

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

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2011 and 2010

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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, 2011 and 2010, and the related combined statements of operations and changes in net assets, 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, 2011 and 2010, 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 20, 2011 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.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Miami Lakes, Florida
October 20, 2011

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

COMBINED BALANCE SHEETS

June 30, 2011 and 2010

	ASSETS	
	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 22,470,310	\$ 10,413,167
Current portion of investments	618,462	919,704
Accounts receivable, net of allowance for doubtful accounts of \$3,078,666 and \$5,834,366, respectively	9,408,665	9,286,659
Pledges receivable, net	519,429	231,392
Interest receivable	49,975	99,484
Current portion of assets whose use is limited	7,392,345	3,170,751
Prepaid expenses	850,491	857,053
Due from affiliate	538,898	438,581
Estimated third party payor settlements	287,710	-
Other current assets	63,187	431,312
TOTAL CURRENT ASSETS	42,199,472	25,848,103
INVESTMENTS, less current portion	26,530,916	29,891,586
ASSETS WHOSE USE IS LIMITED, less current portion	2,877,900	4,152,496
PLEDGES RECEIVABLE, net, less current portion	826,653	981,292
PROPERTY AND EQUIPMENT, net	70,867,797	75,275,379
OTHER ASSETS	1,005,886	1,083,621
TOTAL ASSETS	\$ 144,308,624	\$ 137,232,477

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

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	\$ 3,098,907	\$ 3,141,654
Accrued expenses and other current liabilities	13,605,684	13,093,264
Revolving credit facility	2,449,246	2,782,165
Estimated third party payor settlements	-	206,000
Current portion of bonds payable	710,000	710,000
Current portion of annuity payment liability	383,149	450,088
Current portion of capital lease obligations	172,467	158,722
Current portion of unfunded pension benefit obligation	2,508,503	2,174,205
TOTAL CURRENT LIABILITIES	22,927,956	22,716,098
BONDS PAYABLE, less current portion	21,540,000	22,250,000
INTEREST RATE SWAP	1,641,926	1,761,604
ANNUITY PAYMENT LIABILITY, less current portion	1,552,212	1,582,293
DEFERRED REVENUE	8,345,114	6,769,293
CAPITAL LEASE OBLIGATIONS	210,779	380,528
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	7,662,720	14,930,418
OTHER LIABILITIES	4,549,890	1,961,201
TOTAL LIABILITIES	68,430,597	72,351,435
COMMITMENTS AND CONTINGENCIES		
CAPITAL ADVANCES, U.S. Department of Housing and Urban Development	12,856,098	13,214,551
NET ASSETS		
Unrestricted	53,853,666	38,351,279
Temporarily restricted	8,044,388	11,991,337
Permanently restricted	1,123,875	1,323,875
TOTAL NET ASSETS	63,021,929	51,666,491
TOTAL LIABILITIES AND NET ASSETS	\$ 144,308,624	\$ 137,232,477

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

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

Years Ended June 30, 2011 and 2010

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Program service fees:		
Government agencies	\$ 27,639,460	\$ 21,401,251
Client fees and other third party payors	78,908,231	73,608,752
Contributions	3,948,287	2,258,161
Investment income and realized gains and losses, net	1,662,795	2,667,677
Sale of donated merchandise	860,768	1,407,989
Management and administrative fees	150,041	146,479
Other revenue	1,682,422	1,695,415
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	114,852,004	103,185,724
NET ASSETS RELEASED FROM RESTRICTION		
Satisfaction of property and equipment purchase restrictions	711,970	3,453,387
Satisfaction of program restrictions	5,489,758	198,086
TOTAL NET ASSETS RELEASED FROM RESTRICTION	6,201,728	3,651,473
EXPENSES		
Program services:		
Case management/day care	19,033,310	20,461,249
Dietary	5,217,268	5,169,222
Health care	56,762,268	53,872,557
Residential care	9,475,641	10,980,790
Research, training and planning	1,038,001	1,003,425
Social services	945,075	1,111,486
TOTAL PROGRAM SERVICES	92,471,563	92,598,729
Supporting services:		
Fundraising	1,440,048	3,859,372
General and administrative	23,902,321	22,538,815
TOTAL SUPPORTING SERVICES	25,342,369	26,398,187
TOTAL EXPENSES	117,813,932	118,996,916
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ITEMS	3,239,800	(12,159,719)
NON-OPERATING ITEMS		
Change in net unrealized gains/losses on investments	2,427,116	(285,840)
Pension related changes other than net periodic cost	7,312,907	582,358
Gain (loss) from discontinued operations	2,522,564	(372,662)
CHANGE IN UNRESTRICTED NET ASSETS	15,502,387	(12,235,863)

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)**

Years Ended June 30, 2011 and 2010

	2011	2010
CHANGE IN UNRESTRICTED NET ASSETS	\$ 15,502,387	\$ (12,235,863)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions	1,144,829	752,419
Transfer from permanently restricted assets net assets	200,000	-
Investment income	909,950	828,267
Net assets released from restrictions	(6,201,728)	(3,651,473)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(3,946,949)	(2,070,787)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Net assets release from permanently restricted by donor	(200,000)	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	(200,000)	-
CHANGE IN NET ASSETS	11,355,438	(14,306,650)
NET ASSETS AT BEGINNING OF YEAR	51,666,491	65,973,141
NET ASSETS AT END OF YEAR	\$ 63,021,929	\$ 51,666,491

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, 2011 and 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,355,438	\$ (14,306,650)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,750,558	5,022,333
Amortization of Capital Advances	(358,453)	(358,454)
Change in minimum pension liability	(6,933,400)	(437,524)
Change in other liabilities	2,588,689	(128,799)
Provision for doubtful accounts	2,696,387	6,143,229
Change in net unrealized gains/losses on investments	(2,427,116)	285,840
Loss from discontinued operations	625,297	372,662
Changes in operating assets and liabilities:		
Accounts receivable	(2,877,676)	(1,237,920)
Pledges receivable, net	(74,115)	476,746
Estimated third party payor settlements	(493,710)	606,000
Prepaid expenses and other assets	482,551	(429,998)
Accounts payable	(42,745)	(942,777)
Accrued expenses	512,420	1,142,573
Deferred revenue	1,575,821	(37,203)
NET CASH PROVIDED BY (USED IN) IN OPERATING ACTIVITIES	11,379,946	(3,829,942)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from affiliate	(100,320)	(296,867)
Net change in investments	4,006,245	6,803,484
Net change in assets whose use is limited	(2,645,037)	1,678,355
Purchase of property and equipment	(2,133,646)	(3,530,830)
Proceeds from the sale of discontinued operations	1,963,105	-
Proceeds from the sale of property and equipment	1,184,754	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,275,101	4,654,142
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on revolving credit facility	(332,919)	(1,342,249)
Payments on bonds payable	(710,000)	(710,000)
Payments on annuity liability	(398,981)	(450,088)
Payments on capital lease obligations	(156,004)	(598,548)
NET CASH USED IN FINANCING ACTIVITIES	(1,597,904)	(3,100,885)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,057,143	(2,276,685)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	10,413,167	12,689,852
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 22,470,310	\$ 10,413,167

