | 310 |
| 22 | Infrastructure Emergency Purchases over \$100,000 | 1,000 | - | 1,000 |
| 23 | Infrastructure Projects under \$100,000 | 1,090 | (64) | 1,026 |
| | Total Infrastructure/Facilities | \$ 4,650 | \$ (1,314) | \$ 3,336 |
| Item | Hospice Capital Expenditures | | | |
| 24 | Hospice Capital | \$ 300 | \$ - | \$ 300 |
| | Total Hospice Capital Expenditures | \$ 300 | \$ - | \$ 300 |
| 25 | Service Expansion | \$ 3,325 | \$ (2,247) | \$ 1,078 |
| | Total Other | \$ 3,325 | \$ (2,247) | \$ 1,078 |
| | Total HH Capital Expenditures | \$ 20,000 | \$ (3,949) | \$ 16,052 |

Halifax Health
FY 2020 and Prior Approved Capital Projects and Expenditures
As of November 30, 2019
(\$ in thousands)

| | | Total Carryover and Approved | Spent During FY 2019 | HMC Remaining to be Spent |
|--|-------------------|---|---------------------------------|--|
| Capital funds required for projects approved in FY 2019 and prior | CIC Number | | | |
| Mako System with Total Knee Application | 19-0515-023 | \$ 790 | \$ 790 | \$ - |
| Vendor Neutral Archive (VNA) for Enterprise Imaging | 16-0720-002 | 584 | 3 | 581 |
| West Clyde Morris Infrastructure (Spine Road) | 18-1115-007 | 571 | 249 | 322 |
| CT Scanner - Radiation Oncology | 18-0418-001 | 517 | | 517 |
| Roof Replacement, Building B | 18-0718-001 | 505 | | 505 |
| Laptops (x90) and PCs (x800) | 19-0515-003 | 500 | 500 | 0 |
| Storage Platform & Software for IT | 19-0515-004 | 369 | 180 | 189 |
| CVICU Monitoring (x6) Upgrade | 19-0717-002 | 340 | | 340 |
| Hospice POCC Window Shutters | 19-0619-002 | 331 | | 331 |
| Ventilators (Qty 10) | 19-0717-003 | 320 | | 320 |
| Medical Oncology Expansion-Port Orange | 17-0215-004 | 288 | | 288 |
| Baxter Infusion Pumps (x100) for Oncology | 19-0619-008 | 243 | | 243 |
| Hospice WVCC Wind Shutters | 19-0515-002 | 237 | | 237 |
| Pharmacy Renovation-Ormond Beach ROC | 19-0515-024 | 236 | | 236 |
| Pharmacy Renovation-Port Orange ROC | 19-0515-025 | 216 | | 216 |
| Fan Coil Units (FCUs) Connection to Emergency Generator at HHPO | 18-0117-001 | 205 | | 205 |
| Laundry Facility Modification | 18-0516-004 | 176 | 62 | 114 |
| Kronos Software for Employee Self Service | 19-0717-004 | 154 | | 154 |
| Diagnostic Portable X-Ray | 19-0717-005 | 150 | | 150 |
| Ultrasound for Cardiac Cath Lab | 19-0717-006 | 145 | | 145 |
| Ultrasound for HHPO | 19-0717-007 | 145 | | 145 |
| Automatic Transfer Switch (ATS) for Generator #6 Chiller | 19-0515-005 | 104 | | 104 |
| Hospice Ormond Care Center Window Shutters | 19-0515-006 | 103 | | 103 |
| Echo Cart (Ultrasound) with TEE Probe | 18-0718-002 | 102 | | 102 |
| Subtotal of approved items less than \$100k | | 1,704 | 136 | 752 |
| Total Capital funds required for projects approved in FY 2019 and prior | | \$ 9,032 | \$ 1,951 | \$ 7,081 |
| FY2020 Board Approved 2019 Capital Projects | | | | |
| BrainLab Neurosurgical Navigation System | 19-0821-002 | \$ 489 | \$ - | \$ 489 |
| Epiphany ECG Data Management System | 19-0918-002 | 403 | | 403 |
| C-Arm | 19-0821-003 | 401 | | 401 |
| SQL Licenses (x23) | 19-0918-003 | 336 | | 336 |
| Surgical Microscope | 19-0821-004 | 286 | | 286 |
| Wireless Access Points (Qty 180) | 19-0918-004 | 149 | | 149 |
| Ultrasound for OB Diagnostics | 19-0918-005 | 140 | | 140 |
| EKG Carts (x8) | 19-0918-006 | 66 | | 66 |
| Televisions (Qty 180) for France Tower | 19-0918-007 | 58 | | 58 |
| Total FY 2020 Board Approved 2019 Capital Projects | | \$ 2,327 | \$ - | \$ 2,327 |
| FY2020 Board Approved 2020 Capital Projects | | | | |
| Pulmonary Practice (Dr. White) Acquisition | 20-1120-001 | \$ 1,137 | \$ - | \$ 1,137 |
| Retail Pharmacy | 20-1120-002 | 1,109 | | 1,109 |
| Total FY 2020 Board Approved 2020 Capital Projects | | \$ 2,247 | \$ - | \$ 2,247 |
| FY 2020 Other Approved Capital Projects | | | | |
| Stretchers (x6) | 20-1120-007 | \$ 49 | \$ - | \$ 49 |
| CPU for EP Lab 6 | 20-1120-008 | 45 | | 45 |
| Security Vehicle | 20-1120-009 | 39 | | 39 |
| Nail Extraction System | 20-1120-010 | 30 | | 30 |
| Hemodialysis Systems (x2) | 20-1120-011 | 28 | | 28 |
| Reverse Osmosis Water Filtration System | 20-1120-003 | 25 | | 25 |
| Bow Frame | 20-1016-004 | 7 | | 7 |
| Blanket Warmer | 20-1120-012 | 4 | | 4 |
| Infant Evacuation Chair | 20-1120-013 | 4 | | 4 |
| Total FY 2020 Other Approved Capital Projects | | \$ 231 | \$ - | \$ 231 |
| Projects proposed for Board of Commissioners approval | | | | |
| T-Zone AHU | 20-1120-004 | \$ 1,250 | \$ - | \$ 1,250 |
| Beds & Mattresses for Critical Care and Med/Surg Units | 20-1016-001 | 420 | | 420 |
| Ultrasound Echo Carts (x2) | 20-1120-005 | 342 | | 342 |
| BiPap Machines (x8) | 20-1016-002 | 100 | | 100 |
| Mako Total Knee Replacement Instrument Set | 20-1120-006 | 62 | | 62 |
| Spinal Surgery Tops (x2) | 20-1016-003 | 60 | | 60 |
| Total Project(s) proposed for Board approval | | \$ 2,233 | \$ - | \$ 2,233 |

CAPITAL EXPENDITURES & OPERATING LEASES

January 2020

Capital Expenditures \$50,000 and over

| DESCRIPTION | DEPARTMENT | SOURCE OF FUNDS | TOTAL |
|---|--------------------------------|-----------------|-----------|
| Beds and Mattresses for Critical Care and Specialty | Intensive Medical Care | Working Capital | \$420,054 |
| Ultrasound Echocardiogram Machines | Cardiology | Working Capital | \$341,725 |
| BiPap Machines for Respiratory Therapy | Respiratory Therapy Department | Working Capital | \$99,577 |
| Mako Total Knee Replacement Instrument Set | Surgical Services | Working Capital | \$61,818 |
| Spinal Surgery Table Tops | Surgical Services | Working Capital | \$59,886 |
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Operating Leases \$250,000 and over

| DESCRIPTION | DEPARTMENT | REPLACEMENT Y/N | LEASE TERMS | INTEREST RATE | MONTHLY PAYMENT |
|-------------|------------|--------------------|----------------|------------------|--------------------|
| | | | | | |
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HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Tonja Williams, RN, Chief Nursing Officer
DATE: November 15, 2019
RE: Beds and Mattresses for Critical Care and Specialty

Halifax Health Intensive Medical Care (IMC) Nursing Department is requesting funding for the purchase of thirteen (13) critical care beds and seven (7) specialty beds.

The beds for IMC will replace beds that are greater than 15 years old and will complete the replacement plan for the department. In addition, the purchase of four (4) wound care and three (3) bariatric beds will be used in the inpatient units in lieu of renting these types of specialty beds.

The project was approved at the Capital Investment Committee meeting on October 16, 2019.

TOTAL CAPITAL COSTS \$420,054



Halifax Health

Project Evaluation

Beds & Mattresses fro Critical Care

Chief Nursing Officer:

Tonja Williams

Finance Analysis by:

Roxanne Edmonds

Summary

Purpose:

This project is to purchase 13 new critical care beds to replace the worn and out dated existing beds, as well as 7 specialty beds to reduce the expense of renting these beds.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology
Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

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| X |
| X |
| X |
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Cornerstone:

Safety
Compassion
Image
Efficiency

| |
|---|
| |
| |
| X |
| X |

Investment/Return:

| | Investment Cash Flow | Operations Cash Flow | Cumulative Cash Flow |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Year 0 ¹ | (\$420,054) | \$0 | (\$420,054) |
| Year 1 | \$0 | \$78,110 | (\$341,944) |
| Year 2 | \$0 | \$79,672 | (\$262,272) |
| Year 3 | \$0 | \$81,266 | (\$181,006) |
| Year 4 | \$0 | \$82,891 | (\$98,115) |
| Year 5 | \$0 | \$84,549 | (\$13,566) |
| Terminal Value ² | \$0 | \$0 | (\$13,566) |

Decision Metrics

| | |
|--------------------------------|------------|
| Required rate of Return | 6.2% |
| Internal Rate of Return (IRR) | -1.1% |
| 5 Year Net Present Value (NPV) | (\$80,273) |
| Payback Period (in Years) | N/A |

Investment Request for Approval **\$420,054**

¹ Includes capital acquisition and project startup costs

² Terminal value is estimated at 0, assumes technology is obsolete after 5 years



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: December 13, 2019
RE: Ultrasound Echocardiogram Machines

Halifax Health Cardiology Department is requesting funding to purchase two ultrasound echocardiogram machines for the Electrophysiology Lab. The equipment will be used for trans-thoracic and trans-esophageal echocardiogram imaging during atrial fibrillation ablation procedures and left atrial appendage procedures. The current machines are at end of life.

The project was approved at the Capital Investment Committee meeting on November 20, 2019.

