

**MIAMI JEWISH HEALTH SYSTEMS, INC. AND  
SUBSIDIARIES AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Years Ended June 30, 2010 and 2009**

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MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of  
Miami Jewish Health Systems, Inc. and  
Subsidiaries and Affiliates  
Miami, Florida

We have audited the accompanying combined balance sheets of Miami Jewish Health Systems, Inc. and Subsidiaries and Affiliates ("MJHS") as of June 30, 2010 and 2009, and the related combined statements of operations, statements of cash flows and functional expenses for the years then ended. These combined financial statements are the responsibility of MJHS's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of MJHS as of June 30, 2010 and 2009, and the combined changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of MJHS's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**COMBINED BALANCE SHEETS**

**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,413,167	\$ 12,689,852
Current portion of investments	919,704	752,567
Accounts receivable, net of allowance for doubtful accounts of \$5,834,366 and \$3,204,373 respectively	9,286,659	12,063,218
Pledges receivable, net	231,392	977,506
Estimated third party payor settlements	-	400,000
Interest receivable	99,484	145,151
Current portion of assets whose use is limited	3,170,751	3,805,886
Prepaid expenses	857,053	910,359
Due from affiliate	438,581	141,714
Other current assets	<u>431,312</u>	<u>177,571</u>
TOTAL CURRENT ASSETS	25,848,103	32,063,824
INVESTMENTS, less current portion	29,891,586	36,445,576
ASSETS WHOSE USE IS LIMITED, less current portion	4,152,496	5,195,716
PLEDGES RECEIVABLE, net, less current portion	981,292	2,795,007
PROPERTY AND EQUIPMENT, net	75,275,379	77,984,868
OTHER ASSETS	<u>1,083,621</u>	<u>854,058</u>
TOTAL ASSETS	<u>\$ 137,232,477</u>	<u>\$ 155,339,049</u>

The accompanying notes are an integral part of the financial statements.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES  
COMBINED BALANCE SHEETS (Continued)**

**June 30, 2010 and 2009**

**LIABILITIES AND NET ASSETS**

	<b>2010</b>	<b>2009</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,141,654	\$ 4,084,429
Accrued expenses and other current liabilities	13,093,264	11,950,691
Demand note	2,782,165	4,124,414
Estimated third party payor settlements	206,000	-
Current portion of bonds payable	710,000	710,000
Current portion of annuity payment liability	450,088	573,821
Current portion of capital lease obligations	158,722	694,031
Current portion of unfunded pension benefit obligation	2,174,205	1,868,007
TOTAL CURRENT LIABILITIES	22,716,098	24,005,393
BONDS PAYABLE, less current portion	22,250,000	22,960,000
INTEREST RATE SWAP	1,761,604	1,254,660
ANNUITY PAYMENT LIABILITY, less current portion	1,582,293	1,713,121
DEFERRED REVENUE	6,769,293	6,806,496
CAPITAL LEASE OBLIGATIONS	380,528	1,289,093
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	14,930,418	15,674,140
OTHER LIABILITIES	1,961,201	2,090,000
TOTAL LIABILITIES	72,351,435	75,792,903
<b>COMMITMENTS AND CONTINGENCIES</b>		
CAPITAL ADVANCES, U.S. Department of Housing and Urban Development	13,214,551	13,573,005
<b>NET ASSETS</b>		
Unrestricted	38,351,279	50,587,142
Temporarily restricted	11,991,337	14,062,124
Permanently restricted	1,323,875	1,323,875
TOTAL NET ASSETS	51,666,491	65,973,141
TOTAL LIABILITIES AND NET ASSETS	\$ 137,232,477	\$ 155,339,049

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**COMBINED STATEMENTS OF OPERATIONS  
AND CHANGES IN NET ASSETS**

**Year Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Program service fees:		
Government agencies	\$ 21,401,251	\$ 20,293,596
Client fees and other third party payors	73,608,752	72,675,230
Contributions	2,258,161	3,430,549
Investment income and realized gains and losses, net	2,667,677	(4,347,948)
Sale of donated merchandise	1,407,989	1,579,687
Management and administrative fees	146,479	139,503
Other revenue	1,695,415	1,198,344
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<b>103,185,724</b>	94,968,961
NET ASSETS RELEASED FROM RESTRICTION		
Satisfaction of property and equipment purchase restrictions	3,453,387	5,352,361
Satisfaction of program restrictions	198,086	890,609
Net assets reclassification based on FSP 117-1 adoption	-	20,798,747
TOTAL NET ASSETS RELEASED FROM RESTRICTION	<b>3,651,473</b>	27,041,717
EXPENSES		
Program services:		
Case management/day care	20,461,249	20,106,846
Dietary	5,169,222	4,915,310
Health care	53,872,557	51,282,223
Institutional care	10,980,790	13,175,843
Research, training and planning	1,003,425	1,189,138
Social services	1,111,486	821,818
TOTAL PROGRAM SERVICES	<b>92,598,729</b>	91,491,178
Supporting services:		
Fundraising	3,859,372	1,655,335
General and administrative	22,538,815	20,377,359
TOTAL SUPPORTING SERVICES	<b>26,398,187</b>	22,032,694
TOTAL EXPENSES	<b>118,996,916</b>	113,523,872
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER NON-OPERATING EXPENSES AND LOSSES	<b>(12,159,719)</b>	8,486,806
OTHER NON-OPERATING EXPENSES AND LOSSES		
Change in unrealized gains (losses), net	(285,840)	(4,710,405)
Pension related changes other than net periodic cost	582,358	(7,433,446)
Loss from discontinued operations	(372,662)	(2,268,378)
Impairment of intangible assets	-	(600,000)
CHANGE IN UNRESTRICTED NET ASSETS	<b>(12,235,863)</b>	(6,525,423)

The accompanying notes are an integral part of the financial statements.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**COMBINED STATEMENTS OF OPERATIONS  
AND CHANGES IN NET ASSETS (Continued)**

**Year Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
CHANGES IN UNRESTRICTED NET ASSETS	<b>\$ (12,235,863)</b>	\$ (6,525,423)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions	<b>752,419</b>	1,406,427
Investment income	<b>828,267</b>	(3,230,356)
Net assets released from restrictions	<b>(3,651,473)</b>	(6,242,970)
Net assets reclassification based on FSP 117-1 adoption	<b>-</b>	(16,393,202)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<b>(2,070,787)</b>	(24,460,101)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	<b>-</b>	-
Net assets reclassification based on FSP 117-1 adoption	<b>-</b>	(4,405,545)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<b>-</b>	(4,405,545)
CHANGE IN NET ASSETS	<b>(14,306,650)</b>	(35,391,069)
NET ASSETS AT BEGINNING OF YEAR	<b>65,973,141</b>	101,364,210
NET ASSETS AT END OF YEAR	<b>\$ 51,666,491</b>	\$ 65,973,141

The accompanying notes are an integral part of the financial statements.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**COMBINED STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<b>\$ (14,306,650)</b>	\$ (35,391,069)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	<b>5,022,331</b>	5,119,219
Amortization of Capital Advances	<b>(358,454)</b>	(315,364)
Change in minimum pension liability	<b>(437,524)</b>	6,981,963
Change in other liabilities	<b>(128,799)</b>	(717,000)
Provision for doubtful accounts	<b>6,143,229</b>	2,947,212
Change in unrealized gains (losses), net	<b>285,840</b>	4,710,405
Loss from discontinued operations	<b>372,662</b>	2,268,378
Impairment of intangible asset	<b>-</b>	600,000
Changes in operating assets and liabilities:		
Accounts receivable	<b>(1,237,920)</b>	(7,228,739)
Pledges receivable, net	<b>476,746</b>	439,880
Estimated third party payor settlements	<b>606,000</b>	150,000
Prepaid expenses and other assets	<b>(429,998)</b>	145,357
Accounts payable	<b>(942,775)</b>	(2,228,266)
Accrued expenses	<b>1,142,573</b>	5,113,097
Deferred revenue	<b>(37,203)</b>	98,987
NET CASH USED IN OPERATING ACTIVITIES	<b>(3,829,942)</b>	(17,305,940)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from affiliate	<b>(296,867)</b>	113,215
Net change in investments	<b>6,803,484</b>	16,816,972
Purchase of property and equipment	<b>(3,530,830)</b>	(8,091,455)
Decrease in assets whose use is limited	<b>1,678,355</b>	6,531,142
NET CASH PROVIDED BY INVESTING ACTIVITIES	<b>4,654,142</b>	15,369,874
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) proceeds on demand note	<b>(1,342,249)</b>	1,209,599
Repayments on bonds payable	<b>(710,000)</b>	(710,000)
Increase in capital advances	<b>-</b>	2,028,651
Payments on annuity liability	<b>(450,088)</b>	(573,821)
Repayments on capital lease obligations	<b>(598,548)</b>	(666,647)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<b>(3,100,885)</b>	1,287,782
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(2,276,685)</b>	(648,284)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<b>12,689,852</b>	13,338,136
CASH AND CASH EQUIVALENTS - END OF YEAR	<b>\$ 10,413,167</b>	\$ 12,689,852

The accompanying notes are an integral part of the financial statements.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**COMBINED SCHEDULE OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2010**

	PROGRAM SERVICES						SUPPORTING SERVICES				TOTAL
	CASE MANAGEMENT/ DAY CARE	DIETARY	HEALTH CARE	INSTITUTIONAL CARE	RESEARCH TRAINING & PLANNING	SOCIAL SERVICES	TOTAL PROGRAM SERVICES	FUND RAISING	GENERAL & ADMINISTRATIVE	TOTAL SUPPORT SERVICES	
Salaries	\$ 5,051,790	\$ 972,974	\$ 21,091,155	\$ 3,479,045	\$ 559,736	\$ 816,839	\$ 31,971,539	\$ 700,299	\$ 7,910,658	\$ 8,610,957	\$ 40,582,496
Employee health and retirement benefits	990,174	222,505	4,110,208	826,158	82,305	139,124	6,370,474	95,555	1,402,573	1,498,128	7,868,602
Payroll taxes	372,862	86,574	1,541,263	297,119	39,460	59,714	2,396,992	62,064	734,833	796,897	3,193,889
	<u>6,414,826</u>	<u>1,282,053</u>	<u>26,742,626</u>	<u>4,602,322</u>	<u>681,501</u>	<u>1,015,677</u>	<u>40,739,005</u>	<u>857,918</u>	<u>10,048,064</u>	<u>10,905,982</u>	<u>51,644,987</u>
Conferences and conventions	21,575	385	60,750	33,728	5,243	341	122,022	229,811	402,638	632,449	754,471
Equipment rental and maintenance	102,937	26,383	194,046	370,145	3,420	5,787	702,718	-	81,196	81,196	783,914
Food supplies	55,845	1,830,360	161,212	488,380	587	23,739	2,560,123	1,731	87,533	89,264	2,649,387
Local transportation	256,523	794	148,713	26,390	-	2,474	434,894	730	50,530	51,260	486,154
Miscellaneous expense	27,595	1,208	487,544	14,166	1,620	606	532,739	14,325	793,809	808,134	1,340,873
Occupancy (including interest of approx. \$1,060,000)	450,318	40,689	3,480,021	1,496,782	32,293	2,009	5,502,112	1,580	2,851,386	2,852,966	8,355,078
Organizational membership dues	2,408	-	1,331	1,685	-	350	5,774	400	121,258	121,658	127,432
Other supplies	165,694	26,193	715,808	288,239	3,240	15,822	1,214,996	9,516	296,964	306,480	1,521,476
Pharmacy supplies	621,872	8,100	4,242,933	36,054	-	238	4,909,197	-	1,028	1,028	4,910,225
Postage	17,656	32	16,521	3,461	309	2,489	40,468	8,092	40,473	48,565	89,033
Printing and publications	13,718	42	27,923	10,919	265	3,278	56,145	1,796	616,552	618,348	674,493
Professional fees and contract services	12,144,739	1,928,990	11,230,927	1,839,508	204,932	32,987	27,382,083	87,991	4,857,039	4,945,030	32,327,113
Provisions for doubtful accounts	60	-	3,571,171	58,211	-	-	3,629,442	2,513,786	-	2,513,786	6,143,228
Restructuring fees	15,198	23,248	209,915	91,286	-	4,991	344,638	122,880	1,303,774	1,426,654	1,771,292
Telephone	70,729	745	66,433	33,968	7,316	698	179,889	8,816	206,722	215,538	395,427
	<u>20,381,693</u>	<u>5,169,222</u>	<u>51,357,874</u>	<u>9,395,244</u>	<u>940,726</u>	<u>1,111,486</u>	<u>88,356,245</u>	<u>3,859,372</u>	<u>21,758,966</u>	<u>25,618,338</u>	<u>113,974,583</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION											
DEPRECIATION AND AMORTIZATION	79,556	-	2,514,683	1,585,546	62,699	-	4,242,484	-	779,849	779,849	5,022,333
	<u>20,461,249</u>	<u>5,169,222</u>	<u>53,872,557</u>	<u>10,980,790</u>	<u>1,003,425</u>	<u>1,111,486</u>	<u>92,598,729</u>	<u>3,859,372</u>	<u>22,538,815</u>	<u>26,398,187</u>	<u>118,996,916</u>
TOTAL EXPENSES											

