

GUAM MEMORIAL HOSPITAL AUTHORITY

**(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2014 AND 2013



Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3911
USA

Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Memorial Hospital Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2014 and 2013, the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Memorial Hospital Authority as of September 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that GMHA will continue as a going concern. As discussed in note 16 to the financial statements, GMHA has incurred recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 as well as the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other than Pension on page 33 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

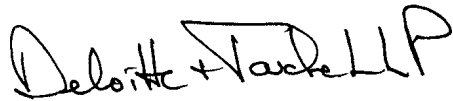
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues on pages 34 to 38 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has 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 accounting and other records used to prepare the financial statements or 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 schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of full time employee count on page 39 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015, on our consideration of GMHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GMHA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 26, 2015

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

INTRODUCTION

Guam Memorial Hospital Authority ("GMHA"), a component unit of the Government of Guam ("GovGuam"), was created on July 26, 1977 under Public Law 14-29 as an autonomous agency of GovGuam. GMHA provides acute, outpatient, long-term and emergency care to all patients who seek medical services regardless of their ability to pay.

The following Management Discussion & Analysis (MD&A) of GMHA's activities and financial performance will serve as an overview of the audited financial statements for fiscal years ended September 30, 2014 and September 30, 2013. The information contained in this MD&A has been prepared by management and should be considered with the financial statements and the notes which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENT AND FINANCIAL ANALYSIS

A comparative analysis is provided between Fiscal Year 2014 and FY 2013 for the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flow.

SUMMARIZED STATEMENTS OF NET POSITION

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>% Change 2014 to 2013</u>
Assets				
Current and Other Assets	\$ 31,267,552	\$ 29,299,115	\$ 39,508,502	6.7%
Capital Assets, net	<u>40,937,232</u>	<u>40,182,567</u>	<u>37,198,296</u>	<u>1.9%</u>
Total Assets	\$ <u>72,204,784</u>	\$ <u>69,481,682</u>	\$ <u>76,706,798</u>	<u>3.9%</u>
Liabilities and Net Position				
Liabilities:				
Current liabilities	\$ 29,113,838	\$ 41,333,134	\$ 33,939,349	(29.6%)
Long-term liabilities	<u>27,504,542</u>	<u>15,557,950</u>	<u>15,892,168</u>	<u>76.8%</u>
Total Liabilities	<u>56,618,380</u>	<u>56,891,084</u>	<u>49,831,517</u>	<u>(0.5%)</u>
Net Position:				
Net investment in capital assets	40,937,232	40,182,567	37,198,296	1.9%
Unrestricted	<u>(25,350,828)</u>	<u>(27,591,969)</u>	<u>(10,323,015)</u>	<u>(8.1%)</u>
Total Net Position	<u>15,586,404</u>	<u>12,590,598</u>	<u>26,875,281</u>	<u>23.8%</u>
Total Liabilities and Net Position	\$ <u>72,204,784</u>	\$ <u>69,481,682</u>	\$ <u>76,706,798</u>	<u>3.9%</u>

- Total assets had a minimal increase of \$2.7 Million or 3.9%.
- While current liabilities decreased by \$12.2 Million or 29.6%, long term liabilities increased by \$11.9 Million or 76.8%. This decrease in current liabilities and increased in long-term liabilities is attributed to a \$25M bank loan obtained in FY 2014 to address vendor payables.

Total assets exceeded total liabilities by \$15.6 Million at the close of FY 2014 as compared to \$12.6 Million at the close of FY 2013.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

SUMMARIZED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>% Change 2014 to 2013</u>
Operating revenues	\$ 80,181,484	\$ 69,867,610	\$ 85,620,011	14.8%
Operating expenses	<u>108,649,943</u>	<u>103,638,656</u>	<u>103,498,644</u>	4.8%
	(28,468,459)	(33,771,046)	(17,878,633)	(15.7%)
Nonoperating revenues, net	<u>27,064,819</u>	<u>13,147,749</u>	<u>22,221,069</u>	105.9%
(Loss) income before capital grants and Contributions	(1,403,640)	(20,623,297)	4,342,436	(93.2%)
Capital grants and contributions:				
GovGuam	2,936,607	5,524,790	1,270,592	(46.8%)
Federal grants	16,247	813,824	2,649,303	(98%)
Others	<u>1,446,592</u>	<u>-</u>	<u>-</u>	100%
Change in Net Position	2,995,806	(14,284,683)	8,262,331	121%
Net Position at beginning of the year	<u>12,590,598</u>	<u>26,875,281</u>	<u>18,612,950</u>	(53.2%)
Net Position at end of the year	<u>\$ 15,586,404</u>	<u>\$ 12,590,598</u>	<u>\$ 26,875,281</u>	23.8%

- Total operating revenues increased by \$10.3 Million or 14.8% from FY 2013 to FY 2014.
- Total operating expenses increased by \$5 Million or 4.8% from FY2013 to FY 2014. This could be attributed partly to the increased in the General Pay Plan implemented in FY 2014.
- Total nonoperating revenues increased by \$13.9 Million or 105.9% from FY 2013. This is attributed primarily to transfers from the Government of Guam.
- Net position improved by \$3 Million or 24% from FY 2013 to FY 2014.

STATEMENTS OF CASH FLOWS

Based on the Statements of Cash Flows on page 12, cash collection from operations is insufficient to sustain operations. Transfers from Government of Guam more than doubled over what was received in FY 2013.

- Total patient cash receipts collected in FY 2014 were \$79 Million which is \$1 Million less or 1% than FY 2013 of \$80 Million. It is also noted that net total patient revenue for FY 2014 was \$80 Million; but actual patient cash receipts collection was \$1 Million less.
- Other cash receipts for FY 2014 reached \$520,969, which is \$233,989 or 82% more than the FY 2013 other cash receipts of \$286,980. The FY 2014 cash receipt amount is inclusive of cafeteria sales.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

- Payments to suppliers and contractors reached \$36 Million which is \$15 Million or 72% more than in FY 2013 of \$21 Million.
- Payments to employees for FY 2014 were \$75.9 Million which is \$4.8 Million or 7% more than FY 2013 expenditures of \$71.1 Million.
- Net cash used in operations for FY 2014 was (\$32.5) Million, which is an increase of \$20.7 Million cash outlay over FY 2013 of \$11.8 Million.
- Cash flows from noncapital financing activities for FY 2014 were \$32.8 Million which is \$18 Million or 122% more than in FY 2013 of \$14.8 Million. This increase is attributed to the following:
 - Proceeds from the Loan \$ 25,000,000
 - Contribution from GovGuam 14,339,702
 - Federal Grants Received 7,671,500
 - Other Contributions 208,216
 - Less Interest and Penalties Paid (1,693,431)
 - Less Payments for Federal Grants (256,998)
 - Less Payment for Notes Payable (12,130,191)
 - Other payments (373,909)
 - Total \$ 32,764,889
- Cash flows from capital and related financing activities for FY 2014 were \$705,125 which is \$364,440 or 34% less than in FY 2013 of \$1,069,565.

Given the above data, GMHA operational cash collection is insufficient to cover increased operational costs without supplemental cash funding from non-operational sources. Historically, GMHA's financial results and cash flow have not been adequate to fund ongoing operations, needed technological and capital improvements. The costs of patient care are consistently greater than what the hospital collects to deliver those services.