Total Capital Costs \$341,725



Halifax Health Project Evaluation

Ultrasound Echo Carts (x2)

Chief Operating Officer:
VP of Operations:
Manager Cardiac Cath Lab:
Finance Analysis by:

Alberto Tineo
Matt Petkus
Lismer Castellano
Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of two EPIQ CVx Ultrasound System Echo Carts to replace existing end of life units.

Strategic Plan Core Competency Achievement:

| | |
|--------------------------|---|
| Physician Integration | |
| Care Coordination | X |
| Cost Management | |
| Information Technology | |
| Service Distribution | X |
| Financial Position | |
| Scale | |
| Managed Care Contracting | |
| Competitive Position | |

Cornerstone:

| | |
|------------|---|
| Safety | X |
| Compassion | |
| Image | |
| Efficiency | X |

Investment Request for Approval **\$341,725**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: November 15, 2019
RE: BiPap Machines for Respiratory Therapy

Halifax Health Respiratory Therapy Department is requesting funding to purchase eight (8) BiPap machines. The new machines will replace end-of-life devices that are no longer supported.

BiPap machines deliver pressurized air to the patient's airways to treat respiratory failure and to prevent a patient from being placed on a ventilator. Since the machines are portable they can remain on the patient during transportation for ancillary testing.

The project was approved at the Capital Investment Committee meeting on October 16, 2019.

TOTAL CAPITAL COSTS \$99,577



Halifax Health Project Evaluation

| BiPaps | |
|------------------------------|-----------------|
| Chief Operating Officer: | Alberto Tineo |
| VP of Operations: | Matt Petkus |
| Manager Respiratory Therapy: | John Walburg |
| Finance Analysis by: | Roxanne Edmonds |

Summary

Purpose:

This project is to purchase 8 new BiPaps for Respiratory Therapy to replace the current models which have been discontinued and are no longer supported.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology
Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

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| X |
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| X |
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Cornerstone:

Safety
Compassion
Image
Efficiency

| |
|---|
| X |
| |
| |
| X |

Investment/Return:

| | Investment Cash Flow | Operations Cash Flow | Cumulative Cash Flow |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Year 0 ¹ | (\$99,577) | \$0 | (\$99,577) |
| Year 1 | \$0 | \$33,657 | (\$65,920) |
| Year 2 | \$0 | \$34,330 | (\$31,591) |
| Year 3 | \$0 | \$35,016 | \$3,426 |
| Year 4 | \$0 | \$35,717 | \$39,142 |
| Year 5 | \$0 | \$36,431 | \$75,573 |
| Terminal Value ² | \$0 | \$0 | \$75,573 |

| Decision Metrics | |
|--------------------------------|----------|
| Required rate of Return | 6.2% |
| Internal Rate of Return (IRR) | 22.0% |
| 5 Year Net Present Value (NPV) | \$46,830 |
| Payback Period (in Years) | 2.9 |

Investment Request for Approval **\$99,577**

¹ Includes capital acquisition and project startup costs

² Terminal value is estimated at 0, assumes technology is obsolete after 5 years



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: December 13, 2019
RE: Mako Total Knee Replacement Instrument Set

Halifax Health Surgical Services is requesting funding for the purchase of a Mako Total Knee Replacement Instrument Set.

The Mako instrument set is the navigation system used for total knee procedures. The navigation system provides a more precise and accurate procedure with fewer cuts to the bone while protecting soft tissue, ligaments and blood vessels. The additional instrument set will allow the surgeons to perform more than two total knee procedures in one day without waiting for instruments to be sterilized.

The project was approved at the Capital Investment Committee meeting on November 20, 2019.

TOTAL CAPITAL COSTS \$61,818



Halifax Health

Project Evaluation

Mako Instrument Set

Chief Operating Officer:

Alberto Tineo

VP of Operations:

Matt Petkus

Director, Surgical Services

Eric Little

Finance Analysis by:

Todd Aldrich

Summary

Purpose:

This is a purchase for a 3rd set of Mako Knee Instruments. The Mako is the navigation system purchased in FY2019 to perform total knee replacement cases. This purchase will allow us to do 1 additional case per day without a delay waiting for the instruments to be sterilized.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology
Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

| |
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| |
| X |
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| X |
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Cornerstone:

Safety
Compassion
Image
Efficiency

| |
|---|
| |
| |
| X |
| X |

Investment Request for Approval **\$61,818**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: November 15, 2019
RE: Spinal Surgery Table Tops

Halifax Health Surgical Services is requesting funding for the purchase of two (2) spinal surgery table tops for neurosurgical procedures. The table platform provides customizable patient positioning for all spinal and imaging procedures, including those requiring 180 degree rotation.

The carbon fiber frame provides complete radiolucency with an unrestricted C-Arm and O-Arm access with a weight capacity of 650 pounds. The open frame reduces vena cava compression, minimizes epidural venous bleeding and improves visualization at the surgical site. The table tops will facilitate safe and efficient rotations from supine to prone for delicate procedures.

The project was approved at the Capital Investment Committee meeting on October 16, 2019.

TOTAL CAPITAL COSTS \$59,886



Halifax Health Project Evaluation

Trios Spinal Surgery Tops

| | |
|----------------------------|---------------|
| Chief Operating Officer: | Alberto Tineo |
| VP of Operations: | Matt Petkus |
| Director Surgical Services | Eric Little |
| Finance Analysis by: | Todd Aldrich |

Summary

Purpose:

This project is the purchase of two (2) Trios Spinal Surgery Tops for the Neurosurgical service line. The table tops will facilitate safe and efficient rotations from supine to prone through 180 degree rotation during delicate procedures.

Strategic Plan Core Competency Achievement:

| | |
|--------------------------|---|
| Physician Integration | |
| Care Coordination | X |
| Cost Management | |
| Information Technology | |
| Service Distribution | X |
| Financial Position | |
| Scale | |
| Managed Care Contracting | |
| Competitive Position | |

Cornerstone:

| | |
|------------|---|
| Safety | X |
| Compassion | |
| Image | |
| Efficiency | X |

Investment Request for Approval \$59,886

Recommendation for approval of the project is not based upon incremental return on investment.

**Halifax Health
Capital Disposals
OCTOBER/NOVEMBER 2019**

The Board hereby deems the following property to be surplus in that: the items are obsolete, their continued use would be uneconomical or inefficient, or they serve no useful function. Disposition of said property is therefore authorized pursuant to Florida Statutes, Chapter 274.

| Asset # | Description | Department | Date Purchased | Disposition Status | Original Cost | Book Value |
|---------|---------------------|------------|----------------|----------------------------------|---------------|------------|
| 55671 | PORTABLE X-RAY UNIT | RADIOLOGY | 11/20/2006 | CONVERTED TO DIGITAL | 37,522.10 | - |
| 199801 | BLANKET WARMER | PEDIATRICS | 9/1/1997 | IRREPARABLE | 2,952.00 | - |
| 0026931 | BEVERAGE UNIT | DIETARY | 3/1/1983 | OLD/WORN | 1,194.80 | - |
| 59351 | MAC PRO TOWER | MARKETING | 11/15/2011 | NO LONGER SUPPORTED/INCOMPATIBLE | 2,710.13 | - |
| 59352 | MAC PRO TOWER | MARKETING | 11/15/2011 | NO LONGER SUPPORTED/INCOMPATIBLE | 2,710.13 | - |
| 56754 | CHEMISTRY ANALYZER | LAB | 3/10/2008 | IRREPARABLE | 72,031.80 | - |

Total to be Disposed: \$ 119,120.96 \$ -



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: January 2, 2020
RE: Proposed Investment Policy Changes for the Pension Plan, Hospice and Foundation – Request for Finance Committee Approval

On November 11, 2019, the Investment Committee approved certain changes to the Investment Policies of the Pension Plan, Hospice and Foundation. Approval of these policy changes is required by the Finance Committee. The proposed changes relate to the targeted asset allocations for these entities based on an asset allocation study conducted by Marquette. The results of the study and the proposed changes are expected to increase returns and lower overall risks of these portfolios.

The proposed red-line changes to the Pension, Hospice and Foundation investment policies are attached.

There are no recommended changes for the HH Holdings or Halifax Hospital Medical Center investment policies.

Approval of Defensive Equity Manager

The proposed investment allocations for the Pension Plan, Hospice and Foundation include a new category of Defensive Equity. Based upon the recommendation of Marquette, Parametric Defensive Equity is proposed as the manager of the Defensive Equity Category, including custodial services secured by Parametric for the managed investments. No other additions/changes to investment managers are proposed.


Requested Approvals

1. Changes to the Investment Policies of the Pension Plan, Hospice and Foundation as proposed.
2. Approval of Parametric as a new investment manager for investment portfolios of Halifax Health, including custodial services secured by Parametric for the managed investments.

Attachments:

Halifax Health Pension Plan Investment Policy, with proposed red-line changes
Halifax Health Hospice Investment Policy, with proposed red-line changes
Halifax Health Foundation Investment Policy, with proposed red-line changes

POLICY STATEMENT

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I. INTRODUCTION

The broad objective for the operating assets of the Fund is to maintain a corpus of assets to provide funding for current and future pension plan benefits. Growth, risk adjusted relative performance and keeping pace with inflation are the primary objectives of the plan.

The statement of investment policies is both a guide to the Trustee(s) and the money manager(s); as well as a yardstick by which the Board will measure its progress towards its goal of maintaining and growing the corpus of operating assets of the Fund. The Board retains the ultimate responsibility for overseeing the investment of funds but may assign certain tasks in respect to that responsibility to the Finance Committee or other appropriate body. As such, the statement of investment policies and objectives will:


- prescribe specific investment objectives;
- define the targeted asset mix and other investment guidelines and constraints;
- establish performance benchmarks for measuring manager(s) performance; and
- outline the duties and responsibilities of the investment manager(s) and Board.

II. TIME HORIZON

The time horizon of the asset mix shall be long-term, while maintaining sufficient liquidity to provide current pension benefits.

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III. ASSET ALLOCATION & BENCHMARK

The asset allocation strategy has been formulated to reflect the Investment Committee's risk tolerance. The strategy is based on a fully diversified portfolio containing an asset mix comprised of classes with a low correlation to each other. Diversification in this manner allows for lower portfolio Standard Deviation (risk) while maximizing portfolio total return.