The accompanying notes are an integral part of the financial statements.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**COMBINED SCHEDULE OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2009**

	CASE MANAGEMENT/						SUPPORTING SERVICES				TOTAL
	DAY CARE	DIETARY	HEALTH CARE	INSTITUTIONAL CARE	RESEARCH TRAINING & PLANNING	SOCIAL SERVICES	TOTAL PROGRAM SERVICES	FUND RAISING	GENERAL & ADMINISTRATIVE	TOTAL SUPPORT SERVICES	
Salaries	\$ 5,133,343	\$ 2,309,530	\$ 22,359,500	\$ 5,492,316	\$ 676,150	\$ 623,435	\$ 36,594,274	\$ 686,588	\$ 9,865,705	\$ 10,552,293	\$ 47,146,567
Employee health and retirement benefits	852,041	453,560	3,881,833	1,378,765	92,710	95,138	6,754,047	89,443	1,418,416	1,507,859	8,261,906
Payroll taxes	379,215	165,904	1,640,027	409,127	48,815	45,773	2,688,861	65,948	917,704	983,652	3,672,513
	6,364,599	2,928,994	27,881,360	7,280,208	817,675	764,346	46,037,182	841,979	12,201,825	13,043,804	59,080,986
Conferences and conventions	15,033	670	52,180	98,242	9,263	4,085	179,473	345,132	409,942	755,074	934,547
Equipment rental and maintenance	106,284	56,049	241,357	256,721	3,271	3,894	667,576	-	85,442	85,442	753,018
Food supplies	60,341	1,786,699	150,679	600,175	825	8,030	2,606,749	5,587	65,804	71,391	2,678,140
Local transportation	218,347	1,260	163,459	39,145	-	895	423,106	979	95,655	96,634	519,740
Miscellaneous expense	50,637	1,125	154,004	28,750	2,669	617	237,802	25,287	726,806	752,093	989,895
Occupancy (including interest of approx.\$1,477,000)	365,129	66,540	3,822,752	1,974,225	34,836	828	6,264,310	1,870	1,852,414	1,854,284	8,118,594
Organizational membership dues	2,025	-	1,139	2,040	-	250	5,454	510	112,546	113,056	118,510
Other supplies	195,713	23,668	662,961	579,296	7,649	5,382	1,474,669	9,656	330,591	340,247	1,814,916
Pharmacy supplies	568,835	8,536	4,087,271	43,427	532	69	4,708,670	-	21,992	21,992	4,730,662
Postage	19,440	51	11,464	9,472	548	1,655	42,630	8,885	47,952	56,837	99,467
Printing and publications	21,298	937	34,501	35,508	1,716	2,165	96,125	62,719	339,187	401,906	498,031
Professional fees and contract services	11,949,729	38,131	8,752,527	556,695	236,645	28,431	21,562,158	26,772	2,954,534	2,981,306	24,543,464
Provisions for doubtful accounts	-	-	2,616,114	14,682	-	-	2,630,796	316,415	-	316,415	2,947,211
Restructuring fees	-	-	-	-	-	-	-	-	-	-	-
Telephone	88,345	2,650	87,262	41,124	9,600	1,171	230,152	9,544	337,776	347,320	577,472
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>20,025,755</b>	<b>4,915,310</b>	<b>48,719,030</b>	<b>11,559,710</b>	<b>1,125,229</b>	<b>821,818</b>	<b>87,166,852</b>	<b>1,655,335</b>	<b>19,582,466</b>	<b>21,237,801</b>	<b>108,404,653</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>81,091</b>	<b>-</b>	<b>2,563,193</b>	<b>1,616,133</b>	<b>63,909</b>	<b>-</b>	<b>4,324,326</b>	<b>-</b>	<b>794,893</b>	<b>794,893</b>	<b>5,119,219</b>
<b>TOTAL EXPENSES</b>	<b>\$ 20,106,846</b>	<b>\$ 4,915,310</b>	<b>\$ 51,282,223</b>	<b>\$ 13,175,843</b>	<b>\$ 1,189,138</b>	<b>\$ 821,818</b>	<b>\$ 91,491,178</b>	<b>\$ 1,655,335</b>	<b>\$ 20,377,359</b>	<b>\$ 22,032,694</b>	<b>\$ 113,523,872</b>

The accompanying notes are an integral part of the financial statements.

# MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

### NOTE 1 - NATURE OF THE ORGANIZATION AND BASIS OF PRESENTATION

#### Nature of the Organization

Miami Jewish Home and Hospital for the Aged, Inc. was incorporated in 1940 to provide shelter for the elderly and develop social and health programs relating to their care. Since its inception, the organization has expanded to include a number of affiliated entities, organized to provide an array of additional programs such as assistive housing, outpatient services and community-based programs. These programs offer alternatives to institutionalization, as well as research, education, and training in areas primarily focused on care for the elderly. On October 17, 2010, the Board of Directors voted to change the name of the organization to Miami Jewish Health Systems, Inc. ("MJHS").

These combined financial statements include Miami Jewish Health Systems, Inc. and its controlled and supporting affiliated entities which operate and provide the following programs in furtherance of its mission:

- A 462 bed skilled nursing facility
- A Medicare certified specialty hospital unit with 32 acute care beds
- Irving Cypen Tower – a 99 unit independent living facility with overlaid services
- Hazel Cypen Tower – a 100 unit assisted living facility with overlaid services
- Douglas Gardens North - a 95 unit apartment building and a 52 unit apartment building, which provides subsidized housing for the elderly
- Count and Countess de Hoernle Alzheimer's Pavilion – a 46 bed assisted living facility in Deerfield Beach which provides permanent residency, day care and respite care
- Douglas Gardens Hospice – provides hospice care services in Miami-Dade and Monroe counties
- Douglas Gardens Community Care – a lead agency which provides home and community based services, including Community Care for the Elderly, Aged and Disabled Medicaid Waiver, Assisted Living Waiver, Home Care for the Elderly and Older American Act Title III E and III B programs
- An ambulatory health center
- The Rosomoff Comprehensive Pain Center
- A diagnostic imaging center
- Louis C. Fischer Alzheimer's Adult Day Services
- Channeling II – A State of Florida Medicaid waiver project which provides community based services
- Medicaid Alzheimer's Project – Case management and a variety of home and community based services to individuals and their caregivers
- Project Independence at Home – A special Medicaid program which provides case management and coordination and a variety of home and community based services
- Florida PACE Centers – provides all inclusive care for elderly clients

## **NOTE 1 - NATURE OF THE ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

- Stein Gerontological Institute – performs research, training and consulting services related to aging and care of the elderly
- Douglas Gardens Home Care – a nurse registry program which provides private duty nursing care, personal care and companion services
- Douglas Gardens Senior Housing – provides management services to senior housing providers
- Thrift shops and the LaBow Residents' Marketplace offers miscellaneous merchandise to residents, employees and guests of MJHS and the general public
- Two charitable foundations created for the benefit of MJHS which raise and distribute funds in support of MJHS and its mission

All significant inter-organization accounts and transactions have been eliminated in the consolidation of MJHS and its subsidiaries and the combination of MJHS with its affiliates.

### **Changes in Net Assets**

MJHS has incurred significant recurring losses during recent years. Management continues to make financial and operational changes to address the recurring decreases in net assets. MJHS has closed non-performing business units, eliminated programs, and reduced personnel. In addition, management has amended its employee benefit plan effective July 1, 2010 to reduce its pension cost. The implementation of these cost-cutting measures has reduced the outflow of cash and is expected to improve operating results in the near future.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the more significant accounting policies followed by MJHS in the preparation of its combined financial statements:

### **Cash and Cash Equivalents**

MJHS considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, excluding cash and cash equivalents included in investments and assets whose use is limited.

### **Investments**

Investments are reported at fair value in the combined balance sheet. Realized gains and losses are calculated based on proceeds received less cost. The cost of securities sold is based on the average cost method. Net unrealized gains and losses are reported in the combined statements of operations and represent the change in the fair value of investment holdings during the year.

Due to the volatility of the financial markets, MJHS's investment portfolio incurred substantial realized and unrealized losses during 2009. A more recent favorable market resulted in a partial recovery in the portfolio during 2010. MJHS's employee benefit plan assets were subject to the same financial market volatility. The ultimate realization of any unrealized losses at year end is inherently unpredictable and these financial statements include no adjustments related to the outcome of this uncertainty.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Pledges Receivable**

Unconditional pledges to give cash and other assets (including multi-year pledges) are recognized at fair value in the period the pledge is made. Pledges to be received over more than one year are measured at the present value of estimated future cash flows. In FY 2009, the discount rate was based on the average interest rate for the year in which the respective pledge originated and was set at the 3-, 5-, or 10-year Treasury Bill rate that most closely matched the terms of the pledge.

During FY 2010, MJHS modified its pledge recognition policy to require that pledge payments be in compliance with the original terms or amended pledge agreement in order for the pledge to be carried at fair value without a reserve for uncollectible accounts being established against it. This change in policy resulted in an increase to the reserve for potential uncollectible pledges of approximately \$2 million. In addition, the policy modified the discount rate used in the present value computation to an average discount. The rate used at June 30, 2010 was 4%.

### **Assets Whose Use is Limited**

Assets whose use is limited includes both unrestricted and restricted cash and investment amounts set aside under provisions of borrowing and contractual arrangements. A detail of the amounts comprising assets whose use is limited is presented in Note 5.

### **Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at fair market value at the date of gift, if donated. Depreciation is provided using the straight line method over the estimated useful lives of the various classes of assets: 40 years for buildings, between five and ten years for furniture and equipment, and 15 years for land improvements. Expenditures that improve or extend the life of property and equipment are capitalized. The cost of maintenance, repairs and recurring replacements are charged to operations as incurred.

Property and equipment purchased with government grants are classified as unrestricted net assets, when the likelihood of the return of the assets to the government is considered remote.

### **Deferred Financing Costs**

Costs related to obtaining financing have been deferred and are being systematically amortized to operations over the term of the related debt obligations. Amortization of deferred costs related to the Series 2005 Bonds amounted to approximately \$19,000 in 2010 and 2009.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Impairment of Long-Lived Assets and intangible assets**

MJHS's management continually monitors conditions that may affect the carrying value of its long-lived assets and intangible assets. When changes in conditions indicate potential impairment, management reevaluates projected future cash flows associated with the asset. When projected future cash flows over the useful life of the asset, not discounted for the time value of money, are less than the carrying value of the asset, the asset is written down to its estimated net realizable value. MJHS recorded a charge of \$600,000 for the impairment of intangible assets during the year ended June 30, 2009.

### **Deferred Revenues**

Deferred revenues are mainly comprised of fees received from the State of Florida for the Channeling II program, to be recognized in subsequent years as they are used for program expenses.

### **Net Asset Classification**

Net assets are presented based on the existence or absence of donor-imposed restrictions. In these financial statements, net assets are reported as follows:

*Unrestricted* - Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted* - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of MJHS or by the passage of time.

*Permanently Restricted* - Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of MJHS.

### **Revenue Recognition**

#### Healthcare Services Revenue

Payment arrangements for providing healthcare services include reimbursed costs, discounted charges, and per diem payments. Revenue is reported at the estimated net realizable amounts receivable from residents, third-party payors, and others at the time services are rendered.

