MARY BIRD PERKINS
CANCER CENTER

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

Finance Committee
Mary Bird Perkins Cancer Center
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of the Mary Bird Perkins Cancer Center (the Center), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 Controller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the consolidated 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 Center'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mary Bird Perkins Cancer Center (the Center) as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included on pages 31 through 34 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 30, 2014, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 30, 2014

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 17,935,261	$ 8,260,975
Restricted cash	1,246,396	1,364,740
Investments	10,657,151	9,699,345
Patient accounts receivable (net of allowances for doubtful accounts of $967,538 and $780,586 at December 31, 2013 and 2012, respectively)	3,724,272	2,821,669
Unconditional promises to give, net	474,275	620,714
Other receivables	2,523,343	2,244,366
Prepaid expenses and other current assets	586,492	694,749
Total current assets	37,147,190	25,706,558
PROPERTY AND EQUIPMENT		
Property and equipment (net of accumulated depreciation)	41,487,213	35,071,899
	41,487,213	35,071,899
OTHER ASSETS		
Debt issuance costs (net of accumulated amortization)	50,464	63,830
Assets limited as to use		
Investments	8,272,589	7,302,951
Beneficial interest in split interest agreements	1,852,735	884,949
	10,175,788	8,251,730
Total assets	$ 88,810,191	$ 69,030,187

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

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Current portion of long-term debt	$ 3,208,211	$ 2,676,476
Accounts payable and other accrued expenses	5,858,869	3,350,372
Credit balances in patient accounts receivable	184,879	184,879
Contract fees payable	1,288,416	64,465
Total current liabilities	10,540,375	6,276,192
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	21,527,971	9,418,168
Derivative liabilities	499,437	510,172
Total long-term liabilities	22,027,408	9,928,340
NET ASSETS / EQUITY		
Controlling interest:		
Unrestricted		
Designated by the Board for endowment purposes	6,475,309	5,883,536
Undesignated	41,708,432	40,073,596
Total unrestricted net assets	48,183,741	45,957,132
Temporarily restricted	1,246,396	1,364,740
Permanently restricted	3,797,787	2,582,657
Total controlling interest	53,227,924	49,904,529
Noncontrolling interest	3,014,484	2,921,126
Total net assets	56,242,408	52,825,655
Total liabilities and net assets	$ 88,810,191	$ 69,030,187

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Net revenues from patient care	$ 24,643,963	$ -	$ -	$ 24,643,963
Medical management services	5,322,999	-	-	5,322,999
Interest, dividends, rental, and other revenues	1,840,570	-	-	1,840,570
Total revenues from operations	31,807,532	-	-	31,807,532
OPERATING EXPENSES:				
Cost of providing patient care	13,221,408	-	-	13,221,408
General and administrative expenses	10,230,930	-	-	10,230,930
Interest, depreciation, and amortization	4,924,406	-	-	4,924,406
Total expenses from operations	28,376,744	-	-	28,376,744
Net margin from operations	3,430,788	-	-	3,430,788
MISSION AND PROGRAM ACTIVITIES:				
Contributions, donations, and grants	2,868,635	-	-	2,868,635
Restricted contributions, interest, and grants	-	1,240,596	1,215,130	2,455,726
Research trials and cancer abstracting services	534,818	-	-	534,818
Non-operating investment income (losses)	709,641	-	-	709,641
	4,113,094	1,240,596	1,215,130	6,568,820
Net assets released from restrictions	1,358,940	(1,358,940)	-	-
Total revenues - mission and programs	5,472,034	(118,344)	1,215,130	6,568,820
Less expenses incurred for:				
Cancer support services, awareness, education, and early detection	2,004,590	-	-	2,004,590
Research	3,500,002	-	-	3,500,002
Fundraising expenses	1,088,998	-	-	1,088,998
Total expenses - mission and programs	6,593,590	-	-	6,593,590
Excess of Mission and Program Activities Revenues Over (Under) Expenses	(1,121,556)	(118,344)	1,215,130	(24,770)
Change in value of derivative liabilities	10,735	-	-	10,735
INCREASE IN NET ASSETS	2,319,967	(118,344)	1,215,130	3,416,753
Decrease in net assets attributable to non-controlling interest	93,358	-	-	93,358
Change in net assets attributable to the Mary Bird Perkins Cancer Center	$ 2,226,609	$ (118,344)	$ 1,215,130	$ 3,323,395

The accompanying notes are an integral part of this consolidated financial statement.

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Net revenues from patient care	$ 26,060,932	$ -	$ -	$ 26,060,932
Medical management services	3,558,387	-	-	3,558,387
Interest, dividends, rental, and other revenues	1,658,616	-	-	1,658,616
Total revenues from operations	31,277,935	-	-	31,277,935
OPERATING EXPENSES:				
Cost of providing patient care	12,075,177	-	-	12,075,177
General and administrative expenses	12,077,149	-	-	12,077,149
Interest, depreciation, and amortization	4,448,617	-	-	4,448,617
Total expenses from operations	28,600,943	-	-	28,600,943
Net margin from operations	2,676,992	-	-	2,676,992
MISSION AND PROGRAM ACTIVITIES:				
Contributions, donations, and grants	3,685,956	-	-	3,685,956
Restricted contributions, donations, and grants	-	1,632,438	194,288	1,826,726
Research trials and cancer abstracting services	885,629	-	-	885,629
Non-operating investment income (losses)	544,464	-	-	544,464
	5,116,049	1,632,438	194,288	6,942,775
Net assets released from restrictions	1,124,263	(1,124,263)	-	-
Total revenues - mission and programs	6,240,312	508,175	194,288	6,942,775
Less expenses incurred for:				
Cancer support services, awareness, education, and early detection	1,797,741	-	-	1,797,741
Research	3,211,282	-	-	3,211,282
Fundraising expenses	906,918	-	-	906,918
Total expenses - mission and programs	5,915,941	-	-	5,915,941
Excess of Mission and Program Activities Revenues Over (Under) Expenses	324,371	508,175	194,288	1,026,834
Change in value of derivative liabilities	37,240	-	-	37,240
INCREASE IN NET ASSETS	3,038,603	508,175	194,288	3,741,066
Increase in net assets attributable to non-controlling interest	(22,785)	-	-	(22,785)
Change in net assets attributable to the Mary Bird Perkins Cancer Center	$ 3,061,388	$ 508,175	$ 194,288	$ 3,763,851

The accompanying notes are an integral part of this consolidated financial statement.