Asset Allocation Strategy

| Asset Class | Target Percentage | Range | Benchmark |
|--|-------------------|--------------------|---|
| Fixed | | | |
| —Corporate Bonds | 10% | 0%-45% | Barclays / Corp Bond Index |
| —Short-term Gov't Notes/Bills/Money Mkt Accts Core Fixed Income | 1520% | 0%-3045% | Barclays 1-5 Year Gov't Bond Index |
| Opportunistic Fixed Income Intermediate-term Gov't Bonds | 105% | 0%-145% | 50% BarCap HY/ 50% CSFB Leverage Loan Barclays Gov't / Corp Bond Index |
| Total Fixed | 340% | 20530%-450% | |
| Equities | | | |
| AllLarge-Cap GrowthCore | 306% | 204%-4010% | Russell 1000-Growth3000 |
| —Large Cap Value | 10% | 7%-13% | Russell 10000 Value |
| —Small Cap Growth | 6% | 4%-8% | Russell 2000 Growth |
| —Small Cap Value | 10% | 7%-13% | Russell 2000 Value |
| International ValueDeveloped | 1015% | 811%-149% | MSCI EAFE-Value |
| Emerging Markets | 545% | 0%-7% | MSCI EMID |

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| | | | |
|---|--------------------|--------------------------|--|
| — Specialty — Oil, Basic — Materials, Energy, — Healthcare, etc. | 8% | 0% - 11% | DJ Healthcare Index, GS Natural Resources Index |
| <u>Defensive Equity</u> | <u>10%</u> | <u>7%-13%</u> | <u>CBOE PutWrite Index</u> |
| <u>Global Low Volatility</u> | <u>10%</u> | <u>7%-13%</u> | <u>ACWI Min Vol Index</u> |
| Total Equities | <u>650%</u> | <u>5450%-750%</u> | |
| | | | |
| <u>Core Private Real Estate</u> | <u>5%</u> | <u>3%-7%</u> | <u>ODCE Real Estate Index</u> |

The asset allocation strategy will be reviewed at least annually by the Investment Committee to ensure its relevance to changing capital market conditions, spending needs, time horizon and/or tolerance for risk. The asset mix will be reviewed at least quarterly. When deemed appropriate, the asset mix will be rebalanced within a reasonably practicable period of time.

Market conditions may provide opportunities for reduced risk by maintaining an asset allocation strategy slightly different than that reflected above of 340% Fixed Income, ~~and~~ 650% Equities and 5% Private Real Estate. Accordingly, the Chief Financial Officer, with the concurrence both of the Investment Advisor and a designated representative of the Investment Committee, may elect to maintain an asset allocation strategy of up to 10% above or below the asset allocation targets above for Fixed Income and Equities as well as 2% for Private Real Estate. The Fixed Income allocation may range from 2030% to 450%, ~~and~~ the Equities allocation may range from 5450% to 750% and Private Real Estate may range from 3%-7% of the investment portfolio. The investment policy target percentage is an initial reference point for allocation purposes. The target percentage for individual security categories may be adjusted by the Investment Advisor provided that the adjusted target percentage is within the investment policy range.

IV. INVESTMENT GUIDELINES

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A. Third Party Agreement

All securities purchased under this policy shall be properly designated as an asset of and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by any two persons so authorized by the Board. The Finance Committee shall recommend custodial banks or institutions for approval and/or removal to the Board.

B. Fixed-Income

Diversification

No more than 2% of the managers fixed income portfolio at cost at time of purchase shall be invested in any one issue. There shall be no limit on securities of the U.S. Government, its agencies or their instrumentalities.


Quality

~~The total bond portfolio must have an average quality rating of A. All corporate bonds must be considered investment grade when purchased. Corporate bonds must have a credit rating of A or higher when purchased. All securities held shall maintain an investment grade rating.~~ In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion. If the security rating falls below the minimum required rating, the Investment Manager will inform the Investment Committee as to their recommended course of action. If the security is to be held the Investment Manager will, at a minimum, report quarterly any changes in conditions or recommendations.

Maturity

The maturity of the portfolio should be targeted against the effective maturity of the Barclays Gov't./Corp Bond Index. The investment manager may use their discretion to alter the overall maturity of the portfolio plus or minus 24.0 year around their respective maturity target.

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Fixed Income Securities

Portfolio investments will consist primarily of:

- straight and convertible bonds, notes, bills, money market instruments and other evidences of indebtedness ;
- mortgage-related securities;
- asset-backed securities;
- variable and floating rate securities;
- securities issued by municipalities (both taxable and tax-exempt); and
- the mutual fund of a registered investment advisor may be used and the prospectus will supersede the permissible securities listed above.

C. Equities

All equity securities must be registered on a national exchange.

Diversification

For active managers, No more than 2% of the manager's portfolio at cost, and 5% at market value, shall be invested in any one company.


Quality

~~Only securities whose quality is generally classified as investment grade are permissible.~~


Turnover

There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the manager is given the flexibility to adjust the asset mix and security selection to changing market expectations.

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Permissible Universe:

The following are permissible universes:


- common stocks traded on major U.S. exchanges and in the over-the-counter market;
- securities convertible into common stocks;
- mutual funds of International Equities; and
- mutual funds of Emerging Market Equities.

Investment Restrictions:

The account will not:

- purchase any security, if as a result, more than 20% of its total assets (valued at the time of purchase) would be invested in a single industry (for purposes of this restriction, the term industry shall have the meaning attributed to it by Standard & Poors Corporation);
- borrow money or pledge its assets;
- buy or sell individual real estate or interests in real estate, although it may purchase and sell (a) securities which are secured by real estate, ~~and~~ (b) securities of companies which invest or deal in real estate and (c) commingled, diversified private real estate funds;
- engage in the purchase and sale of individual futures or futures contracts
- purchase securities on margin;
- engage in short sales of securities or maintain a short position, unless at all times when a short position is open the account owns or has the right to obtain at no added cost securities identical to those sold short;
- purchase warrants;

POLICY STATEMENT

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- provide venture capital or invest in the securities of companies that provide venture capital; and


V. PERFORMANCE STANDARDS

Performance of the portfolio shall be reported monthly by the Investment Manager to the Chief Financial Officer. Investment performance will be monitored quarterly and manager performance will be evaluated at least annually. Performance goals are expressed as total rates of return, recognizing both realized and unrealized gains and losses. Thus there is no incentive to sell a security solely to realize a gain. The decision to realize gains and losses will therefore be made for the purpose of furthering the long term goals and objectives of the plan, and not merely to satisfy short-term performance measures. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

Material changes in the portfolio that result in deviations from the investment policies shall be reported to the Chief Executive Officer and the Finance Committee of HHMC by the Chief Financial Officer. Annually, the Investment Committee shall review the asset performance for all funds, including any donated, real and personal property assets.

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POLICY STATEMENT

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VI. DUTIES AND RESPONSIBILITIES

Board Responsibilities:

The Board of Commissioners responsibilities include:

- authority for investing funds of HHMC rests with the Board of Commissioners ("The Board");
- establish a Finance Committee to review and recommend policy changes to the Board; and
- establish an investment committee. Members of the Investment Committee shall have no active interest in the investments of the funds. The committee membership shall reflect a diversity of financial disciplines covering the types of instruments in which HHMC and its affiliates may invest.

Committee Responsibilities:

The Finance Committee responsibilities include:

- recommend this policy and any changes thereto, to the Board; and
- participate in an annual performance review of this policy as it applies to the Pension Plan.


The Investment Committee responsibilities include:

- review overall investment performance on an interim basis;
- review investment manager performance at least annually; and
- recommend policy changes to the Finance Committee.

Chief Financial Officer Responsibilities:

Direct responsibility for coordination of investment management in accordance with this policy rests with the Chief Financial Officer.

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Investment Manager(s) Responsibilities:


An independent professional investment management firm(s), hereinafter the "Investment Manager" is required to manage the investment of all funds listed above. Such firm(s) shall be selected by the Board. Investment Manager(s) shall accept full fiduciary responsibility for the accounts they manage.

Exceptions to the Policy may be permitted on a case by case basis as determined by the Chief Financial Officer. However, funds not invested by the professional manager(s) shall be explained in writing by the Chief Financial Officer, submitted to the Finance Committee on a quarterly basis, and reviewed as part of the Investment Committee activities.

The investment managers' responsibilities include:


- provide a quarterly portfolio performance review with annual, or more frequent, on-site presentations;
- present, upon request, of the manager's outlook , what investment decisions this outlook may trigger, and how these decisions could impact future results;
- recommend changes in the objectives, goals, or standards, based upon material and sustained changes in the capital markets;
- review and re-appraise, upon request, of the aforementioned investment program;
- comment, upon request, on investment results in light of the appropriate standards of performance;
- furnish a synopsis of key investment decisions made by the manager(s) with the underlying rationale and how those decisions could impact future results; and
- provide monthly portfolio updates including portfolio valuations and

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transaction ledgers including purchase and sale information.

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I. INTRODUCTION

This Investment Policy Statement outlines the investment objectives and monitoring procedures of Halifax Health Foundation. The objective of this policy is to maintain a corpus of assets to provide funding for current and future capital projects. Growth, risk adjusted relative performance and keeping pace with inflation are the primary objectives of the plan.

The statement of investment policies is both a guide to the Trustee(s) and the money manager(s); as well as a yardstick by which the Board will measure its progress towards its goal of maintaining and growing the corpus of assets. The Board retains the ultimate responsibility for overseeing the investment of funds but may assign certain tasks in respect to that responsibility to the Finance Committee or other appropriate body. As such, the statement of investment policies and objectives will:

- prescribe specific investment objectives;
- define the targeted asset mix and other investment guidelines and constraints;
- establish performance benchmarks for measuring manager(s) performance; and
- outline the duties and responsibilities of the investment manager(s) and Board.

II. SCOPE

The assets¹ covered by this Investment Policy Statement include the following funds:


- A. Funds in excess of current funded capital projects and Restricted Funds in excess of anticipated expenditures of restricted funds and
- B. Endowment Funds.

III. TIME HORIZON

The time horizon of the asset mix shall be long-term, while maintaining sufficient liquidity to provide for current needs.

¹ These assets exclude any requisite or anticipated transfers to the Obligated Group as determined by the System Cash and Investment Allocation Policy.

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IV. ASSET ALLOCATION & BENCHMARKS

The asset allocation strategy has been formulated to reflect the Investment Committee's risk tolerance. The strategy is based on a fully diversified portfolio containing an asset mix comprised of classes with a low correlation to each other. Diversification in this manner allows for lower portfolio Standard Deviation (risk) while maximizing portfolio total return.