Under the Florida Medicaid program, providers of skilled nursing services are reimbursed their reasonable costs subject to certain limitations, as defined in the applicable regulations and State Plan. Services rendered to Medicare program beneficiaries are reimbursed using prospectively determined case-mix rates. These rates vary according to a classification system that is based on clinical assessments.

The hospice program receives biweekly "Periodic Interim Payments" ("PIP's") for services rendered to hospice patients. These PIP's are estimated based on historical activity and the projection of future activity. The payment amounts are adjusted quarterly and are reconciled at year end to actual services provided.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Revenue Recognition *(Continued)***

Revenue recognized under Medicaid, Medicare and other third-party payor agreements is generally subject to audit and retroactive adjustment by the payors or their intermediaries. Provisions for estimated third-party payor settlements, if any, are made in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

### Independent and Assisted Living Revenue

Rental income is recorded on the accrual basis in the period in which occupancy rights are provided. Ancillary charges for various additional services are recorded in the period the services are provided. The lease agreements require certain deposits. These deposits are initially recorded as deferred revenue and are recognized as income in the periods they are earned.

### Grant and Contract Revenues

Revenues from grants and contracts are recognized when expenses are incurred or services are provided, as defined in the contract or grant agreement.

### Contributions and Donations

Contributions are recorded at their estimated fair values on the date of receipt.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as a restricted contribution. When a restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions in that period.

Donated merchandise used for fundraising activities is recorded as support upon sale, rather than upon receipt, since no objective basis is available to measure its value.

Numerous individuals volunteer their time and effort in support of MJHS and its mission. No amounts have been reflected in these financial statements for those donated services as there is no objective basis to measure its value.

### **Income Taxes**

MJHS, its subsidiaries, and its affiliates are not-for-profit organizations exempt from income tax as described under Sections 501(c)(3) and 501(c)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income Tax *(Continued)***

As of June 30, 2010, with few exceptions, MJHS is no longer subject to income tax examinations by the United States federal tax authority for any tax years before the tax year ending June 30, 2007.

### **Estimates**

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

### **Reclassifications**

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

## NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment. Changes in assumptions and in MJHS's operating environment could significantly affect these estimates.

The fair value of financial instruments is based on a three-tier hierarchy, which prioritizes the input used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels are defined as follows:

- |         |   |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities.                                     |
| Level 2 | Inputs other than quoted prices in active markets within Level 1 that are either directly or indirectly observable. |
| Level 3 | Significant unobservable inputs for the asset or liability in which little or no market data exists.                |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

If available, quoted market prices are used to value investments, including investments classified as assets whose use is limited. Corporate bonds and notes, U.S. Government obligations, and equities and securities are valued at the closing price reported on the most active market on which the individual securities are traded. Mutual funds are valued at the closing price reported on the most active market on which the fund is traded or at the net asset value (“NAV”) of shares held by MJHS at year end. The NAV is based on the value of the underlying assets owned by the mutual fund, minus its liabilities, and then divided by the number of shares outstanding. Hedge funds, limited partnerships, private equities and alternative investments not traded on active markets are valued using a combination of market and income approaches related to the specific characteristics of the investment.

The following table sets forth by level, within the fair value hierarchy, MJHS’s investments and assets whose use is limited measured at fair value as of June 30, 2010 and 2009.

	<b>2010</b>			
	<b>Fair Value Measurements</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>ASSETS</b>				
Investments:				
Collateralized mortgage obligations	\$ 718,287	\$ -	\$ -	\$ 718,287
Equity securities	10,348,963	-	-	10,348,963
Hedge funds	-	-	87,943	87,943
Investment in real estate	-	-	8,600,000	8,600,000
Limited partnerships	-	-	1,663,197	1,663,197
Mutual funds	310,212	-	-	310,212
Private equities	-	-	1,310,521	1,310,521
Bonds	7,772,167	-	-	7,772,167
<b>Total Investments</b>	<b>\$19,149,629</b>	<b>\$ -</b>	<b>\$11,661,661</b>	<b>\$ 30,811,290</b>
Assets Whose Use Is Limited:				
Collateralized mortgage obligations	\$ 1,103,705	\$ -	\$ -	\$ 1,103,705
Equity securities	1,253,135	-	-	1,253,135
Mutual funds	463,000	-	-	463,000
Bonds	1,332,656	-	-	1,332,656
<b>Total Assets Whose Use Is Limited</b>	<b>\$ 4,152,496</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,152,496</b>
<b>LIABILITIES</b>				
Annuity payment liability	\$ -	\$ -	\$ 2,032,381	\$ 2,032,381
Interest rate swap	-	1,761,604	-	1,761,604

**NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

	2009			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
<b>ASSETS</b>				
Investments:				
Collateralized mortgage obligations	\$ 629,887	\$ -	\$ -	\$ 629,887
Equity securities	9,637,617	-	-	9,637,617
Foreign currency	14,520	-	-	14,520
Hedge funds	-	-	607,173	607,173
Investment in real estate	-	-	8,600,000	8,600,000
Limited partnerships	-	-	1,663,197	1,663,197
Mutual funds	303,706	-	-	303,707
Private equities	-	-	1,242,203	1,242,203
Bonds	14,499,840	-	-	14,499,840
Total Investments	<u>\$ 25,085,570</u>	<u>\$ -</u>	<u>\$ 12,112,573</u>	<u>\$ 37,198,143</u>
Assets Whose Use Is Limited:				
Collateralized mortgage Obligations	\$ 1,267,569	\$ -	\$ -	\$ 1,267,569
Equity securities	1,348,791	-	-	1,348,791
Hedge funds	-	-	201,507	201,507
Mutual funds	897,049	-	-	897,049
Bonds	1,480,800	-	-	1,480,800
Total Assets Whose Use Is Limited	<u>\$ 4,994,209</u>	<u>\$ -</u>	<u>\$ 201,507</u>	<u>\$ 5,195,716</u>
<b>LIABILITIES</b>				
Annuity payment liability	\$ -	\$ -	\$ 2,286,942	\$ 2,286,942
Interest rate swap	-	1,254,660	-	1,254,660

The tables below summarize changes in the fair value of level 3 assets for the years ended June 30, 2010 and 2009.

	2010			
	Level 3 Rollforward			
	Fair Value at June 30, 2009	Activity, Net	Change in Fair Value	Fair Value at June 30, 2010
<b>ASSETS:</b>				
Hedge funds	\$ 808,680	\$ (725,055)	\$ 4,318	\$ 87,943
Limited partnerships	1,663,197	-	-	1,663,197
Private equities	1,242,203	-	68,318	1,310,521
Investments in real estate	<u>8,600,000</u>	<u>-</u>	<u>-</u>	<u>8,600,000</u>
	<u>\$ 12,314,080</u>	<u>\$ (725,055)</u>	<u>\$ 72,636</u>	<u>\$ 11,661,661</u>
<b>LIABILITIES:</b>				
Annuity payment liability	Fair Value at June 30, 2009	Issuances	Repayments and Settlements	Present Value of Estimated Cash Flows
	\$ 2,286,942	\$ 58,236	\$ (807,178)	\$ 494,381
				\$ 2,032,381

**NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

	2009				
	Level 3 Rollforward				
	Fair Value at June 30, 2008	Activity, Net	Change in Fair Value	Fair Value at June 30, 2009	
<b>Assets:</b>					
Hedge funds	\$ 3,929,414	\$ (3,029,679)	\$ (91,055)	\$ 808,680	
Limited partnerships	2,443,890	2,056,110	(2,836,803)	1,663,197	
Private equities	1,588,334	911,666	(1,257,797)	1,242,203	
Investments in real estate	<u>8,600,000</u>	<u>-</u>	<u>-</u>	<u>8,600,000</u>	
	<u>\$ 16,561,638</u>	<u>\$ 61,903</u>	<u>\$ 4,185,655</u>	<u>\$ 12,314,080</u>	
	<b>Fair Value at June 30, 2008</b>	<b>Issuances</b>	<b>Repayments and Settlements</b>	<b>Present Value Of Estimated Cash Flows</b>	<b>Fair Value at June 30, 2009</b>
<b>LIABILITIES:</b>					
Annuity payment liability	\$ 3,151,218	\$ 115,292	\$ (573,821)	\$ (405,747)	\$ 2,286,942

The carrying value of pledges receivable approximates fair value, as they have been discounted using the present value of future cash flows.

The carrying value of MJHS's long-term debt approximates fair value, as the stated interest rates approximate rates at which similar types of borrowing could be currently obtained by MJHS.

The fair value and carrying value of interest-rate swaps is the estimated amount that MJHS would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The value of interest receivable is calculated based on the face value and interest rate of the security owned by MJHS and the period of time since the last interest payment was received by MJHS.

The carrying amounts of the following instruments approximate fair value because of their short maturities: cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses.

**NOTE 4 - INVESTMENTS**

The composition of investments at June 30, 2010 and 2009 is as follows:

	2010	
	Fair Value	Cost
Collateralized mortgage obligations	\$ 718,287	\$ 607,631
Equity securities	10,348,963	10,755,845
Hedge funds	87,943	83,625
Investment in real estate	8,600,000	8,600,000
Limited partnerships	1,663,197	4,500,000

**NOTE 4 - INVESTMENTS (Continued)**

	<b>2010 (Continued)</b>	
	<b>Fair Value</b>	<b>Cost</b>
Mutual funds	\$ 310,212	\$ 266,016
Private equities	1,310,521	1,370,307
Bonds	7,772,167	10,549,268
	<b>30,811,290</b>	<b>36,732,692</b>
Less current portion	(919,704)	-
Total long-term portion	<b>\$ 29,891,586</b>	<b>\$ 36,732,692</b>
	<b>2009</b>	
	<b>Fair Value</b>	<b>Cost</b>
Collateralized mortgage obligations	\$ 629,887	\$ 1,062,903
Equity securities	9,637,617	9,352,013
Foreign currency	14,520	14,520
Hedge funds	607,173	353,735
Investment in real estate	8,600,000	8,600,000
Limited partnerships	1,663,197	4,500,000
Mutual funds	303,706	282,141
Private equities	1,242,203	1,947,493
Bonds	14,499,840	17,284,196
	<b>37,198,143</b>	<b>43,397,001</b>
Less current portion	(752,567)	-
Total long-term portion	<b>\$ 36,445,576</b>	<b>\$ 43,397,001</b>

The following summarizes investment income and its classification in the combined statements of operations for the fiscal years ended June 30, 2010 and 2009:

	<b>2010</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>
Dividends and interest	\$ 1,048,251	\$ 828,267
Net realized gain	1,558,155	-
Return on permanently restricted investments transferred to unrestricted	61,271	-
Total investment income	<b>\$ 2,667,677</b>	<b>\$ 828,267</b>
	<b>2009</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>
Dividends and interest	\$ 1,279,281	\$ 346,509
Net realized losses	(5,399,174)	(2,827,208)
Change in unrealized loss on investments	-	(749,657)
Return on permanently restricted investments transferred to unrestricted	(228,055)	-
Total investment income	<b>\$ (4,347,948)</b>	<b>\$ (3,230,356)</b>

## NOTE 5 - ASSETS WHOSE USE IS LIMITED

MJHS's Board of Directors has designated a portion of its cash and investments for capital improvements, debt requirements, and other future needs of MJHS. The designation of assets whose use is limited as of June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Use limited as per bond indenture	\$ 2,434,783	\$ 3,290,587
Split-interest agreements	3,319,127	4,047,921
To provide income for building maintenance	180,005	274,586
To provide resident assistance	1,389,332	1,388,508
	<u>7,323,247</u>	<u>9,001,602</u>
Less current portion	<u>(3,170,751)</u>	<u>(3,805,886)</u>
Total	<u>\$ 4,152,496</u>	<u>\$ 5,195,716</u>