Capital Assets and Long-Term Debt

Capital Assets: At the end of FY14, GMHA had \$40.9 million invested in capital assets. This represents an increase in net capital assets (including additions and deletions) of \$755k or 1.9% over the previous year. See Note 7 to the financial statements for additional information

Long-Term Debt: GMHA obtained a \$25 million note payable with a local bank which was used to pay and discharge obligations of the existing \$12 million bank loan and for other purposes permitted by law. As of September 30, 2014 and 2013, GMHA had long-term debt of \$23.6 million and \$10.8 million, respectively. See Note 9 to the financial statements for additional information.

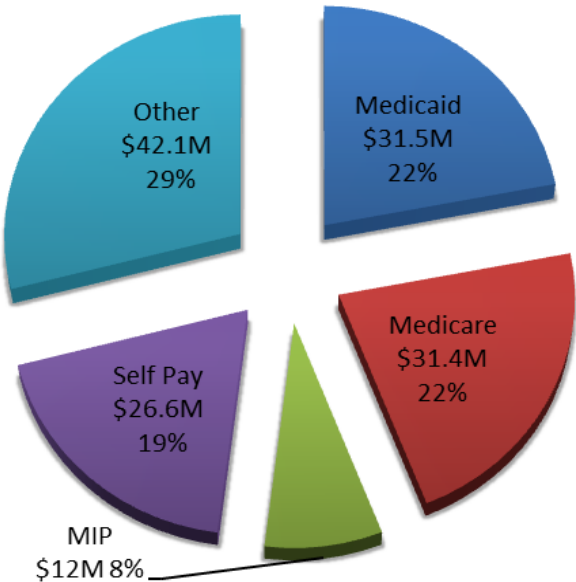
GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

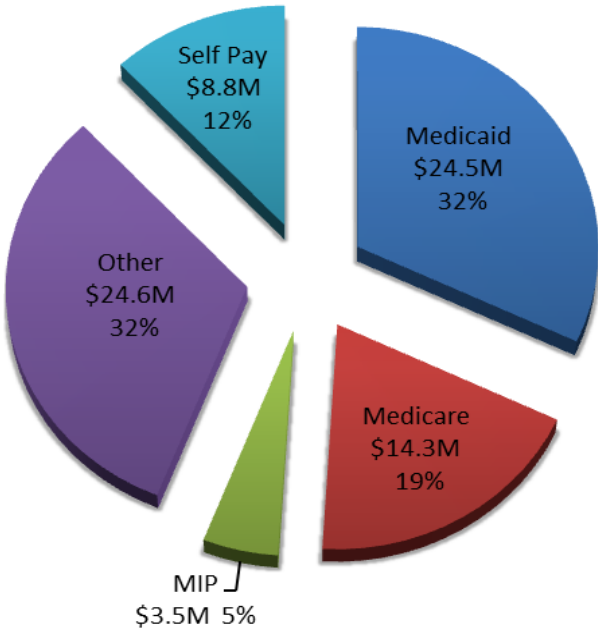
CHALLENGES AND OUTLOOK

Medicare, Medicaid, and Medically Indigent Program (MIP) (3 Ms):

Gross Billings



Total Collections



GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

Medicare, Medicaid, and MIP account for 52% of gross revenues and 56% of collections. GMHA continues to be reimbursed by Medicare at less than its actual cost to deliver services. Because the 3 Ms account for over 50% of GMHA revenues, and being reimbursed below cost, this has had major impact on the GMHA's finances. GMHA for many years have made attempts to the Center for Medicare and Medicaid Services (CMS) to change its Medicare reimbursement rate to the Hospital. CMS initiated an audit of GMH 2013 Cost Report and expects the exit conference at the end of June. We expect this audit to conclude in the coming weeks and believe the results will validate GMH's reports of under-reimbursement. This is important because Medicaid and MIP programs mirror the payment rate of Medicare.

GMHA is working with Department of Public Health Service (DPHS) to change the methodology for Medicaid reimbursement. Under Federal rules and regulations, health care provider organizations, including public hospitals can participate in certified public expenditure (CPE) programs. In a CPE, the state is able to certify unreimbursed Medicaid eligible costs expended by the public health organization and draw down the applicable federal Medicaid matching funds associated with those costs. These initiatives are available for public-owned providers, including hospitals. DPHSS is seeking to amend the state plan to reimburse GMH additional costs to treat Medicaid patients.

Other Payers

Other payers account for 29% of gross billings and 32% of collections. This includes commercial insurance, Government of Guam agencies such as Behavioral Health, Department of Corrections, and Workman's Compensation.

Self-Pay Payers

Self-Pay patients account for 19 % of gross billings and 12% of collections. Collecting from Self Pay patients has always been a challenge. We have engaged the services of a collection agency to improve recovery of these accounts. We also expect to improve collection efforts by engaging a Call Center service as well as initiating an online payment system.

The comparative review between the FY 2014 and FY 2013 showed that the financial condition of GMHA improved slightly in spite of the fact that the financial status is still considered cash challenged. We expect to continue this improvement of the hospital's financial status in FY 2015 through FY 2017. The Fiscal Division is gearing up to meet these challenges now and also for the next two years. Additional personnel are scheduled for recruitment in FY 2015 and will be trained in patient registration, patient billings, patient account reconciliations, and patient collections to ensure the timely processing of patient registrations, billings, and collections. The personnel investment made in FY 2015 at the Fiscal Department will be the baseline for greater patient cash collection in FY 2016 and FY 2017.

Although the spear of improving the financial conditions of GMHA is the Fiscal Division, any sustainable financial improvement must also come from all other divisions of the hospital, as stakeholders, in the reduction of hospital-wide cost. The new management team is assessing needs of every department in an effort to increase revenue, reduce cost without compromising the safety of its patients. One of the strategies of the new administration is to improve the supply and acquisition of needed physician manpower. The hospital ends up paying high rates and occasionally acquires subpar providers due to an acquisition process that is fighting fires verses being pro-active or long term in nature. The development of an enhanced physician recruitment process will significantly improve the hospital's financial position long term and will help it better meet the needs of its patients.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

CONTACTING HOSPITAL EXECUTIVES

The Management's Discussion and Analysis report is designed to provide citizens, taxpayers, patients, and stakeholders a general overview of GMHA's finances. It should also demonstrate the hospital's stewardship and accountability of monies that it receives and spends.

Management's Discussion and Analysis for the year ended September 30, 2013 is set forth in GMHA's report on the audit of financial statements which is dated June 27, 2014. That Discussion and Analysis explains in more detail major factors impacting the 2013 financial statements.

If you have any questions about this report, please contact the Hospital Chief Executive Officer at 647-2418/2367 or the Chief Financial Officer at 647-2934/2190.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Net Position
September 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 3,198,789	\$ 3,600,068
Patient accounts receivable, net of estimated uncollectibles of \$236,950,690 in 2014 and \$214,727,608 in 2013	21,578,259	20,853,362
Due from the Government of Guam	2,218,415	662,108
Other receivables, net of allowance for doubtful accounts of \$339,093 in 2014 and \$374,801 in 2013	330,871	319,231
Inventory	3,536,870	3,329,509
Prepaid expenses	66,786	164,426
Total current assets	<u>30,929,990</u>	<u>28,928,704</u>
Note receivable	128,295	161,144
Capital assets:		
Depreciable assets, net	30,557,791	31,484,993
Construction in progress	10,379,441	8,697,574
Restricted cash	209,267	209,267
Total noncurrent assets	<u>41,274,794</u>	<u>40,552,978</u>
Total assets	<u>\$ 72,204,784</u>	<u>\$ 69,481,682</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Current portion of note payable	\$ 2,027,203	\$ 814,082
Accounts payable - trade	10,029,359	20,210,697
Accounts payable - Government of Guam Retirement Fund	1,992,888	1,972,295
Accrued taxes and related liabilities	6,172,767	5,759,969
Accrued payroll and benefits	4,173,487	3,997,500
Unearned revenues	-	3,600,000
Current portion of accrued annual leave	1,639,954	1,613,189
Other current liabilities	3,078,180	3,365,402
Total current liabilities	<u>29,113,838</u>	<u>41,333,134</u>
Note payable, net of current portion	21,595,731	9,939,043
Accrued annual leave, net of current portion	2,261,785	2,159,477
Accrued sick leave	3,647,026	3,459,430
Total liabilities	<u>56,618,380</u>	<u>56,891,084</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	40,937,232	40,182,567
Unrestricted	<u>(25,350,828)</u>	<u>(27,591,969)</u>
Total net position	<u>15,586,404</u>	<u>12,590,598</u>
Total liabilities and net position	<u>\$ 72,204,784</u>	<u>\$ 69,481,682</u>