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, 2011

	PROGRAM SERVICES						SUPPORTING SERVICES				TOTAL
	CASE MANAGEMENT/ DAY CARE	DIETARY	HEALTH CARE	RESIDENTIAL CARE	RESEARCH TRAINING & PLANNING	SOCIAL SERVICES	TOTAL PROGRAM SERVICES	FUND RAISING	GENERAL & ADMINISTRATIVE	TOTAL SUPPORT SERVICES	
Salaries	\$ 4,844,352	\$ 62,365	\$ 18,596,880	\$ 2,021,960	\$ 571,186	\$ 732,189	\$ 26,828,932	\$ 628,983	\$ 8,068,097	\$ 8,697,080	\$ 35,526,012
Employee health and retirement benefits	885,065	8,279	3,327,781	427,422	67,661	109,818	4,826,026	85,790	3,261,589	3,347,379	8,173,405
Payroll taxes	373,335	5,577	1,369,949	196,688	32,486	52,129	2,030,164	56,903	730,814	787,717	2,817,881
	6,102,752	76,221	23,294,610	2,646,070	671,333	894,136	33,685,122	771,676	12,060,500	12,832,176	46,517,298
Conferences and conventions	6,740	-	45,487	19,069	4,634	425	76,355	283,425	150,221	433,646	510,001
Equipment rental and maintenance	96,895	3,212	167,508	183,357	3,782	4,158	458,912	592	72,761	73,353	532,265
Food supplies	48,381	1,327,701	147,866	669,026	372	15,045	2,208,391	28,813	99,585	128,398	2,336,789
Local transportation	347,110	475	100,176	25,434	-	2,522	475,717	123	45,034	45,157	520,874
Miscellaneous expense	25,038	955	681,170	12,658	1,964	2,364	724,149	24,633	259,027	283,660	1,007,809
Occupancy (including interest of approx. \$882,000)	470,731	27,869	2,875,115	1,491,200	12,621	-	4,877,536	19,452	3,685,774	3,705,226	8,582,762
Organizational membership dues	998	-	2,364	2,099	250	190	5,901	50	120,227	120,277	126,178
Other supplies	183,192	13,244	607,442	123,500	84,551	7,841	1,019,770	7,746	159,228	166,974	1,186,744
Pharmacy supplies	551,309	6,182	4,928,597	44,721	1,121	36	5,531,966	1	759	760	5,532,726
Postage	13,472	6	16,307	2,125	145	1,867	33,922	11,144	33,046	44,190	78,112
Printing and publications	10,010	161	32,426	6,590	-	2,176	51,363	85,608	367,177	452,785	504,148
Professional fees and contract services	10,928,078	3,761,093	20,119,079	2,946,463	204,838	13,539	37,973,090	196,045	2,857,396	3,053,441	41,026,531
Provisions for doubtful accounts	3,205	-	1,742,997	29,008	-	-	1,775,210	-	-	-	1,775,210
Restructuring fees	-	-	7,543	3,074	-	-	10,617	878	2,377,189	2,378,067	2,388,684
Telephone	79,044	149	24,534	34,927	5,261	776	144,691	9,862	282,690	292,552	437,243
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	18,866,955	5,217,268	54,793,221	8,239,321	990,872	945,075	89,052,712	1,440,048	22,570,614	24,010,662	113,063,374
DEPRECIATION AND AMORTIZATION	166,355	-	1,969,047	1,236,320	47,129	-	3,418,851	-	1,331,707	1,331,707	4,750,558
TOTAL EXPENSES	\$ 19,033,310	\$ 5,217,268	\$ 56,762,268	\$ 9,475,641	\$ 1,038,001	\$ 945,075	\$ 92,471,563	\$ 1,440,048	\$ 23,902,321	\$ 25,342,369	\$ 117,813,932

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	RESIDENTIAL 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
	6,414,826	1,282,053	26,742,626	4,602,322	681,501	1,015,677	40,739,005	857,918	10,048,064	10,905,982	51,644,987
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
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	20,381,693	5,169,222	51,357,874	9,395,244	940,726	1,111,486	88,356,245	3,859,372	21,758,966	25,618,338	113,974,583
DEPRECIATION AND AMORTIZATION	79,556	-	2,514,683	1,585,546	62,699	-	4,242,484	-	779,849	779,849	5,022,333
TOTAL EXPENSES	\$ 20,461,249	\$ 5,169,222	\$ 53,872,557	\$ 10,980,790	\$ 1,003,425	\$ 1,111,486	\$ 92,598,729	\$ 3,859,372	\$ 22,538,815	\$ 26,398,187	\$ 118,996,916

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, 2011 and 2010

NOTE 1 - NATURE OF THE ORGANIZATION AND BASIS OF PRESENTATION

Nature of the Organization

Miami Jewish Health Systems, Inc. ("MJHS"), formally known as 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.

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
- Douglas Gardens Hospice – provides hospice care services in Miami-Dade and Monroe counties. This entity was sold in September 2010.
- 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 Rehabilitation Center
- Douglas Gardens Coral Way – a diagnostic imaging center closed in June 2010
- 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. This program ended in April 2010
- Project Independence at Home – A Medicaid program which provides case management and coordination and a variety of home and community based services
- Florida PACE Centers – A Medicare program for the all-inclusive care of the elderly is a prepaid health plan which provides managed care services for older adults and people over 55 with disabilities who otherwise need nursing home level of care.

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. In December 2010, Hallandale Holding Corporation ("HHC"), a subsidiary of MJHS and holder of the real property where one of the thrift shops operated, was sold to an unrelated third party. As a result of the sale, the thrift shop discontinued operations in December 2010.
- 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 had 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 operating units, eliminated programs, sold assets, and reduced personnel. In addition, management has amended its employee benefit plan to reduce its pension cost. The implementation of these strategic cost-cutting measures has reduced the outflow of cash and has improved operating results in the current year as compared to prior years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the 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 carrying value. The cost of securities sold is based on the average cost method. Changes in 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. Dividends are recorded in income when paid. Interest is recognized when earned.

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. The discount rate used in the present value computation at June 30, 2011 and June 30, 2010 was 4%. The pledge recognition policy requires that pledge payments be in compliance with the original terms or amended pledge agreement for the pledge to be carried at fair value without a reserve for uncollectible accounts being established against it. A detail of the amounts comprising pledges receivable is presented in Note 6.

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 2011 and 2010.

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, discounted for the time value of money at 4% per annum, are less than the carrying value of the asset, the asset is written down to its estimated net realizable value. No impairment losses were recorded in the years ended June 30, 2011 and June 30, 2010.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenues

Deferred revenues are primarily comprised of fees received from the State of Florida for the Channeling II, Florida PACE and Project Independence programs, 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. Skilled nursing 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 Medicare 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except Douglas Gardens Coral Way which was closed in 2010 and is currently in the process of dissolution, 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.

As of June 30, 2011, 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, 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

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 presented based upon a hierarchy of levels that prioritize the inputs of valuation techniques used to measure 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 three levels of the fair value hierarchy are described 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, including quoted prices for similar assets or liabilities in active markets.
- 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.

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.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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, 2011 and 2010.

	2011			Total
	Level 1	Level 2	Level 3	
ASSETS				
Investments:				
Mutual funds	\$ 332,151	\$ -	\$ -	\$ 332,151
Equity Securities:				
Energy	927,028	-	-	927,028
Materials	501,981	-	-	501,981
Industrials	511,848	-	-	511,848
Consumer discretionary	1,241,416	-	-	1,241,416
Consumer staples	596,045	-	-	596,045
Healthcare	660,746	-	-	660,746
Financials	1,712,076	-	-	1,712,076
Information technology	1,015,003	-	-	1,015,003
Telecommunications services	276,225	-	-	276,225
Utilities	80,931	-	-	80,931
Commodity ETFS	579,119	-	-	579,119
Other	193,360	-	-	193,360
Total Equity Securities	8,295,778	-	-	8,295,778
Fixed Income Securities:				
Convertible corporate bonds	2,460	-	-	2,460
Certificates of deposit	98,050	-	-	98,050
Collateralized mortgage obligations	63,236	-	-	63,236
Corporate notes	2,401,748	-	-	2,401,748
Foreign debt securities	480,542	-	-	480,542
Foreign agency debt securities	390,696	-	-	390,696
Government bonds	263,127	-	-	263,127
High yield bonds	358,396	-	-	358,396
Mortgage backed securities	698,735	-	-	698,735
Medium term notes	448,532	-	-	448,532
Municipal bonds	435,618	-	-	435,618
Structured notes	107,000	-	-	107,000
US government agencies	212,508	-	-	212,508
State of Israel bonds	106,288	-	-	106,288
Total Fixed Income Securities	6,066,936	-	-	6,066,936
Hedge fund	-	-	35,216	35,216
Limited partnerships	-	-	1,663,197	1,663,197
Private equity fund	-	-	1,616,100	1,616,100
Hospice and palliative care	-	-	540,000	540,000
Investment in real estate	-	-	8,600,000	8,600,000
Total Investments	\$ 14,694,865	\$ -	\$ 12,454,513	\$ 27,149,378