The composition of assets whose use is limited at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	
	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 3,170,751	\$ 3,170,751
Collateralized mortgage obligations	1,103,705	1,012,651
Equity securities	1,253,135	1,362,026
Mutual funds	463,000	538,953
Bonds	1,332,656	1,205,067
	<u>\$ 7,323,247</u>	<u>\$ 7,289,448</u>
	<u>2009</u>	
	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 3,805,886	\$ 3,805,886
Collateralized mortgage obligations	1,267,569	1,153,676
Equity securities	1,348,790	1,284,065
Hedge funds	201,508	546,000
Mutual funds	897,049	1,230,849
Bonds	1,480,800	1,633,762
	<u>\$ 9,001,602</u>	<u>\$ 9,654,238</u>

## NOTE 6- PLEDGES RECEIVABLE

Total net pledges receivable as of June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Gross pledges receivable	\$ 2,183,844	\$ 8,183,277
Less allowance for uncollectable pledges	(753,548)	(3,174,729)
Less discounts to net present value	<u>(217,612)</u>	<u>(1,236,035)</u>
Net pledges receivable	<u>\$ 1,212,684</u>	<u>\$ 3,772,513</u>

**NOTE 6 - PLEDGES RECEIVABLE (Continued)**

	<u>2010</u>	<u>2009</u>
Amounts due in:		
Less than one year	\$ 231,392	\$ 977,506
One to five years	600,096	1,278,698
More than five years	<u>381,196</u>	<u>1,516,309</u>
Net pledges receivable	1,212,684	3,772,513
Less current portion	<u>(231,392)</u>	<u>(977,506)</u>
Non-current portion	<u>\$ 981,292</u>	<u>\$ 2,795,007</u>

**NOTE 7 - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, at June 30, 2010 and 2009 is comprised of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 9,179,337	\$ 9,179,337
Land improvements	9,061,038	9,045,524
Buildings and improvements	88,644,051	89,554,163
Furniture and equipment	26,592,433	25,149,872
Vehicles	1,426,591	1,217,226
Construction in progress	<u>3,230,717</u>	<u>3,844,891</u>
	138,134,167	137,991,013
Less accumulated depreciation and amortization	<u>(62,858,788)</u>	<u>(60,006,145)</u>
Property and equipment, net	<u>\$ 75,275,379</u>	<u>\$ 77,984,868</u>

Depreciation and amortization of property and equipment for the years ended June 30, 2010 and 2009 approximated \$5,000,000 and \$5,100,000, respectively.

Construction in progress primarily relates to the construction of an additional Florida PACE center in the City of Hialeah, Florida and various other projects. The center was placed in service in September 2010.

During the year ended June 30, 2010, MJHS disposed of approximately \$1,200,000 of building and improvements and equipment net of accumulated depreciation as a result of the discontinued operations related to Coral Way. MJHS incurred a loss on discontinued operations of \$372,662 as a result of the disposals and the write off of other assets and settlement of other liabilities (see Note 14).

**NOTE 8 - SPLIT-INTEREST AGREEMENTS AND CHARITABLE ANNUITIES**

MJHS has been named as a beneficiary in numerous charitable gift annuities, split interest agreements and remainder trusts. Under these agreements, specified amounts or percentages of investments are payable to the donor, or to the donor's designee, for life. Upon the death of the donor or the donor's designee, the balance of the investment is paid to MJHS.

**NOTE 8 - SPLIT-INTEREST AGREEMENTS AND CHARITABLE ANNUITIES (Continued)**

MJHS recognizes a portion of each agreement as contribution income at the time that the agreement becomes effective. The amount of the contribution is the difference between the fair value of the contributed assets and the present value of the total estimated future payments to be made over the expected life of the donor or designee. The present value of the estimated future payments is recorded as a liability. The agreements are valued using discount rates established by the American Council on Gift Annuities. Adjustment of the liability to reflect actuarial revaluations of the future cash flows, due to revisions of life expectancies or changes in discount factors, is recognized in subsequent periods in the combined statement of operations.

The following tables present additional detail regarding the asset and liability amounts related to these agreements presented in the balance sheets:

	<b>June 30, 2010</b>	
	<b>Asset</b>	<b>Liability</b>
Charitable remainder annuities	\$ 1,328,584	\$ 1,140,449
Gift life annuities	1,990,543	891,932
	<u>3,319,127</u>	<u>2,032,381</u>
Less current portion	(450,088)	(450,088)
	<u>\$ 2,869,039</u>	<u>\$ 1,582,293</u>

	<b>June 30, 2009</b>	
	<b>Asset</b>	<b>Liability</b>
Charitable remainder annuities	\$ 1,321,532	\$ 1,469,672
Gift life annuities	2,726,389	817,270
	<u>4,047,921</u>	<u>2,286,942</u>
Less current portion	(573,821)	(573,821)
	<u>\$ 3,474,100</u>	<u>\$ 1,713,121</u>

**NOTE 9 - BORROWING ARRANGEMENTS****Demand Note**

MJHS has an unsecured demand note from a financial institution which provides, among other things, for maximum borrowings of up to \$5,000,000 (\$4,320,000 direct borrowing and \$680,000 Standby Letter of Credit). Borrowings under the line bear interest based upon the 30-day LIBOR rate plus 1% (1.4% at June 30, 2010). As of June 30, 2010 and 2009, the outstanding balance on the line of credit approximated \$2,800,000 and \$4,100,000, respectively. Subsequent to year end, the demand note was converted to a \$5,000,000 revolving line of credit (\$4,320,000 direct borrowing and \$680,000 standby letter of credit) under which MJHS may borrow, repay and reborrow for working capital and debt service purposes and to fund reserves. Advances will be calculated and made in respect of a "borrowing base" featuring reasonable and customary valuations of borrower's eligible receivables.

Cash paid for interest on the note was approximately \$44,000 and \$94,000 for the years ended June 30, 2010 and 2009, respectively.

**NOTE 9 - BORROWING ARRANGEMENTS (Continued)****Obligations Under Capital Leases**

MJHS leases certain equipment under capital leases. The basis in the assets and the liabilities under the capital leases are recorded at the present value of the minimum lease payments. Future minimum lease payments required under capital leases are as follows at June 30, 2010:

<u>YEAR ENDING JUNE 30,</u>	<u>AMOUNT</u>
2011	\$ 199,891
2012	199,891
2013	150,852
2014	52,773
2015	<u>23,606</u>
Total minimum lease payments	627,013
Less amount representing interest (effective interest rates ranging from 7.7% to 10.55%)	<u>(87,763)</u>
Present value of net minimum lease payments	539,250
Less current portion of capital lease obligation	<u>(158,722)</u>
Capital lease obligation, net of current portion	<u>\$ 380,528</u>

The recorded value of the assets purchased using capital leases and related accumulated depreciation approximated \$603,000 and \$26,000, respectively, at June 30, 2010.

**Bonds Payable**

On August 1, 2005, MJHS completed the refinancing of the 1992 and 1996 City of Miami, Florida Health Facilities Authority Revenue Bonds, with the issuance of the Series 2005, City of Miami, Florida Health Facilities Authority Revenue Bonds (“the Bonds”). The Bonds, issued in the original amount of \$25,800,000, will mature on August 1, 2026. The proceeds of the Refunded Bonds were applied to finance and refinance the cost of construction, acquisition and equipping of certain capital improvements of MJHS’s operating facilities. The Bonds are enhanced by a five year letter of credit from a financial institution which expired August 1, 2010. The letter of credit agreement was subsequently extended through December 2013. The letter of credit is collateralized by the assignment of certain rents and leases and a first mortgage on certain real and personal property of MJHS. MJHS is also required to maintain certain deposits with a trustee. Such deposits are included in assets limited as to use in the balance sheets.

The Bonds are payable in annual principal payments of \$710,000 due every August 1, through 2015 and \$1,700,000 from 2016 through 2026. The bonds bear interest at variable rates which ranged from .22% to 2.1% and .44% to 7.9% during the years ended June 30, 2010 and 2009, respectively. The effective rate at June 30, 2010 was .43%.

## NOTE 9 - BORROWING ARRANGEMENTS (Continued)

The borrowing agreements include restrictive covenants which require MJHS to maintain certain financial ratios, including cushion, leverage, and debt service ratios, as defined by the letter of credit agreement. As of June 30, 2010 MJHS was in anticipatory non-compliance of certain financial covenants. However, the existing letter of credit expired prior to the required reporting of such year-end covenants. MJHS received a short-term extension on the letter of credit through December 31, 2010 while negotiating the structure of a long-term agreement. Subsequent to year-end, the financial institution renewed the letter of credit for a three year period to expire on December 31, 2013. New financial covenants and reporting requirements have been included as part of the renewal agreement.

Future maturities on the Bonds are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 710,000
2012	710,000
2013	710,000
2014	710,000
2015	710,000
Thereafter	<u>19,410,000</u>
	<u>\$ 22,960,000</u>

Cash paid for interest and fees related to the Bonds approximated \$880,000 and \$1,000,000 for the years ended June 30, 2010 and 2009, respectively.

### **Interest Rate Swap Agreement**

MJHS has entered into an Interest Rate Swap Agreement (the “Swap Agreement”) related to its Bonds to hedge against increases in short-term interest rates. The Swap Agreement provides, among other things, for MJHS to pay a fixed rate of 4.45% and receive interest at a variable rate based on the BMA Municipal Swap Index. The Swap Agreement expires in August 2026 and has certain cancellation options.

The notional amount on the Swap Agreement is equal to 50% of the outstanding principal on the bonds (\$11,480,000 at June 30, 2010). Credit loss from counterparty nonperformance is not anticipated.

The fair value of the Swap Agreement resulted in a liability of approximately \$1,762,000 and \$1,255,000 at June 30, 2010 and 2009, respectively, which represents the amount MJHS would have to pay the counterparty to terminate the Swap Agreement. The change in fair value of the Swap Agreement is reflected in the statement of operations as a decrease in unrestricted net assets of approximately \$507,000 and \$353,000 for the years ended June 30, 2010 and 2009, respectively.

## NOTE 10 - EMPLOYEE BENEFIT PROGRAMS

### Defined Benefit Pension Plan

MJHS and its affiliate, Douglas Gardens Community Mental Health Center, Inc. (“the Center”), have a joint defined benefit pension plan (the “Plan”), providing retirement, death, and disability benefits to eligible employees of MJHS and the Center over the age of 21 with at least one year of service. The annual retirement benefits, to be paid to employees with five or more years of service when they reach normal retirement age are based on credited service and earnings, as defined by the Plan. The assets and corresponding liabilities of the Plan are not included in MJHS’s combined financial statements since they are held in trust for the benefit of the employees and are not owned by MJHS.

Effective July 1, 2010, MJHS’s and the Center’s management adopted a change in the Plan’s benefit structure. The rate of accrual for service after June 30, 2010 is 0.5% times career-average compensation. In addition, accrued benefits as of June 30, 2010 are preserved for participants on that date, but will not reflect post June 30, 2010 compensation. As a result of this change, the June 30, 2010 pension benefit obligation has decreased by \$5,140,464, which also reduces other components of the pension cost.

The net periodic pension cost of the Plan for the years ended June 30, 2010 and 2009 was determined as follows:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 2,104,287	\$ 2,278,383
Interest cost	3,320,992	3,158,215
Expected return on plan assets	(3,189,328)	(3,343,877)
Amortization of net actuarial loss	<u>1,523,164</u>	<u>1,156,789</u>
Net period pension cost	<u>\$ 3,759,115</u>	<u>\$ 3,249,510</u>

The following assumptions were used to determine the net periodic pension cost:

	<u>2010</u>	<u>2009</u>
Discount rate	6.25%	6.25%
Expected long-term rate of return on assets	8.00%	8.00%
Rate of increase in salary levels	3% to 5%	3% to 5%

For 2010 and 2009, the discount rate for obligations was developed with a current settlement rate of inflation of 2.25% per annum; the long-term rate of investment return includes an underlying long-term rate of inflation assumption of 3.5% per annum; and the salary increase rate includes a higher initial rate, gradually decreasing to a lower ultimate rate.