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	Mary Bird Perkins Cancer Center		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
Balance at December 31, 2011	$ 42,895,744	$ 856,565	$ 2,388,369
Change in net assets for the year ended December 31, 2012	3,061,388	508,175	194,288
Balance at December 31, 2012	45,957,132	1,364,740	2,582,657
Change in net assets for the year ended December 31, 2013	2,226,609	(118,344)	1,215,130
Balance at December 31, 2013	$ 48,183,741	$ 1,246,396	$ 3,797,787

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

Total Controlling Interest	Noncontrolling Interest	Total
$ 46,140,678	$ 2,943,911	$ 49,084,589
3,763,851	(22,785)	3,741,066
49,904,529	2,921,126	52,825,655
3,323,395	93,358	3,416,753
$ 53,227,924	$ 3,014,484	$ 56,242,408

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS		
Increase in net assets	$ 3,416,753	$ 3,741,066
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:		
Depreciation	4,244,593	4,054,851
Amortization of bond issuance costs	13,366	13,365
Provision for bad debts	375,252	454,822
Loss (gain) on sales of investments	(349,599)	45,444
Unrealized (gains) losses on investments	(882,892)	(519,467)
Loss (gain) on sale of assets	140,572	(3,687)
Change in value of derivative liability	(10,735)	(37,240)
Net change in patient accounts receivable	(1,277,855)	(306,699)
Net change in other receivables and prepaid expenses	(992,067)	(1,023,265)
Net change in accounts payable and accrued expenses	3,732,448	84,881
Net cash provided by operating activities and gains	8,409,836	6,504,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(11,274,263)	(6,562,766)
Proceeds from sales of property and equipment	473,784	-
Net sales of certificates of deposit	-	567,012
Purchases of investments	(10,297,649)	(4,768,538)
Proceeds from sales of investments	9,602,696	1,557,032
Net cash used in investing activities	(11,495,432)	(9,207,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	15,500,000	-
Repayments of notes and bonds	(2,858,462)	(2,726,477)
Proceeds from sale of other assets	-	470,541
Net cash provided by (used in) financing activities	12,641,538	(2,255,936)
Net change in cash and cash equivalents	9,555,942	(4,959,125)
Cash and cash equivalents - beginning of year	9,625,715	14,584,840
Cash and cash equivalents - end of year	$ 19,181,657	$ 9,625,715
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 513,067	$ 449,402

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The accounting and reporting policies of the Mary Bird Perkins Cancer Center (the Center) conform to accounting principles generally accepted in the United States of America and the prevailing practices within the healthcare industry. The significant accounting policies used by the Center in preparing and presenting its financial statements are summarized as follows:

Organization

The mission of the Center, a Louisiana not-for-profit corporation, is to improve survivorship and lessen the burden of cancer through expert treatment, compassionate care, early detection, research, and education. The Center owns and operates cancer treatment and research facilities in Baton Rouge, Hammond, Houma, Gonzales, and Covington, Louisiana. Partnering with local hospitals, physicians, and support organizations, the Center has assumed responsibilities for developing and delivering programs and services to reduce cancer incidence and mortality, and to improve the quality of life for those affected by cancer within these communities. The Center is also affiliated with the Louisiana State University Medical Physics and Health Physics Program and provides didactic instruction and clinical and research training to Masters and Doctoral students in medical physics.

The Center is the sole member of the Mary Bird Perkins Cancer Center Foundation (the Foundation) which was organized in 2005 for the purpose of building a long-term sustainable endowment fund to provide financial support to cancer programs conducted in the geographic area served by the Center. The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Foundation is governed by a Board of Directors of not less than six and not more than nine members selected for their knowledge and interest in the purposes for which the Foundation was created.

The Center is the sole member of Integrated Oncology Solutions, LLC (IOS) which was organized in 2005 for the purpose of engaging in management and advisory services to medical providers and medical physics and dosimetry consulting and technical services to cancer treatment facilities.

The Center holds a 65% membership interest in St. Elizabeth - Mary Bird Perkins Cancer Center, LLC which operates a cancer treatment and research facility in Gonzales, Louisiana.

Basis of presentation

The consolidated financial statements include the accounts of the Mary Bird Perkins Cancer Center, the Mary Bird Perkins Cancer Center Foundation, Integrated Oncology Solutions, LLC, and St. Elizabeth-Mary Bird Perkins Cancer Center, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

1. Summary of significant accounting policies (continued)

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 and 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. Actual results could differ from these estimates.

While management uses available information in estimating the Center's contractual adjustments and allowances for doubtful accounts, changes in the reimbursable contract rates and the composition of the patient treatments could result in further changes in the carrying amounts of patient receivables. As such, it is reasonably possible that the estimated net patient accounts receivable may change materially in the near term. The amount of the change that is reasonably possible, however, cannot be estimated.