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

	2011			Total
	Level 1	Level 2	Level 3	
Assets Whose Use Is Limited:				
Cash and cash equivalents	\$ 7,267,549	\$ -	\$ -	\$ 7,267,549
Mutual funds	519,823	-	-	519,823
Equity Securities:				
Energy	84,105	-	-	84,105
Materials	55,828	-	-	55,828
Industrials	79,831	-	-	79,831
Consumer discretionary	128,733	-	-	128,733
Consumer staples	77,100	-	-	77,100
Healthcare	92,961	-	-	92,961
Financials	159,070	-	-	159,070
Information technology	114,112	-	-	114,112
Telecommunications services	28,726	-	-	28,726
Utilities	18,780	-	-	18,780
Other	90,994	-	-	90,994
Total Equity Securities	930,240	-	-	930,240
Fixed Income Securities:				
Corporate notes	254,069	-	-	254,069
Foreign debt securities	20,450	-	-	20,450
Government bonds	117,848	-	-	117,848
High yield bonds	42,396	-	-	42,396
Mortgage backed securities	958,514	-	-	958,514
Medium term notes	67,835	-	-	67,835
Municipal bonds	55,243	-	-	55,243
US government agencies	14,280	-	-	14,280
State of Israel bonds	21,998	-	-	21,998
Total Fixed Income Securities	1,552,633	-	-	1,552,633
Total Assets Whose Use Is Limited	\$ 10,270,245	\$ -	\$ -	\$ 10,270,245
LIABILITIES				
Annuity payment liability	\$ -	\$ -	\$ 1,935,361	\$ 1,935,361
Interest rate swap	-	1,641,926	-	1,641,926

	2010			Total
	Level 1	Level 2	Level 3	
ASSETS				
Investments:				
Mutual funds	\$ 310,212	\$ -	\$ -	\$ 310,212
Equity Securities:				
Energy	1,049,700	-	-	1,049,700
Materials	422,789	-	-	422,789
Industrials	947,390	-	-	947,390
Consumer discretionary	888,617	-	-	888,617
Consumer staples	1,372,165	-	-	1,372,165
Healthcare	1,209,760	-	-	1,209,760
Financials	2,029,565	-	-	2,029,565
Information technology	1,272,629	-	-	1,272,629
Telecommunications services	591,752	-	-	591,752
Utilities	442,533	-	-	442,533
Commodity ETFS	283,457	-	-	283,457
Other	158,862	-	-	158,862
Total Equity Securities	10,669,219	-	-	10,669,219

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

	2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income Securities:				
Convertible corporate bonds	2,460			2,460
Collateralized mortgage obligations	87,116	-	-	87,116
Corporate notes	3,262,155	-	-	3,262,155
Foreign debt securities	777,692	-	-	777,692
Foreign agency debt securities	596,133	-	-	596,133
Government bonds	546,466	-	-	546,466
High yield bonds	159,662	-	-	159,662
Mortgage backed securities	631,171	-	-	631,171
Medium term notes	690,397	-	-	690,397
Municipal bonds	156,871	-	-	156,871
Structured notes	492,879	-	-	492,879
US treasury notes and bonds	179,599	-	-	179,599
US government agencies	434,745	-	-	434,745
State of Israel bonds	152,852	-	-	152,852
Total Fixed Income Securities	8,170,198	-	-	8,170,198
Hedge fund	-	-	87,943	87,943
Limited partnerships	-	-	1,663,197	1,663,197
Private equity fund	-	-	1,310,521	1,310,521
Investment in real estate	-	-	8,600,000	8,600,000
Total Investments	\$ 19,149,629	\$ -	\$ 11,661,661	\$ 30,811,290
	2010			
	Level 1	Level 2	Level 3	Total
Assets Whose Use Is Limited:				
Cash and cash equivalents	\$ 3,170,751	\$ -	\$ -	\$ 3,170,751
Mutual funds	463,000	-	-	463,000
Equity Securities:				
Energy	65,478	-	-	65,478
Materials	49,792	-	-	49,792
Industrials	137,082	-	-	137,082
Consumer discretionary	118,729	-	-	118,729
Consumer staples	97,350	-	-	97,350
Healthcare	116,987	-	-	116,987
Financials	128,313	-	-	128,313
Information technology	189,618	-	-	189,618
Telecommunications services	19,990	-	-	19,990
Utilities	28,876	-	-	28,876
Other	300,920	-	-	300,920
Total Equity Securities	1,253,135	-	-	1,253,135
Fixed Income Securities:				
Corporate notes	839,288	-	-	839,288
Foreign debt securities	83,620	-	-	83,620
Foreign agency debt securities	96,390	-	-	96,390
Government bonds	78,325	-	-	78,325
High yield bonds	41,375	-	-	41,375
Mortgage backed securities	1,103,705	-	-	1,103,705
Medium term notes	47,258	-	-	47,258
Municipal bonds	55,236	-	-	55,236
US Treasury notes	42,675	-	-	42,675

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

	2010			
	Level 1	Level 2	Level 3	Total
Assets Whose Use Is Limited :				
US government agencies	25,491	-	-	25,491
State of Israel bonds	22,998	-	-	22,998
Total Fixed Income Securities	2,436,361	-	-	2,436,361
Total Assets Whose Use Is Limited	\$ 7,323,247	\$ -	\$ -	\$ 7,323,247
LIABILITIES				
Annuity payment liability	\$ -	\$ -	\$ 2,032,381	\$ 2,032,381
Interest rate swap	-	1,761,604	-	1,761,604

The tables below summarize changes in the fair value of level 3 assets for the years ended June 30, 2011 and 2010.

	2011				
	Level 3 Rollforward				
	Fair Value at June 30, 2010	Activity, Net	Change in Fair Value	Fair Value at June 30, 2011	
ASSETS:					
Hedge funds	\$ 87,943	\$ (52,727)	\$ -	\$ 35,216	
Limited partnerships	1,663,197	-	-	1,663,197	
Private equity fund	1,310,521	(291,716)	597,295	1,616,100	
Hospice and palliative care	-	540,000	-	540,000	
Investments in real estate	8,600,000	-	-	8,600,000	
	<u>\$ 11,661,661</u>	<u>\$ 195,557</u>	<u>\$ 597,295</u>	<u>\$ 12,454,513</u>	
	Fair Value at June 30, 2010	Issuances	Repayments and Settlements	Present Value of Estimated Cash Flows	Fair Value at June 30, 2011
LIABILITIES:					
Annuity payment liability	\$ 2,032,381	\$ -	\$ (454,800)	\$ 357,780	\$ 1,935,361

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

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

During the year ended June 30, 2011, MJHS received cash reducing the value in the level 3 hedge fund investment.

During the year ended June 30, 2011, MJHS purchased a 20% interest in a hospice and palliative care corporation ("HPC"). The HPC investment is maintained at fair value which as of June 30, 2011 approximates cost and has been classified as level 3. On an annual basis the HPC will be tested for impairment as prescribed by the MJHS impairment of long-lived assets and intangible assets accounting policy.

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, 2011 and 2010 is as follows:

	2011	
	Fair Value	Cost
Mutual funds	\$ 332,151	\$ 279,966
Equity securities	8,295,778	7,149,292
Fixed income securities	6,066,936	8,593,880
Hedge fund	35,216	35,216
Limited partnerships	1,663,197	4,500,000
Private equities	1,616,100	1,201,498
Hospice and palliative care	540,000	540,000
Investments in real estate	8,600,000	8,600,000
	<u>27,149,378</u>	<u>30,899,852</u>
Less current portion	(618,462)	-
Total long-term portion	<u>\$ 26,530,916</u>	<u>\$ 30,899,852</u>

NOTE 4 - INVESTMENTS (Continued)

	2010	
	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 310,212	\$ 266,016
Equity securities	10,669,219	10,971,345
Fixed income securities	8,170,198	10,941,399
Hedge fund	87,943	83,625
Limited partnerships	1,663,197	4,500,000
Private equities	1,310,521	1,370,307
Investments in real estate	8,600,000	8,600,000
	<u>30,811,290</u>	<u>36,732,692</u>
Less current portion	(919,704)	-
	<u>\$ 29,891,586</u>	<u>\$ 36,732,692</u>

The following summarizes investment income and its classification in the combined statements of operations for the fiscal years ended June 30, 2011 and 2010:

	2011	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividends and interest	\$ 358,354	\$ 909,950
Net realized gain	1,242,918	-
Return on permanently restricted investments transferred to unrestricted	61,523	-
	<u>\$ 1,662,795</u>	<u>\$ 909,950</u>

	2010	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividends and interest	\$ 1,048,251	\$ 828,267
Net realized gain	1,558,155	-
Return on permanently restricted investments transferred to unrestricted	61,271	-
	<u>\$ 2,667,677</u>	<u>\$ 828,267</u>

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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Use limited as per bond indenture	\$ 3,271,730	\$ 2,434,783
Use limited as per revolving credit facility	3,680,000	-
Split-interest agreements	2,804,734	3,319,127
To provide income for building maintenance	513,781	180,005
To provide resident assistance	-	1,389,332
	<u>10,270,245</u>	<u>7,323,247</u>
Less current portion	<u>(7,392,345)</u>	<u>(3,170,751)</u>
Long-term portion	<u>\$ 2,877,900</u>	<u>\$ 4,152,496</u>

The composition of assets whose use is limited at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	
	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 7,267,549	\$ 7,267,549
Mutual funds	519,823	513,374
Equity securities	930,240	838,953
Fixed income securities	1,552,633	1,447,293
	<u>\$ 10,270,245</u>	<u>\$ 10,067,169</u>
	<u>2010</u>	
	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 3,170,751	\$ 3,170,751
Equity securities	1,253,135	1,362,026
Mutual funds	463,000	538,953
Fixed income securities	2,436,361	2,217,718
	<u>\$ 7,323,247</u>	<u>\$ 7,289,448</u>

NOTE 6 - PLEDGES RECEIVABLE

Total net pledges receivable as of June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Gross pledges receivable	\$ 1,933,514	\$ 2,183,844
Less allowance for uncollectable pledges	(393,315)	(753,548)
Less discounts to net present value	(194,117)	(217,612)
Net pledges receivable	<u>\$ 1,346,082</u>	<u>\$ 1,212,684</u>

NOTE 6 - PLEDGES RECEIVABLE (Continued)

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 519,429	\$ 231,392
One to five years	599,414	600,096
More than five years	<u>227,239</u>	<u>381,196</u>
Net pledges receivable	1,346,082	1,212,684
Less current portion	<u>(519,429)</u>	<u>(231,392)</u>
Long-term portion	<u>\$ 826,653</u>	<u>\$ 981,292</u>

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2011 and 2010 is comprised of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 9,179,337	\$ 9,179,337
Land improvements	9,061,038	9,061,038
Buildings and improvements	90,118,074	88,644,051
Furniture and equipment	27,580,325	26,592,433
Vehicles	1,503,290	1,426,591
Construction in progress	<u>649,954</u>	<u>3,230,717</u>
	138,092,018	138,134,167
Less accumulated depreciation and amortization	<u>(67,224,221)</u>	<u>(62,858,788)</u>
Property and equipment, net	<u>\$ 70,867,797</u>	<u>\$ 75,275,379</u>

Depreciation and amortization of property and equipment for the years ended June 30, 2011 and 2010 approximated \$4,800,000 and \$5,000,000, respectively.

At June 30, 2011, construction in progress primarily relates to the Irving Cypen Tower renovation project, May Memory Center modernization project and various other projects. These projects are expected to be completed in fiscal year 2012. In the year ended June 30, 2011, MJHS transferred approximately \$3,456,000 from construction in progress to various fixed asset categories primarily due to the completion of the Florida PACE center in the City of Hialeah, Florida and various other projects.

During the year ended June 30, 2011, MJHS disposed of approximately \$880,000 of building, improvements and equipment, net of accumulated depreciation as a result of the sale of the building and the discontinued operations related to Hallandale Holdings, Inc. ("HHI") and Douglas Gardens Hospice ("DGH").

NOTE 7 - PROPERTY AND EQUIPMENT, NET (Continued)

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 Douglas Gardens Coral Way.

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.

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 (included in the caption assets whose use is limited) and liability amounts related to these agreements presented in the balance sheets:

	June 30, 2011	
	<u>Asset</u>	<u>Liability</u>
Charitable remainder annuities	\$ 1,313,938	\$ 1,098,351
Gift life annuities	1,490,796	837,010
	<u>2,804,734</u>	<u>1,935,361</u>
Less current portion	(383,149)	(383,149)
Long-term portion	<u>\$ 2,421,585</u>	<u>\$ 1,552,212</u>

	June 30, 2010	
	<u>Asset</u>	<u>Liability</u>
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)
Long-term portion	<u>\$ 2,869,039</u>	<u>\$ 1,582,293</u>

NOTE 9 - BORROWING ARRANGEMENTS

Revolving Credit Facility

MJHS has a \$5,000,000 revolving credit facility from a financial institution which provides for maximum borrowings of up to \$5,000,000. MJHS has a \$680,000 cash collateral account in support of the revolving credit facility. MJHS may borrow, repay and reborrow for working capital and debt service purposes and to fund reserves. The credit facility expires December 31, 2011.

Advances are calculated and made in respect of a "borrowing base" based on eligible receivables. The revolving credit facility is collateralized by MJHS cash, healthcare insurance receivables and investments. Borrowings under the revolving credit facility bear interest based upon the 30-day LIBOR rate plus 1.35% (1.54% at June 30, 2011). As of June 30, 2011 and 2010, the outstanding balance on the revolving credit facility approximated \$2,450,000 and \$2,800,000, respectively.

The borrowing agreements include restrictive covenants which require MJHS to maintain certain levels within its borrowing base and above minimum financial covenants based on earnings before interest, income tax, depreciation and amortization expenses and net contributions received from donors as defined by the revolving credit facility loan agreement. As of June 30, 2011, MJHS was in full compliance with all covenants of the revolving credit facility loan agreement.

Cash paid for interest on the note was approximately \$54,000 and \$44,000 for the years ended June 30, 2011 and 2010, respectively.

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, 2011:

YEAR ENDING JUNE 30,	AMOUNT
2012	\$ 199,891
2013	150,852
2014	52,773
2015	26,323
Total minimum lease payments	429,839
Less amount representing interest (effective Interest rates ranging from 7.7% to 10.55%)	(46,593)
Present value of net minimum lease payments	383,246
Less current portion of capital lease obligation	(172,467)
Capital lease obligation, net of current portion	\$ 210,779

The recorded value of the assets purchased using capital leases and related accumulated depreciation approximated \$634,000 and \$182,000, respectively, at June 30, 2011.

NOTE 9 - BORROWING ARRANGEMENTS (Continued)

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 an irrevocable letter of credit from a financial institution, which expires in 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 whose use is limited in the balance sheets (See Note 5).

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 0.39% to 1.0% and 0.22% to 2.1% during the years ended June 30, 2011 and 2010, respectively. The effective rate at June 30, 2011 was 0.39%.

Future maturities on the Bonds are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 710,000
2013	710,000
2014	710,000
2015	710,000
2016	710,000
Thereafter	18,700,000
	<u>\$ 22,250,000</u>

Cash paid for interest and fees related to the Bonds approximated \$811,000 and \$880,000 for the years ended June 30, 2011 and 2010, 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 (\$11,125,000 at June 30, 2011). Credit loss from counterparty nonperformance is not anticipated.

NOTE 9 - BORROWING ARRANGEMENTS (Continued)

Interest Rate Swap Agreement (Continued)

The fair value of the Swap Agreement resulted in a liability of approximately \$1,642,000 and \$1,762,000 at June 30, 2011 and 2010, 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 an increase (decrease) in unrestricted net assets of approximately \$120,000 and (\$507,000) for the years ended June 30, 2011 and 2010, respectively.

NOTE 10 - EMPLOYEE BENEFIT PROGRAMS

Defined Benefit Pension Plan

MJHS and a former affiliated entity, 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 decreased by \$5,140,464, which also reduces other components of the pension cost.

Effective April 1, 2011, the Center's management terminated all of its employees from the plan's benefit structure which will stop the accruals of future employee benefits. Since the Center's participants represent less than 10% of all participants, no special accounting was required. The financial statements presented herein do not include the effect of this change.