**NOTE 10 - EMPLOYEE BENEFIT PROGRAMS (Continued)****Defined Benefit Pension Plan (Continued)**

The following table reconciles the changes in the Plan's projected benefit obligation during each of the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation at beginning of year	\$ <b>56,113,499</b>	\$ 50,037,544
Service cost	<b>2,104,287</b>	2,278,383
Interest cost	<b>3,320,992</b>	3,158,215
Actuarial loss	<b>4,596,825</b>	2,497,431
Benefits paid	<b>(2,119,107)</b>	(1,858,074)
Plan amendment	<b>(5,140,464)</b>	-
Projected benefit obligation at end of year	<u><b>\$ 58,876,032</b></u>	<u>\$ 56,113,499</u>

Changes in plan assets during the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Fair value of plan assets at beginning of year	\$ <b>37,451,641</b>	\$ 38,807,962
Actual return on plan assets	<b>1,744,702</b>	(3,223,402)
Employer contributions	<b>3,523,293</b>	3,725,155
Benefits paid	<b>(2,119,107)</b>	(1,858,074)
Fair value of plan assets at end of year	<u><b>\$ 40,600,529</b></u>	<u>\$ 37,451,641</u>

The Plan's weighted-average asset allocations at June 30, 2010 and 2009, by asset category, were as follows:

	<u>2010</u>	<u>2009</u>
Equity securities	<b>56%</b>	22%
Fixed income securities	<b>34%</b>	35%
Cash and cash equivalents	<b>7%</b>	36%
Mutual funds	<b>0%</b>	5%
Other	<b>3%</b>	2%
Total	<u><b>100%</b></u>	<u>100%</u>

The overall objective of the Plan's investment policy is to achieve a rate of return which equals or exceeds the expected long-term rate of return assumed for measuring the Plan's projected obligations. The investment policy provides for an asset allocation of no more than 65% of the Plan's assets invested in equity securities; and no more than 25% in other asset classes defined as hedge funds, fund of funds and other similar investments, without express prior permission from the Investment Committee of the Plan. However, no less than 35% of the total plan assets must be invested in fixed income securities and cash equivalents combined. A wide variety of investments vehicles can be purchase as authorized in the Plan's investment policy. Quarterly performance of the equity portfolio is measured against the S&P 500 Index, while the fixed income portfolio is measured against the Barclays Intermediate Government/Credit index. Risk-adjusted returns are compared with other risk-

**NOTE 10 - EMPLOYEE BENEFIT PROGRAMS (Continued)**

**Defined Benefit Pension Plan (Continued)**

adjusted returns for similar portfolios. The total Portfolio will be compared against a benchmark portfolio utilizing the Standard & Poor's 500 index, the Barclays Intermediate Government/Credit Index, and 90 day T bills.

The Plan's unfunded pension benefit obligation at June 30, 2010 and 2009 was calculated as follows:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation	\$ 58,876,032	\$ 56,113,499
Less: plan assets at fair value	<u>(40,600,529)</u>	<u>(37,451,641)</u>
Funded status:		
Unfunded pension benefit obligation	<u>\$ 18,275,503</u>	<u>\$ 18,661,858</u>

The Plan's unfunded pension benefit obligation at June 30, 2010 and 2009 is classified as follows:

	<u>2010</u>	<u>2009</u>
Current liabilities	\$ 2,323,038	\$ 1,987,241
Noncurrent liabilities	<u>15,952,465</u>	<u>16,674,617</u>
Unfunded pension benefit obligation	<u>\$ 18,275,503</u>	<u>\$ 18,661,858</u>

Other changes in Plan assets and benefit obligations recognized in unrestricted net assets are as follows:

	<u>2010</u>	<u>2009</u>
Prior service cost	\$ 5,140,464	\$ -
Net loss	<u>(6,041,451)</u>	<u>(9,064,710)</u>
Amortization of net loss	<u>1,523,164</u>	<u>1,156,789</u>
Total recognized in unrestricted net assets	<u>\$ 622,177</u>	<u>\$ (7,907,921)</u>

MJHS and the Center expect to jointly contribute approximately \$2,800,000 to the pension plan in 2011. The June 30, 2010 and 2009 allocations of MJHS's and the Center's respective share of the required unfunded pension liability, net periodic pension cost and other pension related changes are illustrated in the following table:

	<u>June 30, 2010</u>		
	<u>MJHS</u>	<u>The Affiliate</u>	<u>Total</u>
<b>Unfunded Pension Liability</b>			
Current liabilities	\$ 2,174,205	\$ 148,833	\$ 2,323,038
Noncurrent liabilities	<u>14,930,418</u>	<u>1,022,047</u>	<u>15,952,465</u>
Total unfunded liability	<u>\$ 17,104,623</u>	<u>\$ 1,170,880</u>	<u>\$ 18,275,503</u>
<b>Net periodic pension cost</b>			
Net periodic pension cost	<u>\$ 3,517,369</u>	<u>\$ 241,746</u>	<u>\$ 3,759,115</u>
Other pension related changes			
Net gain	<u>\$ 582,358</u>	<u>\$ 39,819</u>	<u>\$ 622,177</u>

**NOTE 10 - EMPLOYEE BENEFIT PROGRAMS (Continued)**

**Defined Benefit Pension Plan (Continued)**

	June 30, 2009		
	<u>MJHS</u>	<u>The Affiliate</u>	<u>Total</u>
<b>Unfunded Pension Liability</b>			
Current liabilities	\$ 1,868,007	\$ 119,234	\$ 1,987,241
Noncurrent liabilities	<u>15,674,140</u>	<u>1,000,477</u>	<u>16,674,617</u>
Total unfunded liability	<u>\$ 17,542,147</u>	<u>\$ 1,119,711</u>	<u>\$ 18,661,858</u>
<b>Net periodic pension cost</b>			
Net periodic pension cost	<u>\$ 3,045,001</u>	<u>\$ 204,509</u>	<u>\$ 3,249,510</u>
Other pension related changes			
Net (loss)	<u>\$ (7,433,446)</u>	<u>\$ (474,475)</u>	<u>\$ (7,907,921)</u>

The following benefit payments are projected to be made by the Plan for each of the years ending June 30:

<u>Year</u>	<u>Amount</u>
2011	\$ 2,323,038
2012	2,447,435
2013	2,730,348
2014	2,978,344
2015	3,159,208
Thereafter	<u>20,100,757</u>
	<u>\$ 33,739,130</u>

**Defined Contribution Pension Plan**

On July 1, 2010, the Center and MJHS established a qualified defined contribution employee benefit plan (the “403(b) Plan”) as allowed under section 403(b) of the Internal Revenue Code (the “Code”). All MJHS and the Center employees are eligible to make elective contributions. Employees who have completed 12 months of service, are 21 years old and work at least twenty hours per week are eligible to received employer contributions in the 403(b) Plan.

The 403(b) Plan permits participant contributions up to a limit set by the Code. MJHS and the Center match 100% of employee’s elective contributions up to 3% of the annual compensation, plus 50% of the employee’s contribution in excess of 3% of the annual compensation. Employees become immediately vested in the matching portion of the contributions.

**NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2010 and 2009 were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Property and equipment	\$ <b>6,118,214</b>	\$ 9,102,063
Alzheimer's program	<b>3,711,854</b>	3,091,165
Research, training and planning (SGI and subsidiary)	<b>437,721</b>	412,943
Rosomoff Comprehensive Pain Center	<b>821,948</b>	774,930
Love on Wheels (patient transportation)	<b>489,341</b>	411,967
Various specific programs	<b>412,259</b>	269,056
Total	<u>\$ <b>11,991,337</b></u>	<u>\$ 14,062,124</u>

For the fiscal years ended June 30, 2010 and 2009, net assets were released from donor restrictions by incurring expenses for the following purposes:

	<u>2010</u>	<u>2009</u>
Debt service and other property and equipment expenditures	\$ <b>3,453,387</b>	\$ 5,352,361
Alzheimer's Day Care programs	<b>110,358</b>	415,902
Other activities	<b>87,728</b>	474,707
Total net assets released from restrictions	<u>\$ <b>3,651,473</b></u>	<u>\$ 6,242,970</u>

**NOTE 12 - ENDOWMENTS**

On July 1, 2008, MJHS adopted FSP FAS 117-1, "Endowments of Not for Profit Organizations." As a result of the implementation, net assets of approximately \$21,000,000 have been reclassified from temporarily and permanently restricted net assets to unrestricted net assets. The change is reflected in the statements of operations and changes in net assets.

MJHS's Endowments consist of individual funds established for a variety of purposes. The endowments include donor-restricted contributions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Assets Composition by type of fund as of June 30, 2010 and 2009 consisted of:

	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (85,660)	\$ 5,823,123	\$ 1,323,875	\$ 7,061,338

**NOTE 12 - ENDOWMENTS (Continued)**

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (146,931)	\$ 4,960,061	\$ 1,323,875	\$ 6,137,005

Changes in Endowment Net Assets for the fiscal years ended June 30, 2010 and 2009 were as follows:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (146,931)	\$ 4,960,061	\$ 1,323,875	\$6,137,005
Investment Income	61,271	358,729	-	420,000
Contributions	-	652,419	-	652,419
Appropriation of endowment assets for current year expenditures	<u>-</u>	<u>(148,086)</u>	<u>-</u>	<u>(148,086)</u>
Endowment net assets, end of year	<u>\$ (85,660)</u>	<u>\$ 5,823,123</u>	<u>\$ 1,323,875</u>	<u>\$ 7,061,338</u>

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$28,727,709	\$ 23,928,481	\$ 5,729,420	\$58,385,610
Net asset reclassification based on FSP FAS 117-1 adoption	20,798,747	(16,393,202)	(4,405,545)	-
Appropriation of endowment assets for prior year expenditures	<u>(49,526,456)</u>	<u>-</u>	<u>-</u>	<u>(49,526,456)</u>
Reclassified endowment net assets, beginning of year	-	7,535,279	1,323,875	8,859,154
Realized investment loss	(178,874)	(1,711,764)	-	(1,890,638)
Unrealized investment loss	<u>(14,430)</u>	<u>(516,335)</u>	<u>-</u>	<u>(530,765)</u>
Total investment loss	(193,304)	(2,228,099)	-	(2,421,403)
Contributions	47,984	543,490	-	591,474
Appropriation of endowment assets for current year expenditures	<u>(1,611)</u>	<u>(890,609)</u>	<u>-</u>	<u>(892,220)</u>
Endowment net assets, end of year	<u>\$ (146,931)</u>	<u>\$ 4,960,061</u>	<u>\$ 1,323,875</u>	<u>\$ 6,137,005</u>

**NOTE 12 - ENDOWMENTS (Continued)**

Endowments are spent in accordance with the restrictions placed upon them. Restrictions may include time based restrictions and use based restrictions, among other restrictions.

**NOTE 13 - RELATIONSHIP WITH AFFILIATE**

The Douglas Gardens Community Mental Health Center (the "Center"), which provides mental health and related services to the community, is an affiliate of MJHS. MJHS does not have a majority voting interest in the Board of the Center, which, accordingly, has not been consolidated in these consolidated combined financial statements. Funds advanced between MJHS and the Center are recorded as due to/from affiliate and approximated \$439,000 and \$142,000 due from as of June 30, 2010 and 2009, respectively.

MJHS charged the Center administrative overhead ("indirect") costs amounting to \$150,000, for each of the fiscal years ended June 30, 2010 and 2009.

**NOTE 14 - DISCONTINUED OPERATIONS****Coral Way Imaging Center**

During the year ended June 30, 2010, Coral Way Imaging Center ceased operations. MJHS incurred a loss from discontinued operations as a result of accounts receivable, prepaid expenses and long lived assets written off, as well as accrued storage costs and other fees. A net loss of approximately \$373,000, has been incurred and is included in the statement of operations for the year ended June 30, 2010.

**Closing of Count and Countess deHoernle Alzheimer's Pavilion**

The Count and Countess deHoernle Alzheimer's Pavilion ceased operations on August 31, 2009. All residents living in the facility were successfully transferred to other locations prior to that date. As stated in the contract agreement, MJHS transferred title of the property back to the state. Consistent with the closing plan developed during fiscal year 2009, MJHS incurred a loss from discontinued operations as a result of accounts receivable, prepaid expenses and long lived assets written off, as well as accrued severance costs and legal fees. Total estimated losses of approximately \$2,300,000 have been accrued and are included in the statement of operations for the year ended June 30, 2009.