Patient accounts receivable

The Center provides credit in the normal course of operations to both patients located primarily in southeastern Louisiana and insurance companies conducting operations in this area.

The Center maintains an allowance for doubtful accounts based on management's assessment of collectibility, current economic conditions, and prior experience. The Center determines if patient accounts receivable are past-due based on the original bill date; however, the Center does not charge interest on past-due accounts. The Center charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful.

Investments and investment income

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments for which quoted market prices are unavailable, management estimates fair value based on information provided by the fund managers or the general partners. Unrealized gains and losses are recorded in current year operations as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are recorded as increases in unrestricted net assets unless the use is restricted by the donor.

Donated investments are recorded at market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost bases of the securities sold, using the specific identification method, and these realized gains and losses flow through the Center's current operations.

Property and equipment

Property and equipment are stated at cost. Donated property is recorded at its estimated fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that increase the values or extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Property and equipment (continued)

Depreciation has been provided using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized in the Center's current operations.

Assets limited as to use

Assets limited as to use, which consist primarily of assets held with brokerage firms, beneficial interests in split interest agreements, and assets held in trust for the benefit of the Center, represent assets permanently restricted by donors and designated assets set aside by the Board of Directors for equipment replacement and endowment purposes. The Board retains control over the designated assets and may, at its discretion, subsequently use them for other purposes. The amounts required to meet current liabilities of the Center, if any, have been reclassified in the statements of financial position as current assets.

Costs of borrowing

Financing costs are amortized on a straight-line basis over the period that the related obligation is outstanding.

Derivative financial instruments

The Center uses interest rate swap agreements to modify interest rate characteristics of its outstanding indebtedness. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and convert a portion of the Center's variable-rate debt to a fixed rate (cash flow hedge).

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time, period, or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Center in perpetuity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Operating revenues and expenses

Management considers revenues and expenses associated with the provision of patient care; revenues earned and expenses incurred for medical management services rendered; all general, administrative and depreciation expenses; and other income such as rents, grants, and interest and dividends earned on operating balances, to be components of its net margin from operations. Revenues and direct expenses associated with Center activities promoting cancer awareness, education, early detection and non-capital campaign fundraising, together with gains and losses earned on restricted and designated funds, are considered components in the determination of Mission and Program Activities results.

Net patient service revenue

The Center has agreements with various third-party payors that provide for payments to the Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

Charity care

The Center provides care to patients who meet certain criteria established under its charity care policy at no charge or at rates substantially lower than its prevailing rates. Because the Center does not pursue collection of amounts classified as charity care, these amounts are not reported as revenue. The Center follows Accounting Standards Update (ASU) 2010-23 *Measuring Charity Care for Disclosure* which requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Promises to give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Promises to give (continued)

All promises to give are due within three years from the date of the financial statements, and an allowance for doubtful accounts has been established based on management's assessment of collectability.

Split-interest agreements and assets held in trust

Irrevocable split-interest agreements are recorded as revenue when the trust agreements are executed. Revenues from the split-interest agreements are based on the present value of the expected cash flows to be received by the Center over the term of the agreement.

The Center is the principal beneficiary of several charitable remainder trusts. Since these trusts are revocable at the discretion of the grantors, these assets are not included in the Center's statements of financial position.

Professional liability claims

The Center maintains insurance for protection from losses resulting from professional liability claims. The policy is of the claims-made type. The Center has not experienced material losses from professional liability claims in the past. As such, no accrual for losses has been established.

Communications and advertising

The Center expenses communications and advertising costs as they are incurred. Communications and advertising includes all expenses necessary to develop and execute initiatives, including production, printing, collateral development, media costs, and graphic design.

Income taxes

The Center is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Center established IOS for the purpose of providing services to medical providers. A provision for income taxes has been made in the accompanying financial statements.

The Center accounts for income taxes in accordance with the guidance included in the Accounting Standards Codification (ASC). The Center recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than fifty percent likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Center has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions at December 31, 2013. With few exceptions, the statute of limitations for the examination of the Center's income tax returns is generally three years from the due date of the tax return including extensions. The tax years open for assessment are the years ending on or after December 31, 2010.

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

For purposes of financial statement presentation, the Center considers all checking accounts, savings accounts, money market funds, and investments with maturities of ninety days or less at the date of purchase that are not held in brokerage accounts and are not limited as to use to be cash equivalents.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the current year presentation.

2. Net patient service revenue

The Center has agreements with governmental and other third-party payors that provide for payments to the Center at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the differences between the Center's billings at established rates for services and amounts reimbursed by third-party payors. Services rendered to Medicare and Medicaid program beneficiaries are paid at predetermined rates that vary by patient due to clinical, diagnostic, and other factors.

The Center has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methodologies under these agreements include discounts from established charges and prospectively determined rates.

Presented below is a summary of net patient service revenue for the years ended December 31, 2013 and 2012.

	2013	2012
Gross patient service revenue	$ 76,740,047	$ 86,599,911
Less: provision for contractual adjustments	(52,096,084)	(60,538,979)
Net patient service revenue	$ 24,643,963	$ 26,060,932

3. Split-interest agreements

The Center is the irrevocable beneficiary of three split-interest agreements. The funds are held and administered by an unrelated third party trustee. The Center's interest in the funds held by the trustee is measured at present value and is recorded at fair market value in the statements of financial position as a beneficial interest in split-interest agreements.