The net periodic pension cost of the Plan for the years ended June 30, 2011 and 2010 was determined as follows:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 995,065	\$ 2,104,287
Interest cost	3,113,613	3,320,992
Expected return on plan assets	(3,362,625)	(3,189,328)
Amortization of net actuarial loss	1,770,795	1,523,164
Net period pension cost	<u>\$ 2,516,848</u>	<u>\$ 3,759,115</u>

NOTE 10 - EMPLOYEE BENEFIT PROGRAMS (Continued)

Defined Benefit Pension Plan (Continued)

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

	<u>2011</u>	<u>2010</u>
Discount rate	5.25%	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 2011 and 2010, 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.

The following table reconciles the changes in the Plan's projected benefit obligation during each of the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Projected benefit obligation at beginning of year	\$ 58,876,032	\$ 56,113,499
Service cost	995,065	2,104,287
Interest cost	3,113,613	3,320,992
Actuarial (gain) loss	(1,934,522)	4,596,825
Benefits paid	(2,435,274)	(2,119,107)
Administrative costs	(562,922)	-
Plan amendment	-	(5,140,464)
Projected benefit obligation at end of year	<u>\$ 58,051,992</u>	<u>\$ 58,876,032</u>

Changes in plan assets during the years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Fair value of plan assets at beginning of year	\$ 40,600,529	\$ 37,451,641
Actual return on plan assets	7,212,876	1,744,702
Employer contributions	2,100,000	3,523,293
Benefits paid	(2,435,274)	(2,119,107)
Administrative costs	(562,922)	-
Fair value of plan assets at end of year	<u>\$ 46,915,209</u>	<u>\$ 40,600,529</u>

The Plan's weighted-average asset allocations at June 30, 2011 and 2010, by asset category, were as follows:

	<u>2011</u>	<u>2010</u>
Equity securities	62%	56%
Fixed income securities	29%	34%
Cash and cash equivalents	8%	7%
Mutual funds	1%	0%
Other	0%	3%
Total	<u>100%</u>	<u>100%</u>

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

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-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, 2011 and 2010 was calculated as follows:

	<u>2011</u>	<u>2010</u>
Projected benefit obligation	\$ 58,051,992	\$ 58,876,032
Less: plan assets at fair value	(46,915,209)	(40,600,529)
Funded status:		
Unfunded pension benefit obligation	<u>\$ 11,136,783</u>	<u>\$ 18,275,503</u>

The Plan's unfunded pension benefit obligation at June 30, 2011 and 2010 is classified as follows:

	<u>2011</u>	<u>2010</u>
Current liabilities	\$ 2,746,636	\$ 2,323,038
Noncurrent liabilities	8,390,147	15,952,465
Unfunded pension benefit obligation	<u>\$ 11,136,783</u>	<u>\$ 18,275,503</u>

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

	<u>2011</u>	<u>2010</u>
Prior service cost/(credit)	\$ (464,360)	\$ 5,140,464
Net gain/(loss)	5,784,773	(6,041,451)
Amortization of net loss	2,235,155	1,523,164
Total recognized in unrestricted net assets	<u>\$ 7,555,568</u>	<u>\$ 622,177</u>

NOTE 10 - EMPLOYEE BENEFIT PROGRAMS (Continued)

Defined Benefit Pension Plan (Continued)

MJHS and the Center expect to jointly contribute approximately \$2,800,000 to the pension plan in 2011. The June 30, 2011 and 2010 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:

	June 30, 2011		
	MJHS	The Center	Total
Unfunded Pension Liability			
Current liabilities	\$ 2,508,503	\$ 238,133	\$ 2,746,636
Noncurrent liabilities	7,662,720	727,427	8,390,147
Total unfunded liability	<u>\$ 10,171,223</u>	<u>\$ 965,560</u>	<u>\$ 11,136,783</u>
Net periodic pension cost			
Net periodic pension cost	<u>\$ 2,298,637</u>	<u>\$ 218,211</u>	<u>\$ 2,516,848</u>
Other pension related changes			
Net gain	<u>\$ 7,312,907</u>	<u>\$ 242,661</u>	<u>\$ 7,555,568</u>

	June 30, 2010		
	MJHS	The Center	Total
Unfunded Pension Liability			
Current liabilities	\$ 2,174,205	\$ 148,833	\$ 2,323,038
Noncurrent liabilities	14,930,418	1,022,047	15,952,465
Total unfunded liability	<u>\$ 17,104,623</u>	<u>\$ 1,170,880</u>	<u>\$ 18,275,503</u>
Net periodic pension cost			
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>

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

Year	Amount
2012	\$ 2,746,636
2013	2,922,333
2014	3,141,229
2015	3,265,017
2016	3,450,547
Thereafter	<u>19,562,714</u>
	<u>\$ 35,088,476</u>

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

MJHS offers a nonqualified executive pension benefit through a Supplemental Executive Retirement Plan (SERP) agreement. The SERP's projected benefit obligation amounted to \$1,712,515 as of June 30, 2011. No SERP assets were held as of June 30, 2011. Therefore, the projected benefit obligation was equal to the unfunded SERP benefit obligation as of June 30, 2011. The SERP's unfunded benefit obligation is classified as noncurrent and is included in other liabilities in the combined balance sheet at June 30, 2011.

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 receive employer contributions in the 403(b) Plan.

The 403(b) Plan permits participant contributions up to a limit set by the Code. MJHS matches 100% of employee's elective contributions up to 3% of the annual compensation, plus 50% of the employee's contribution in excess of 3% but not greater than 5% of the annual compensation. Employees become fully vested in the matching portion of the contributions one year after employment commences.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2011 and 2010 were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Property and equipment	\$ 7,113,745	\$ 6,118,214
Alzheimer's program	-	3,711,854
Research, training and planning (SGI and subsidiary)	-	437,721
Rosomoff Comprehensive Rehabilitation Center	-	821,948
Love on Wheels (patient transportation)	470,953	489,341
Music Therapy	111,371	77,389
Various specific programs	<u>348,319</u>	<u>334,870</u>
Total	<u>\$ 8,044,388</u>	<u>\$ 11,991,337</u>

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

For the fiscal years ended June 30, 2011 and 2010, net assets were released from donor restrictions by incurring expenses and prior year program losses for the following purposes:

	<u>2011</u>	<u>2010</u>
Debt service and other property and equipment expenditures	\$ 711,970	\$ 3,453,387
Research, training and planning (SGI and subsidiary)	467,646	-
Alzheimer's Day Care programs	4,002,913	110,358
Rosomoff Comprehensive Rehabilitation Center	874,824	-
Other activities	144,375	87,728
Total net assets released from restrictions	<u>\$ 6,201,728</u>	<u>\$ 3,651,473</u>

NOTE 12 - ENDOWMENTS

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, 2011 and 2010 consisted of:

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment Funds	\$ (24,137)	\$ 930,643	\$ 1,123,875	\$ 2,030,381

	<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

Changes in Endowment Net Assets for the fiscal years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (85,660)	\$ 5,823,123	\$ 1,323,875	\$ 7,061,338
Investment Income	61,523	348,172	-	409,695
Contributions	-	249,106	-	249,106
Appropriation of endowment assets for current year expenditures	<u>-</u>	<u>(5,489,758)</u>	<u>(200,000)</u>	<u>(5,689,758)</u>
Endowment net assets, end of year	<u>\$ (24,137)</u>	<u>\$ 930,643</u>	<u>\$ 1,123,875</u>	<u>\$ 2,030,381</u>

NOTE 12 - ENDOWMENTS (Continued)

	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	-	(148,086)	-	(148,086)
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>

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

In April 2011, MJHS severed the relationship with Douglas Gardens Community Mental Health Center (the "Center"), which provides mental health and related services to the community, and was formally considered an affiliate of MJHS. The Center has agreed to honor its portion of the defined benefit obligation and certain other obligations held by MJHS on behalf of the Center. MJHS does not have a voting interest on the Board of the Center, which accordingly, has not been consolidated in these combined financial statements. As of June 30, 2011 and 2010 funds due from the Center were approximately \$539,000 and \$439,000, respectively.

MJHS charged the Center administrative overhead ("indirect") costs amounting to \$306,000 and \$150,000, for each of the fiscal years ended June 30, 2011 and 2010, respectively.