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)


Permitted investments, benchmarks, maturity restrictions and asset allocations are listed below.

| Investment (See Footnotes) | | A. Funds in excess of current funded capital projects | B. Endowment |
|----------------------------|--|---|-----------------|
| Maximum Maturity | | 30 years | 30 years |

| | Range | Target Percentage ² | |
|--|-------------------------------------|--------------------------------|-------------------|
| Fixed Securities\Benchmarks | 23 0%- 45 0% | | |
| Corporate Bonds\Barclays Corp Bond Index Core Fixed Income\BBG Barclays Aggregate Bond Index | 0%- 30 45% | 15% | 15 20% |
| Short term Gov't Notes/Bills/Money Mkt Accts\Barclays 1-5 Year Gov't Bond Index Opportunistic Fixed Income\50% BBG Barclays High Yield/50% CS Lev Loans | 0%- 15 45% | 10 5% | 10 5% |
| Intermediate term Gov't Bonds\Barclays Gov't/Corp Bond Index | 0% 45 % | 5 % | 5 % |
| Long term Gov't Bonds\Barclays Long Term Gov't/Corp Bond Index | 0% 45 % | 5 % | 10 % |
| Equity Securities\Benchmarks | 55 40%- 75 0% | | |
| All Cap Core\Russell 3000 Large Cap Value\Russell 1000 Value | 24 0%- 40 30% | 32 0% | 32 0% |
| International Developed\MSCI EAFE Small Cap Value\Russell 2000 Value | 5%-15% | 10% | 10% |
| Emerging Markets Equity\MSCI EM Large Cap Growth\Russell 1000 Growth | 05 %- 74 5% | 54 0% | 54 0% |
| Global Low Volatility\MSCI ACWI Min Vol Small Cap Growth\Russell 2000 Growth | 75 %-1 35 % | 10% | 10% |
| Defensive Equity\CBOE Putwrite International Portfolio\MSCI EAFE Value | 70 %-1 35 % | 10 5% | 10 5% |


² Donated real and personal property is to be excluded from the portfolio for calculation of maximum percentage.

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|--|--|-------------------------------|-------------------------|-------------------------|
| <u>Private Real Estate\Benchmarks</u> Emerging Markets Portfolio\MSCIEMID | | <u>3%-7%</u> 0%-5% | <u>5%</u> 2% | <u>2%</u> 5% |
| <u>Core Private Real Estate\NFI ODCESpecialty—Oil, Basic</u> <u>Materials, Energy, —Healthcare, etc. \DJ Healthcare Index,</u> <u>GS Natural Resources Index</u> | | <u>36%</u> 74% | <u>53%</u> | <u>53%</u> |

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)

The asset allocation strategy will be reviewed at least annually by the Investment Committee to ensure its relevance to changing capital market conditions, spending needs, time horizon and/or tolerance for risk. The asset mix will be reviewed at least quarterly. When deemed appropriate, the asset mix will be rebalanced within a reasonably practicable period of time.


Market conditions may provide opportunities for reduced risk by maintaining an asset allocation strategy slightly different than that reflected above of 340% Fixed Income, and 650% Equities, and 5% Private Real Estate. Accordingly, the Chief Financial Officer, with the concurrence of both the Investment Advisor and a designated representative of the Investment Committee, may elect to maintain an asset allocation strategy of up to 10% above or below the asset allocation targets above for Fixed Income and Equities as well as 2% for Private Real Estate. The Fixed Income allocation may range from 230% to 450%, and the Equities allocation may range from 5540% to 750% and Private Real Estate can range from 3%-7% of the investment portfolio. The investment policy target percentage is an initial reference point for allocation purposes. The target percentage for individual security categories may be adjusted by the Investment Advisor provided that the adjusted target percentage is within the investment policy range.

V. INVESTMENT GUIDELINES

A. Third Party Agreement

All securities purchased under this policy shall be properly designated as an asset of and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by any two persons so authorized by the Board. The Finance Committee shall recommend custodial banks or institutions for approval and/or removal to the Board.

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B. Fixed-Income


Diversification

No more than 2% of the managers fixed income portfolio at cost at time of purchase shall be invested in any one issue. There shall be no limit on securities of the U.S. Government, its agencies or their instrumentalities.

Quality

The Total bond portfolio must have an average quality rating of A. All corporate bonds must be considered investment grade when purchased. ~~Corporate bonds must have a credit rating of A or higher when purchased. All securities held shall maintain an investment grade rating.~~ In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion. If the security rating falls below the minimum required rating, the Investment Manager will inform the Investment Committee as to their recommended course of action. If the security is to be held the Investment Manager will, at a minimum, report quarterly any changes in conditions or recommendations.

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Fixed Income Securities

Portfolio investments will consist primarily of:

- straight and convertible bonds, notes, bills, money market instruments and other evidences of indebtedness ;
- mortgage-related securities;
- asset-backed securities;
- variable and floating rate securities;
- securities issued by municipalities (both taxable and tax-exempt); and
- the mutual fund of a registered investment advisor may be used and the prospectus will supersede the permissible securities listed above.

C. Equities

All equity securities must be registered on a national exchange.

Diversification

For active managers, nNo more than 2% of the manager's portfolio at cost, and 5% at market value, shall be invested in any one company.


Quality

~~Only securities whose quality is generally classified as investment grade are permissible.~~

Turnover

There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the manager is given the flexibility to adjust the asset mix and security selection to changing market expectations.

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Permissible Universe:

The following are permissible universes:


- common stocks traded on major U.S. exchanges and in the over-the-counter market;
- securities convertible into common stocks;
- mutual funds of U.S. common stocks;
- mutual funds of International Equities; and
- mutual funds of Emerging Market Equities.

Investment Restrictions:

The account will not:

- purchase any security, if as a result, more than 20% of its total assets (valued at the time of purchase) would be invested in a single industry (for purposes of this restriction, the term industry shall have the meaning attributed to it by Standard & Poors Corporation);
- borrow money or pledge its assets;
- buy or sell individual real estate or interests in real estate, although it may purchase and sell (a) securities which are secured by real estate, and (b) securities of companies which invest or deal in real estate and (c) commingled, diversified private real estate funds;
- engage in the purchase and sale of individual futures or futures contracts
- purchase securities on margin;
- engage in short sales of securities or maintain a short position, unless at all times when a short position is open the account owns or has the right to obtain at no added cost securities identical to those sold short;

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Investment Restrictions (Continued):

- purchase warrants;
- provide venture capital or invest in the securities of venture capital companies; and
- purchase and write put and call options.


VI. PERFORMANCE STANDARDS

Performance of the portfolio shall be reported monthly by the Investment Manager to the Chief Financial Officer. Investment performance will be monitored quarterly and manager performance will be evaluated at least annually. Performance goals are expressed as total rates of return, recognizing both realized and unrealized gains and losses. Thus there is no incentive to sell a security solely to realize a gain. The decision to realize gains and losses will therefore be made for the purpose of furthering the long term goals and objectives of the plan, and not merely to satisfy short-term performance measures. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

Material changes in the portfolio that result in deviations from the investment policies shall be reported to the Chief Executive Officer and the Finance Committee of HHMC by the Chief Financial Officer. Annually, the Investment Committee shall review the asset performance for all funds, including any donated, real and personal property assets.

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VII. DUTIES AND RESPONSIBILITIES

Board Responsibilities:

The Board of Directors responsibilities include:

- authority for investing funds of Halifax Health Foundation rests with the Board of Directors ("The Board");
- establish a Finance Committee to review and recommend policy changes to the Board; and
- establish an investment committee. Members of the Investment Committee shall have no active interest in the investments of the funds. The committee membership shall reflect a diversity of financial disciplines covering the types of instruments in which Halifax Health Foundation may invest.

Committee Responsibilities:

The Finance Committee responsibilities include:

- recommend this policy and any changes thereto, to the Board; and
- participate in an annual performance review of this policy as it applies to Halifax Health Foundation.


The Investment Committee responsibilities include:

- review overall investment performance on an interim basis;
- review investment manager performance at least annually; and
- recommend policy changes to the Finance Committee.

Chief Financial Officer Responsibilities:

Direct responsibility for coordination of investment management in accordance with this policy rests with the Chief Financial Officer.

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Investment Manager(s) Responsibilities:


An independent professional investment management firm(s), hereinafter the "Investment Manager" is required to manage the investment of all funds listed above. Such firm(s) shall be selected by the Board. Investment Manager(s) shall accept full fiduciary responsibility for the accounts they manage.

Exceptions to the Policy may be permitted on a case by case basis as determined by the Chief Financial Officer. However, funds not invested by the professional manager(s) shall be explained in writing by the Chief Financial Officer, submitted to the Finance Committee on a quarterly basis, and reviewed as part of the Investment Committee activities.

The investment managers' responsibilities include:


- provide a quarterly portfolio performance review with annual, or more frequent, on-site presentations;
- present, upon request, of the manager's outlook, what investment decisions this outlook may trigger, and how these decisions could impact future results;
- recommend changes in the objectives, goals, or standards, based upon material and sustained changes in the capital markets;
- review and re-appraise, upon request, of the aforementioned investment program;
- comment, upon request, on investment results in light of the appropriate standards of performance;
- furnish a synopsis of key investment decisions made by the manager(s) with the underlying rationale and how those decisions could impact future results; and
- provide monthly portfolio updates including portfolio valuations and

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transaction ledgers including purchase and sale information.

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I. INTRODUCTION

This Investment Policy Statement outlines the investment objectives and monitoring procedures of Halifax Hospice. The objective of this policy is to maintain a corpus of assets to provide funding for current and future needs. Growth, risk adjusted relative performance and keeping pace with inflation are the primary objectives of the plan.

The statement of investment policies is both a guide to the Trustee(s) and the money manager(s); as well as a yardstick by which the Board will measure its progress towards its goal of maintaining and growing the corpus of assets. The Board retains the ultimate responsibility for overseeing the investment of funds but may assign certain tasks in respect to that responsibility to the Finance Committee or other appropriate body. As such, the statement of investment policies and objectives will:

- prescribe specific investment objectives;
- define the targeted asset mix and other investment guidelines and constraints;
- establish performance benchmarks for measuring manager(s) performance; and
- outline the duties and responsibilities of the investment manager(s) and Board.

II. SCOPE

The assets¹ covered by this Investment Policy Statement include the following funds:


- A. General Operating Funds in excess of 30 days cash on hand and Restricted Funds in excess of anticipated expenditures of restricted funds and
- B. Endowment Funds.

III. TIME HORIZON

The time horizon of the asset mix shall be long-term, while maintaining sufficient liquidity to provide for current needs.

¹ These assets exclude any requisite or anticipated transfers to the Obligated Group as determined by the System Cash and Investment Allocation Policy.