## **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

### **Capital Advances from HUD**

MJHS received two grant awards providing a total capital advance of \$14,338,100 for the construction of two combined 147-unit, affordable housing projects for very low-income elderly persons under HUD Section 202. A Use Agreement restricts the use of the projects to rental housing for HUD-approved eligible households for a 40-year period. The advances are noninterest-bearing, and repayment is not required as long as housing remains available to eligible, very low-income elderly households for the 40-year period. In the event of noncompliance, the debt will become due and interest will possibly be assessed. MJHS expects to be in compliance.

MJHS amortizes these grant awards to income using the straight line method over the 40-year period. Amortization approximated \$359,000 and \$315,000 for the years ended June 30, 2010 and 2009, respectively.

### **Grants**

MJHS is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management does not believe that disallowed amounts, if any, would be material.

### **Medicare and Medicaid Programs and Healthcare Reform**

During the years ended June 30, 2010 and 2009, MJHS derived 66% and 65%, respectively, of its net patient service revenue from the Medicare and Medicaid programs. Laws and regulations governing programs are complex and are subject to interpretation. MJHS believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

Governmental funding for healthcare programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy, intermediary determinations and governmental funding restrictions, all of which may materially affect program reimbursement to healthcare facilities. Changes in the reimbursement policies of the Medicaid and Medicare programs, as a result of legislative and regulatory actions, could adversely affect MJHS's revenues.

### **Resident Trust Funds**

MJHS offers a cash management service to its residents. These funds remain the sole property of each resident, to be disbursed only as requested and, accordingly, these funds are excluded from these financial statements. MJHS has a fiduciary duty of accountability for these funds and remains only as a custodian. At June 30, 2010, the aggregate balance in these resident trust funds was approximately \$182,000.

## **NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)**

### **Professional Liability Insurance and Litigation**

MJHS participates in a captive self-insurance program for its general and professional liability. The self-insurance program is collateralized through a combination of cash deposited in escrow and a standby letter of credit. MJHS is involved in various claims and legal actions arising in the ordinary course of business. Provision has been made for probable losses in excess of insurance coverage limitations related to incurred claims and known incidents likely to result in claims. The reserves for uninsured losses are based on an actuarial study prepared by an independent third party. Management believes, based on advice of legal counsel, that the provision for such losses in excess of insurance coverage limits as of June 30, 2010 is adequate.

### **Guarantee**

MJHS has guaranteed a revolving demand note for the Center which provides for borrowings up to \$650,000. The outstanding amount due on the demand note at June 30, 2010 that was subject to guarantee was \$321,000.

## **NOTE 16 - SUBSEQUENT EVENTS**

MJHS has evaluated subsequent events through October 29, 2010 which is the date the financial statements are available to be issued.

### **Douglas Gardens Hospice, Inc.**

On September 20, 2010, Douglas Gardens Hospice, Inc. sold its assets to Seasons Hospice & Palliative Care of Southern Florida, Inc. Miami Jewish Home and Hospital for the Aged, Inc. is a twenty percent shareholder of Seasons Hospice & Palliative Care of Southern Florida, Inc.

## **SUPPLEMENTAL INFORMATION**



**MOORE STEPHENS  
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION**

Board of Directors  
Miami Jewish Health Systems, Inc. and  
Subsidiaries and Affiliates  
Miami, Florida

We have audited the financial statements of Miami Jewish Health Systems, Inc. and Subsidiaries and Affiliates for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 29, 2010, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the basic combined financial statements as a whole. The schedules appearing on pages 33 through 36 are presented for purposes of additional analysis, and are not a required part of the basic combined financial statements. The schedule included herein on page 37 is presented for additional analysis of the combined financial statements rather than to present the operations of the individual activity. The schedule included herein on pages 38 and 39 is presented for purposes of additional analysis, as required by the Florida Department of Elder Affairs (FLDOEA) and are not a required part of the basic combined financial statements. The schedules appearing on pages 40 to 41 are presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations," Chapter 10.650, the Rules of the Auditor General, and the State of Florida, Agency for Health Care Administration, and are not a required part of the basic financial statements. The accompanying schedules on pages 33 to 36 and pages 30 to 41 have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The schedule on page 37 has not been subjected to the auditing procedures applied by us in the audit of the combined financial statements, and accordingly, we express no opinion on it.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010

MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES

COMBINING BALANCE SHEETS

June 30, 2010

	OTHER OPERATING	CHANNELING	MJHHA FOUNDATION	WOLF FOUNDATION	TOTAL SUBSIDIARIES	ELIMINATIONS	TOTAL
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 1,249,792	\$ 4,042,951	\$ 1,071,818	\$ 510,536	\$ 3,538,070	\$ -	\$ 10,413,167
Current portion of Investments	79,709	-	-	839,995	-	-	919,704
Accounts receivable, net of allowance for doubtful accounts of \$5,834,366	6,897,657	457,060	-	-	1,931,942	-	9,286,659
Pledge receivable, net	231,392	-	-	-	-	-	231,392
Interest Receivable	15,583	-	25,116	58,785	-	-	99,484
Current portion of assets whose use is limited	2,990,746	-	-	-	180,005	-	3,170,751
Prepaid expenses	498,289	45,558	-	-	313,206	-	857,053
Due from affiliates	(9,801,086)	3,623,464	10,831,334	(3,527)	(4,211,604)	-	438,581
Other current assets	555,620	-	-	-	2,494	(126,802)	431,312
<b>TOTAL CURRENT ASSETS</b>	<b>2,717,702</b>	<b>8,169,033</b>	<b>11,928,268</b>	<b>1,405,789</b>	<b>1,754,113</b>	<b>(126,802)</b>	<b>25,848,103</b>
INVESTMENTS, less current portion	10,018,764	-	5,770,309	14,102,513	-	-	29,891,586
ASSETS WHOSE USE IS LIMITED, less current portion	4,152,496	-	-	-	-	-	4,152,496
PLEDGE RECEIVABLE, net, less current portion	981,292	-	-	-	-	-	981,292
PROPERTY AND EQUIPMENT, net	52,750,419	(1)	-	-	23,781,294	(1,256,333)	75,275,379
OTHER ASSETS	982,654	55,485	-	-	45,482	-	1,083,621
<b>TOTAL ASSETS</b>	<b>\$ 71,603,327</b>	<b>\$ 8,224,517</b>	<b>\$ 17,698,577</b>	<b>\$ 15,508,302</b>	<b>\$ 25,580,889</b>	<b>\$ (1,383,135)</b>	<b>\$ 137,232,477</b>
<b>CURRENT LIABILITIES</b>							
Accounts payable	1,689,350	\$ 910,918	\$ -	\$ -	\$ 541,386	\$ -	\$ 3,141,654
Accrued expenses and other current liabilities	7,658,841	1,651,961	6,876	13,530	3,888,858	(126,802)	13,093,264
Line of credit	2,782,165	-	-	-	-	-	2,782,165
Estimated third party payor settlement	206,000	-	-	-	-	-	206,000
Current portion of long-term debt	710,000	-	-	-	-	-	710,000
Current portion of annuity payment liability	450,088	-	-	-	-	-	450,088
Current portion of capital lease obligations	158,722	-	-	-	-	-	158,722
Current portion of unfunded pension benefit obligation	2,174,205	-	-	-	-	-	2,174,205
<b>TOTAL CURRENT LIABILITIES</b>	<b>15,829,371</b>	<b>2,562,879</b>	<b>6,876</b>	<b>13,530</b>	<b>4,430,244</b>	<b>(126,802)</b>	<b>22,716,098</b>
LONG-TERM DEBT, less current portion	22,250,000	-	-	-	-	-	22,250,000
INTEREST RATE SWAP	1,761,604	-	-	-	-	-	1,761,604
ANNUITIES PAYMENT LIABILITY, less current portion	1,582,293	-	-	-	-	-	1,582,293
DEFERRED REVENUE	324,852	5,786,417	-	-	658,024	-	6,769,293
CAPITAL LEASE OBLIGATIONS	380,528	-	-	-	-	-	380,528
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	15,096,743	(35,456)	-	-	(130,869)	-	14,930,418
OTHER LIABILITIES	1,961,201	-	-	-	-	-	1,961,201
<b>TOTAL LIABILITIES</b>	<b>59,186,592</b>	<b>8,313,840</b>	<b>6,876</b>	<b>13,530</b>	<b>4,957,399</b>	<b>(126,802)</b>	<b>72,351,435</b>
<b>COMMITMENTS AND CONTINGENCIES</b>							
CAPITAL ADVANCE, HUD	-	-	-	-	13,214,551	-	13,214,551
<b>NET ASSETS</b>							
Unrestricted	(898,477)	(89,323)	17,691,701	15,494,772	7,408,939	(1,256,333)	38,351,279
Temporarily restricted	11,991,337	-	-	-	-	-	11,991,337
Permanently restricted	1,323,875	-	-	-	-	-	1,323,875
<b>TOTAL NET ASSETS</b>	<b>12,416,735</b>	<b>(89,323)</b>	<b>17,691,701</b>	<b>15,494,772</b>	<b>20,623,490</b>	<b>(1,256,333)</b>	<b>51,666,491</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 71,603,327</b>	<b>\$ 8,224,517</b>	<b>\$ 17,698,577</b>	<b>\$ 15,508,302</b>	<b>\$ 25,580,889</b>	<b>\$ (1,383,135)</b>	<b>\$ 137,232,477</b>

See Report of Independent Certified Public Accountants on Supplemental Information.

MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES

COMBINING BALANCE SHEETS (Continued)