The discount rate used in the present value calculation for future payments is the prevailing rate of interest for similar types of high quality, fixed income investments. The discount rates used for the years ended December 31, 2013 and 2012 were 4.53% and 3.75%, respectively. Contribution revenues totaled $1,014,489 and $296,249 for the years ended December 31, 2013 and 2012, respectively, and distributions received from the trusts totaled $46,703 and $44,840 for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013, trust distributions are expected to be received as follows:

Less than one year	$ 300,029
One to five years	204,799
More than five years but less than 10 years	1,784,541
Greater than 10 years	306,075
	2,595,444
Less: Discount to net present value	(742,707)
Beneficial interest in split-interest agreements	$ 1,852,735

4. Investments

Investments which are not considered limited as to use are stated at fair value and consisted of the following at December 31, 2013 and 2012:

	2013	2012
Money market funds	$ 1,127,383	$ 1,577,653
Mutual funds	9,529,768	8,121,692
	$ 10,657,151	$ 9,699,345

The composition of investments classified as assets limited as to use at December 31, 2013 and 2012, which are stated at fair value, is as follows:

	2013	2012
Money market funds and cash equivalents	$ 517,800	$ 278,341
Government obligations	807,381	836,441
Corporate bonds	482,049	686,289
Mutual funds and equities	5,705,575	4,512,164
Alternative investments	759,784	989,716
	$ 8,272,589	$ 7,302,951

4. Investments (continued)

Following is the composition of investment revenues for the years ended December 31, 2013 and 2012:

	2013	2012
Dividends, interest, and realized gains	$ 480,604	$ 498,867
Unrealized gain (loss) on investments	882,892	519,467
	$ 1,363,496	$ 1,018,334

5. Property and equipment

Property and equipment consisted of the following at December 31, 2013 and 2012:

	2013	2012
Land	$ 532,570	$ 532,570
Buildings	28,346,877	27,781,134
Medical and physics equipment	32,472,861	30,785,684
Office furniture and equipment	4,421,834	3,177,251
Construction in progress	7,624,933	1,104,384
	73,399,075	63,381,023
Less: accumulated depreciation	(31,911,862)	(28,309,124)
	$ 41,487,213	$ 35,071,899

During the year ended December 31, 2010, the Center exchanged its interests in certain leasehold improvements and ground leases for clinical and office leasehold space to be located in a medical office building under construction. In addition, the Center received ground leases on additional land. The terms of the leases are in excess of 70 years and the rental rates to be charged to the Center on both the medical office building and ground lease are fixed at significantly discounted rates from the current market. During the year ended December 31, 2010, the Center expensed the carrying value of land and leasehold improvements exchanged and will recognize the value of its leaseholds upon completion of construction, expected to occur during the year ending December 31, 2014.

The Center has entered into a construction contract for renovation and expansion of its Baton Rouge facility. The contract, including change orders, totals approximately $17,393,000, and approximately $13,300,000 remains outstanding at December 31, 2013.

6. Long-term debt

Long-term debt at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Financing agreement dated December 1, 2008, in the original amount of $6,300,000. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (0.95% and 1.00% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2014. The lease agreement is secured by the Center's equipment, revenues, and receivables.	$ 1,050,000	$ 2,100,000
Financing agreement dated December 1, 2008, in the original amount of $2,000,000. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (0.95% and 1.00% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2015. The lease agreement is secured by the Center's equipment, revenues, and receivables.	571,429	857,143
Loan agreement dated December 7, 2010, in the original amount of $3,989,046. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (1.89% and 1.94% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2020, at which time the remaining balance is due. The lease agreement is secured by the Center's equipment, revenues, and receivables.	3,477,629	3,682,196
Loan agreement dated December 7, 2010, in the original amount of $750,000. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (1.89% and 1.94% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2020, at which time the remaining balance is due. The lease agreement is secured by the Center's equipment, revenues, and receivables.	653,846	692,308
Loan agreement dated December 7, 2010, in the original amount of $1,793,724. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (1.67% and 1.58% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2015. The lease agreement is secured by the Center's equipment, revenues, and receivables.	675,767	1,013,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Long-term debt (continued)

	2013	2012
Loan agreement dated December 7, 2010, in the original amount of $1,878,030. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (2.03% and 2.08% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2017. The lease agreement is secured by the Center's equipment, revenues, and receivables.	$ 1,073,160	$ 1,341,450
Loan agreement dated December 7, 2010, in the original amount of $2,574,190. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (2.03% and 2.08% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2017. The lease agreement is secured by the Center's equipment, revenues, and receivables.	851,720	1,140,060
Loan agreement dated December 7, 2010, in the original amount of $1,775,000. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (1.99% and 2.04% at December 31, 2013 and 2012, respectively) and is due in monthly installments through December of 2017. The lease agreement is secured by the Center's equipment, revenues, and receivables.	1,014,286	1,267,857
Loan agreement dated September 1, 2013, in the original amount of $15,500,000. The loan agreement bears interest at a variable rate based on the 30 day LIBOR rate (2.01% at December 31, 2013) and is due in monthly installments based on a twenty year amortization. The agreement has a put option that can be exercised upon the tenth anniversary date of the agreement and annually thereafter. The lease agreement is secured by the Center's equipment, revenues, and receivables.	15,368,345	-
	24,736,182	12,094,644
Less: current portion	(3,208,211)	(2,676,476)
	$ 21,527,971	$ 9,418,168

6. Long-term debt (continued)

As part of these agreements, the Center has agreed to comply with certain covenants. These consist, primarily, of reporting requirements, restrictions on additional debt and security interests, maintenance of its tax-exempt status, maintenance of its facilities, and other administrative requirements.