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IV. ASSET ALLOCATION & BENCHMARKS

The asset allocation strategy has been formulated to reflect the Investment Committee's risk tolerance. The strategy is based on a fully diversified portfolio containing an asset mix comprised of classes with a low correlation to each other. Diversification in this manner allows for lower portfolio Standard Deviation (risk) while maximizing portfolio total return.

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)

Permitted investments, benchmarks and maturity restrictions are listed below.

| Investment (See Footnotes) | | | A. General Operating and Restricted Funds | B. Endowment |
|-------------------------------------|--|------------------------------------|---|------------------|
| Maximum Maturity | | | 30 years | 30 years |
| | | | | |
| | | | | |
| | | Range | Target Percentage² | |
| Fixed Securities\Benchmarks | | 30%-50% | | |
| | Short-term Gov't. Notes/Bills/Money Mkt Accts\Barclays 1-5 Year Gov't Bond Index Corporate Bonds\Barclays Corp Bond Index | 0%- 10 45% | 5 40% | 5 45% |
| | Core Fixed Income\BBG Barclays Aggregate Short-term Gov't. Notes/Bills/Money Mkt Accts\Barclays 1-5 Year Gov't Bond Index | 0%-4 0 5% | 3 20% | 3 05% |
| | Opportunistic Credit\50% BBG Barclays High Yield/50% CS Leveraged Loans\Intermediate-term Gov't Bonds\Barclays Gov't/Corp Bond Index | 0%- 10 45% | 5% | 5 40% |
| | Long-term Gov't Bonds\Barclays Long Term Gov't/Corp Bond Index | 0% 4 5% | 5% | 1 0% |
| Equity Securities\Benchmarks | | 540-70% | | |
| | All Cap Core\Russell 3000 Index Large Cap Value\Russell 1000 Value | 2 40%- 4 30% | 3 20% | 3 20% |
| | International Developed\MSCI EAFE Small Cap Value\Russell 2000 Value | 3 5%- 1 15% | 7 40% | 7 40% |
| | Emerging Markets Equity\MSCI EM Large Cap Growth\Russell 1000 Growth | 0 5%- 4 65% | 3 40% | 3 40% |
| | Global Low Volatility\MSCI ACWI Min Vol Small Cap Growth\Russell 2000 Growth | 5%-15% | 10% | 10% |
| | Defensive Equity\CBOE Putwrite International | 0%-15% | 1 05% | 1 05% |


² Donated real and personal property is to be excluded from the portfolio for calculation of maximum percentage.

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| | Portfolio\MSCI EAFE Value | | | |
| | Emerging Markets Portfolio\MSCI EMID | 0%-5% | 2% | 2% |
| | Specialty - Oil, Basic Materials, Energy, Healthcare, etc.\DJ Healthcare Index, GS Natural Resources Index | 0%-11% | 3% | 3% |

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)

The asset allocation strategy will be reviewed at least annually by the Investment Committee to ensure its relevance to changing capital market conditions, spending needs, time horizon and/or tolerance for risk. The asset mix will be reviewed at least quarterly. When deemed appropriate, the asset mix will be rebalanced within a reasonably practicable period of time.

Market conditions may provide opportunities for reduced risk by maintaining an asset allocation strategy slightly different than that reflected above of 40% Fixed Income and 60% Equities. Accordingly, the Chief Financial Officer, with the concurrence of both the Investment Advisor and a designated representative of the Investment Committee, may elect to maintain an asset allocation strategy of up to 10% above or below the asset allocation targets above. The Fixed Income allocation may range from 30% to 50% and the Equities allocation may range from ~~54~~40% to 70% of the investment portfolio. The investment policy target percentage is an initial reference point for allocation purposes. The target percentage for individual security categories may be adjusted by the Investment Advisor provided that the adjusted target percentage is within the investment policy range.

V. INVESTMENT GUIDELINES

A. Third Party Agreement


All securities purchased under this policy shall be properly designated as an asset of and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by any two persons so authorized by the Board. The Finance Committee shall recommend custodial banks or institutions for approval and/or removal to the Board.

B. Fixed-Income

Diversification

No more than 2% of the managers fixed income portfolio at cost at time of

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purchase shall be invested in any one issue. There shall be no limit on securities of the U.S. Government, its agencies or their instrumentalities.

Quality

The total bond portfolio must have an average quality rating of A. All corporate bonds must be considered investment grade when purchased. Corporate bonds must have a credit rating of A or higher when purchased. All securities held shall maintain an investment grade rating. In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion. If the security rating falls below the minimum required rating, the Investment Manager will inform the Investment Committee as to their recommended course of action. If the security is to be held the Investment Manager will, at a minimum, report quarterly any changes in conditions or recommendations.

Fixed Income Securities

Portfolio investments will consist primarily of:


- straight and convertible bonds, notes, bills, money market instruments and other evidences of indebtedness ;
- mortgage-related securities;
- asset-backed securities;
- variable and floating rate securities;
- securities issued by municipalities (both taxable and tax-exempt); and
- the mutual fund of a registered investment advisor may be used and the prospectus will supersede the permissible securities listed above.

C. Equities

All equity securities must be registered on a national exchange.

Diversification

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For active managers, nNo more than 2% of the manager's portfolio at cost, and 5% at market value, shall be invested in any one company.

Quality

~~Only securities whose quality is generally classified as investment grade are permissible.~~

Turnover

There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the manager is given the flexibility to adjust the asset mix and security selection to changing market expectations.

Permissible Universe:

The following are permissible universes:


- common stocks traded on major U.S. exchanges and in the over-the-counter market;
- securities convertible into common stocks;
- mutual funds of U.S. common stocks;
- mutual funds of International Equities; and
- mutual funds of Emerging Market Equities.

Investment Restrictions:

The account will not:


- purchase any security, if as a result, more than 20% of its total assets (valued at the time of purchase) would be invested in a single industry (for purposes of this restriction, the term industry shall have the meaning attributed to it by Standard & Poors Corporation);
- borrow money or pledge its assets;

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- buy or sell individual real estate or interests in real estate, although it may purchase and sell (a) securities which are secured by real estate, ~~and~~ (b) securities of companies which invest or deal in real estate and (c) commingled, diversified private real estate funds;
- engage in the purchase and sale of individual futures or futures contracts
- purchase securities on margin;
- engage in short sales of securities or maintain a short position, unless at all times when a short position is open the account owns or has the right to obtain at no added cost securities identical to those sold short;

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Investment Restrictions (Continued):

- purchase warrants;
- provide venture capital or invest in the securities of venture capital companies; and
- purchase and write put and call options.


VI. PERFORMANCE STANDARDS

Performance of the portfolio shall be reported monthly by the Investment Manager to the Chief Financial Officer. Investment performance will be monitored quarterly and manager performance will be evaluated at least annually. Performance goals are expressed as total rates of return, recognizing both realized and unrealized gains and losses. Thus there is no incentive to sell a security solely to realize a gain. The decision to realize gains and losses will therefore be made for the purpose of furthering the long term goals and objectives of the plan, and not merely to satisfy short-term performance measures. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

Material changes in the portfolio that result in deviations from the investment policies shall be reported to the Chief Executive Officer and the Finance Committee of HHMC by the Chief Financial Officer. Annually, the Investment Committee shall review the asset performance for all funds, including any donated, real and personal property assets.

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POLICY STATEMENT

| | | | |
|---|---|---|----------------------------|
|  | POLICY TITLE Halifax Hospice Investment Policy | EFFECTIVE DATE | Page 10 of 12 |
| | | REVISION DATE March 5, 2012 November 4, 2013 September 14, 2015 December 5, 2016 November 5, 2018 November 11, 2019 | DISTRIBUTION All Depts. |
| | CLASSIFICATION Finance | APPROVED BY Board of Directors | DATE 11/11/2009 |

VII. DUTIES AND RESPONSIBILITIES

Board Responsibilities:

The Board of Directors responsibilities include:

- authority for investing funds of Halifax Hospice rests with the Board of Directors ("The Board");
- establish a Finance Committee to review and recommend policy changes to the Board; and
- establish an investment committee. Members of the Investment Committee shall have no active interest in the investments of the funds. The committee membership shall reflect a diversity of financial disciplines covering the types of instruments in which Halifax Hospice may invest.

Committee Responsibilities:

The Finance Committee responsibilities include:

- recommend this policy and any changes thereto, to the Board; and
- participate in an annual performance review of this policy as it applies to Halifax Hospice.


The Investment Committee responsibilities include:

- review overall investment performance on an interim basis;
- review investment manager performance at least annually; and
- recommend policy changes to the Finance Committee.

Chief Financial Officer Responsibilities:

Direct responsibility for coordination of investment management in accordance with this policy rests with the Chief Financial Officer.

POLICY STATEMENT

| | | | |
|---|---|--|----------------------------|
|  | POLICY TITLE Halifax Hospice Investment Policy | EFFECTIVE DATE | Page 11 of 12 |
| | | REVISION DATE March 5, 2012 November 4, 2013 September 14, 2015 December 5, 2016 November 5, 2018 <u>November 11, 2019</u> | DISTRIBUTION All Depts. |
| | CLASSIFICATION Finance | APPROVED BY Board of Directors | DATE 11/11/2009 |

Investment Manager(s) Responsibilities:


An independent professional investment management firm(s), hereinafter the "Investment Manager" is required to manage the investment of all funds listed above. Such firm(s) shall be selected by the Board. Investment Manager(s) shall accept full fiduciary responsibility for the accounts they manage.

Exceptions to the Policy may be permitted on a case by case basis as determined by the Chief Financial Officer. However, funds not invested by the professional manager(s) shall be explained in writing by the Chief Financial Officer, submitted to the Finance Committee on a quarterly basis, and reviewed as part of the Investment Committee activities.

