

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE  
LAFAYETTE, LOUISIANA

JUNE 30, 2012 and 2011

FINANCIAL STATEMENTS

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

JUNE 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

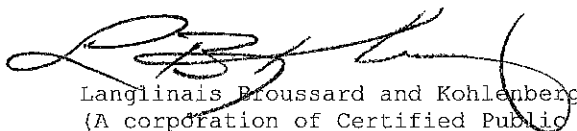
To the Board of Directors and Members  
of Heart Hospital of Acadiana, LLC  
Lafayette, Louisiana

We have audited the accompanying balance sheet of Heart Hospital of Acadiana, LLC d/b/a Heart Hospital of Lafayette ("The Hospital") as of June 30, 2012 and 2011, and the related statements of income, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information indicated on the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Langlinalis, Broussard and Kohlenberg  
(A corporation of Certified Public Accountants)

August 24, 2012

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**BALANCE SHEET**

**DECEMBER 31,**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 5,539,173	\$ 5,662,966
Patient Accounts Receivable, less Allowance for Doubtful		
Accounts of \$3,628,462 for 2012 and \$2,654,424 for 2011	5,254,844	4,643,306
Estimated Third-Party Payor Settlements	45,623	397,105
Other Receivables	134,466	123,061
Inventory	881,134	887,579
Prepaid Expenses	442,398	432,811
Due from Affiliates	70,431	128,384
Total Current Assets	12,368,069	12,275,212
<b>Assets Limited to Use</b>		
For Self Insurance Programs		
Certificate of Deposit	132,490	132,226
Total Assets Limited to Use	132,490	132,226
<b>Capital Assets</b>		
Land	3,074,518	3,074,518
Depreciable Capital Assets, Net of Accumulated Depreciation	11,664,898	12,507,512
Total Capital Assets, Net of Accumulated Depreciation	14,739,416	15,582,030
<b>Other Assets</b>		
Investment- H & S Land	237,958	234,279
Total Other Assets	237,958	234,279
<b>Total Assets</b>	\$ 27,477,933	\$ 28,223,747

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

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**BALANCE SHEET**

**DECEMBER 31,**

LIABILITIES AND MEMBERS' EQUITY

	<u>2012</u>	<u>2011</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,352,716	\$ 1,477,169
Current Maturities of Long-Term Debt	499,180	697,561
Estimated Third-Party Payor Settlements	425,610	-
Due To Affiliates	217,077	120,199
Patient Accounts - Credit Balances	172,385	93,584
Accrued Salaries and Vacation	874,766	765,439
Other Accrued Liabilities	<u>520,769</u>	<u>659,289</u>
Total Current Liabilities	<u>4,062,503</u>	<u>3,813,241</u>
<b>Long-Term Debt</b>		
Long Term Debt, Net of Current Maturities	<u>8,683</u>	<u>511,449</u>
Total Long-Term Debt	<u>8,683</u>	<u>511,449</u>
Total Liabilities	<u>4,071,186</u>	<u>4,324,690</u>
<b>Members' Equity</b>	<u>23,406,747</u>	<u>23,899,057</u>
Total Liabilities and Members' Equity	<u>\$ 27,477,933</u>	<u>\$ 28,223,747</u>

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

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**STATEMENT OF INCOME**

**JUNE 30,**

	<b>2012</b>	<b>2011</b>
<b>Operating Revenues</b>		
Net Patient Service Revenue	\$ 41,696,855	\$ 40,441,645
Other Operating Revenue	973,280	611,307
<b>Total Operating Revenues</b>	<b>42,670,135</b>	<b>41,052,952</b>
<b>Operating Expenses</b>		
Salaries and Benefits	12,560,564	12,754,859
Professional Fees	6,400,532	5,831,938
Supplies and Other Expenses	12,746,552	12,022,997
Interest Expense	48,501	116,690
Taxes and Licenses	808,393	801,211
Maintenance and Utilities	772,315	750,303
Depreciation and Amortization	1,263,368	1,160,320
Provision for Bad Debts	3,315,065	3,278,188
<b>Total Operating Expenses</b>	<b>37,915,290</b>	<b>36,716,506</b>
<b>Income from Operations</b>	<b>4,754,845</b>	<b>4,336,446</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Income	2,497	6,002
Gain on Disposal of Equipment	348	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,845</b>	<b>6,002</b>
<b>Net Income</b>	<b>\$ 4,757,690</b>	<b>\$ 4,342,448</b>