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2014 and 2013

	2014	2013
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of \$64,008,180 in 2014 and \$71,863,340 in 2013)	\$ 79,648,875	\$ 69,261,522
Other operating revenues:		
Cafeteria food sales	387,884	477,055
Other revenue (including bad debt recovery of \$0 in 2014 and \$1,420 in 2013)	144,725	129,033
Total operating revenues	80,181,484	69,867,610
Operating expenses:		
Nursing	53,163,091	49,655,149
Professional support	24,443,699	24,097,980
Administrative support	13,327,246	12,930,770
Fiscal services	7,593,811	6,829,249
Depreciation	4,349,905	4,423,908
Administration	3,141,104	2,858,668
Retiree healthcare costs	2,013,433	1,991,175
Medical staff	617,654	851,757
Total operating expenses	108,649,943	103,638,656
Operating loss	(28,468,459)	(33,771,046)
Nonoperating revenues (expenses):		
Transfers from GovGuam	21,509,442	9,315,182
Federal grants	7,671,500	6,165,237
Contributions	208,215	151,883
Federal program expenditures	(256,998)	(235,707)
Interest and penalties	(1,693,431)	(2,161,134)
Others	(373,909)	(87,712)
Total nonoperating revenues (expenses)	27,064,819	13,147,749
Loss before capital grants and contributions	(1,403,640)	(20,623,297)
Capital grants and contributions:		
Government of Guam	2,936,607	5,524,790
Federal grants	16,247	813,824
Others	1,446,592	-
Total capital grants and contributions	4,399,446	6,338,614
Change in net position	2,995,806	(14,284,683)
Net position at the beginning of the year	12,590,598	26,875,281
Net position at the end of the year	\$ 15,586,404	\$ 12,590,598

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 78,956,827	\$ 80,032,103
Receipts from sales and other services	520,969	286,980
Payments to suppliers and contractors	(35,978,413)	(20,954,057)
Payments to employees	(75,960,426)	(71,130,197)
Net cash used for operating activities	(32,461,043)	(11,765,171)
Cash flows from noncapital financing activities:		
Proceeds from note payable	25,000,000	-
Contributions from the Government of Guam	14,339,702	7,899,098
Federal grants received	7,671,500	6,165,237
Advances from the Government of Guam	-	3,600,000
Contributions	208,216	151,883
Interest and penalties paid	(1,693,431)	(2,161,134)
Payments made under federal programs	(256,998)	(235,707)
Principal repayment of note payable	(12,130,191)	(539,747)
Other payments	(373,909)	(87,712)
Net cash provided by noncapital financing activities	32,764,889	14,791,918
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,657,979)	(7,408,179)
Contributions from the Government of Guam	2,936,607	5,524,790
Federal grants received	16,247	813,824
Net cash used for capital and related financing activities	(705,125)	(1,069,565)
Net change in cash	(401,279)	1,957,182
Cash at beginning of year	3,600,068	1,642,886
Cash at end of year	\$ 3,198,789	\$ 3,600,068
Summary of noncash capital and related financing activities:		
Medical equipment donation from U.S. Naval Hospital Guam	\$ 1,446,592	\$ -

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Cash Flows, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (28,468,459)	\$ (33,771,046)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Contractual adjustments and provisions for uncollectible accounts	64,008,180	71,863,340
Depreciation	4,349,905	4,423,908
Retiree healthcare costs	2,013,433	1,991,175
Bad debts recovery	-	(1,420)
(Increase) decrease in assets:		
Patient accounts receivable	(64,733,077)	(61,123,699)
Note receivable	32,849	30,940
Other receivables	(11,640)	(317,688)
Inventory	(207,361)	55,880
Prepaid expenses	97,640	(64,569)
Increase (decrease) in liabilities:		
Accounts payable - trade	(10,181,338)	269,421
Accounts payable - Government of Guam Retirement Fund	20,593	(605,498)
Accrued taxes and related liabilities	412,798	761,963
Accrued payroll and benefits	175,987	2,377,223
Accrued annual leave and sick leave	316,669	474,497
Other current liabilities	(287,222)	1,870,402
Net cash used in operating activities	\$ (32,461,043)	\$ (11,765,171)

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2014 and 2013

(1) Reporting Entity

The Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam (GovGuam), was created on July 26, 1977 under Public Law No. 14-29 as an autonomous agency of the Government of Guam. GMHA owns and operates the Guam Memorial Hospital (the Hospital). The Hospital is licensed for 159 general acute care beds, 16 bassinets, and 33 long-term beds. The Hospital provides all customary acute care services and certain specialty services primarily to the residents of Guam. These include adult and pediatric, clinical and ancillary medical services; and 24-hour emergency services. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, GovGuam's Medically Indigent Program (MIP), Medicaid and commercial insurers.

GMHA operates under the authority of a nine-member Board of Trustees, all of whom are appointed by the Governor of Guam with the advice and consent of the Guam Legislature.

GMHA's financial statements are incorporated into the financial statements of GovGuam as a component unit.

(2) Summary of Significant Accounting Policies

GMHA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Basis of Accounting

The financial statements of GMHA have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. GMHA considers revenues and costs that are directly related to patient and other healthcare operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

Net Position

Net position represents the residual interest in GMHA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following section:

- Net investment in capital assets – include capital assets restricted and unrestricted, net of accumulated depreciation reduced by outstanding debt net of debt service reserve.
- Restricted nonexpendable - net position subject to externally imposed stipulations that require GMHA to maintain the position permanently.
- Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GMHA pursuant to those stipulations or that expire with the passage of time.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

Net Position, Continued

- Unrestricted – net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Custodial credit risk is the risk that, in the event of a bank failure, GMHA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand, cash held in demand accounts, and time certificates of deposit maturing within ninety days, but excludes restricted cash. As of September 30, 2014 and 2013, cash and restricted cash is \$3,408,056 and \$3,809,335, respectively, and the corresponding bank balances are \$6,313,610 and \$5,310,113, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2014 and 2013, bank deposits in the amount of \$250,000 are FDIC insured. GMHA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Restricted cash of \$209,267 as of September 30, 2014 and 2013 represents reserve funds pursuant to a loan agreement with a bank.

Patient Accounts Receivable

Accounts receivable for services provided to patients covered under the Medicare, MIP and Medicaid programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors (including self-pay) are recorded at their estimated realizable values based on contractual billing rates or GMHA's standard fees for non-contract payors. A provision for uncollectible accounts is based on management's evaluation of the collectability of current accounts and historical trends. Finance charges or interest is not accrued for past due accounts. Uncollectible accounts are written-off against the provision for the specific insurance or payor program.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

Patient Accounts Receivable, Continued

Management believes there are no significant credit risks associated with receivables from government programs. Receivables from managed care programs and others are from various payors who are subject to differing economic conditions. They do not represent any concentrated credit risk to the Hospital. Management continually monitors and adjusts the estimated allowances for contractual adjustments and uncollectible accounts.