The investment managers' responsibilities include:

- provide a quarterly portfolio performance review with annual, or more frequent, on-site presentations;
- present, upon request, of the manager's outlook, what investment decisions this outlook may trigger, and how these decisions could impact future results;
- recommend changes in the objectives, goals, or standards, based upon material and sustained changes in the capital markets;
- review and re-appraise, upon request, of the aforementioned investment program;
- comment, upon request, on investment results in light of the appropriate standards of performance;
- furnish a synopsis of key investment decisions made by the manager(s) with the underlying rationale and how those decisions could impact future results; and
- provide monthly portfolio updates including portfolio valuations and

POLICY STATEMENT

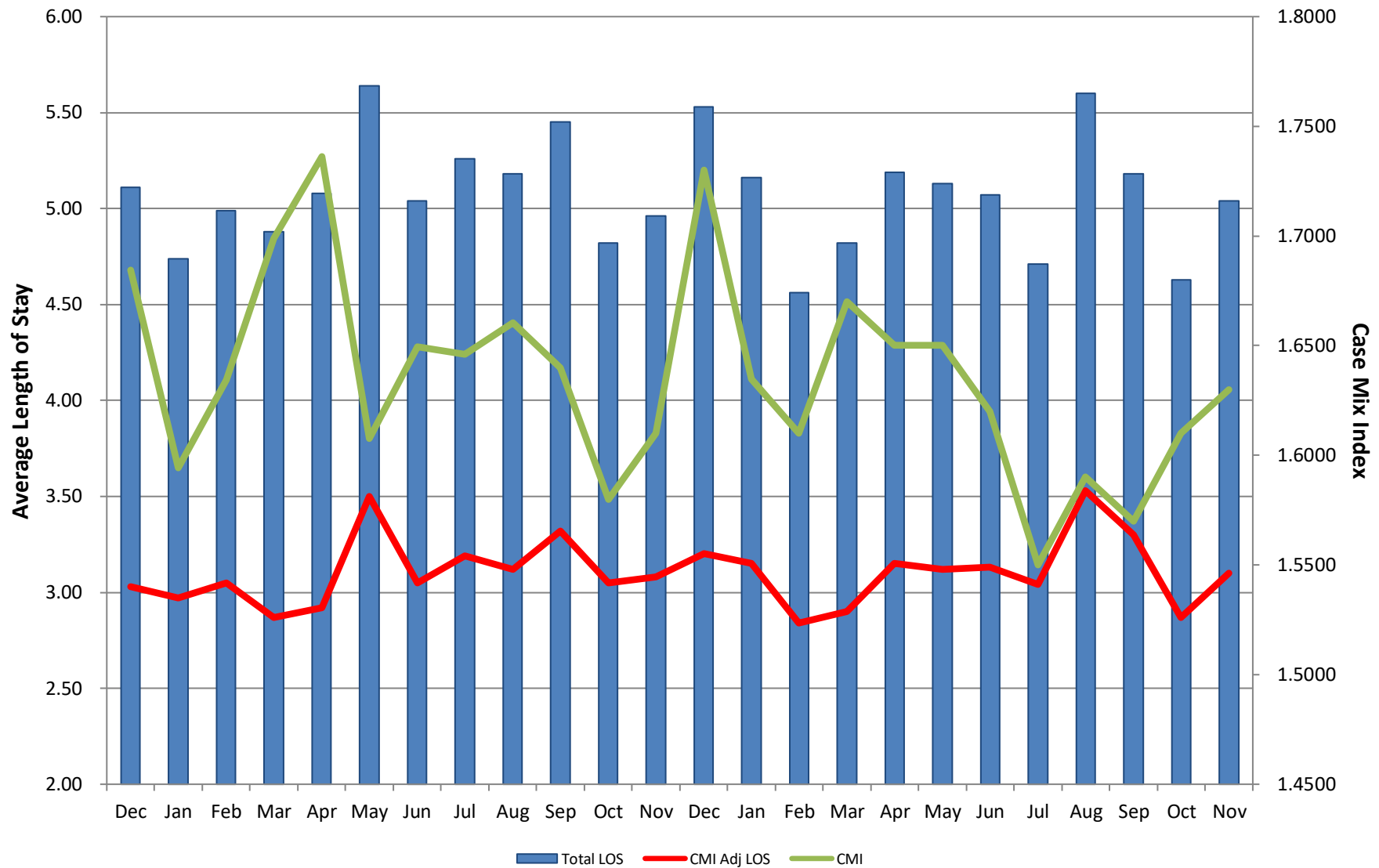
| | | | |
|---|---|--|----------------------------|
|  | POLICY TITLE Halifax Hospice Investment Policy | EFFECTIVE DATE | Page 12 of 12 |
| | | REVISION DATE March 5, 2012 November 4, 2013 September 14, 2015 December 5, 2016 November 5, 2018 <u>November 11, 2019</u> | DISTRIBUTION All Depts. |
| | CLASSIFICATION Finance | APPROVED BY Board of Directors | DATE 11/11/2009 |

transaction ledgers including purchase and sale information.

Discharged Based - Average Length of Stay and Case Mix Index

24 Months Ended November 30th, 2019

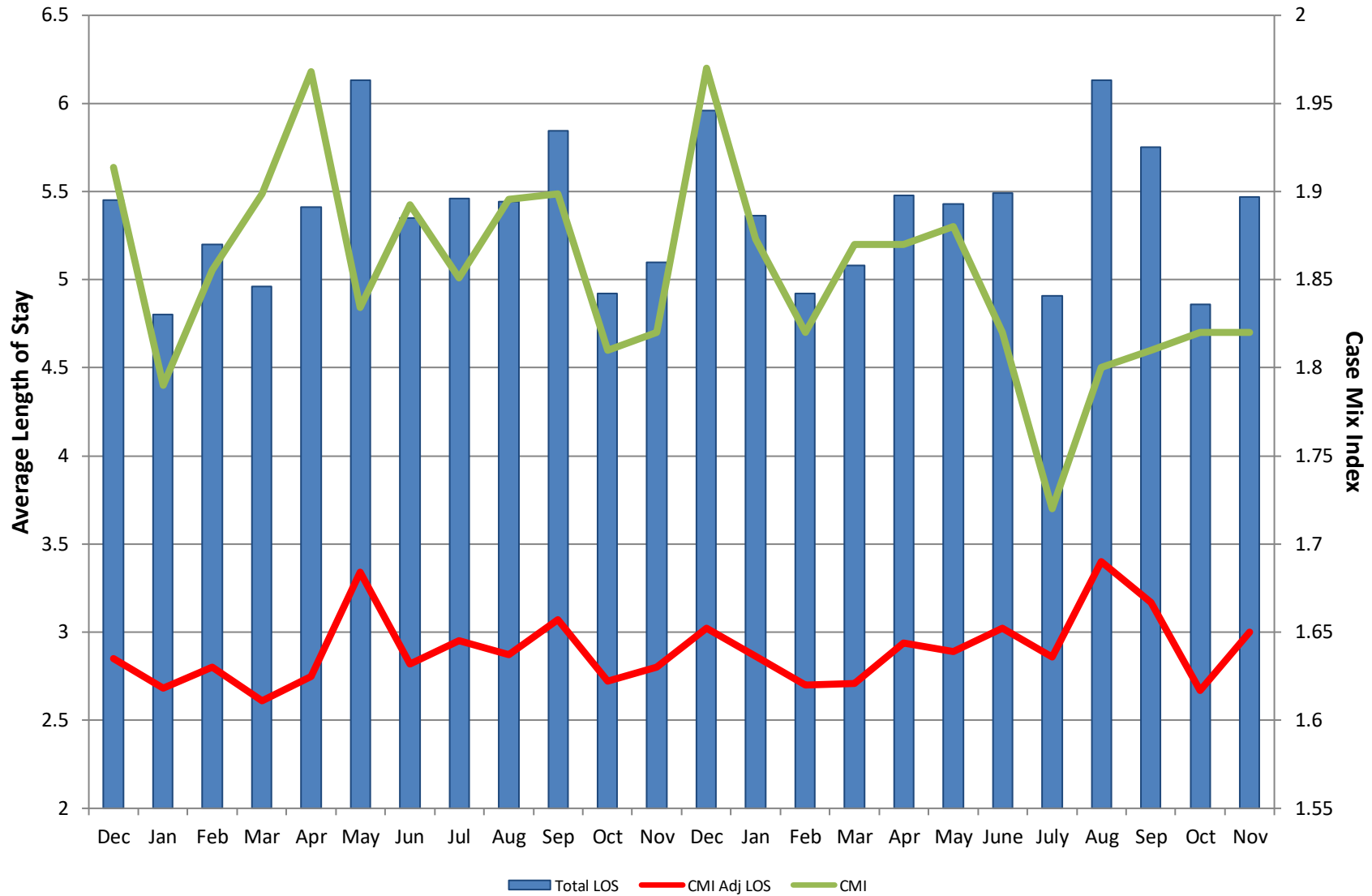
Excludes Newborns and Inpatient Rehabilitation