June 30, 2010

	DE HOERNLE ALZHEIMER'S PAVILION, INC.	DOUGLAS GARDENS HOSPICE, INC.	FLORIDA PACE CENTERS, INC.	DGN HUDs	FLORIDA PATHWAYS, INC.	STEIN GERONTOL. INSTIT., INC.	DOUGLAS GARDENS CORAL WAY	DOUGLAS GARDENS HOME CARE, INC.	DOUGLAS GARDENS SR. HOUSING, INC.	DOUGLAS GARDENS THRIFT SHOP, INC.	DOUGLAS GARDENS HOME CARE BROWARD, INC.	DOUGLAS GARDENS HOLDING CORP., INC.	HALLANDALE HOLDINGS, INC.	TOTAL SUBSIDIARIES
<b>CURRENT ASSETS</b>														
Cash and cash equivalents	\$ -	\$ 153,818	\$ 3,110,524	\$ 131,929	\$ 787	\$ 65,124	\$ 45,491	\$ (203)	\$ 23,668	\$ (1,004)	\$ -	\$ 5,702	\$ 2,234	\$ 3,538,070
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net of allowance for doubtful accounts of \$5,834,366	-	943,077	462,161	5,300	-	120,813	228,347	159,403	12,841	-	-	-	-	1,931,942
Pledge receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of assets whose use is limited	-	-	-	180,005	-	-	-	-	-	-	-	-	-	180,005
Prepaid expenses	-	26,631	207,695	42,170	2,942	1,718	19,043	2,228	432	10,347	-	-	-	313,206
Due from affiliates	-	(2,518,600)	2,424,915	(720,060)	(4,236,051)	(941,875)	-	1,999,988	(246,756)	940,293	(48,778)	(312,423)	(552,257)	(4,211,604)
Other current assets, net	-	-	(1,008)	-	-	-	-	3,502	-	-	-	-	-	2,494
<b>TOTAL CURRENT ASSETS</b>	<b>-</b>	<b>(1,395,074)</b>	<b>6,204,287</b>	<b>(360,656)</b>	<b>(4,232,322)</b>	<b>(754,220)</b>	<b>292,881</b>	<b>2,164,918</b>	<b>(209,815)</b>	<b>949,636</b>	<b>(48,778)</b>	<b>(306,721)</b>	<b>(550,023)</b>	<b>1,754,113</b>
INVESTMENTS, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ASSETS WHOSE USE IS LIMITED, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PLEDGE RECEIVABLE, net, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, net	-	40,781	3,505,482	13,296,965	3,036,133	-	-	1,541	-	-	-	3,052,363	848,029	23,781,294
OTHER ASSETS	-	3,023	12,591	12,617	1,713	-	6,803	-	-	7,435	-	-	1,300	45,482
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ (1,351,270)</b>	<b>\$ 9,722,360</b>	<b>\$ 12,948,926</b>	<b>\$ (1,194,476)</b>	<b>\$ (754,220)</b>	<b>\$ 299,684</b>	<b>\$ 2,166,459</b>	<b>\$ (209,815)</b>	<b>\$ 957,071</b>	<b>\$ (48,778)</b>	<b>\$ 2,745,642</b>	<b>\$ 299,306</b>	<b>\$ 25,580,889</b>
<b>CURRENT LIABILITIES</b>														
Accounts payable	\$ -	\$ 54,189	\$ 355,540	\$ 2,496	\$ -	\$ 20,175	\$ 39,372	\$ 57,655	\$ 348	\$ 10,457	\$ -	\$ 1,154	\$ -	\$ 541,386
Accrued expenses and other current liabilities	-	530,801	2,223,325	65,437	1,160	63,399	725,638	38,196	121,247	97,945	-	10,097	11,613	3,888,858
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Estimated third party payor settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of annuity payment liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of capital lease obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of unfunded pension benefit obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>-</b>	<b>584,990</b>	<b>2,578,865</b>	<b>67,933</b>	<b>1,160</b>	<b>83,574</b>	<b>765,010</b>	<b>95,851</b>	<b>121,595</b>	<b>108,402</b>	<b>-</b>	<b>11,251</b>	<b>11,613</b>	<b>4,430,244</b>
LONG-TERM DEBT, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INTEREST RATE SWAP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ANNUITIES PAYMENT LIABILITY, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEFERRED REVENUE	-	-	658,024	-	-	-	-	-	-	-	-	-	-	658,024
CAPITAL LEASE OBLIGATIONS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	-	(59,499)	(33,992)	(1,643)	-	(10,998)	(9,876)	(2,630)	(11,264)	-	(967)	-	-	(130,869)
OTHER LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>525,491</b>	<b>3,202,897</b>	<b>66,290</b>	<b>1,160</b>	<b>72,576</b>	<b>755,134</b>	<b>93,221</b>	<b>110,331</b>	<b>108,402</b>	<b>(967)</b>	<b>11,251</b>	<b>11,613</b>	<b>4,957,399</b>
<b>COMMITMENTS AND CONTINGENCIES</b>														
CAPITAL ADVANCE, U.S. Department of Housing and Urban Development	-	-	-	13,214,551	-	-	-	-	-	-	-	-	-	13,214,551
<b>NET ASSETS</b>														
Unrestricted	-	(1,876,761)	6,519,463	(331,915)	(1,195,636)	(826,796)	(455,450)	2,073,238	(320,146)	848,669	(47,811)	2,734,391	287,693	7,408,939
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>-</b>	<b>(1,876,761)</b>	<b>6,519,463</b>	<b>12,882,636</b>	<b>(1,195,636)</b>	<b>(826,796)</b>	<b>(455,450)</b>	<b>2,073,238</b>	<b>(320,146)</b>	<b>848,669</b>	<b>(47,811)</b>	<b>2,734,391</b>	<b>287,693</b>	<b>20,623,490</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ -</b>	<b>\$ (1,351,270)</b>	<b>\$ 9,722,360</b>	<b>\$ 12,948,926</b>	<b>\$ (1,194,476)</b>	<b>\$ (754,220)</b>	<b>\$ 299,684</b>	<b>\$ 2,166,459</b>	<b>\$ (209,815)</b>	<b>\$ 957,071</b>	<b>\$ (48,778)</b>	<b>\$ 2,745,642</b>	<b>\$ 299,306</b>	<b>\$ 25,580,889</b>

See Report of Independent Certified Public Accountants on Supplemental Information.

MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES

COMBINING STATEMENTS OF OPERATIONS

June 30, 2010

	<u>OTHER OPERATING</u>	<u>CHANNELING</u>	<u>MJHHA FOUNDATION</u>	<u>WOLF FOUNDATION</u>	<u>TOTAL SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT							
Program service fees:							
Government agencies	\$ 1,540,946	\$ 14,798,714	\$ -	\$ -	\$ 5,061,591	\$ -	\$ 21,401,251
Client fees and other third party payors	57,792,402	-	-	-	19,099,759	(3,283,409)	73,608,752
Contributions	3,004,502	-	480	-	5,598	-	3,010,580
Investment income and realized gains and losses, net	1,095,070	261	1,541,246	858,099	1,268	-	3,495,944
Sale of donated merchandise	-	-	-	-	1,407,989	-	1,407,989
Management and administrative fees	-	-	-	-	252,699	(106,220)	146,479
Other revenue	<u>1,226,524</u>	<u>387,528</u>	<u>-</u>	<u>(9,143)</u>	<u>311,361</u>	<u>(220,855)</u>	<u>1,695,415</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	64,659,444	15,186,503	1,541,726	848,956	26,140,265	(3,610,484)	104,766,410
EXPENSES							
Program services:							
Case management / Day care	3,593,330	14,686,410	-	-	3,828,698	(1,647,189)	20,461,249
Dietary	4,812,246	-	-	-	356,976	-	5,169,222
Health care	41,034,371	-	-	-	14,064,717	(1,226,531)	53,872,557
Institutional care	10,093,294	-	-	-	1,044,072	(156,576)	10,980,790
Research, training and planning	236,771	-	-	-	766,654	-	1,003,425
Social services	<u>882,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,157</u>	<u>-</u>	<u>1,111,486</u>
TOTAL PROGRAM EXPENSES	60,652,341	14,686,410	-	-	20,290,274	(3,030,296)	92,598,729
Supporting services:							
Fund raising	3,875,122	-	-	-	-	(15,750)	3,859,372
General and administrative	<u>17,448,082</u>	<u>500,002</u>	<u>72,488</u>	<u>101,705</u>	<u>4,980,976</u>	<u>(564,438)</u>	<u>22,538,815</u>
TOTAL EXPENSES	81,975,545	15,186,412	72,488	101,705	25,271,250	(3,610,484)	118,996,916
NET INCOME BEFORE OTHER NON-OPERATING EXPENSES, GAINS AND LOSSES	(17,316,101)	91	1,469,238	747,251	869,015	-	(14,230,506)
UNREALIZED GAINS (LOSSES), net	(288,287)	-	(263,597)	266,044	-	-	(285,840)
PENSION RELATED CHANGES OTHER THAN PERIODIC PENSION COSTS	582,358	-	-	-	-	-	582,358
LOSS ON DISCONTINUED OPERATIONS	<u>(7,520,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,147,452</u>	<u>-</u>	<u>(372,662)</u>
CHANGE IN NET ASSETS	(24,542,144)	91	1,205,641	1,013,295	8,016,467	-	(14,306,650)
NET ASSETS AT BEGINNING OF YEAR	<u>36,958,879</u>	<u>(89,414)</u>	<u>16,486,060</u>	<u>14,481,477</u>	<u>(607,528)</u>	<u>(1,256,333)</u>	<u>65,973,141</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,416,735</u>	<u>\$ (89,323)</u>	<u>\$ 17,691,701</u>	<u>\$ 15,494,772</u>	<u>\$ 7,408,939</u>	<u>\$ (1,256,333)</u>	<u>\$ 51,666,491</u>

See Report of Independent Certified Public Accountants on Supplemental Information.

MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES

COMBINING STATEMENT OF OPERATIONS (Continued)

June 30, 2010

	DE HOERNLE ALZHEIMER'S PAVILION, INC.	DOUGLAS GARDENS HOSPICE, INC.	FLORIDA PACE CENTERS, INC.	DGN HUDs	FLORIDA PATHWAYS, INC.	STEIN GERONTOL. INSTIT., INC.	DOUGLAS GARDENS CORAL WAY	DOUGLAS GARDENS HOME CARE, INC.	DOUGLAS GARDENS SR. HOUSING, INC.	DOUGLAS GARDENS THRIFT SHOP, INC.	DOUGLAS GARDENS HOME CARE BROWARD, INC.	DOUGLAS GARDENS HOLDING CORP., INC.	HALLANDALE HOLDINGS, INC.	TOTAL SUBSIDIARIES
REVENUES, GAINS, AND OTHER SUPPORT														
Program service fees:														
Government agencies	\$ 47,061	\$ -	\$ 4,190,453	\$ 824,077	\$ -	\$ 827,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,061,591
Client fees and other third party payors	171,126	4,430,409	11,488,988	311,045	-	-	587,368	773,314	-	-	-	510,439	-	19,099,759
Contributions	932	1,286	1,380	-	-	-	-	-	-	2,000	-	-	-	5,598
Investment income and realized gains and losses, net	-	83	-	814	-	-	-	-	-	352	-	19	-	1,268
Sale of donated merchandise	-	-	-	-	-	-	-	-	-	1,407,989	-	-	-	1,407,989
Management and administrative fees	-	-	-	-	-	-	-	-	252,699	-	-	-	-	252,699
Other revenue	6,657	-	147,295	20,430	-	517	5,600	101	4	1,077	-	-	129,680	311,361
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	225,776	4,431,778	15,828,116	1,156,366	-	827,587	592,968	773,415	252,703	1,411,418	-	510,458	129,680	26,140,265
EXPENSES														
Program services:														
Case management / Day care	-	-	3,828,698	-	-	-	-	-	-	-	-	-	-	3,828,698
Dietary	43,720	-	313,256	-	-	-	-	-	-	-	-	-	-	356,976
Health care	28,231	3,397,459	7,925,351	-	-	-	2,329,571	384,105	-	-	-	-	-	14,064,717
Institutional care	(162,953)	-	-	1,207,025	-	-	-	-	-	-	-	-	-	1,044,072
Research, training and planning	-	-	-	-	-	766,654	-	-	-	-	-	-	-	766,654
Social services	-	-	229,157	-	-	-	-	-	-	-	-	-	-	229,157
TOTAL PROGRAM EXPENSES	(91,002)	3,397,459	12,296,462	1,207,025	-	766,654	2,329,571	384,105	-	-	-	-	-	20,290,274
Supporting services:														
Fund raising	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	143,922	991,278	2,014,665	-	360,874	41,414	-	-	56,383	1,269,188	-	54,568	48,684	4,980,976
TOTAL EXPENSES	52,920	4,388,737	14,311,127	1,207,025	360,874	808,068	2,329,571	384,105	56,383	1,269,188	-	54,568	48,684	25,271,250
NET INCOME BEFORE OTHER NON-OPERATING EXPENSES, GAINS AND LOSSES	172,856	43,041	1,516,989	(50,659)	(360,874)	19,519	(1,736,603)	389,310	196,320	142,230	-	455,890	80,996	869,015
UNREALIZED GAINS (LOSSES), net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PENSION RELATED CHANGES OTHER THAN PERIODIC PENSION COSTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LOSS ON DISCONTINUED OPERATIONS	3,492,537	-	-	-	-	-	4,042,480	-	(387,565)	-	-	-	-	7,147,452
CHANGE IN NET ASSETS	3,665,393	43,041	1,516,989	(50,659)	(360,874)	19,519	2,305,877	389,310	(191,245)	142,230	-	455,890	80,996	8,016,467
NET ASSETS AT BEGINNING OF YEAR	(3,665,393)	(1,919,802)	5,002,474	(281,256)	(834,762)	(846,315)	(2,761,327)	1,683,928	(128,901)	706,439	(47,811)	2,278,501	206,697	(607,528)
NET ASSETS AT END OF YEAR	\$ -	\$ (1,876,761)	\$ 6,519,463	\$ (331,915)	\$ (1,195,636)	\$ (826,796)	\$ (455,450)	\$ 2,073,238	\$ (320,146)	\$ 848,669	\$ (47,811)	\$ 2,734,391	\$ 287,693	\$ 7,408,939

See Report of Independent Certified Public Accountants on Supplemental Information.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES  
DOUGLAS GARDENS HOSPITAL  
(a.k.a. OLSON HOSPITAL)\***

**SCHEDULE OF OPERATIONS (UNAUDITED)**

**YEAR ENDED JUNE 30, 2010**

REVENUE, GAINS, AND OTHER SUPPORT	
Inpatient services revenue	\$ 4,731,920
Outpatient services revenue	5,760,760
	10,492,680
Total patient services revenue	10,492,680
Total deductions from revenue	(3,392,187)
	7,100,493
Net operating revenue	7,100,493
Other operating revenue	397,037
Other expense	(737,732)
	6,759,798
TOTAL REVENUE, GAINS AND OTHER SUPPORT	6,759,798
EXPENSES	
Salaries and wages, patient care	3,689,450
Other expense, patient care	3,077,371
Salaries and wages, administrative and general	1,214,382
Other expense, administrative and general	3,012,064
	10,993,267
TOTAL EXPENSES	10,993,267
CHANGE IN NET ASSETS	\$ (4,233,469)

\* Part of Other Operating Fund activity

See Report of Independent Certified Public Accountants on Supplemental Information.

**MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES**

**SCHEDULE OF FUNCTIONAL EXPENSES (FLDOEA)**

**Year Ended June 30, 2010**

Expenses	Program Services							In Home Services					
	Adult Day Care	Case Management	Companion- ship	Counseling	Alert Response	Escort	Health Support	Home Delivered Meals	Housing Improvement	Personal Care	Home- maker	Respite	Chore
Salaries	\$ -	\$ 539,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll taxes and benefits	-	144,676	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
Communications/postage	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance and repair	-	-	-	-	-	-	-	-	-	-	-	-	-
Printing/supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Building cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees/legal/audit	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-contractors	25,114	591	37,605	4,454	11,193	2,642	-	84,417	17,759	357,790	280,196	35,200	20,958
Program supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Food and food supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>25,114</b>	<b>684,870</b>	<b>37,605</b>	<b>4,454</b>	<b>11,193</b>	<b>2,642</b>	<b>-</b>	<b>84,417</b>	<b>17,759</b>	<b>357,790</b>	<b>280,196</b>	<b>35,200</b>	<b>20,958</b>
<b>Allocation of Management and General</b>	<b>6,113</b>	<b>166,699</b>	<b>9,153</b>	<b>1,084</b>	<b>2,724</b>	<b>643</b>	<b>-</b>	<b>20,547</b>	<b>4,323</b>	<b>87,087</b>	<b>68,200</b>	<b>8,568</b>	<b>5,101</b>
<b>Total Expenses After Allocation</b>	<b>\$ 31,227</b>	<b>\$ 851,569</b>	<b>\$ 46,758</b>	<b>\$ 5,538</b>	<b>\$ 13,917</b>	<b>\$ 3,285</b>	<b>\$ -</b>	<b>\$ 104,964</b>	<b>\$ 22,082</b>	<b>\$ 444,877</b>	<b>\$ 348,396</b>	<b>\$ 43,768</b>	<b>\$ 26,059</b>
<b>Total Units Billed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying notes on page 41.

See Report of Independent Certified Public Accountants on Supplemental Information.

**MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES**

**SCHEDULE OF FUNCTIONAL EXPENSES (FLDOEA) (Continued)**

**Year Ended June 30, 2010**

Expenses	Subsidy (HCE)	Consumable Medical Supplies	Non-DOEA Related Services	Total Program Costs	Supporting Services				Total
					Fund- raising	Unallowable Expenses	Management and General (CCE and Services 9)	Total Supporting Services	
Salaries	\$ -	\$ -	\$ 31,431,937	\$ 31,971,540	\$ 700,299	\$ -	\$ 7,910,657	\$ 8,610,956	\$ 40,582,496
Payroll taxes and benefits	-	-	8,622,789	8,767,465	157,618	-	2,137,405	2,295,023	11,062,488
Travel	-	-	293,510	293,510	2,815	-	87,326	90,141	383,651
Communications/postage	-	-	220,654	220,654	16,908	-	247,170	264,078	484,732
Utilities	-	-	1,984,715	1,984,715	-	-	141,746	141,746	2,126,461
Advertising	-	-	12,088	12,088	-	-	340,605	340,605	352,693
Insurance	-	-	60,272	60,272	1,580	-	1,092,683	1,094,263	1,154,535
Maintenance and repair	-	-	675,902	675,902	-	-	32,519	32,519	708,421
Printing/supplies	-	-	255,164	255,164	10,785	-	390,977	401,762	656,926
Building cost	-	-	596,844	596,844	-	-	-	-	596,844
Equipment	-	-	379,544	379,544	-	-	13,295	13,295	392,839
Professional fees/legal/audit	-	-	786,043	786,043	72,449	-	4,182,142	4,254,591	5,040,634
Sub-contractors	70,724	64,996	29,503,957	30,517,596	-	-	1,087,037	1,087,037	31,604,633
Program supplies	-	-	2,488,795	2,488,795	-	-	15,301	15,301	2,504,096
Depreciation	-	-	4,242,483	4,242,483	-	-	779,849	779,849	5,022,332
Food and food supplies	-	-	3,247,159	3,247,159	1,731	-	129,941	131,672	3,378,831
Other	-	-	6,098,955	6,098,955	2,895,187	-	3,950,162	6,845,349	12,944,304
<b>Total Expenses</b>	<b>70,724</b>	<b>64,996</b>	<b>90,900,811</b>	<b>92,598,729</b>	<b>3,859,372</b>	<b>-</b>	<b>22,538,815</b>	<b>26,398,187</b>	<b>118,996,916</b>
<b>Allocation of Management and General</b>	<b>17,214</b>	<b>15,820</b>	<b>22,125,539</b>	<b>22,538,815</b>	<b>-</b>	<b>-</b>	<b>(22,538,815)</b>	<b>(22,538,815)</b>	<b>-</b>
<b>Total Expenses After Allocation</b>	<b>\$ 87,938</b>	<b>\$ 80,816</b>	<b>\$ 113,026,350</b>	<b>\$ 115,137,544</b>	<b>\$ 3,859,372</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,859,372</b>	<b>\$ 118,996,916</b>

See Report of Independent Certified Public Accountants on Supplemental Information.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2010**

<u>Activity</u>	<u>Federal Agency Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Contract Pass-Through Award Number</u>	<u>Expenditures Recognized</u>
	U. S. Department of Health and Human Services:			
Douglas Gardens Community Care	Pass-through: Alliance for Aging, Inc.			
	Family Care Giver Services	93.052	AE995	\$ 23,200
	Family Care Giver Services	93.052	AE1095	117,151
Florida PACE Center Project Independence	Pass-through: State of Florida Department of Elder Affairs			
	Long-term Care Community Diversion Pilot Project	93.777	XQ831 / XQ931	461,236
	U.S. Department of Agriculture:			
Louis C. Fischer Alzheimer's Adult Day Services	Pass-through: State of Florida Department of Elder Affairs			
	Adult Care Food Program	10.558	Y7022 / Y9022	15,904
Florida PACE Center	Pass-through: State of Florida Department of Elder Affairs			
	Adult Care Food Program	10.558	Y8108 / Y9108	20,845
	U.S. Department of Housing and Urban Development:			
DGN, Inc.	Project Rental Assistance Contract	14.195	FL-29-S021-009	344,733
DGN II, Inc.	Project Rental Assistance Contract	14.195	FL-29-S021-006	120,890
	U.S. Department of Homeland Security:			
MJHS	Presidentially Declared Disasters	97.036	09DS-26-11-23-08-358	<u>12,670</u>
			<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>	<u><u>\$ 1,116,629</u></u>

See accompanying notes on page 42.  
See Report of Independent Certified Public Accountants on Supplemental Information.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2010**

Activity	State Agency Pass-Through Grantor Program Title	CSFA Number	Contract Pass-Through Award Number	Expenditures Recognized
	State of Florida Department of Elder Affairs:			
Douglas Gardens Community Care				
	Pass-through:			
	Alliance for Aging, Inc.			
	Community Care for the Elderly	65.010	KC-995	\$ 1,184,935
	Home Care for the Elderly	65.001	KH-995	157,084
Count & Countess De Hoerle				
	Alzheimer's Pavillion, Inc.			
	Pass-through:			
	Areawide Council on Aging of Broward County	65.004	JZ009-20-2010	<u>40,837</u>
			TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE	<u><u>\$ 1,382,856</u></u>

See accompanying notes on page 42.  
See Report of Independent Certified Public Accountants on Supplemental Information.

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2010**

**(1) General**

The schedule of expenditures of federal awards and state financial assistance (the "Schedules") present the activity of all federal programs and state projects of the Miami Jewish Health Systems and Subsidiaries and Affiliates for the year ended June 30, 2010. All federal and state financial assistance expended from federal and state agencies are included in the Schedule.

**(2) Basis of Accounting**

The schedules are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized as amounts are expended by MJHS and become reimbursable from the granting agency. Expenditures are recognized in the period liabilities are incurred.



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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

Board of Directors  
Miami Jewish Health Systems, Inc. and  
Subsidiaries and Affiliates  
Miami, Florida

We have audited the combined financial statements of Miami Jewish Health Systems, Inc. and Subsidiaries and Affiliates ("MJHS") (a nonprofit organization) as of and for the year ended June 30, 2010, and have issue our report thereon dated October 29, 2010. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MJHS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of MJHS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MJHS's internal control over financial reporting.


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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MJHS's financial statements are free of 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*.

This report is intended solely for the information and use of management, the audit committee, the Board of Directors, and federal, state and local awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Moore Stephens Louelac, P.A.".

Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND  
STATE PROJECT AND ON THE INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
CHAPTER 10.650 RULES OF THE AUDITOR GENERAL**

Board of Directors  
Miami Jewish Health Systems, Inc. and  
Subsidiaries and Affiliates  
Miami, Florida

Compliance

We have audited the compliance of Miami Jewish Health Systems, Inc. and Subsidiaries and Affiliates ("MJHS") with the types of compliance requirements described in the ("OMB") Circular A-133 *Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. MJHS's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the MJHS's management. Our responsibility is to express an opinion on the MJHS's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650 Rules of the Auditor General. Those standards, OMB Circular A-133 and rules require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state projects occurred. An audit includes examining, on a test basis, evidence about MJHS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the MJHS's compliance with those requirements.

In our opinion, MJHS has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010.

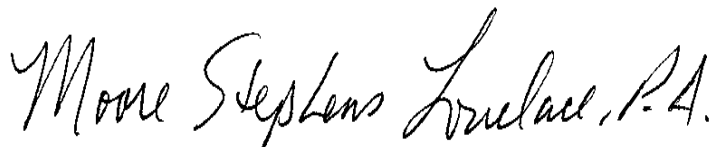
#### Internal Control Over Compliance

Management of the MJHS is responsible for establishing and maintaining effective internal control over compliance with compliance requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered MJHS's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplements, but not for the purpose of expressing an opinion on the effectiveness of MJHS's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the MJHS's management, audit committee, Board of Directors, and federal, state and local awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moore Stephens Louelac, P.A." The signature is written in a cursive, flowing style.

Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS AND STATE PROJECTS**

**Year Ended June 30, 2010**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

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Type of Auditor's report issued	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant Deficiencies identified?	_____	Yes	_____ X _____	None Reported
Noncompliance material to financial statements noted	_____	Yes	_____ X _____	No

*Federal Awards & State Financial Assistance*

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Internal control over major federal programs and/or state projects:				
Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant Deficiencies identified?	_____	Yes	_____ X _____	None Reported
Type of auditor's report issued on compliance for major federal programs and/or state projects:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section.510(a) and/or 10.656?	_____	Yes	_____ X _____	No

**MIAMI JEWISH HEALTH SYSTEMS, INC.  
AND SUBSIDIARIES AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)**

**Year Ended June 30, 2010**

*Federal Awards and State Financial Assistance (Continued)*

Identification of major federal programs  
and state projects:

Name of Federal Program or Cluster	CFDA Number(s)
Department of Housing and Urban Development Project Rental Assistance Contract	14.195
State of Florida Department of Elder Affairs Long -term Care Community Diversion Pilot Project	93.777
Name of State Project	CSFA Number
State of Florida Department of Elder Affairs Alliance for Aging, Inc.	65.010

Dollar threshold used to distinguish between  
Type A and Type B programs for federal awards: \$ 300,000

Dollar threshold used to distinguish between  
Type A and Type B projects for major state  
financial assistance: \$ 300,000

Auditee qualified as low-risk auditee pursuant to  
OMB Circular A-133   X   Yes        No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings were reported.

**SECTION III - FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No findings were reported.

**SECTION IV - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
SUMMARY OF PRIOR AUDIT FINDINGS**

No findings were reported.