Due from GovGuam

Amounts due from GovGuam consists of reimbursable expenditures from Federal grant awards and receivables from local appropriations.

Inventory

Inventory consists of pharmaceutical and other hospital supplies. GMHA reports inventory at the lower of cost, determined using an average historical cost, or market and is shown net of a provision for obsolescence commensurate with known or estimated exposures.

Capital Assets

Capital assets consist of building and land improvements, long-term care facilities and movable equipment. Building and land improvements acquired prior to June 30, 1978, are recorded at their appraised values at June 30, 1978 with subsequent additions recorded at cost. Prior to January 1, 2007, GMHA capitalized at the time of acquisition all expenditures of property and equipment that equaled or exceeded \$500 with a minimum useful life of at least three years. Subsequent to January 1, 2007, the capitalization policy for acquisitions was increased to \$5,000.

Major renewals and betterments are capitalized, while maintenance and repairs, which do not improve or extend the life of an asset, are charged to expense. Donated capital assets are recorded at their fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Useful lives for capital assets are based on the American Hospital Association Guide, *Estimated Useful Lives of Depreciable Hospital Assets*, as follows:

Building and land improvements	10 - 40 years
Long - term care facilities	10 - 40 years
Movable equipment	3 - 20 years

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GMHA has no items that qualify for reporting in this category.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

Compensated absences are recorded as a long-term liability in the statements of net position. Amounts estimated to be paid during the next fiscal year are reported as current liabilities. Vacation pay is convertible to pay upon termination of employment.

In accordance with Public Law No. 27-5 and Public Law No. 28-68, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service.

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service;
2. Three-fourths day (6) hours for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service; and
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

The statutes further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

Public Law No. 26-86 allows employees who participate in the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. At September 30, 2014 and 2013, GMHA has accrued an estimated sick leave liability of \$3,647,026 and \$3,459,430, respectively. However, this amount is an estimate and the actual payout may be materially different than estimated.

Unearned Revenues

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. The unearned revenue of \$3,600,000 as of September 30, 2013 relates to advance appropriations received from the Government of Guam pursuant to Public Law 32-68 known as the "General Appropriations Act of 2014". The revenue was recognized for the year ended September 30, 2014.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (addition to net position) until then. GMHA has no items that qualify for reporting in this category.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

Net Patient Service Revenues

GMHA has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established fees. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

GovGuam Contributions

GMHA receives financial support from GovGuam in the form of supplemental appropriations and subsidies, including on-behalf payments. As these supplemental appropriations and subsidies are for noncapital purposes, regardless of restrictions, they are classified as noncapital contributions and are included as nonoperating revenues in the statements of revenues, expenses and changes in net position. GovGuam contributions that are restricted for acquiring or improving capital assets are reported as capital grants and contributions in the statements of revenues, expenses and changes in net position.

Federal Grant Award Revenues and Contributions

From time-to-time, GMHA receives Federal grant awards and contributions from the Federal Emergency Management Administration, the U. S. Department of Health and Human Services for the Bioterrorism Hospital Preparedness Program, and the U.S. Department of the Interior (Compact Impact) passed-through GovGuam as well as contributions from individuals, non-profit organizations, and private organizations. Revenues from federal awards and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Federal awards and contributions may be restricted for either specific operating purposes or for capital acquisitions. Amounts restricted to capital replacement and expansions are reported as capital grants and contributions in the statements of revenues, expenses and changes in net position.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

As an instrumentality of GovGuam, GMHA and all property acquired by or for the Hospital, and all revenues and income are exempt from taxation by GovGuam.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

Risk Management

GMHA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. GMHA is self-insured for medical malpractice claims and judgments.

Pledged Revenues

GMHA has pledged, in addition to the full faith and credit of the Government of Guam, all future gross revenues to repay a \$25 million bank loan issued in January 2014. Note proceeds were used to pay in full the remaining loan balance of \$10,522,226 of the \$12 million bank loan obtained in fiscal year 2011 and to retire current liabilities. The note is payable from total operating revenues and is payable through 2024. Annual interest and principal related payments are expected to require less than 4.0% of total operating revenues (based on 2014 data). The total interest and principal remaining on the notes as of September 30, 2014 and 2013 is \$23,622,934 and \$14,007,808, respectively. Principal and interest paid for fiscal years 2014 and 2013 were \$2,669,086 and \$1,255,603, respectively, and total operating revenues for fiscal years 2014 and 2013 were \$80,181,184 and \$69,867,610, respectively.

New Accounting Standards

During the year ended September 30, 2014, GMHA implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of the Authority and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that the GMHA will record upon implementation of Statement 68 is \$118,771,225.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the GMHA.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the GMHA.

(3) Patient Accounts Receivable

GMHA grants credit without collateral to its patients, many of whom are Guam residents and are insured under third-party payor agreements. Patient accounts receivable at September 30, 2014 and 2013, consist of:

	<u>2014</u>	<u>2013</u>
Account referrals - Department of Revenue and Taxation	\$ 77,938,920	\$ 79,822,299
Self-pay Patients	42,105,969	30,218,100
Medically Indigent Program	12,507,945	8,997,795
Local Third-Party Payor and Other	31,939,541	26,018,958
Medicaid Assistance Program	21,773,148	19,709,627
Medicare	16,800,415	19,473,446
Collection agencies and other	<u>55,463,011</u>	<u>51,340,745</u>
	258,528,949	235,580,970
Less allowance for uncollectible accounts	<u>(236,950,690)</u>	<u>(214,727,608)</u>
	<u>\$ 21,578,259</u>	<u>\$ 20,853,362</u>

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(3) Patient Accounts Receivable, Continued

Patient accounts receivable from “Local Third-Party Payor and Other” includes receivables from GovGuam of \$1,123,191 and \$984,308 as of September 30, 2014 and 2013, respectively, for healthcare services.

During fiscal years 2014 and 2013, GMHA collected \$3,300,770 and \$2,611,816, respectively, from accounts referred to the Department of Revenue and Taxation.

(4) Note Receivable

In February 2008, GMHA accepted a promissory note from a collection agency in the amount of \$312,431 for outstanding collections of delinquent patient accounts. The note bears fixed interest of 6% and matures on February 1, 2018. At September 30, 2014 and 2013, the balance of the note was \$128,295 and \$161,144, respectively.

(5) Other Receivables

The Hospital grants credit without collateral to customers primarily located on Guam for catering services and supplies issuances. Other receivables at September 30, 2014 and 2013, consist of:

	<u>2014</u>	<u>2013</u>
Government of Guam:		
Department of Mental Health and Substance Abuse	\$ 53,543	\$ 81,773
Guam Fire Department	294,733	292,712
Other	<u>321,688</u>	<u>319,547</u>
	669,964	694,032
Less allowance for uncollectible accounts	<u>(339,093)</u>	<u>(374,801)</u>
	<u>\$ 330,871</u>	<u>\$ 319,231</u>

(6) Inventory

Inventory at September 30, 2014 and 2013, consists of the following:

	<u>2014</u>	<u>2013</u>
Pharmaceuticals, drugs and medicine	\$ 1,573,021	\$ 1,446,388
Medical and pharmaceutical supplies	1,920,922	1,982,460
Dietary food supplies	<u>75,282</u>	<u>63,375</u>
	3,569,225	3,492,223
Less allowance for obsolescence	<u>(32,355)</u>	<u>(162,714)</u>
	<u>\$ 3,536,870</u>	<u>\$ 3,329,509</u>