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

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

STATEMENT OF MEMBERS' EQUITY

JUNE 30,

	<u>2012</u>	<u>2011</u>
Members' Equity, Beginning of Period	\$ 23,899,057	\$ 23,356,609
Net Income	4,757,690	4,342,448
Distributions to Members	<u>(5,250,000)</u>	<u>(3,800,000)</u>
Members' Equity, End of Period	<u>\$ 23,406,747</u>	<u>\$ 23,899,057</u>

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

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**STATEMENT OF CASH FLOWS**

**JUNE 30,**

	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 4,757,690	\$ 4,342,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	1,263,368	1,160,320
Provision for Bad Debts	3,315,065	3,278,188
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(3,847,802)	(2,422,672)
Increase (Decrease) in Estimated Third-Party Settlements Due	777,092	(275,642)
Decrease (Increase) in Other Receivables	(11,405)	85,768
Decrease in Inventories	6,445	42,577
Increase in Prepaid Expenses	(9,587)	(44,787)
Decrease (Increase) in Due from Affiliates	57,953	(117,651)
Increase in Due to Affiliates	96,878	118,177
Increase (Decrease) in Accounts Payable	(124,453)	337,284
Increase Accrued Salaries and Vacation	109,327	77,808
Gain on Disposal of Equipment	(348)	-
Decrease Other Accrued Expenses	(138,520)	(60,523)
<b>Net Cash Provided by Operating Activities</b>	<b>6,251,703</b>	<b>6,521,295</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(420,806)	(796,784)
Proceeds from the Sale of Property and Equipment	400	-
Decrease (Increase) in Investment - H&S Land	(3,679)	47,980
Increase in Assets Limited to Use	(264)	(264)
<b>Net Cash Provided by Investing Activities</b>	<b>(424,349)</b>	<b>(749,068)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments on Long-Term Debt	(701,147)	(837,729)
Distributions paid to Members	(5,250,000)	(3,800,000)
<b>Cash Flows used in Financing Activities</b>	<b>(5,951,147)</b>	<b>(4,637,729)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(123,793)</b>	<b>1,134,498</b>
Cash and Cash Equivalents, Beginning of the Year	5,662,966	4,528,468
Cash and Cash Equivalents, End of the Year	<b>\$ 5,539,173</b>	<b>\$ 5,662,966</b>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ 48,501	\$ 116,690

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



**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Heart Hospital of Acadiana, LLC (d/b/a Heart Hospital of Lafayette) (the "Hospital") was organized under the laws of the State of Louisiana on September 4, 2007. Our Lady of Lourdes Regional Medical Center and Lafayette Cardiologists, LLC have a sixty and forty percent ownership interest in the Hospital, respectively. According to the operating agreement, no member or manager will have personal liability for the liabilities of the Company owned to third parties unless specifically assumed in writing.

Heart Hospital of Acadiana, LLC (d/b/a Heart Hospital of Lafayette) operates a for profit 32-bed acute care hospital located in Lafayette, Louisiana. The Hospital is in the business of providing cardiovascular services in and around the Lafayette, Louisiana area. The significant accounting policies used by the Hospital in preparing and presenting its financial statements follow.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to, allowance for contractual and doubtful accounts.

The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired and as additional information is obtained. Future events and their effects cannot be predicted with certainty, accordingly, our accounting estimates require the exercise of judgement. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Impact of Recently Issued Accounting Standards

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments to the codification will require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities will be required to provide enhanced disclosure about their policies for recognizing service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The Hospital will be subject to these amendments for fiscal years ending after December 15, 2012, with early adoption permitted. The amendments will be applied retrospectively for all prior periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with an original maturity of three months or less.