Discharged Based - Average Length of Stay and Case Mix Index

24 Months Ended November 30th, 2019

Excludes Newborns, OB, Psych, and Inpatient Rehabilitation



Halifax Health Pension Plan

Monthly Update

Market Value: \$305.0 M

Ending November 30, 2019

| Asset Class | Market Value 10/31/19 | 1 Mo Net Cash Flows | Market Value 11/30/19 | % of Portfolio | Policy % | 1 Mo | Fiscal YTD | YTD |
|--|-------------------------------|------------------------|--------------------------|-------------------|---------------|-------------|---------------|--------------|
| Total Fund Composite | \$301,347,305 | -\$1,658,141 | \$304,957,291 | 100.0% | 100.0% | 1.8% | 3.3% | 11.1% |
| Fixed Income Composite | \$123,190,934 | \$0 | \$123,351,087 | 40.4% | 40.0% | 0.1% | 0.3% | 2.0% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |
| Ponder US Treasury | Short-Term Govt. Fixed Income | \$101,641,898 | \$0 | \$101,790,138 | 33.4% | 0.1% | 0.3% | 1.7% |
| <i>BBgBarc US Govt 1-3 Yr TR</i> | | | | | | 0.0% | 0.3% | 3.4% |
| Vanguard Short-Term Investment Grade | Short-Term Fixed Income | \$21,549,037 | \$0 | \$21,560,949 | 7.1% | 0.1% | 0.4% | 5.6% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |
| U.S. Equity Composite | \$117,112,806 | \$0 | \$121,827,768 | 39.9% | 40.0% | 4.0% | 6.3% | 21.4% |
| <i>Wilshire 5000 Total Market</i> | | | | | | 3.7% | 6.0% | 27.3% |
| DFA Large Cap Value | Large-Cap Value | \$33,590,824 | \$0 | \$34,902,612 | 11.4% | 3.9% | 6.1% | 22.1% |
| <i>Russell 1000 Value</i> | | | | | | 3.1% | 4.5% | 23.2% |
| Vanguard Growth Index | Large-Cap Growth | \$18,247,547 | \$0 | \$18,973,042 | 6.2% | 4.0% | 6.6% | 33.1% |
| <i>CRSP US Large Cap Growth TR USD</i> | | | | | | 4.0% | 6.6% | 33.2% |
| DFA US Small Cap Value | Small-Cap Value | \$29,375,375 | \$0 | \$30,307,074 | 9.9% | 3.2% | 5.1% | 13.7% |
| <i>Russell 2000 Value</i> | | | | | | 2.3% | 4.8% | 18.3% |
| Vanguard Small Cap Growth Index | Small-Cap Growth | \$18,347,299 | \$0 | \$19,478,804 | 6.4% | 6.2% | 7.8% | 30.8% |
| <i>CRSP US Small Cap Growth TR USD</i> | | | | | | 6.2% | 7.7% | 30.8% |
| Vanguard Energy Fund | Large-Cap Value | \$8,603,077 | \$0 | \$8,657,159 | 2.8% | 0.6% | -0.3% | 6.6% |
| <i>S&P 500 Energy</i> | | | | | | 1.8% | -0.5% | 5.5% |
| Vanguard Health Care Fund | Large-Cap Growth | \$8,948,684 | \$0 | \$9,509,077 | 3.1% | 6.3% | 13.5% | 19.4% |
| <i>S&P 500 Health Care</i> | | | | | | 5.0% | 10.4% | 16.6% |
| Non-U.S. Composite | \$49,155,899 | \$0 | \$49,536,155 | 16.2% | 20.0% | 0.8% | 4.2% | 10.8% |
| <i>MSCI ACWI ex USA</i> | | | | | | 0.9% | 4.4% | 16.5% |
| DFA International Value | Non-U.S. Large-Cap Value | \$41,355,524 | \$0 | \$41,788,818 | 13.7% | 1.0% | 4.5% | 12.1% |
| <i>MSCI EAFE Value</i> | | | | | | 0.4% | 4.0% | 12.0% |
| DFA Emerging Markets Core Equity | Emerging Markets | \$7,800,375 | \$0 | \$7,747,337 | 2.5% | -0.7% | -- | -- |
| <i>MSCI Emerging Markets</i> | | | | | | -0.1% | 4.1% | 10.2% |
| Cash Composite | \$11,887,665 | -\$1,658,141 | \$10,242,281 | 3.4% | -- | 0.1% | 0.3% | 1.8% |
| Money Market | Cash & Equivalents | \$11,887,665 | -\$1,658,141 | \$10,242,281 | 3.4% | 0.1% | 0.3% | 1.8% |

Market Value: \$78.6 M

Ending November 30, 2019

| | Asset Class | Market Value 10/31/19 | 1 Mo Net Cash Flows | Market Value 11/30/19 | % of Portfolio | Policy % | 1 Mo | Fiscal YTD | YTD |
|--|-------------------------------|--------------------------|------------------------|--------------------------|-------------------|---------------|-------------|---------------|--------------|
| Total Fund Composite | | \$76,973,364 | -\$1,525 | \$78,584,507 | 100.0% | 100.0% | 2.1% | 3.3% | 14.2% |
| Fixed Income Composite | | \$33,923,556 | \$0 | \$33,965,956 | 43.2% | 40.0% | 0.1% | 0.4% | 3.3% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | | -0.1% | 0.3% | 4.8% |
| Ponder US Treasury | Short-Term Govt. Fixed Income | \$26,110,736 | \$0 | \$26,148,818 | 33.3% | | 0.1% | 0.3% | 2.6% |
| <i>BBgBarc US Govt 1-3 Yr TR</i> | | | | | | | 0.0% | 0.3% | 3.4% |
| Vanguard Short-Term Investment Grade | Short-Term Fixed Income | \$7,812,820 | \$0 | \$7,817,139 | 9.9% | | 0.1% | 0.4% | 5.6% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | | -0.1% | 0.3% | 4.8% |
| U.S. Equity Composite | | \$36,783,278 | \$0 | \$38,325,140 | 48.8% | 53.0% | 4.2% | 6.3% | 24.3% |
| <i>Wilshire 5000 Total Market</i> | | | | | | | 3.7% | 6.0% | 27.3% |
| DFA Large Cap Value | Large-Cap Value | \$15,215,074 | \$0 | \$15,809,253 | 20.1% | 20.0% | 3.9% | 6.1% | 22.1% |
| <i>Russell 1000 Value</i> | | | | | | | 3.1% | 4.5% | 23.2% |
| Vanguard Growth Index | Large-Cap Growth | \$7,490,429 | \$0 | \$7,788,237 | 9.9% | 10.0% | 4.0% | 6.6% | 33.1% |
| <i>CRSP US Large Cap Growth TR USD</i> | | | | | | | 4.0% | 6.6% | 33.2% |
| DFA US Small Cap Value | Small-Cap Value | \$5,361,791 | \$0 | \$5,531,851 | 7.0% | 10.0% | 3.2% | 5.1% | 13.7% |
| <i>Russell 2000 Value</i> | | | | | | | 2.3% | 4.8% | 18.3% |
| Vanguard Small Cap Growth Index | Small-Cap Growth | \$6,856,964 | \$0 | \$7,279,843 | 9.3% | 10.0% | 6.2% | 7.8% | 30.8% |
| <i>CRSP US Small Cap Growth TR USD</i> | | | | | | | 6.2% | 7.7% | 30.8% |
| Vanguard Energy Fund | Large-Cap Value | \$1,055,822 | \$0 | \$1,062,459 | 1.4% | 1.5% | 0.6% | -0.3% | 6.5% |
| <i>S&P 500 Energy</i> | | | | | | | 1.8% | -0.5% | 5.5% |
| Vanguard Health Care Fund | Large-Cap Growth | \$803,198 | \$0 | \$853,497 | 1.1% | 1.5% | 6.3% | 13.5% | 19.4% |
| <i>S&P 500 Health Care</i> | | | | | | | 5.0% | 10.4% | 16.6% |
| Non-U.S. Composite | | \$5,794,170 | \$0 | \$5,821,976 | 7.4% | 7.0% | 0.5% | 3.9% | 7.8% |
| <i>MSCI ACWI ex USA</i> | | | | | | | 0.9% | 4.4% | 16.5% |
| DFA International Value | Non-U.S. Large-Cap Value | \$3,889,818 | \$0 | \$3,930,572 | 5.0% | 5.0% | 1.0% | 4.5% | 12.1% |
| <i>MSCI EAFE Value</i> | | | | | | | 0.4% | 4.0% | 12.0% |
| DFA Emerging Markets Core Equity | Emerging Markets | \$1,904,353 | \$0 | \$1,891,404 | 2.4% | 2.0% | -0.7% | -- | -- |
| <i>MSCI Emerging Markets</i> | | | | | | | -0.1% | 4.1% | 10.2% |
| Cash Composite | | \$472,360 | -\$1,525 | \$471,434 | 0.6% | -- | 0.1% | 0.3% | 1.7% |
| Money Market | Cash & Equivalents | \$472,360 | -\$1,525 | \$471,434 | 0.6% | | 0.1% | 0.3% | 1.7% |

Market Value: \$51.5 M

Ending November 30, 2019

| Asset Class | Market Value 10/31/19 | 1 Mo Net Cash Flows | Market Value 11/30/19 | % of Portfolio | Policy % | 1 Mo | Fiscal YTD | YTD |
|--|--------------------------|------------------------|--------------------------|-------------------|---------------|-------------|---------------|--------------|
| Total Fund Composite | \$50,345,369 | -\$1,300 | \$51,455,184 | 100.0% | 100.0% | 2.2% | 3.4% | 12.1% |
| Fixed Income Composite | \$17,474,958 | -\$933 | \$17,615,627 | 34.2% | 40.0% | 0.8% | 0.9% | 2.8% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |
| Ponder US Treasury | \$16,141,396 | -\$933 | \$16,281,328 | 31.6% | | 0.9% | 0.9% | 2.6% |
| <i>BBgBarc US Govt 1-3 Yr TR</i> | | | | | | 0.0% | 0.3% | 3.4% |
| Vanguard Short-Term Investment Grade | \$1,333,562 | \$0 | \$1,334,299 | 2.6% | | 0.1% | 0.4% | 5.6% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |
| U.S. Equity Composite | \$23,021,725 | \$0 | \$23,961,079 | 46.6% | 53.0% | 4.1% | 6.2% | 23.4% |
| <i>Wilshire 5000 Total Market</i> | | | | | | 3.7% | 6.0% | 27.3% |
| DFA Large Cap Value | \$9,483,389 | \$0 | \$9,853,734 | 19.2% | 20.0% | 3.9% | 6.1% | 22.1% |
| <i>Russell 1000 Value</i> | | | | | | 3.1% | 4.5% | 23.2% |
| Vanguard Growth Index | \$4,349,291 | \$0 | \$4,522,212 | 8.8% | 10.0% | 4.0% | 6.6% | 33.1% |
| <i>CRSP US Large Cap Growth TR USD</i> | | | | | | 4.0% | 6.6% | 33.2% |
| DFA US Small Cap Value | \$4,184,697 | \$0 | \$4,317,423 | 8.4% | 10.0% | 3.2% | 5.1% | 13.7% |
| <i>Russell 2000 Value</i> | | | | | | 2.3% | 4.8% | 18.3% |
| Vanguard Small Cap Growth Index | \$3,475,094 | \$0 | \$3,689,408 | 7.2% | 10.0% | 6.2% | 7.8% | 30.8% |
| <i>CRSP US Small Cap Growth TR USD</i> | | | | | | 6.2% | 7.7% | 30.8% |
| Vanguard Energy Fund | \$829,282 | \$0 | \$834,495 | 1.6% | 1.5% | 0.6% | -0.3% | 6.5% |
| <i>S&P 500 Energy</i> | | | | | | 1.8% | -0.5% | 5.5% |
| Vanguard Health Care Fund | \$699,973 | \$0 | \$743,807 | 1.4% | 1.5% | 6.3% | 13.5% | 19.4% |
| <i>S&P 500 Health Care</i> | | | | | | 5.0% | 10.4% | 16.6% |
| Non-U.S. Composite | \$3,485,172 | \$0 | \$3,508,360 | 6.8% | 7.0% | 0.7% | 4.1% | 9.4% |
| <i>MSCI ACWI ex USA</i> | | | | | | 0.9% | 4.4% | 16.5% |
| DFA International Value | \$2,713,814 | \$0 | \$2,742,248 | 5.3% | 5.0% | 1.0% | 4.5% | 12.1% |
| <i>MSCI EAFE Value</i> | | | | | | 0.4% | 4.0% | 12.0% |
| DFA Emerging Markets Core Equity | \$771,358 | \$0 | \$766,113 | 1.5% | 2.0% | -0.7% | -- | -- |
| <i>MSCI Emerging Markets</i> | | | | | | -0.1% | 4.1% | 10.2% |
| Cash Composite | \$6,363,514 | -\$367 | \$6,370,118 | 12.4% | -- | 0.1% | 0.2% | 1.9% |
| Ponder Money Market | \$6,363,514 | -\$367 | \$6,370,118 | 12.4% | | 0.1% | 0.2% | 1.9% |