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(7) Capital Assets

Capital assets activity for the years ended September 30, 2014 and 2013 was as follows:

	2014			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	\$ 65,418,684	\$ 146,901	\$ -	\$ 65,565,585
Long-term care facility	11,021,985	-	-	11,021,985
Movable equipment	<u>26,463,582</u>	<u>3,275,803</u>	<u>(694,737)</u>	<u>29,044,648</u>
	102,904,251	3,422,704	(694,737)	105,632,218
Less accumulated depreciation and amortization	<u>(71,419,258)</u>	<u>(4,349,906)</u>	<u>694,737</u>	<u>(75,074,427)</u>
	31,484,993	(927,202)	-	30,557,791
Non-depreciable assets:				
Construction in progress	<u>8,697,574</u>	<u>1,828,768</u>	<u>(146,901)</u>	<u>10,379,441</u>
Total capital assets, net	\$ <u>40,182,567</u>	\$ <u>901,566</u>	\$ <u>(146,901)</u>	\$ <u>40,937,232</u>
	2013			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	\$ 65,418,684	\$ -	\$ -	\$ 65,418,684
Long-term care facility	11,021,985	-	-	11,021,985
Movable equipment	<u>24,110,253</u>	<u>2,886,780</u>	<u>(533,451)</u>	<u>26,463,582</u>
	100,550,922	2,886,780	(533,451)	102,904,251
Less accumulated depreciation and amortization	<u>(67,524,205)</u>	<u>(4,423,908)</u>	<u>528,855</u>	<u>(71,419,258)</u>
	33,026,717	(1,537,128)	(4,596)	31,484,993
Non-depreciable assets:				
Construction in progress	<u>4,171,579</u>	<u>6,442,708</u>	<u>(1,916,713)</u>	<u>8,697,574</u>
Total capital assets, net	\$ <u>37,198,296</u>	\$ <u>4,905,580</u>	\$ <u>(1,921,309)</u>	\$ <u>40,182,567</u>

(8) Due to GovGuam Retirement Fund ("GGRF")

GMHA owed GGRF employer and member contributions under the Defined Benefit Plan (DB) for payroll periods from fiscal years ended September, 1998 through September, 2004. GMHA was assessed interest and penalties on these unpaid contributions in accordance with 4 Guam Code Annotated § 8137, *Retirement of Public Employees*, which stated that GGRF would impose interest at a rate equivalent to the average rate of return on its investments from the previous fiscal year and a 1% penalty for delinquent payments.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(8) Due to GovGuam Retirement Fund (“GGRF”), Continued

Public Law No. 28-38, passed in June 2005 required that GovGuam’s general fund remit “interest-only” payments monthly to GGRF for the aforementioned liabilities. The law indicated that monthly payments, totaling \$190,501, would continue until the outstanding balance is fully paid. However, if the obligations were not paid within ten years following the enactment of Public Law No. 28-38, payments by GMHA would resume per 4 Guam Code Annotated § 8137. Public Law No. 30-196 passed in August 2010 and Public Law No. 31-74 passed in June 2011 amended Public Law No. 28-38. Public Law No. 30-196 changed the calculation of interest owed to GGRF and Public Law 31-74 provided for the inclusion of GMHA’s delinquent retirement contributions for fiscal year 2011 to the balance of GMHA’s prior years’ retirement liabilities as identified in Public Law 28-38.

During fiscal year 2012, GovGuam issued General Obligation Bonds and used \$12 million from the proceeds to pay GMHA’s liability to GGRF, including the aforementioned liabilities.

At September 30, 2014 and 2013, accounts payable due to GGRF reported as current liabilities consist of the following:

	<u>2014</u>	<u>2013</u>
Employer and member contributions of:		
Current fiscal year (DB) Plan	\$ 143,990	\$ 139,273
Unfunded liability	341,589	326,018
Employer and member contributions of current fiscal year (DCRS Plan)	305	-
Supplemental annuities/COLA benefits for retirees	<u>1,507,004</u>	<u>1,507,004</u>
	<u>\$ 1,992,888</u>	<u>\$ 1,972,295</u>

At September 30, 2014 and 2013, amounts due to GGRF included an outstanding obligation of \$1,507,004 for supplemental benefits for the Hospital’s retirees who retired prior to October 1, 1995 and Cost of Living Allowance (COLA) benefits for those employees who retired prior to October 1, 2001. In accordance with Public Law No. 26-35, as amended by Public Law No. 26-49, GMHA was among various autonomous agencies required to reimburse GGRF for certain supplemental benefits paid to its retirees by GGRF.

Statutory employer contributions for DCRS plan members for the years ended September 30, 2014 and 2013 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, 5% of the member’s regular pay is deposited into the member’s individual investment account. The remaining amount is contributed towards the unfunded liability of the DB plan. At September 30, 2014 and 2013, GMHA’s unpaid contributions toward the unfunded liability of the DB Plan amounted to \$341,589 and \$326,018, respectively.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(9) Long-Term Debt and Other Liabilities

As of September 30, 2014 and 2013, long-term debt consists of:

	<u>2014</u>	<u>2013</u>
Note payable to a bank, in an original amount of \$12 million, variable interest at 1% over bank's reference rate subject to a minimum interest of 6.5% and maximum interest of 9.5%, due in monthly installments of principal and interest of \$104,634 beginning April 2011 through January 2018, all remaining balance due on January 31, 2018. The note is collateralized by the full faith and credit of the Government of Guam and all of the revenues of GMHA.	\$ -	\$ 10,753,125
Note payable to a bank, in an original amount of \$25 million, variable interest at 2% over bank's reference rate subject to a minimum interest of 5.25% and maximum interest of 8% for first 18 months and variable interest at 2.25% over bank's reference rate subject to a minimum interest of 5.5% and maximum interest of 8% for the remaining term, due in monthly installments of principal and interest of \$268,240 beginning February 2014 through January 2024, all remaining balance due on January 22, 2024. The note is collateralized by the full faith and credit of the Government of Guam and all of the revenues of GMHA.	23,622,934	-
Less current portion	<u>(2,027,203)</u>	<u>(814,082)</u>
	<u>\$ 21,595,731</u>	<u>\$ 9,939,043</u>

On January 31, 2011, GMHA entered into a \$12 million bank loan. Proceeds of the loan were to be used when a cash shortage threatened GMHA and would not be used for the hiring of non-healthcare professionals who did not provide direct care or patient care support. The loan was guaranteed by the Government of Guam and entitled to the full faith and credit of the Government of Guam. Pursuant to the loan agreement, GMHA pledged all of its revenues. This loan was repaid in full as of September 30, 2014.

On January 17, 2014, GMHA entered into a \$25 million bank loan. Proceeds of the loan were used to pay and discharge the obligations of the existing \$12 million bank loan and for other purposes permitted by law.