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Limited as to Use

Assets limited as to use consist of certificate of deposits with original terms of one year and have been set aside for self-insurance programs as required by state law. The total amount of Assets Limited to Use for the year ended June 30, 2012 and 2011 was \$132,490 and \$132,226.

Patient Accounts Receivable

Accounts receivable are reported at net realizable value, after deduction of allowances for estimated doubtful accounts. The allowance for doubtful accounts is based on historical losses and an analysis of currently outstanding amounts. We analyze the expected payments of by payors based on historical payment rates, payor contracts and age of the accounts. This account is generally increased by charges, and decreased by write offs of accounts determined by management to be uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are determined using the average cost method and are stated at the lower of cost or market.

Property and Equipment

Property and equipment acquisitions are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the lease terms or the estimated useful lives of the assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation in the accompanying financial statements.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When applicable, assets to be disposed are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held-for-sale are presented separately in the asset and liability sections of the balance sheet.

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following estimated useful lives are generally used:

Buildings and Leasehold Improvements	15 - 40 years
Equipment	3 - 20 years

Equity Method Investments

The equity method of accounting is used for investments in affiliated companies which are not controlled by the Hospital and which the hospital's interest is generally between 20 percent and 50 percent and has significant influence over the entity. Our share of earnings or losses of affiliated companies, in which at least 20 percent of the voting securities is owned and we have significant influence but no control over the entity, is included in operating results.

Compensated Absences

The Hospital's Paid Days Off (PDOs) policy compensates employees for absences due to vacations, holidays, illness, or other reasons. Accumulated Paid Days Off are accrued at the balance sheet date because it is payable upon termination of employment if certain conditions are met.

Income Taxes

As a limited liability company, the Hospital's taxable income is allocated to members in accordance with their respective percentage ownership. As a result, no provision for income taxes has been included in the accompanying financial statements.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, codified in ASC Topic 740 ("ASC 740"). This standard clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return including the entity's status as a pass-through entity. Additionally, ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Hospital had no significant uncertain tax positions at the date of adoption or at June 30, 2012 and 2011. Accordingly, the adoption did not have a material effect on the Hospital's financial position or results of operations. If interest and penalties are incurred related to uncertain tax positions, such amounts are recognized in income tax expense. Tax periods for all fiscal years after 2008 remain open to examination by the federal and state taxing jurisdictions to which the Hospital is subject.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

The hospital is subject to laws and regulations governing the Medicare and Medicaid programs which are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Charity Care

The Hospital provides services without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

Advertising Costs

The Hospital expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2012 and 2011 were \$86,920 and \$145,986, respectively.

Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

**NOTE 2 - CASH AND EQUIVALENTS**

At June 30, 2012 and 2011, the book balance of all cash accounts of the Hospital totaled \$5,539,173 and \$5,662,966, respectively. At June 30, 2012 and 2011, the bank balance of all cash accounts of the Hospital totaled \$6,210,226 and \$6,534,876, respectively.

**NOTE 3 - BUSINESS AND CREDIT CONCENTRATIONS**

The Hospital's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and patients. The Hospital manages the receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts. Concentration of credit risks relating to accounts receivable is limited to some extent by the diversity and number of patients and third-party payors.

The mix of receivables from patients and third-party payors at June 30, is as follows:

	<u>2012</u>	<u>2011</u>
Medicare	45%	45%
Self-Pay Patients	28%	24%
Commercial and other Third-Party Payors	26%	30%
Medicaid	1%	1%
	<u>100%</u>	<u>100%</u>

**NOTE 4 - ACCOUNTS RECEIVABLE - PATIENTS**

Patients Accounts Receivable consists of the following:

	<u>2012</u>	<u>2011</u>
Gross Patient Accounts Receivable	\$ 13,746,853	\$ 11,164,116
Less: Allowance for Contractual Adjustments and Uncollectible Accounts	<u>8,492,009</u>	<u>6,520,810</u>
Net Patient Accounts Receivable	<u>\$ 5,254,844</u>	<u>\$ 4,643,306</u>