NOTE 14 - DISCONTINUED OPERATIONS**Hallandale Thrift Shop**

In December 2010, all the assets, obligations and interest in Hallandale Holdings, Inc. ("HHI") were sold to an unrelated third party resulting in the discontinuation of the thrift shop operation. MJHS realized a net gain on the sale of approximately \$349,000 and is included in the statement of operations for the year ended June 30, 2011.

Douglas Gardens Hospice

In September 2010, all the assets, obligations and interest in Douglas Gardens Hospice ("DGH") were sold to an unrelated third party. MJHS realized a net gain on the sale of approximately \$2,422,000 which is included in the statement of operations for the year ended June 30, 2011. In connection with the sale, MJHS purchased a 20% interest in the acquiring entity.

NOTE 14 - DISCONTINUED OPERATIONS (Continued)

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. As a result a net loss of approximately \$249,000 and \$373,000 has been incurred and is included in the statement of operations for the years ended June 30, 2011 and June 30, 2010, respectively.

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 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 the 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 \$358,000 for each of the years ended June 30, 2011 and 2010.

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, 2011 and 2010, MJHS derived 68% and 66%, 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.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Medicare and Medicaid Programs and Healthcare Reform (Continued)

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 acts only as a custodian. At June 30, 2011, the aggregate balance in these resident trust funds was approximately \$199,300.

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, 2011 is adequate.

Douglas Gardens Community Mental Health Center, Inc. (the "Center")

The Center's affiliation with MJHS ended April 1, 2011. The Center participated as part of a joint defined benefit pension plan for its employees with MJHS. This plan requires annual payments by the Center for their portion of the unfunded pension liability which at June 30, 2011 was \$965,560. In addition, the Center participated in the workers compensation self-insurance program with MJHS until April 1, 2011 and would be responsible for any losses in excess of reserves. 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. An estimate of losses in excess of reserves cannot be estimated at this time. MJHS would incur the liability of the required annual payment for the defined pension plan and for any losses in excess of reserves in the event the Center defaults on these obligations.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Concentrations and Credit Risk

Financial instruments, which potentially subject MJHS to concentrations of credit risk, consist principally of cash and cash equivalents, investments, pledges receivable, due from affiliate and estimated third party payor settlements. MJHS maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

NOTE 16 - SUBSEQUENT EVENTS

MJHS has evaluated subsequent events through October 20, 2011 which is the date the financial statements are available to be issued.

Effective September 1, 2011, MJHS's management adopted a hard freeze in the defined benefits plan's benefit structure and will stop the accruals of future employee benefits for plan participants. The effect of this change is not reflected in the combined financial statements.

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, 2011 and 2010, and have issued our report thereon dated October 20, 2011, 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 36 through 39 are presented for purposes of additional analysis, and are not a required part of the basic combined financial statements. The schedule included herein on pages 40 and 41 is presented for purposes of additional analysis, as required by the Florida Department of Elder Affairs (FLDOEA) and is not a required part of the basic combined financial statements. The schedules appearing on pages 42 to 44 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 36 to 44 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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Miami Lakes, Florida
October 20, 2011

MIAMI JEWISH HEALTH SYSTEMS, INC. AND SUBSIDIARIES AND AFFILIATES

COMBINING BALANCE SHEETS

June 30, 2011

	OPERATIONS	CHANNELING	TOTAL MJHS	MJHHA FOUNDATION	WOLF CYPEN FOUNDATION	TOTAL SUBSIDIARIES	ELIMINATIONS	TOTAL
CURRENT ASSETS								
Cash and cash equivalents	\$ 5,381,702	\$ 4,733,938	\$ 10,115,640	\$ 3,467,872	\$ 505,387	\$ 8,381,411	\$ -	\$ 22,470,310
Current portion of investments	31,025	-	31,025	433,280	154,157	-	-	618,462
Accounts receivable, net of allowance for doubtful accounts of \$3,078,666	7,668,953	1,183,689	8,852,642	-	-	556,023	-	9,408,665
Pledge receivable, net	178,242	-	178,242	341,187	-	-	-	519,429
Interest receivable	4,318	-	4,318	23,860	21,797	-	-	49,975
Current portion of assets whose use is limited	6,878,564	-	6,878,564	-	-	513,781	-	7,392,345
Prepaid expenses	687,124	35,539	722,663	5,249	-	122,579	-	850,491
Due from affiliates	(1,599,569)	2,737,864	1,138,295	27,273	(41,044)	(585,626)	-	538,898
Estimated third party payor settlements	287,710	-	287,710	-	-	-	-	287,710
Other current assets	105,270	-	105,270	-	-	(1,093)	(40,990)	63,187
TOTAL CURRENT ASSETS	19,623,339	8,691,030	28,314,369	4,298,721	640,297	8,987,075	(40,990)	42,199,472
INVESTMENTS, less current portion	10,583,844	-	10,583,844	6,543,574	9,403,248	250	-	26,530,916
ASSETS WHOSE USE IS LIMITED, less current portion	2,877,900	-	2,877,900	-	-	-	-	2,877,900
PLEDGES RECEIVABLE, net, less current portion	826,653	-	826,653	-	-	-	-	826,653
PROPERTY AND EQUIPMENT, net	48,665,545	-	48,665,545	-	-	22,202,252	-	70,867,797
OTHER ASSETS	931,338	55,485	986,823	-	-	19,063	-	1,005,886
TOTAL ASSETS	\$ 83,508,619	\$ 8,746,515	\$ 92,255,134	\$ 10,842,295	\$ 10,043,545	\$ 31,208,640	\$ (40,990)	\$ 144,308,624
CURRENT LIABILITIES								
Accounts payable	\$ 2,068,072	889,488	2,957,560	\$ -	\$ -	\$ 141,347	\$ -	\$ 3,098,907
Accrued expenses and other current liabilities	7,961,372	1,986,349	9,947,721	157,207	-	3,541,746	(40,990)	13,605,684
Revolving credit facility	2,449,246	-	2,449,246	-	-	-	-	2,449,246
Current portion of bonds payable	710,000	-	710,000	-	-	-	-	710,000
Current portion of annuity payment liability	383,149	-	383,149	-	-	-	-	383,149
Current portion of capital lease obligations	172,467	-	172,467	-	-	-	-	172,467
Current portion of unfunded pension benefit obligation	2,508,503	-	2,508,503	-	-	-	-	2,508,503
TOTAL CURRENT LIABILITIES	16,252,809	2,875,837	19,128,646	157,207	-	3,683,093	(40,990)	22,927,956
BONDS PAYABLE, less current portion	21,540,000	-	21,540,000	-	-	-	-	21,540,000
INTEREST RATE SWAP	1,641,926	-	1,641,926	-	-	-	-	1,641,926
ANNUITY PAYMENT LIABILITY, less current portion	1,552,212	-	1,552,212	-	-	-	-	1,552,212
DEFERRED REVENUE	347,009	5,960,001	6,307,010	-	-	2,038,104	-	8,345,114
CAPITAL LEASE OBLIGATIONS	210,779	-	210,779	-	-	-	-	210,779
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	7,662,720	-	7,662,720	-	-	-	-	7,662,720
OTHER LIABILITIES	4,549,890	-	4,549,890	-	-	-	-	4,549,890
TOTAL LIABILITIES	53,757,345	8,835,838	62,593,183	157,207	-	5,721,197	(40,990)	68,430,597
COMMITMENTS AND CONTINGENCIES								
CAPITAL ADVANCE, U.S. Department of Housing and Urban Development	-	-	-	-	-	12,856,098	-	12,856,098
NET ASSETS								
Unrestricted	21,429,996	(89,323)	21,340,673	9,838,103	10,043,545	12,631,345	-	53,853,666
Temporarily restricted	7,197,403	-	7,197,403	846,985	-	-	-	8,044,388
Permanently restricted	1,123,875	-	1,123,875	-	-	-	-	1,123,875
TOTAL NET ASSETS	29,751,274	(89,323)	29,661,951	10,685,088	10,043,545	12,631,345	-	63,021,929
TOTAL LIABILITIES AND NET ASSETS	\$ 83,508,619	\$ 8,746,515	\$ 92,255,134	\$ 10,842,295	\$ 10,043,545	\$ 31,208,640	\$ (40,990)	\$ 144,308,624