Management is of the opinion that compliance with applicable loan covenants occurred during the year ended September 30, 2014.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(9) Long-Term Debt and Other Liabilities, Continued

As of September 30, 2014, future maturities of long-term debt are as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,027,203	\$ 1,191,674	\$ 3,218,877
2016	2,133,170	1,085,707	3,218,877
2017	2,250,956	967,921	3,218,877
2018	2,372,016	846,861	3,218,877
2019	2,499,587	719,290	3,218,877
2020-2024	<u>12,340,002</u>	<u>1,608,467</u>	<u>13,948,469</u>
	\$ <u>23,622,934</u>	\$ <u>6,419,920</u>	\$ <u>30,042,854</u>

The changes in long-term liabilities for the years ended September 30, 2014 and 2013, are as follows:

	Balance October 1, 2013	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2014	Due Within One Year
Note payable	\$ 10,753,125	\$ 25,000,000	\$ (12,130,191)	\$ 23,622,934	\$ 2,027,203
Annual leave	3,772,666	2,958,108	(2,829,035)	3,901,739	1,639,954
Sick leave	<u>3,459,430</u>	<u>2,225,116</u>	<u>(2,037,520)</u>	<u>3,647,026</u>	-
	\$ <u>17,985,221</u>	\$ <u>30,183,224</u>	\$ <u>(16,996,746)</u>	\$ <u>31,171,699</u>	\$ <u>3,667,157</u>
	Balance October 1, 2012	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2013	Due Within One Year
Note payable	\$ 11,292,872	\$ -	\$ (539,747)	\$ 10,753,125	\$ 814,082
Annual leave	3,693,037	2,897,917	(2,818,288)	3,772,666	1,613,189
Sick leave	<u>3,064,562</u>	<u>1,896,808</u>	<u>(1,501,940)</u>	<u>3,459,430</u>	-
	\$ <u>18,050,471</u>	\$ <u>4,794,725</u>	\$ <u>(4,859,975)</u>	\$ <u>17,985,221</u>	\$ <u>2,427,271</u>

(10) Medical Malpractice/Employment and Personnel Claims

GMHA is self-insured for malpractice. GMHA's exposure under malpractice claims is limited to \$300,000 per claim by the Government Claims Act. GMHA is the defendant in claims, including claims for employment and personnel matters, which are pending review or are expected to go to litigation. While GMHA intends to pursue an aggressive defense of these cases and claims, the possibility exists that some may result in material monetary damages being awarded to claimants or plaintiffs. Hospital management is of the opinion that resolution of these claims will not have a material impact on the accompanying financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(11) Employee Retirement Plans

Defined Benefit Plan

Plan Description:

GMHA participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GMHA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2012, 2011, and 2010, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined by the Guam Legislature as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.11%</u>	<u>8.02%</u>	<u>7.57%</u>
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.01%</u>	<u>24.33%</u>	<u>23.75%</u>
Government contribution as a % of total payroll	<u>26.40%</u>	<u>27.33%</u>	<u>26.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.03%</u>	<u>30.09%</u>	<u>28.30%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(11) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

GMHA's contributions to the DB Plan for the years ended September 30, 2014, 2013 and 2012 were \$2,826,450, \$2,934,787 and \$3,046,820, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment options available under the DCRS.

Statutory employer contributions for DCRS plan payroll are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only the equivalent of 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan. GMHA's contributions toward the unfunded liability of the DB Plan for the years ended September 30, 2014, 2013 and 2012 were \$9,211,480, \$8,556,676 and \$8,139,145, respectively, which were equal to the required contributions for the respective years then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

GMHA's contributions to the DC Plan for the years ended September 30, 2014, 2013 and 2012 were \$1,760,616, \$1,632,868, and \$1,665,883, respectively, which were equal to the required contributions for the respective years then ended.

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple-employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(11) Employee Retirement Plans, Continued

Other Post Employment Benefits, Continued

Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

During the years ended September 30, 2014, 2013 and 2012, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,013,433, \$1,991,175 and \$1,938,983, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of GMHA retirees and were equivalent to the required contribution for those years.

(12) Patient Service Revenue

GMHA has agreements with third-party payors that provide for payments to GMHA at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Rates for the long-term care facility vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. GMHA is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by GMHA and audits thereof by the Medicare fiscal intermediary. At September 30, 2014 and 2013, GMHA recorded a \$0 and \$2.9 million receivable, respectively, relative to medicare cost settlements.
- Medicaid Assistance Program and Medically Indigent Program (MIP) - GMHA is reimbursed for the cost of inpatient and outpatient services rendered under the programs administered by the GovGuam Department of Public Health and Social Services. During each fiscal year, GMHA is reimbursed on a per diem rate for in-patient and a percentage charges for out-patient.

Gross patient revenue from the Medicare, Medicaid and MIP programs accounted for approximately 22 percent, 22 percent and 8 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2014, and 22 percent, 20 percent and 8 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

GMHA also has entered into payment agreements with certain commercial insurance carriers. The basis for payment to GMHA under these agreements includes discounts from established charges.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(12) Patient Service Revenue, Continued

Patient service revenues for the years ended September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Services provided to Medicaid patients	\$ 31,521,975	\$ 28,507,222
Services provided to Medicare patients	31,370,145	31,659,853
Services provided to MIP patients	12,022,964	11,354,251
Services provided to Self-pay patients	26,646,430	25,873,933
Services provided to Other patients	<u>42,095,541</u>	<u>43,729,603</u>
	143,657,055	141,124,862
Less contractual adjustments and provisions for uncollectible accounts	<u>(64,008,180)</u>	<u>(71,863,340)</u>
Net patient service revenue	<u>\$ 79,648,875</u>	<u>\$ 69,261,522</u>

Services provided to Medicaid patients for the years ended September 30, 2014 and 2013 included \$6,984,791 and \$6,862,641, respectively, in revenues paid through the GMHA Pharmaceutical Fund.

(13) Transfers from the Government of Guam (GovGuam)

During the years ended September 30, 2014 and 2013, GovGuam passed supplemental appropriations in public laws from the General Fund and various special revenue funds for certain specific programs and financial assistance, which are summarized as follows:

	<u>2014</u>	<u>2013</u>
GMHA Pharmaceuticals Fund	\$ 9,313,055	\$ 9,150,154
Healthy Futures Fund	4,977,478	2,457,639
General Fund	9,014,340	2,225,415
General Fund – Retro and Hay Pay	2,218,415	-
General Fund – On Behalf Payments	2,013,433	1,991,175
GMHA Healthcare Trust and Development Fund	957,512	310,006
Tobacco Bond Proceeds	<u>-</u>	<u>43,434</u>
	<u>\$ 28,494,233</u>	<u>\$ 16,177,823</u>

In accordance with Public Law 32-68, GovGuam appropriated \$9,313,055 from the GMHA Pharmaceuticals Fund, \$4,977,478 from the Healthy Futures Fund and \$9,014,340 from the General Fund for the year ended September 30, 2014. Of the \$9,313,055 appropriations from the GMHA Pharmaceutical Fund, \$6,984,791 or seventy-five percent (75%) was credited to Medicaid patient receivables. GMHA recorded the remaining \$2,328,264 as non-operating revenues.

In accordance with Public Law 31-233, GovGuam appropriated \$9,150,054 from the GMHA Pharmaceuticals Fund, \$2,457,639 from the Healthy Futures Fund and \$2,225,415 from the General Fund for the year ended September 30, 2013. Of the \$9,150,054 appropriations from the GMHA Pharmaceutical Fund, \$6,862,641 or seventy-five percent (75%) was credited to Medicaid patient receivables. GMHA recorded the remaining \$2,287,413 as non-operating revenues.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(13) Transfers from the Government of Guam (GovGuam), Continued

Public Law 32-60 established the GMHA Healthcare Trust and Development Fund which provided 60% of funds collected from gaming tax be allocated to GMHA for subsidizing the establishment and operation of an urgent healthcare center within the GMHA facility. For the year ended September 30, 2013, GMHA accrued \$310,006 pursuant to this Public Law. For the year ended September 30, 2014, GMHA received \$957,512 in appropriations.

During the years ended September 30, 2014 and 2013, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,013,433 and \$1,991,175, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of Hospital retirees.