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

**NOTE 5 - NET PATIENT SERVICE REVENUE**

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

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic and other factors. The Hospital is reimbursed for these items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

For outpatient services, the Center for Medicare and Medicaid Services established an outpatient prospective payment system ("OPPS") which established groups called Ambulatory Payment Classifications ("APC") for outpatient procedures. Payment is made for each APC depending upon the service rendered.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective methodology (per diem). The Hospital is reimbursed at a tentative prospective rate which is adjusted annually based on the annual cost reports as submitted by the Hospital and audits by the Medicaid fiscal intermediary.

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 could change by a material amount in the near term.

Other

The Hospital has entered into other reimbursement arrangements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

A summary of net patient service revenue is as follows for June 30, :

	<u>2012</u>	<u>2011</u>
Gross Patient Service Revenue	\$ 131,984,543	\$ 129,792,489
Less: Provision for Contractual and Other Adjustments	(90,937,399)	(89,350,844)
Add: Audit Recovery from Prior Year Claims	<u>649,711</u>	<u>-</u>
Net patient service revenue	<u>\$ 41,696,855</u>	<u>\$ 40,441,645</u>

**NOTE 6 - MAJOR SOURCE OF REVENUE**

The Hospital derived approximately 60% of its gross patient service revenue from the Medicare program for the years ended June 30, 2012 and 2011.

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

**NOTE 7 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, is as follows:

	<b>2012</b>	<b>2011</b>
Land	\$ 3,074,518	\$ 3,074,518
Buildings	9,903,215	9,903,215
Fixed and Major Moveable Equipment	8,761,352	7,637,082
Equipment Under Capital Lease Obligation	23,000	756,914
	21,762,085	21,371,729
Less: Accumulated Depreciation & Amortization	( 7,022,669)	(5,789,699)
Total	<b>\$ 14,739,416</b>	<b>\$ 15,582,030</b>

Depreciation expense related to these assets was approximately \$1,258,768 and \$1,008,937 for the year ended June 30, 2012 and 2011. Amortization expense and accumulated amortization for equipment under capital lease obligations was approximately \$4,600 and \$10,733 at June 30, 2012, and \$151,383 and \$385,322 at June 30, 2011, respectively.

**NOTE 8 - LONG-TERM DEBT**

A summary of long-term debt at June 30, follows:

	<b>2012</b>	<b>2011</b>
5.50% note payable, collateralized by the Hospital's equipment, inventory' and accounts receivable, payable in 36 monthly installments, of \$44,920 maturing April 2013	\$ 435,387	\$ 937,881
5.75% note payable, collateralized by 1.1 acres of property. Payable in 36 monthly installments of \$8,711, maturing January 2013	59,036	157,698
Capital lease obligations, varying rates of imputed interest from 10.68%, due in varying amounts through February 2015, collateralized by leased equipment	13,440	113,431
Total Long-Term Debt	507,863	1,209,010
Less: Current Portion	499,180	697,561
Long-Term Portion	<b>\$ 8,683</b>	<b>\$ 511,449</b>

A summary of debt activity for the year ended is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Notes Payable	\$ 1,095,579	\$ -	\$ 601,156	\$ 494,423	\$ 494,423
Capital Lease	113,431	-	99,991	13,440	4,757
Total	<b>\$ 1,209,010</b>	<b>\$ -</b>	<b>\$ 701,147</b>	<b>\$ 507,863</b>	<b>\$ 499,180</b>

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

**NOTE 8 - LONG-TERM DEBT continued**

Scheduled repayments of Long-Term Debt and Capital Leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 499,180	\$ 17,041	\$ 516,221
2014	5,259	741	6,000
2015	<u>3,424</u>	<u>160</u>	<u>3,584</u>
Total	\$ <u>507,863</u>	\$ <u>17,942</u>	\$ <u>525,805</u>

**NOTE 9 - CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$140,840 and \$27,694 for the year ended June 30, 2012 and 2011, respectively.