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, 2011

	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
CURRENT ASSETS													
Cash and cash equivalents	\$ 182,665	\$ 7,396,953	\$ 124,782	\$ -	\$ 83,358	\$ 17,606	\$ 422,801	\$ 32,938	\$ 32,353	\$ -	\$ 87,955	\$ -	8,381,411
Current portion of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net of allowance for doubtful accounts	(78,222)	242,458	1,866	-	231,832	-	133,978	24,111	-	-	-	-	556,023
Pledge receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of assets whose use is limited	-	231,295	282,486	-	-	-	-	-	-	-	-	-	513,781
Prepaid expenses	-	116,226	2,410	-	-	-	2,253	251	1,439	-	-	-	122,579
Due from affiliates	679,749	2,643,321	(839,165)	(4,251,441)	(916,787)	(545,385)	2,065,286	(189,434)	769,433	-	(1,203)	-	(585,626)
Estimated third party payor settlements	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	(1,093)	-	-	-	-	-	-	-	-	-	-	(1,093)
TOTAL CURRENT ASSETS	784,192	10,629,160	(427,621)	(4,251,441)	(601,597)	(527,779)	2,624,318	(132,134)	803,225	-	86,752	-	8,987,075
INVESTMENTS, less current portion	-	-	250	-	-	-	-	-	-	-	-	-	250
ASSETS WHOSE USE IS LIMITED, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
PLEDGES RECEIVABLE, net, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, net	-	3,361,809	12,992,322	2,767,588	-	-	737	-	-	-	3,079,796	-	22,202,252
OTHER ASSETS	-	3,816	12,617	1,630	-	-	-	-	1,000	-	-	-	19,063
TOTAL ASSETS	\$ 784,192	\$ 13,994,785	\$ 12,577,568	\$ (1,482,223)	\$ (601,597)	\$ (527,779)	\$ 2,625,055	\$ (132,134)	\$ 804,225	\$ -	\$ 3,166,548	\$ -	\$ 31,208,640
CURRENT LIABILITIES													
Accounts payable	\$ -	\$ 92,000	\$ 132	\$ -	\$ 28,457	\$ -	\$ -	\$ 83	\$ 15,572	\$ -	\$ 5,103	\$ -	\$ 141,347
Accrued expenses and other current liabilities	(5,002)	3,112,016	79,555	-	58,051	176,428	19,628	28,619	69,296	-	3,155	-	3,541,746
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of bonds payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of annuity payment liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of capital lease obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of unfunded pension benefit obligation	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	(5,002)	3,204,016	79,687	-	86,508	176,428	19,628	28,702	84,868	-	8,258	-	3,683,093
BONDS PAYABLE, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
INTEREST RATE SWAP	-	-	-	-	-	-	-	-	-	-	-	-	-
ANNUITY PAYMENT LIABILITY, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
DEFERRED REVENUE	-	2,038,104	-	-	-	-	-	-	-	-	-	-	2,038,104
CAPITAL LEASE OBLIGATIONS	-	-	-	-	-	-	-	-	-	-	-	-	-
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	(5,002)	5,242,120	79,687	-	86,508	176,428	19,628	28,702	84,868	-	8,258	-	5,721,197
COMMITMENTS AND CONTINGENCIES													
CAPITAL ADVANCE, U.S. Department of Housing and Urban Development	-	-	12,856,098	-	-	-	-	-	-	-	-	-	12,856,098
NET ASSETS													
Unrestricted	789,194	8,752,665	(358,217)	(1,482,223)	(688,105)	(704,207)	2,605,427	(160,836)	719,357	-	3,158,290	-	12,631,345
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	789,194	8,752,665	(358,217)	(1,482,223)	(688,105)	(704,207)	2,605,427	(160,836)	719,357	-	3,158,290	-	12,631,345
TOTAL LIABILITIES AND NET ASSETS	\$ 784,192	\$ 13,994,785	\$ 12,577,568	\$ (1,482,223)	\$ (601,597)	\$ (527,779)	\$ 2,625,055	\$ (132,134)	\$ 804,225	\$ -	\$ 3,166,548	\$ -	\$ 31,208,640

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, 2011

	<u>OPERATIONS</u>	<u>CHANNELING</u>	<u>TOTAL MJHS</u>	<u>MJHHA FOUNDATION</u>	<u>WOLF CYPEN FOUNDATION</u>	<u>TOTAL SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT								
Program service fees:								
Government agencies	\$ 1,636,527	\$ 14,080,340	\$ 15,716,867	\$ -	\$ -	\$ 11,922,593	\$ -	\$ 27,639,460
Client fees and other third party payors	60,857,765	-	60,857,765	-	-	21,540,782	(3,490,316)	78,908,231
Contributions	19,494,396	1,851	19,496,247	5,027,358	-	1,277	(19,431,766)	5,093,116
Investment income and realized gains and losses, net	1,054,455	-	1,054,455	384,777	-	1,133,513	-	2,572,745
Sale of donated merchandise	-	-	-	-	-	860,768	-	860,768
Management and administrative fees	121,200	-	121,200	-	-	254,943	(226,102)	150,041
Other revenue	1,263,261	(125,973)	1,137,288	3,064	-	533,010	9,060	1,682,422
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	84,427,604	13,956,218	98,383,822	5,415,199	1,133,513	35,113,373	(23,139,124)	116,906,783
EXPENSES								
Program services:								
Case management / Day care	3,323,207	12,794,723	16,117,930	-	-	4,483,411	(1,568,031)	19,033,310
Dietary	4,871,008	-	4,871,008	-	-	346,260	-	5,217,268
Health care	38,110,900	-	38,110,900	-	-	19,802,455	(1,151,087)	56,762,268
Residential care	8,558,649	-	8,558,649	-	-	1,127,952	(210,960)	9,475,641
Research, training and planning	299,517	-	299,517	-	-	738,484	-	1,038,001
Social services	623,625	-	623,625	-	-	339,477	(18,027)	945,075
Supporting allocations	-	-	-	10,500,000	8,000,000	-	(18,500,000)	-
TOTAL PROGRAM EXPENSES	55,786,906	12,794,723	68,581,629	10,500,000	8,000,000	26,838,039	(21,448,105)	92,471,563
Supporting services:								
Fund raising	1,167	-	1,167	1,596,685	-	-	(157,804)	1,440,048
General and administrative	18,219,887	1,161,495	19,381,382	1,043,303	119,448	4,891,403	(1,533,215)	23,902,321
TOTAL EXPENSES	74,007,960	13,956,218	87,964,178	13,139,988	8,119,448	31,729,442	(23,139,124)	117,813,932
CHANGE IN NET ASSETS BEFORE NON-OPERATING ITEMS	10,419,644	-	10,419,644	(7,724,789)	(6,985,935)	3,383,931	-	(907,149)
CHANGE IN NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	174,232	-	174,232	718,176	1,534,708	-	-	2,427,116
PENSION RELATED CHANGES OTHER THAN NET PERIODIC COSTS	7,312,907	-	7,312,907	-	-	-	-	7,312,907
GAIN ON DISCONTINUED OPERATIONS	684,089	-	684,089	-	-	1,838,475	-	2,522,564
CHANGE IN NET ASSETS	18,590,872	-	18,590,872	(7,006,613)	(5,451,227)	5,222,406	-	11,355,438
NET ASSETS AT BEGINNING OF YEAR	11,160,402	(89,323)	11,071,079	17,691,701	15,494,772	7,408,939	-	51,666,491
NET ASSETS AT END OF YEAR	\$ 29,751,274	\$ (89,323)	\$ 29,661,951	\$ 10,685,088	\$ 10,043,545	\$ 12,631,345	\$ -	\$ 63,021,929