The long-term debt obligations are scheduled to mature during the years ending December 31st as follows:

Year ending December 31,	Amount
2014	$ 3,208,211
2015	2,178,925
2016	1,576,782
2017	1,498,771
2018	862,398
Thereafter	15,411,095
	$ 24,736,182

7. Net assets

Temporarily restricted net assets were restricted for the following purposes at December 31, 2013 and 2012:

	2013	2012
Cancer screenings / early detection	$ 950,368	$ 973,410
Cancer support services	70,172	122,662
Comprehensive cancer care	25,410	162,110
Research / education	200,446	106,558
	$ 1,246,396	$ 1,364,740

Net assets which were released from restrictions during the years ended December 31, 2013 and 2012, due to the Center making payments were as follows:

	2013	2012
Cancer screenings / early detection	$ 764,190	$ 250,509
Cancer support services	131,767	411,635
Comprehensive cancer care	150,000	-
Research / education	312,983	462,119
	$ 1,358,940	$ 1,124,263

8. Endowed net assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed net assets in perpetuity. The investment policy sets forth the guidelines relative to asset allocation parameters and investment return goals. The spending policy sets forth guidelines relates to the amount of financial support available and the types of cancer programs funded. Both policies are reviewed annually by the Foundation's Board of Directors.

The Foundation disbursed funds in the amount of $140,000 to the Center in 2013 in support of Mission and Program Activities. A summary of endowed net assets as of December 31, 2013 and 2012, is as follows:

	Unrestricted Board Designated	Restricted	Total
December 31, 2013:			
Donor-restricted endowment	$ -	$ 3,797,787	$ 3,797,787
Board-designated endowment	6,475,309	-	6,475,309
	$ 6,475,309	$ 3,797,787	$ 10,273,096
December 31, 2012:			
Donor-restricted endowment	$ -	$ 2,582,657	$ 2,582,657
Board-designated endowment	5,883,536	-	5,883,536
	$ 5,883,536	$ 2,582,657	$ 8,466,193

A summary of changes in endowed net assets for the years ended December 31, 2013 and 2012, is as follows:

	Unrestricted Board Designated	Restricted	Total
Endowed net assets - December 31, 2011	$ 4,447,352	$ 2,388,369	$ 6,835,721
Investment income	544,464	-	544,464
Contributions	891,720	194,288	1,086,008
Endowed net assets - December 31, 2012	5,883,536	2,582,657	8,466,193
Investment income	559,333	-	559,333
Contributions	32,440	1,215,130	1,247,570
Endowed net assets - December 31, 2013	$ 6,475,309	$ 3,797,787	$ 10,273,096

9. Lease commitments - lessee

The parcels of land on which certain of the Center's treatment facilities are located are owned by various unrelated hospitals. Use of these pieces of property has been provided at little or no cost to the Center. These land leases expire at various dates through June 30, 2082. Since the fair values of these land leases cannot be determined with reasonable certainty, they are not included in the accompanying financial statements.

The Center has entered into several lease agreements for operating facilities whose terms expire at various times through the year ending December 31, 2021, and require monthly payments ranging from $2,000 to $30,000.

The following is a schedule by year of future minimum lease payments required under all of these operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2013:

Year ending December 31,	Amount
2014	$ 702,286
2015	402,264
2016	342,448
2017	285,816
2018	184,446
Thereafter	1,964,556
	$ 3,881,816

Rental expenses under these lease agreements totaled approximately $711,000 and $1,084,700 during the years ended December 31, 2013 and 2012, respectively.

Effective February 20, 2014, the Center executed a new lease agreement for additional square footage connected to its main location. The following is a schedule by year of future minimum lease payments required under all of the existing operating leases indicated above plus the new agreement effective February 20, 2014:

Year ending December 31,	Amount
2014	$ 827,839
2015	590,593
2016	530,777
2017	474,145
2018	372,775
Thereafter	3,584,456
	$ 6,380,585

10. Operating leases - lessor

The Center leases office space to several unrelated medical organizations under operating leases whose terms expire at various times through the year ending December 31, 2020, with options to renew.

Future required payments to be made to the Center under these leases are as follows:

Year ending December 31,	Amount
2014	$ 961,824
2015	1,262,661
2016	1,240,023
2017	852,446
2018	532,783
Thereafter	582,466
	$ 5,432,203

Effective February 20, 2014, the Center amended the lease terms of an existing operating lease, which reduces the future rental payments and square footage leases.

Future required payments to be made to the Center under these revised leases are as follows:

Year ending December 31,	Amount
2014	$ 949,702
2015	1,166,913
2016	1,144,275
2017	804,572
2018	532,783
Thereafter	582,466
	$ 5,180,711

11. Contract fees payable and related party transactions

Professional medical services are provided to patients of the Center under a long term contract. Compensation for medical and other clinical services provided is based upon a percentage of collections and remitted on a monthly basis. As of December 31, 2013 and 2012, estimated amounts of $1,288,416 and $64,465 were payable in accordance with the contract terms.

12. Uncompensated care

Integral to the Center's mission care is provided to patients regardless of their ability to pay. In addition to providing patient care for which it receives no compensation, the Center participates in the Medicare and Medicaid programs that do not reimburse the Center at a rate sufficient to cover its costs of providing services. The Center incurred approximately $2,372,000 and $1,753,000 of costs in excess of reimbursements received for healthcare services provided to this classification of patients during the years ended December 31, 2013 and 2012, respectively.

13. Retirement plan

The Center sponsors a 403(b) retirement program which covers substantially all of its employees. The Center matches 100% of the contributions made by eligible employees up to five percent of their covered salaries. Employer contributions totaled approximately $539,000 and $511,000 during the years ended December 31, 2013 and 2012, respectively.