Management estimates that approximately \$40,475 and \$7,869 of costs were related to charity care for June 30, 2012 and 2011, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

**NOTE 10 - INSURANCE PROGRAMS**

The Hospital provides health insurance coverage to its employees under a self-funded plan. A liability for claims reported and not paid, and an estimated liability for claims incurred but not reported is included in accrued expenses and operating expenses in the accompanying financial statements. Commercial insurance is purchased for claims in excess of coverage provided by the Hospital to limit the Hospital's liability for losses under its self-insurance program. The claims liability was estimated at \$338,760 and \$413,649 for the years ended June 30, 2012 and 2011, respectively.

The Hospital purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims for unknown incidents that may be asserted arising from services provided to patients. Management believes that these matters will be resolved without material adverse effect on the Hospital's future financial position or results of its operations.

The Hospital participates in the State of Louisiana Patient Compensation Fund (the "Fund") for medical malpractice claims. As a participant, the Hospital has a statutory limitation of liability which provides that no award can be rendered against it in excess of \$500,000, plus interest and legal costs. The Fund provides coverage on a claims-made basis for claims over \$100,000 and up to \$500,000. The Hospital is also insured on a claims-made basis through a commercial insurance carrier for malpractice losses up to \$2,000,000 per occurrence, with a \$6,000,000 aggregate loss.

**NOTE 11 - PENSION PLAN**

Employees have available retirement coverage through participation in a 401(k) plan. Eligible employees may contribute up to 50% of their pay on a pre-tax basis. The hospital matches 3% of employees' contributions up to the first 6% of eligible compensation. Pension costs amounted to \$83,605 and \$87,844 for the years ended June 30, 2012 and 2011, respectively.

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

**NOTE 12 - OPERATING LEASES**

Future minimum rental payments under noncancellable operating leases that have initial or remaining noncancellable terms in excess of one year, by the aggregate are as follows:

<u>YEAR ENDING</u>	<u>AMOUNT</u>
2013	\$ 193,382
2014	<u>6,047</u>
TOTAL	<u>\$ 199,429</u>

Rent expenses for the years ended June 30, 2012 and 2011 totaled approximately \$243,852 and \$194,697, respectively.

**NOTE 13 - RELATED PARTY TRANSACTIONS**

The Hospital is a related party with Franciscan Missionaries of Our Lady Health System (FMOLHS) and all affiliates, Our Lady of Lourdes Regional Medical (LOL), and H&S Land Corporation, due to common ownership or management with these entities.

Significant transactions between the Hospital and related parties for the years ended June 30, were as follows:

	<u>2012</u>	<u>2011</u>
Due from Louise Insurance (an affiliate of LOL)	\$ 27,497	\$ 78,093
Due from H & S Land	<u>42,934</u>	<u>50,291</u>
Total Due from Affiliates	<u>\$ 71,431</u>	<u>\$ 128,384</u>
Due to Our Lady of Lourdes Regional Medical Center	<u>\$ 202,677</u>	<u>\$ 120,184</u>
Due to Our Lady of the Lake	<u>\$ 14,400</u>	<u>\$ -</u>
Revenues collected for services billed to Our Lady of Lourdes Regional Medical Center	<u>\$ 425,664</u>	<u>\$ 140,941</u>
Management fee expenses for services provided by Our Lady of Lourdes Regional Medical Center	<u>\$ 1,549,160</u>	<u>\$ 944,338</u>
Other services provided by Our Lady of Lourdes Regional Medical Center and Franciscan Missionaries of Our Lady Health System affiliates	<u>\$ 313,863</u>	<u>\$ 623,037</u>

**NOTE 14 - EQUITY METHOD INVESTMENT**

The Hospital has a fifty percent (50%) ownership interest in a for-profit land management company, H&S Land Company, LLC ("H&S"). The Hospital's investment in H&S is reflected in other assets on the accompanying balance sheets. The hospital recognized a \$3,679 profit and a \$2,603 loss for the years ended June 30, 2012 and 2011, respectively, relating to H&S.



HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

**NOTE 14 - EQUITY METHOD INVESTMENT continued**

The following is summarized unaudited financial information as per the company's last filed tax returns for the years ended December 31, 2012 and 2011.

	2012	2011
Land	\$ 550,786	\$ 550,786
Other Assets	2	-
Total Assets	\$ 550,788	\$ 550,786
Current Liabilities	\$ 74,872	\$ 82,228
Membership Equity	475,916	468,558
Total Liabilities and Membership Equity	\$ 550,788	\$ 550,786
Total Revenue	\$ 10,909	\$ 1,000
Operating Expenses	(775)	(6,230)
Net Gain (Loss)	\$ 10,135	\$ (5,230)

**NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value (disclosures required by the Fair Value Measurements Topic of the FASB Accounting Standards Codification).

*Cash and Cash Equivalents:* The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

*Assets Limited to Use:* These assets consists primarily of certificates of deposits with short-term maturities. The carrying amount on the balance sheet approximates its fair value.

*Accounts payable and accrued expenses:* The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

*Estimated Third-Party Payor Settlements:* The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

*Long - term debt:* Fair values of the Hospital's long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

The carrying amounts and fair values of the Hospital's financial instruments are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Significant other observable inputs, defined as inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Level 3 - Significant unobservable inputs.

	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents (Level 1)	\$ 5,539,173	\$ 5,662,966
Assets Limited to Use (Level 1)	\$ 132,490	\$ 132,226
Accounts Payable and Accrued Expenses (Level 1)	\$ 2,748,251	\$ 2,901,912
Estimated Receivables from Third-Party Payors (Level 2)	\$ 45,623	\$ 397,105
Estimated Payables to Third-Party Payors (Level 2)	\$ 425,610	\$ -
Long-Term Debt including current portion (Level 2)	\$ 507,863	\$ 1,209,010

**NOTE 16 - SUBSEQUENT EVENTS**

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through August 24, 2012, the date the financial statements were available to be issued.

**HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE**

**SCHEDULE OF NET PATIENT SERVICE REVENUE**

**JUNE 30,**

	2012		
	INPATIENT	OUTPATIENT	TOTAL
<b>Daily Patient Services</b>			
Patient Care Unit	\$ 8,819,062	\$ 2,459,842	\$ 11,278,904
Day Patient	<u>66,756</u>	<u>213,461</u>	<u>280,217</u>
Total Daily Patient Services	<u>8,885,818</u>	<u>2,673,303</u>	<u>11,559,121</u>
<b>Other Services</b>			
Cath Lab	21,217,629	41,490,960	62,708,589
Operating Rooms	20,865,442	293,985	21,159,427
Emergency Services	911,298	2,981,389	3,892,687
Coumadin Services	693	1,323,161	1,323,854
Cardiac Rehab	<u>310</u>	<u>255,591</u>	<u>255,901</u>
Total Other Services	<u>42,995,372</u>	<u>46,345,086</u>	<u>89,340,458</u>
<b>Other Professional Services</b>			
Laboratory	5,595,636	5,051,360	10,646,996
Pharmacy	5,493,343	1,882,838	7,376,181
Radiology	2,360,498	3,858,040	6,218,538
Respiratory Therapy	2,446,250	1,025,803	3,472,053
CT	610,659	1,714,488	2,325,147
Blood Center	756,382	230,120	986,502
Physical/Occupational/Speech Therapy	57,066	484	57,550
Gastroenterology	1,833	-	1,833
Congestive Heart Failure Clinic	<u>116</u>	<u>48</u>	<u>164</u>
Total Other Professional Services	<u>17,321,783</u>	<u>13,763,181</u>	<u>31,084,964</u>
Gross Patient Service Revenue	<u>\$ 69,202,973</u>	<u>\$ 62,781,570</u>	131,984,543
Less: Contractual Adjustments			(90,937,399)
Add: Audit Recovery from Prior Year Claims			<u>649,711</u>
Net Patient Service Revenue			<u>\$ 41,696,855</u>