(14) Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are residents of Guam and are either insured under third-party payor agreements or uninsured. The mix of receivables from patients and third-party payors at September 30, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Self-Pay Patients	46%	47%
Local Third-Party Payor and Other	34%	33%
Medicaid Assistance Program	8%	8%
Medicare	7%	8%
Medically Indigent Program	<u>5%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

(15) Commitments and Contingencies

Contract Commitments

Contract commitments in connection with projects currently in construction approximate \$0 and \$1,886,881 at September 30, 2014 and 2013, respectively. During fiscal year 2012, GMHA began a \$7.6 million capital project to renovate its ICU and Emergency Departments. The project will be substantially completed in fiscal year 2015.

Medicare

The Government of Guam and its component units, including GMHA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998 for employees hired after March 31, 1986. Prior to October 1998, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for such amounts, an indeterminate liability could result. It is the opinion of GMHA and all other component units of the Government of Guam that this health insurance component is optional prior to October 1998.

Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(15) Commitments and Contingencies, Continued

Litigation

GMHA is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the accompanying financial statements.

Retroactive Pay

On October 12, 2011, the Office of the Governor issued Executive Order No. 2011-14 which ordered the freezing of salary step increases for employees of line agencies and instrumentalities of the Executive Branch of the Government of Guam. On May 13, 2013, Executive Order No. 2013-004 was issued rescinding Executive Order No. 2011-14 and lifting the freeze on salary step increases. As of September 30, 2014 and 2013, GMHA recorded retroactive pay, related to fiscal years 2012 to 2013, of \$1,446,863 and \$1,954,956, respectively, which was included in accrued payroll and benefits in the accompanying statements of net position.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991. GMHA did not pay any bonuses pursuant to the law from 1991 through 2002. In 2003, GMHA adopted a merit system similar to the GovGuam merit system. GMHA has assessed the impact of the requirements of the law for fiscal years 1991 through 2013. As of September 30, 2014 and 2013, GMHA recorded merit payable of \$0 and \$182,552, respectively, related to fiscal years 2011 to 2013 which is included in accrued payroll and benefits in the accompanying statements of net position.

Unpaid Taxes

GMHA has not made required payments of withholding taxes for certain quarters of tax years 2010 and 2011. As a result, GMHA may incur penalties and interest. GMHA is of the opinion that it has adequately accrued for the amount of interest and penalties that may ultimately be assessed.

Federal Award Programs

GMHA has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Questioned costs for the 2014 and prior year audits amounted to \$2,426,465. If the questioned costs are ultimately disallowed, GMHA would be liable for the return of such funds. However, no liability, which may arise from the ultimate outcome of this matter, has been provided for in the accompanying financial statements. Audits of federal program funds are also performed by various federal agencies. If the audits result in cost disallowances, GMHA may be liable. However, management does not believe that resolution of this matter will result in a material liability. Therefore, no liability for any amount, which may ultimately arise from these matters, has been recorded in the accompanying financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
Years Ended September 30, 2014 and 2013

(16) Dependency on the Government of Guam

GMHA has incurred losses from operations of \$28,468,459 and \$33,771,046 and negative cash flows from operations of \$32,461,043 and \$11,765,171 for the years ended September 30, 2014 and 2013, respectively. At September 30, 2014 and 2013, GMHA's deficiencies on delinquent and unpaid retirement contributions, including interest and penalties, with the GovGuam Retirement Fund were \$1,992,888 and \$1,972,295, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of \$64,008,180 and \$71,863,340 for the fiscal years ended September 30, 2014 and 2013, respectively.

GMHA management has taken the following actions and measures to address losses from operations and negative cash flows from operations:

- The Board approved to raise hospital fees by 5% effective April 1, 2015 and another 5 percent at the start of every subsequent fiscal year. Management also plans to ask the Legislature for larger fee increase.
- Management has submitted an application to rebase Medicare reimbursement rates per the Tax Equity and Fiscal Responsibility Act (TEFRA).
- Management has entered into contracts with a collection agency for self-pay receivables.
- Management plans to complete its negotiations with Guam insurers by FY 2015.
- Management is critically evaluating staffing patterns to ensure that quality and patient safety goals are met with "prudent" staffing.
- Management has asked the Government of Guam for financial assistance through the DPHSS programs and for alternative funding of self-pay patients.
- Management is requesting "relief" from the contribution burden for the retirement fund.

Management believes that the continuation of the Hospital's operations is dependent upon the future payment of medical services underwritten by the Government of Guam, continued compensation by the Government of Guam for the cost of services provided under the Medicaid and Medically Indigent Program, the collection of long outstanding patient receivables, and/or improvements in operations.

**GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)**

Schedule 1
Schedule of Funding Progress and Actuarial Accrued Liability - Post
Employment Benefits Other than Pension

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Guam Memorial Hospital Authority's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	\$ -	\$ 34,115,000	\$ 34,115,000	0.0%	\$ 38,481,404	88.7%
October 1, 2009	\$ -	\$ 70,091,529 *	\$ 70,091,529 *	0.0%	\$ 43,717,830	160.3%
October 1, 2011	\$ -	\$ 79,012,000	\$ 79,012,000	0.0%	\$ 45,597,150	173.3%

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is only for GMHA's active employees. It does not include the actuarial accrued liability for GMHA's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Expenses
Years Ended September 30, 2014 and 2013

	2014	2013
NURSING:		
Salaries	\$ 29,952,593	\$ 29,025,217
Overtime	2,194,720	1,738,505
Other pay	4,801,901	4,265,961
Fringe benefits	10,153,547	10,064,109
Total personnel costs	47,102,761	45,093,792
Contractual services	1,957,772	1,370,430
Supplies and materials	4,034,613	3,159,154
Miscellaneous	67,945	31,773
	\$ 53,163,091	\$ 49,655,149

	2014	2013
PROFESSIONAL SUPPORT:		
Salaries	\$ 8,562,364	\$ 8,293,358
Overtime	932,030	855,973
Other pay	1,426,469	1,260,215
Fringe benefits	3,337,774	3,198,320
Total personnel costs	14,258,637	13,607,866
Supplies and materials	9,299,560	9,094,251
Utilities	20,566	15,402
Contractual services	802,496	1,336,436
Miscellaneous	62,440	44,025
	\$ 24,443,699	\$ 24,097,980

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Expenses, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
ADMINISTRATIVE SUPPORT:		
Salaries	\$ 4,215,497	\$ 4,193,219
Overtime	475,671	383,782
Other pay	305,147	232,659
Fringe benefits	1,790,854	1,763,261
Total personnel costs	6,787,169	6,572,921
Supplies and materials	2,215,757	2,138,455
Utilities	3,317,129	3,272,061
Contractual services	724,758	669,537
Miscellaneous	282,433	277,796
	\$ 13,327,246	\$ 12,930,770

	2014	2013
FISCAL SERVICES:		
Salaries	\$ 3,290,956	\$ 3,039,327
Overtime	306,879	171,268
Other pay	221,235	169,676
Fringe benefits	1,389,407	1,233,154
Annual leave lump sum pay	353,509	382,359
Sick leave (DC plan)	294,510	470,486
Total personnel costs	5,856,496	5,466,270
Supplies and materials	391,283	368,711
Contractual services	1,276,355	914,742
Miscellaneous	69,677	79,526
	\$ 7,593,811	\$ 6,829,249