14. Concentrations of credit risk

The Center maintains its cash, cash equivalents, and certificates of deposit with several financial institutions operating primarily in southern Louisiana. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

The Center grants credit without collateral to its patients, most of who live within an eighteen parish radius and are insured under various third-party payor agreements. The mix of receivables and revenues from patients and third-party payors as of and for the years ended December 31, 2013 and 2012, were as follows:

	Receivables		Revenue	
	2013	2012	2013	2012
Medicare	2%	8%	46%	45%
Medicaid	28	14	10	10
Managed care organizations	50	59	42	41
Patients and other	20	19	2	4
	100%	100%	100%	100%

15. Derivative instruments and hedging activities

The Center has stand alone derivative financial instruments in the form of interest rate swap agreements, which derive their value from underlying interest rates. The transactions involve both credit and market risk. The notional amounts are the amounts on which calculations, payments, and the value of the derivatives are based. The notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the derivative instruments, are reflected on the Center's statements of financial position as derivative liabilities.

The total notional amounts of the nine swap agreements totaled approximately \$25,000,000 and \$12,000,000 at December 31, 2013 and 2012, respectively. The pay rates of these agreements ranged from 1.97% to 3.67%, and the receive rates ranged from 59.80% of the 30 Day LIBOR rate + 1.46% to 65% of the 30 Day LIBOR rate + 1.85%. These agreements have various maturity dates through September 1, 2023, and the estimated amounts to settle these agreements, which totaled \$499,437 and \$510,172 at December 31, 2013 and 2012, respectively, were recorded on the statements of financial position as derivative liabilities.

16. Disclosures about the fair value of financial instruments

In accordance with the *Fair Value Measurements and Disclosure* topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Center.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

16. Disclosures about the fair value of financial instruments (continued)

Fair Value Hierarchy

The topic on Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 - valuation is based on quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 - valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

- Level 3 - valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by the Center in estimating its fair value measurements and disclosures for financial instruments:

Cash and cash equivalents, certificates of deposit, accounts receivable, other receivables, accounts payable, and other accrued expenses - the carrying amounts approximate fair values because of the short maturity of these instruments.

Assets limited as to use and investments - where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads.

Long-term debt - due to the variable interest rates, the carrying amount of the Center's long-term debt approximates its fair value.

16. Disclosures about the fair value of financial instruments (continued)

Derivative financial instruments - fair values for interest rate swap agreements are based upon the amounts required to settle the contracts.

Limitations - fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair Value of Assets and Liabilities Measured on a Recurring Basis

The Center's securities are measured on a recurring basis through estimates and assumptions made by management. We value level 3 investments using inputs, which include discounted cash flow models. Unobservable inputs used in these models are significant to the fair value of the investments.

The following table presents for each of the fair-value hierarchy level, the Center's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013 and 2012.

	Level 1	Level 2	Level 3
December 31, 2013:			
Investments:			
Money market funds	$ 1,645,183	$ -	$ -
Government obligations	-	807,381	-
Corporate bonds	-	482,049	-
Equity securities	3,007,894	-	-
Mutual funds	12,227,449	-	-
Alternative investments	-	-	759,784
	$ 16,880,526	$ 1,289,430	$ 759,784
Split interest agreements	$ -	$ -	$ 1,852,735
Derivative liability	$ -	$ 499,437	$ -
December 31, 2012:			
Investments:			
Money market funds	$ 1,855,994	$ -	$ -
Government obligations	-	836,441	-
Corporate bonds	-	686,289	-
Equity securities	1,838,963	-	-
Mutual funds	10,794,893	-	-
Alternative investments	-	-	989,716
	$ 14,489,850	$ 1,522,730	$ 989,716
Split interest agreements	$ -	$ -	$ 884,949
Derivative liability	$ -	$ 510,172	$ -

16. Disclosures about the fair value of financial instruments (continued)

The following table represents changes in Level 3 instruments measured on a recurring basis for the years ended December 31, 2013 and 2012:

	Split interest Agreement	Alternative Investments
Balance - December 31, 2011	$ 633,540	$ 709,912
Purchases / sales / donations	250,000	291,000
Receipts	(44,840)	-
Change in value	46,249	(11,196)
Balance - December 31, 2012	884,949	989,716
Purchases / sales / donations	978,308	(258,297)
Receipts	(46,703)	-
Change in value	36,181	28,365
Balance - December 31, 2013	$ 1,852,735	$ 759,784

17. Classification of expenses

The following expenses were incurred during the years ended December 31, 2013 and 2012:

	2013	2012
Salaries, benefits, and staff expenses	$ 20,595,748	$ 19,038,330
Occupancy and equipment costs	3,250,581	4,314,904
Supplies and services	1,344,288	1,486,190
Depreciation and interest	4,924,406	4,448,617
Marketing and communication	1,258,639	1,532,234
Other	3,596,672	3,696,609
Total expenses	$ 34,970,334	$ 34,516,884

Included in the above expenses are the following costs and expenses incurred by the Center in support of the Mission and Program Activities. Contributions, grants, and sponsorship funds of approximately $5,900,000 and $6,400,000 were received during the years ended December 31, 2013 and 2012, respectively and were used to offset these expenses and are included in the accompanying financial statements as revenues. The expenses attributable to Mission and Program Activities for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Salaries, benefits, and staff expenses	$ 4,693,104	$ 4,343,243
Occupancy and equipment costs	56,357	28,391
Supplies and services	172,979	149,559
Marketing and communication	332,795	345,214
Other	1,338,355	1,049,534
Total expenses	$ 6,593,590	$ 5,915,941

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Subsequent events

Management has evaluated subsequent events through April 30, 2014, the date that the financial statements were available to be issued, and determined that no disclosures in addition to the events discussed in notes 9 and 10 are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

19. Service to the community (unaudited)

Integral to the Center's mission, care is provided to patients regardless of their ability to pay. As such, free care is provided to patients who are deemed to be medically indigent.