Market Value: \$79.8 M

Ending November 30, 2019

| Asset Class | Market Value 10/31/19 | 1 Mo Net Cash Flows | Market Value 11/30/19 | % of Portfolio | Policy % | 1 Mo | Fiscal YTD | YTD |
|--|--------------------------|------------------------|--------------------------|-------------------|---------------|-------------|---------------|-------------|
| Total Fund Composite | \$79,471,989 | -\$3,193 | \$79,834,134 | 100.0% | 100.0% | 0.5% | 0.7% | 3.8% |
| Fixed Income Composite | \$79,471,989 | -\$3,193 | \$79,834,134 | 100.0% | 100.0% | 0.5% | 0.7% | 3.8% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |
| Ponder Short Term Gov't/Credit Short-Term Fixed Income | \$53,713,189 | -\$3,193 | \$54,061,095 | 67.7% | | 0.7% | 0.8% | 3.3% |
| <i>BBgBarc US Govt/Credit 1-3 Yr. TR</i> | | | | | | 0.0% | 0.3% | 3.8% |
| Vanguard Short-Term Investment Grade Short-Term Fixed Income | \$25,758,800 | \$0 | \$25,773,039 | 32.3% | | 0.1% | 0.4% | 5.6% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |

Market Value: \$114.9 M

Ending November 30, 2019

| Asset Class | Market Value 10/31/19 | 1 Mo Net Cash Flows | Market Value 11/30/19 | % of Portfolio | Policy % | 1 Mo | Fiscal YTD | YTD |
|---|----------------------------------|------------------------|--------------------------|-------------------|---------------|-------------|---------------|-------------|
| Total Fund Composite | \$114,704,435 | -\$6,618 | \$114,858,039 | 100.0% | 100.0% | 0.1% | 0.2% | 2.6% |
| Fixed Income Composite | \$114,704,435 | -\$6,618 | \$114,858,039 | 100.0% | 100.0% | 0.1% | 0.2% | 2.6% |
| <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | | | | | | -0.1% | 0.3% | 4.8% |
| Ponder Short Term Gov't/Credit <i>BBgBarc US Govt/Credit 1-3 Yr. TR</i> | Short-Term Fixed Income | \$25,952,121 | -\$1,564 | \$25,954,315 | 22.6% | 0.0% | 0.3% | 3.8% |
| Ponder US Treasury <i>BBgBarc US Govt/Credit 1-3 Yr. TR</i> | Short-Term Govt. Fixed Income | \$87,287,370 | -\$5,053 | \$87,437,971 | 76.1% | 0.2% | 0.2% | 2.1% |
| Vanguard Short-Term Investment Grade <i>BBgBarc US Govt/Credit 1-5 Yr. TR</i> | Short-Term Fixed Income | \$1,464,944 | \$0 | \$1,465,754 | 1.3% | 0.1% | 0.4% | 5.6% |
| | | | | | | -0.1% | 0.3% | 4.8% |

INFORMATIONAL REPORT

January 2020

Capital Expenditures \$25,000 -- \$50,000

| DESCRIPTION | DEPARTMENT | SOURCE OF FUNDS | TOTAL |
|--|----------------------|-----------------|----------|
| Stretchers for Emergency Department | Emergency Department | Working Capital | \$49,925 |
| CPU Upgrade for Electrophysiology System | Cardiology | Working Capital | \$45,000 |
| Nail Extraction System | Surgical Services | Working Capital | \$29,500 |
| Hemodialysis Systems | Dialysis | Working Capital | \$28,280 |
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Operating Leases \$50,000 -- \$250,000

| DESCRIPTION | DEPARTMENT | REPLACEMENT Y/N | LEASE TERMS | INTEREST RATE | MONTHLY PAYMENT |
|-------------|------------|--------------------|----------------|------------------|--------------------|
| | | | | | |
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HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Tonja Williams, RN Chief Nursing Officer
DATE: December 13, 2019
RE: Stretchers for Emergency Department

Halifax Health Emergency Department is requesting the purchase of six (6) stretchers. The purchase includes five (5) big wheel stretchers and one (1) electric big wheel stretcher. The new stretchers will replace stretchers that are greater than 20 years old.

The project was approved at the Capital Investment Committee meeting on November 20, 2019.

TOTAL CAPITAL COSTS \$49,925



Halifax Health Project Evaluation

Stretchers for ED

| | |
|--------------------------|-----------------|
| Chief Operating Officer: | Alberto Tineo |
| Chief Nursing Officer: | Tonja Williams |
| Director of Nursing: | Rob Love |
| Finance Analysis by: | Roxanne Edmonds |

Summary

Purpose:

This project is for the purchase of six (6) new stretchers for the Emergency Department to replace the current stretchers which are at their end of useful life.

Strategic Plan Core Competency Achievement:

| | |
|--------------------------|---|
| Physician Integration | |
| Care Coordination | X |
| Cost Management | |
| Information Technology | |
| Service Distribution | X |
| Financial Position | |
| Scale | |
| Managed Care Contracting | |
| Competitive Position | |

Cornerstone:

| | |
|------------|---|
| Safety | X |
| Compassion | |
| Image | |
| Efficiency | |

Investment Request for Approval **\$49,925**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: December 13, 2019
RE: CPU Upgrade for Electrophysiology System

Halifax Health Cardiology Department is requesting funding for the purchase of a central processing unit (CPU) for the electrophysiology (EP) system in the EP Lab 6.

The current CPU is at end of life and can no longer be serviced. The CPU is the electronic circuitry within the computer that controls the EP system functions. The CPU is a vital part of the EP system used on all ablations to fix abnormalities in the electrical system of the heart.

The project was approved at the Capital Investment Committee meeting on November 20, 2019.

Total Capital Costs \$45,000



Halifax Health

Project Evaluation

CPU Upgrade for EP Lab

Chief Operating Officer:

Alberto Tineo

VP of Operations:

Matt Petkus

Manager Cardiac Cath Lab:

Lismer Castellano

Finance Analysis by:

Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of a central processing unit (CPU) for the electrophysiology (EP) system in the EP Lab 6 to replace the current unit which is at its end of life and can no longer be serviced.

Strategic Plan Core Competency Achievement:

| | |
|--------------------------|---|
| Physician Integration | |
| Care Coordination | X |
| Cost Management | |
| Information Technology | |
| Service Distribution | X |
| Financial Position | |
| Scale | |
| Managed Care Contracting | |
| Competitive Position | |

Cornerstone:

| | |
|------------|---|
| Safety | X |
| Compassion | |
| Image | |
| Efficiency | X |

Investment Request for Approval **\$45,000**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

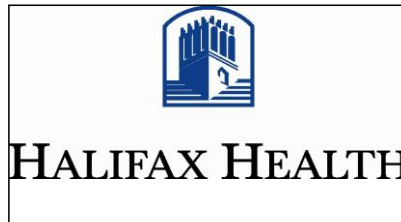
TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: December 13, 2019
RE: Nail Extraction System

Halifax Health Surgical Services is requesting funding to purchase a nail extraction system. The system will aid in the removal of objects implanted in the patient.

The comprehensive system contains multiple removal options for solid and broken nails and hooks. The extraction C-Frame applies crucial force in-line with the imbedded object to remove the object the same way it was implanted. The system is designed to minimize costly time delays in the OR during intramuscular nail removal procedures.

The project was approved at the Capital Investment Committee meeting on November 20, 2019.

TOTAL CAPITAL COSTS \$29,500



Halifax Health

Project Evaluation

Nail Extraction System

Chief Operating Officer:
VP of Operations:
Director, Surgical Services
Finance Analysis by:

Alberto Tineo
Matt Petkus
Eric Little
Todd Aldrich

Summary

Purpose:

The purchase of One (1) Xtract All Nail (Winquist 4) Universal IM nail extraction system from Shukla Medical. A comprehensive system that allows for multiple removal options. The system is expected to minimize OR delays.

Strategic Plan Core Competency Achievement:

| | |
|--------------------------|---|
| Physician Integration | X |
| Care Coordination | X |
| Cost Management | X |
| Information Technology | |
| Service Distribution | |
| Financial Position | |
| Scale | |
| Managed Care Contracting | |
| Competitive Position | |

Cornerstone:

| | |
|------------|---|
| Safety | X |
| Compassion | |
| Image | |
| Efficiency | X |

Investment Request for Approval **\$29,500**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

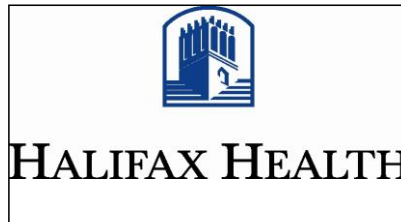
TO: Jeff Feasel, President and Chief Executive Officer
FROM: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Tonja Williams, RN Chief Nursing Officer
DATE: December 13, 2019
RE: Hemodialysis Systems

Halifax Health Dialysis Department is requesting funding for the purchase of two (2) hemodialysis systems. The purchase will replace two dialysis machines that are greater than 13 years old and no longer repairable.

Hemodialysis acts as an artificial kidney to remove waste, salt and extra water in the body. Dialysis also helps to maintain safe levels of potassium, sodium and bicarbonate and to control blood pressure. The new systems will provide the greatest number of configurations to individualize the patient's dialysis treatment.

The project was approved at the Capital Investment Committee meeting on November 20, 2019.

TOTAL CAPITAL COSTS \$28,280



Halifax Health

Project Evaluation

Hemodialysis Systems (x2)

Chief Operating Officer:

Alberto Tineo

Chief Nursing Officer:

Tonja Williams

Clinical Coordinator Dialysis:

Sandra Bauman

Finance Analysis by:

Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of two (2) hemodialysis systems to replace the current systems which are at the end of their useful life and can no longer be repaired.

Strategic Plan Core Competency Achievement:

| | |
|--------------------------|---|
| Physician Integration | |
| Care Coordination | X |
| Cost Management | |
| Information Technology | |
| Service Distribution | X |
| Financial Position | |
| Scale | |
| Managed Care Contracting | |
| Competitive Position | |

Cornerstone:

| | |
|------------|---|
| Safety | X |
| Compassion | |
| Image | |
| Efficiency | X |

Investment Request for Approval **\$28,280**

Recommendation for approval of the project is not based upon incremental return on investment.