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

SCHEDULE OF OTHER OPERATING REVENUE

JUNE 30,

	<u>2012</u>	<u>2011</u>
<b>Other Operating Revenue</b>		
Cafeteria	\$ 151,663	\$ 159,151
Lab Services Provided under Contract	357,713	401,964
Grants	62,303	30,756
Vending	8,513	5,775
Rental	13,661	13,661
Other	379,427	-
	<u>\$ 973,280</u>	<u>\$ 611,307</u>

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

**SCHEDULE OF EXPENSES**

**JUNE 30,**

	<b>2012</b>	<b>2011</b>
<b>Salaries</b>		
Administrative and Other	\$ 1,915,467	\$ 1,873,009
Patient Care Unit	2,847,403	3,045,913
Day Patient	284,677	227,545
Cath Lab	811,036	741,267
Operating Room	629,168	657,460
Emergency Room	690,315	697,213
Coumadin Services	160,581	236,228
Cardiac Rehab	49,810	47,748
Laboratory	483,548	475,268
Pharmacy	386,340	377,867
Radiology	253,069	216,881
Respiratory Therapy	383,867	379,868
CT	120,974	118,070
Acute Cardiac Transfer	217,277	158,900
Material Management	112,099	119,181
Plant Operations	176,699	137,248
Housekeeping	230,589	235,445
Health Information System	250,849	266,367
Food Services	309,021	315,827
 Total Salaries	 10,312,789	 10,327,305
 Employee Benefits	 2,247,775	 2,427,554
 <b>Total Salaries and Benefits</b>	 \$ 12,560,564	 \$ 12,754,859

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

**SCHEDULE OF EXPENSES**

**JUNE 30,**

	2012	2011
<b>Professional Fees</b>		
Administrative	\$ 1,705,922	\$ 1,124,129
Patient Care Unit	71,869	85,245
Day Patient	450	390
Cath Lab	298,821	237,743
Operating Room	847,829	820,854
Emergency Room	1,124,328	1,121,700
Coumadin Services	7,546	7,100
Cardiac Rehab	30,263	27,975
Laboratory	258,891	319,501
Blood Center	504,154	592,987
Pharmacy	17,154	16,630
Radiology	317,522	319,875
Respiratory Therapy	31,339	34,383
CT	117,538	107,723
Acute Cardiac Transfer	143,696	-
Physical Therapy	16,385	14,390
Wound Care	4,350	7,775
Plant Operations and Electronic Engineering	256,077	262,153
Housekeeping	68,100	70,814
Accounting	113,107	124,206
Patient Financial Services	5,040	5,113
Human Resources	1,990	4,950
Management Information System	319,161	372,627
Health Information System	132,487	150,454
Food Services	957	302
Medical Staff	5,556	2,919
Total Professional Fees	\$ 6,400,532	\$ 5,831,938

HEART HOSPITAL OF ACADIANA, LLC  
D/B/A HEART HOSPITAL OF LAFAYETTE

**SCHEDULE OF EXPENSES**

**JUNE 30,**

	2012	2011
<b>Supplies and Other Expenses</b>		
Administrative and Other	\$ 750,835	\$ 801,645
Patient Care Unit	300,892	322,830
Day Patient	105,490	95,354
Cath Lab	6,171,186	5,869,107
Operating Room	2,585,023	2,215,022
Emergency Room	78,209	78,271
Coumadin Services	82,485	91,695
Cardiac Rehab	9,318	10,526
Laboratory	397,735	346,041
Blood Center	26,401	30,246
Pharmacy	1,690,027	1,630,934
Radiology	108,226	73,611
Respiratory Therapy	48,879	37,220
CT	18,373	29,931
Wound Care	4,311	3,280
Acute Cardiac Transfer	1,279	677
Material Management	40,888	76,443
Plant Operations and Electronic Engineering	17,085	16,633
Housekeeping	53,873	48,981
Food Services	256,037	244,550
	\$ 12,746,552	\$ 12,022,997
<b>Total Supplies and Other Expenses</b>	<b>\$ 12,746,552</b>	<b>\$ 12,022,997</b>