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Expenses, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
ADMINISTRATION:		
Salaries	\$ 1,267,919	\$ 1,199,935
Overtime	15,008	7,069
Other pay	63,130	60,990
Fringe benefits	517,474	529,370
Total personnel costs	1,863,531	1,797,364
Supplies and materials	39,913	31,580
Contractual services	351,326	340,724
Insurance (Property)	485,772	486,430
Miscellaneous	400,562	202,570
	\$ 3,141,104	\$ 2,858,668
	2014	2013
MEDICAL STAFF:		
Salaries	\$ 411,053	\$ 579,114
Overtime	234	161
Other pay	28,930	34,247
Fringe benefits	164,863	224,684
Total personnel costs	605,080	838,206
Supplies and materials	5,545	12,183
Miscellaneous	7,029	1,368
	\$ 617,654	\$ 851,757
Total actual expenses, without depreciation and retiree healthcare costs	\$ 102,286,605	\$ 97,223,573

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Patient Service Revenues by Patient Classification
Years Ended September 30, 2014 and 2013

	2014	2013
Gross Patient Service Revenue:		
Medicaid patients	\$ 31,521,975	\$ 28,507,222
Medicare patients	31,370,145	31,659,853
MIP patients	12,022,964	11,354,251
Other patients	42,095,541	43,729,603
Self-pay patients	26,646,430	25,873,933
	\$ 143,657,055	\$ 141,124,862
 Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	\$ 19,327,102	\$ 20,741,219
Medicare patients	16,981,581	16,615,870
MIP patients	5,580,388	5,937,893
Other patients	4,290,815	10,531,616
Provision for bad debts:		
Self-pay patients	17,828,294	18,036,742
	\$ 64,008,180	\$ 71,863,340
 Net Patient Service Revenue:		
Medicaid patients	\$ 12,194,873	\$ 7,766,003
Medicare patients	14,388,564	15,043,983
MIP patients	6,442,576	5,416,358
Other patients	37,804,726	33,197,987
Self-pay patients	8,818,136	7,837,191
	\$ 79,648,875	\$ 69,261,522

See accompanying independent auditors' report.

**GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)**

Schedule of Billings and Collections and Reconciliation of Billings to Gross Patient Revenues
For the Years ended September 30, 2014, 2013, 2012 and 2011

		Medicaid, Medicare and MIP				Self Pay and Government - DOC and Others			Third-Party Payors							Grand Total	Timing Differences and Adjustments	Gross Patient Revenues
		Medicaid	Medicare	MIP	Subtotal	Self Pay	Government - DOC and Others	Subtotal	Subtotal	Pavor A	Pavor B	Pavor C	Pavor D	Pavor E	Subtotal			
2014	Billings	\$ 39,319,139	\$ 31,193,763	\$ 14,724,367	\$ 85,237,269	\$ 22,725,998	\$ 521,634	\$ 23,247,632	\$ 108,484,901	\$ 1,765,378	\$ 8,796,803	\$ 17,741,317	\$ 4,310,564	\$ 4,142,359	\$ 36,756,421	\$ 145,241,322	\$	\$ 143,657,055
	Collections	\$ 24,531,690	\$ 14,277,153	\$ 3,685,372	\$ 42,494,215	\$ 8,831,000	\$ 464,990	\$ 9,295,990	\$ 51,790,205	\$ 766,160	\$ 5,639,440	\$ 12,353,179	\$ 2,556,663	\$ 2,799,774	\$ 24,115,216	\$ 75,905,421	\$	\$ 143,657,055
	Percentage of collections over billings	<u>62%</u>	<u>46%</u>	<u>25%</u>	<u>50%</u>	<u>39%</u>	<u>89%</u>	<u>40%</u>	<u>48%</u>	<u>43%</u>	<u>64%</u>	<u>70%</u>	<u>59%</u>	<u>68%</u>	<u>66%</u>			<u>52%</u>
2013	Billings	\$ 39,212,864	\$ 32,839,005	\$ 15,154,011	\$ 87,205,880	\$ 19,906,788	\$ 627,442	\$ 20,534,230	\$ 107,740,110	\$ 2,334,868	\$ 9,843,431	\$ 20,464,503	\$ 4,499,810	\$ 3,861,423	\$ 41,004,035	\$ 148,744,145	\$	\$ 141,124,862
	Collections	\$ 20,092,685	\$ 11,024,844	\$ 7,981,051	\$ 39,098,580	\$ 8,691,358	\$ 2,883,123	\$ 11,574,481	\$ 50,673,061	\$ 1,685,414	\$ 7,096,579	\$ 14,300,681	\$ 2,810,175	\$ 2,791,049	\$ 28,683,898	\$ 79,356,959	\$	\$ 141,124,862
	Percentage of collections over billings	<u>51%</u>	<u>34%</u>	<u>53%</u>	<u>45%</u>	<u>44%</u>	<u>460%</u>	<u>56%</u>	<u>47%</u>	<u>72%</u>	<u>72%</u>	<u>70%</u>	<u>62%</u>	<u>72%</u>	<u>70%</u>			<u>53%</u>
2012	Billings	\$ 29,033,976	\$ 32,656,387	\$ 23,921,025	\$ 85,611,388	\$ 21,703,311	\$ 1,015,397	\$ 22,718,708	\$ 108,330,096	\$ 2,149,394	\$ 8,469,988	\$ 19,733,802	\$ 3,509,496	\$ 4,509,680	\$ 38,372,360	\$ 146,702,456	\$	\$ 148,302,148
	Collections	\$ 12,081,258	\$ 14,523,747	\$ 15,777,615	\$ 42,382,620	\$ 16,756,138	\$ 1,088,226	\$ 17,844,364	\$ 60,226,984	\$ 1,934,655	\$ 6,798,356	\$ 15,047,548	\$ 2,463,368	\$ 2,294,382	\$ 28,538,309	\$ 88,765,293	\$	\$ 148,302,148
	Percentage of collections over billings	<u>42%</u>	<u>44%</u>	<u>66%</u>	<u>50%</u>	<u>77%</u>	<u>107%</u>	<u>79%</u>	<u>56%</u>	<u>90%</u>	<u>80%</u>	<u>76%</u>	<u>70%</u>	<u>51%</u>	<u>74%</u>			<u>61%</u>
2011	Billings	\$ 29,277,059	\$ 29,118,123	\$ 20,281,319	\$ 78,676,501	\$ 24,664,607	\$ 815,665	\$ 25,480,272	\$ 104,156,773	\$ 3,338,052	\$ 9,330,528	\$ 20,229,778	\$ 3,845,433	\$ 3,798,912	\$ 40,542,703	\$ 144,699,476	\$	\$ 146,791,179
	Collections	\$ 16,982,331	\$ 10,404,210	\$ 7,303,460	\$ 34,690,001	\$ 8,437,216	\$ 236,853	\$ 8,674,069	\$ 43,364,070	\$ 3,387,794	\$ 6,205,515	\$ 15,049,914	\$ 2,741,192	\$ 2,054,332	\$ 29,438,747	\$ 72,802,817	\$	\$ 146,791,179
	Percentage of collections over billings	<u>58%</u>	<u>36%</u>	<u>36%</u>	<u>44%</u>	<u>34%</u>	<u>29%</u>	<u>34%</u>	<u>42%</u>	<u>101%</u>	<u>67%</u>	<u>74%</u>	<u>71%</u>	<u>54%</u>	<u>73%</u>			<u>50%</u>

See accompanying independent auditors' report.

(A Component Unit of the Government of Guam)

Schedule of Full Time Employee (FTE) Count
Years Ended September 30, 2014 and 2013

<u>Department</u>	<u>2014</u>	<u>2013</u>
Actual FTE count:		
Nursing	511	453
Professional Support	232	178
Administrative Support	181	160
Fiscal Services	96	79
Administration	17	13
Medical Staff	64	54
	<u>1,101</u>	<u>937</u>
Budgeted FTE count	<u>1,315</u>	<u>1,096</u>

See accompanying independent auditors' report.