The Center provides radiation therapy services to patients under government programs, including Medicare and Medicaid. These programs pay providers at predetermined rates. The amounts reimbursed by these programs fall far short of the amounts reimbursed by other third party payers for rendering the services provided to the recipients.

In addition to radiation therapy services, the Center also commits significant time and financial resources to its research efforts. Unique to the Center is our academic and research partnership with Louisiana State University (LSU). The Mary Bird Perkins-LSU Medical Physics Graduate Program is nationally competitive as one of only 40 programs of its kind in the United States, accredited by the Commission on Accreditation for Medical Physics Educational Programs, Inc. This public-private partnership leverages the Center's clinical team and facilities, treatment planning and dosimetry laboratories, and commitment to patients, as well as LSU's expertise in imaging and medical physics within LSU's College of Science. This combination of resources improves patient care, provides a rich arena for medical research, and supplies much-needed manpower in the highly-specialized field of medical physics for Louisiana and the nation. In addition, the Center spearheaded the formation of Louisiana's first medical physics residency program. Using a collaborative model, this program has affiliate sites throughout the state and in Mississippi, and has also been cited as a model program across the United States.

Furthermore, the Center commits significant time and financial resources to patient supportive care services, awareness and education, research, and early detection in an effort to reduce cancer incidence and mortality in Louisiana and to improve the quality of life for those affected by cancer.

Most of these activities are offered with the knowledge that they will not be self-supporting or financially viable. Some examples of community education and involvement include, but are not limited to, the following:

19. Service to the community (unaudited) - continued

- Early detection programs are offered to the community by way of free cancer screenings. All screenings are staffed by allied health professionals and impact public awareness regarding cancer prevention, signs and symptoms of cancer, and guidelines for early detection. These important messages have the ultimate goal of reducing cancer morbidity and mortality. In 2013, with the help of many vital partnerships, the Center was able to screen over 7,000 people at community cancer screenings for breast, colorectal, oral, prostate, and skin cancer. This was largely due to the Center's addition of a second mobile medical clinic in April 2013. The two mobile medical clinics dedicated to comprehensive community cancer screenings allows for expanded screenings, bringing these services directly into communities that need them the most. Since the inception of the early detection and outreach program in 2002, over 56,000 people have been screened - all at no cost to the patient. The purchase of the second mobile clinic, and five years of operating expenses, was a result of the Center being awarded a $2 million grant from the Baton Rouge Area Foundation, which will serve those parishes impacted by the BP Oil Spill.

- During 2013, community education was offered through lectures to community, employer, and civic groups focusing on a variety of cancer prevention and early detection topics. Additionally, the Center participated in numerous community-based health fairs offering literature on many cancer topics, particularly promoting the importance of early detection/screening of cancer. More than 7,300 persons were reached through these venues.

- Of particular note is the Minority Cancer Awareness event held annually in April in recognition of National Minority Cancer Awareness Week. This program was hosted by Mary Bird Perkins - Our Lady of the Lake Cancer Center. Screenings were offered for breast, colorectal, oral, prostate and skin cancers, as well as high blood pressure and glucose. Entertainment for children and food were also provided so the whole family could attend. Approximately 600 people were screened on this one day.

- Genetics Counseling and Assessment Clinics were offered monthly in the Baton Rouge and Covington locations. These clinics provided assessment and counseling services at no cost to individuals at risk for hereditary cancer syndromes, such as breast, ovarian, colorectal and endometrial cancers.

- Though not covered by insurance, the Center provides free social services assistance to patients and their families by licensed clinical social workers, free access to a registered dietician, and free dental services. The Center also provides free transportation for many of the medically indigent patients who are treated at the Center each year. In 2013, more than $55,000 in transportation assistance was provided to patients seeking treatment residing in outlying communities in the form of gas cards and cab fare.

- The Center is committed to providing quality professional education programs for physicians. Accredited by the Louisiana State Medical Society, the Center is the only singularly cancer-focused continuing medical education (CME) provider in the Baton Rouge area. Numerous tumor conferences and seminars were sponsored in 2013 in several communities across the Center's eighteen parish service area. Education programs were conducted for 727 physicians and allied health professionals.

SUPPLMENTAL INFORMATION

CONSOLIDATING SCHEDULES

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	Mary Bird Perkins Cancer Center	Mary Bird Perkins Cancer Center Foundation
CURRENT ASSETS		
Cash and cash equivalents	$ 16,690,455	$ 52,296
Restricted cash	1,246,396	-
Investments	8,700,261	-
Patients accounts receivable, net	3,203,717	-
Unconditional promises to give, net	315,274	159,001
Other receivables	2,341,361	223,569
Prepaid expenses and other current assets	540,330	3,629
	33,037,794	438,495
OTHER ASSETS		
Property and equipment, net	36,287,050	-
Debt issuance costs, net	50,464	-
Assets limited as to use:		
Investments	-	8,272,589
Beneficial interest in split interest agreements	-	1,852,735
Investment in St. Elizabeth - MBPCC, LLC	5,598,327	-
Investment in Integrated Oncology Solutions, LLC	70,586	-
	42,006,427	10,125,324
Total assets	$ 75,044,221	$ 10,563,819
CURRENT LIABILITIES		
Current portion of long-term debt	$ 3,208,211	$ -
Accounts payable and other accrued expenses	5,810,107	16,103
Credit balances in patient accounts receivable	184,879	-
Contract fees payable	1,133,408	-
	10,336,605	16,103
Long-term debt, excluding current portion	21,527,971	-
Derivative liability	499,437	-
Total liabilities	32,364,013	16,103
NET ASSETS / EQUITY		
Controlling interest:		
Unrestricted - undesignated	41,428,312	280,120
Unrestricted - designated for endowment purposes	-	6,475,309
Temporarily restricted	1,246,396	-
Permanently restricted	5,500	3,792,287
Total controlling interest	42,680,208	10,547,716
Noncontrolling interest	-	-
Total net assets	42,680,208	10,547,716
Total liabilities and net assets	$ 75,044,221	$ 10,563,819