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, 2011

	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 HOLDING CORP., INC.	HALLANDALE HOLDINGS, INC.	TOTAL SUBSIDIARIES
REVENUES, GAINS, AND OTHER SUPPORT													
Program service fees:													
Government agencies	\$ -	\$ -	\$ 11,108,150	\$ 814,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,922,593
Client fees and other third party payors	-	1,230,621	14,400,956	322,975	-	899,558	-	4,141,847	-	-	484,167	60,658	21,540,782
Contributions	-	1,177	100	-	-	-	-	-	-	-	-	-	1,277
Investment income and realized gains and losses, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of donated merchandise	-	-	-	-	-	-	-	-	860,768	-	-	-	860,768
Management and administrative fees	-	-	-	-	-	-	-	254,943	-	-	-	-	254,943
Other revenue	-	-	519,275	12,110	4	200	-	64	-	1,333	24	-	533,010
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	-	1,231,798	26,028,481	1,149,528	4	899,758	-	4,141,911	254,943	862,101	484,191	60,658	35,113,373
EXPENSES													
Program services:													
Case management / Day care	-	-	4,483,411	-	-	-	-	-	-	-	-	-	4,483,411
Dietary	-	-	346,260	-	-	-	-	-	-	-	-	-	346,260
Health care	-	797,114	15,476,733	-	-	-	-	3,528,608	-	-	-	-	19,802,455
Residential care	-	-	-	1,127,952	-	-	-	-	-	-	-	-	1,127,952
Research, training and planning	-	-	-	-	-	738,484	-	-	-	-	-	-	738,484
Social services	-	-	339,477	-	-	-	-	-	-	-	-	-	339,477
Supporting allocations	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROGRAM EXPENSES	-	797,114	20,645,881	1,127,952	-	738,484	-	3,528,608	-	-	-	-	26,838,039
Supporting services:													
Fundraising	-	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	-	190,726	3,149,398	47,878	286,591	22,583	1	33,304	95,633	983,843	60,292	21,154	4,891,403
TOTAL EXPENSES	-	987,840	23,795,279	1,175,830	286,591	761,067	1	3,561,912	95,633	983,843	60,292	21,154	31,729,442
CHANGE IN NET ASSETS BEFORE NON-OPERATING ITEMS	-	243,958	2,233,202	(26,302)	(286,587)	138,691	(1)	579,999	159,310	(121,742)	423,899	39,504	3,383,931
CHANGE IN NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	-	-	-	-	-	-	-	-	-	-	-	-	-
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	-	-	-	-	-	-	-	-	-	-	-	-	-
GAIN (LOSS) FROM DISCONTINUED OPERATIONS	-	2,421,997	-	-	-	-	(248,756)	1	-	(7,570)	-	(327,197)	1,838,475
CHANGE IN NET ASSETS	-	2,665,955	2,233,202	(26,302)	(286,587)	138,691	(248,757)	580,000	159,310	(129,312)	423,899	(287,693)	5,222,406
NET ASSETS AT BEGINNING OF YEAR	-	(1,876,761)	6,519,463	(331,915)	(1,195,636)	(826,796)	(455,450)	2,025,427	(320,146)	848,669	2,734,391	287,693	7,408,939
NET ASSETS AT END OF YEAR	\$ -	\$ 789,194	\$ 8,752,665	\$ (358,217)	\$ (1,482,223)	\$ (688,105)	\$ (704,207)	\$ 2,605,427	\$ (160,836)	\$ 719,357	\$ 3,158,290	\$ -	\$ 12,631,345

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, 2011

Expenses	Program Services							In Home Services						Total Program Costs
	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	\$ -	\$ 572,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 572,111
Payroll taxes and benefits	-	163,645	-	-	-	-	-	-	-	-	-	-	-	163,645
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Communications/postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance and repair	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Printing/supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees/legal/audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-contractors	29,138	-	39,555	5,942	10,945	5,292	-	73,495	12,482	349,146	218,892	54,197	54,913	853,997
Program supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food and food supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	29,138	735,756	39,555	5,942	10,945	5,292	-	73,495	12,482	349,146	218,892	54,197	54,913	1,589,753
Allocation of Management and General	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses After Allocation	\$ 29,138	\$ 735,756	\$ 39,555	\$ 5,942	\$ 10,945	\$ 5,292	\$ -	\$ 73,495	\$ 12,482	\$ 349,146	\$ 218,892	\$ 54,197	\$ 54,913	\$ 1,589,753
Total Units Billed	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A

See accompanying notes on page 44.
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, 2011

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	\$ -	\$ -	\$ 26,251,155	\$ 26,823,266	\$ 628,983	\$ -	\$ 8,073,761	\$ 8,702,744	\$ 35,526,010
Payroll taxes and benefits	-	-	8,463,029	8,626,674	142,693	-	2,221,919	2,364,612	10,991,286
Travel	-	-	356,243	356,243	2,413	-	63,774	66,187	422,430
Communications/postage	-	-	205,187	205,187	21,008	-	298,750	319,758	524,945
Utilities	-	-	1,988,980	1,988,980	-	-	54,985	54,985	2,043,965
Advertising	-	-	18,610	18,610	28,599	-	222,915	251,514	270,124
Insurance	-	-	350,718	350,718	5,540	-	1,617,472	1,623,012	1,973,730
Maintenance and repair	-	-	518,737	518,737	-	-	57,622	57,622	576,359
Printing/supplies	-	-	222,403	222,403	56,001	-	198,162	254,163	476,566
Building cost	-	-	340,439	340,439	-	-	82,333	82,333	422,772
Equipment	-	-	171,752	171,752	592	-	1,317	1,909	173,661
Professional fees/legal/audit	-	-	535,691	535,691	177,817	-	1,926,338	2,104,155	2,639,846
Sub-contractors	67,230	53,908	41,054,683	42,029,818	-	-	904,973	904,973	42,934,791
Program supplies	-	-	2,572,110	2,572,110	3,463	-	2,360	5,823	2,577,933
Depreciation	-	-	3,422,001	3,422,001	-	-	1,328,557	1,328,557	4,750,558
Food and food supplies	-	-	2,955,388	2,955,388	28,813	-	99,585	128,398	3,083,786
Other	-	-	6,438,411	6,438,411	343,626	-	1,643,133	1,986,759	8,425,170
Total Expenses	67,230	53,908	95,865,537	97,576,428	1,439,548	-	18,797,956	20,237,504	117,813,932
Allocation of Management and General					-	-	-	-	-
Total Expenses After Allocation	\$ 67,230	\$ 53,908	\$ 95,865,537	\$ 97,576,428	\$ 1,439,548	\$ -	\$ 18,797,956	\$ 20,237,504	\$ 117,813,932

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, 2011

<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	AE1195	\$ 44,695
	Family Care Giver Services	93.052	AE1095	41,020
Florida PACE Center Project Independence	Pass-through: State of Florida Department of Elder Affairs			
	Long -term Care Community Diversion Pilot Project	93.777	XQ931 / XT111	7,132,787
Florida PACE Center	Special Programs for the Aging Title IV and Title II Discretionary projects	93.048	HSMA-90MA0012	431,491
Miami Jewish Health Systems	Specially selected health project Haitian Wellness Program	93.888	1 D1DHP16435-01-00	70,290
	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	13,915
	U.S. Department of Transportation:			
Florida PACE Center	Pass-through: State of Florida Department of Transportation			
	Elderly and Persons with Disabilities	20.513	N/A	61,200
	U.S. Department of Housing and Urban Development:			
DGN, Inc.	Project Rental Assistance Contract	14.195	FL-29-S021-009	338,191
DGN II, Inc.	Project Rental Assistance Contract	14.195	FL-29-S021-006	117,799
	U.S. Department of Homeland Security:			
MJHS	Presidentially Declared Disasters	97.036	09DS-26-11-23-08-358	<u>87,330</u>
			TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 8,338,718</u>

See accompanying notes on page 44.
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, 2011

<u>Activity</u>	<u>State Agency Pass-Through Grantor Program Title</u>	<u>CSFA Number</u>	<u>Contract Pass-Through Award Number</u>	<u>Expenditures Recognized</u>
	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-1095	\$ 1,215,892
	Home Care for the Elderly	65.001	KH-1095	<u>134,784</u>
				<u>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</u>
				<u>\$ 1,350,676</u>

See accompanying notes on page 44.
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, 2011

(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, 2011. 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, 2011, and have issue our report thereon dated October 20, 2011. 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.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Miami Lakes, Florida
October 20, 2011



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, 2011. 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, 2011.

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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Miami Lakes, Florida
October 20, 2011

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

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

Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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, 2011

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
Department of Health and Human Services State of Florida Department of Elder Affairs Long-term Care Community Diversion Pilot Project Special Programs for the Aging Title IV and Title II Discretionary Projects	93.777 93.048
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.