	Integrated Oncology Solutions, LLC	St. Elizabeth - Mary Bird Perkins Cancer Center, LLC	Eliminations	Consolidated
	$ 31,772	$ 1,160,738	$ -	$ 17,935,261
	-	-	-	1,246,396
	-	1,956,890	-	10,657,151
	-	520,555	-	3,724,272
	-	-	-	474,275
	48,235	763	(90,585)	2,523,343
	3,079	39,454	-	586,492
	83,086	3,678,400	(90,585)	37,147,190
	-	5,200,163	-	41,487,213
	-	-	-	50,464
	-	-	-	8,272,589
	-	-	-	1,852,735
	-	-	(5,598,327)	-
	-	-	(70,586)	-
	-	5,200,163	(5,668,913)	51,663,001
	$ 83,086	$ 8,878,563	$ (5,759,498)	$ 88,810,191
	$ -	$ -	$ -	$ 3,208,211
	12,500	110,744	(90,585)	5,858,869
	-	-	-	184,879
	-	155,008	-	1,288,416
	12,500	265,752	(90,585)	10,540,375
	-	-	-	21,527,971
	-	-	-	499,437
	12,500	265,752	(90,585)	32,567,783
	70,586	8,612,811	(8,683,397)	41,708,432
	-	-	-	6,475,309
	-	-	-	1,246,396
	-	-	-	3,797,787
	70,586	8,612,811	(8,683,397)	53,227,924
	-	-	3,014,484	3,014,484
	70,586	8,612,811	(5,668,913)	56,242,408
	$ 83,086	$ 8,878,563	$ (5,759,498)	$ 88,810,191

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Mary Bird Perkins Cancer Center	Mary Bird Perkins Cancer Center Foundation
OPERATING REVENUES:		
Net revenues from patient care	$ 21,896,441	$ -
Medical management services	5,165,427	-
Interest, dividends, rental, and other operating revenues	1,733,072	-
Total revenues from operations	28,794,940	-
OPERATING EXPENSES:		
Cost of providing patient care	12,096,169	-
General and administrative expenses	9,484,735	-
Interest, depreciation, and amortization	4,193,018	-
Total expenses from operations	25,773,922	-
Net margin from operations	3,021,018	-
MISSION AND PROGRAM ACTIVITIES:		
Unrestricted contributions, donations, and grants	2,976,195	32,440
Restricted contributions, interest, and grants	1,240,596	1,215,130
Research trials and cancer abstracting services	534,818	-
Non-operating investment gains	-	709,641
Total revenues - mission and programs	4,751,609	1,957,211
Less expenses incurred for:		
Cancer support services, awareness, education, and early detection	2,002,340	142,250
Research	3,500,002	-
Fundraising expenses	1,070,933	18,065
Total expenses - mission and programs	6,573,275	160,315
Excess of Mission and Program Activities Revenues Over (Under) Expenses	(1,821,666)	1,796,896
Earnings of subsidiaries	316,412	-
Revenues over (under) expenses	1,515,764	1,796,896
Change in value of derivative liability	10,735	-
Increase in net assets	1,526,499	1,796,896
Equity transfers	(235,494)	235,494
Capital contribution (distribution)	-	-
Increase in net assets attributable to non-controlling interest	-	-
Increase in net assets attributable to the Mary Bird Perkins Cancer Center	$ 1,291,005	$ 2,032,390

Integrated Oncology Solutions, LLC	St. Elizabeth - Mary Bird Perkins Cancer Center, LLC	Eliminations	Consolidated
$ -	$ 2,747,522	$ -	$ 24,643,963
157,572	-	-	5,322,999
-	107,498	-	1,840,570
157,572	2,855,020	-	31,807,532
-	1,125,239	-	13,221,408
14,539	731,656	-	10,230,930
-	731,388	-	4,924,406
14,539	2,588,283	-	28,376,744
143,033	266,737	-	3,430,788
-	-	(140,000)	2,868,635
-	-	-	2,455,726
-	-	-	534,818
-	-	-	709,641
-	-	(140,000)	6,568,820
-	-	(140,000)	2,004,590
-	-	-	3,500,002
-	-	-	1,088,998
-	-	(140,000)	6,593,590
-	-	-	(24,770)
-	-	(316,412)	-
143,033	266,737	(316,412)	3,406,018
-	-	-	10,735
143,033	266,737	(316,412)	3,416,753
-	-	-	-
(1,650,000)	-	1,650,000	-
-	-	93,358	93,358
$ (1,506,967)	$ 266,737	$ 1,240,230	$ 3,323,395

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

Finance Committee
Mary Bird Perkins Cancer Center
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the consolidated financial statements of the Mary Bird Perkins Cancer Center (the Center), which comprise the consolidated statement of financial position as of December 31, 2013, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 30, 2013

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013

(1) Summary of Auditors' Results

a) The type of report issued on the financial statements: unmodified opinion

b) Material weaknesses identified: none

c) Significant deficiencies identified that are not considered to be material weaknesses: none reported

d) Noncompliance which is material to the financial statements: none

(2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: none

(3) Findings and Questioned Costs relating to Federal Awards: none

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2013

A. Findings - Financial Statement Audit:

(1) None