MARY BIRD PERKINS
CANCER CENTER

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

MARY BIRD PERKINS CANCER CENTER

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Postlethwaite & Netterville
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

Report on the Financial Statements

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, 2012 and 2011, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards* issued by the 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

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Opinion

In our opinion, the 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, 2012 and 2011, 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.

Other Matters

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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 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 22, 2013, 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 22, 2013

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 8,260,975	$ 13,728,275
Restricted cash	1,364,740	856,565
Certificates of deposit	-	567,012
Investments	9,699,345	7,759,752
Patient accounts receivable (net of allowances for doubtful accounts of $780,586 and $830,822 at December 31, 2012 and 2011, respectively)	2,821,669	2,969,471
Unconditional promises to give	620,714	1,080,004
Other receivables	2,244,366	1,143,869
Prepaid expenses and other current assets	694,749	564,100
Total current assets	25,706,558	28,669,048
PROPERTY AND EQUIPMENT		
Property and equipment (net of accumulated depreciation)	35,071,899	32,560,843
OTHER ASSETS		
Land held for investment	-	469,995
Debt issuance costs (net of accumulated amortization)	63,830	77,195
Assets limited as to use		
Investments	7,302,951	5,557,015
Beneficial interest in split interest agreements	884,949	633,540
	8,251,730	6,737,745
Total assets	$ 69,030,187	$ 67,967,636

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

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Current portion of long-term debt	$ 2,676,476	$ 2,676,477
Accounts payable and other accrued expenses	3,350,372	2,187,040
Credit balances in patient accounts receivable	184,879	184,558
Contract fees payable	64,465	1,142,916
Total current liabilities	6,276,192	6,190,991
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	9,418,168	12,144,644
Derivative liabilities	510,172	547,412
Total long-term liabilities	9,928,340	12,692,056
NET ASSETS / EQUITY		
Controlling interest:		
Unrestricted		
Designated by the Board for endowment purposes	5,883,536	4,447,352
Undesignated	40,073,596	38,448,392
Total unrestricted net assets	45,957,132	42,895,744
Temporarily restricted	1,364,740	856,565
Permanently restricted	2,582,657	2,388,369
Total controlling interest	49,904,529	46,140,678
Noncontrolling interest	2,921,126	2,943,911
Total net assets	52,825,655	49,084,589
Total liabilities and net assets	$ 69,030,187	$ 67,967,636

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
C.A.R.E. NETWORK AND 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 and support - C.A.R.E. Network	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 - C.A.R.E. Network	5,915,941	-	-	5,915,941
Excess of C.A.R.E. Network 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
Decrease 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 STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Net revenues from patient care	$ 26,493,207	$ -	$ -	$ 26,493,207
Medical management services	3,008,475	-	-	3,008,475
Interest, dividends, rental, and other revenues	1,317,312	-	-	1,317,312
Total revenues from operations	30,818,994	-	-	30,818,994
OPERATING EXPENSES:				
Cost of providing patient care	12,014,618	-	-	12,014,618
General and administrative expenses	10,491,215	-	-	10,491,215
Interest, depreciation, and amortization	4,685,969	-	-	4,685,969
Total expenses from operations	27,191,802	-	-	27,191,802
Net margin from operations	3,627,192	-	-	3,627,192
C.A.R.E. NETWORK AND ACTIVITIES:				
Contributions, donations, and grants	1,454,541	-	-	1,454,541
Restricted contributions, donations, and grants	-	3,650,985	340,249	3,991,234
Research trials and cancer abstracting services	751,633	-	-	751,633
Non-operating investment income (losses)	55,731	-	-	55,731
	2,261,905	3,650,985	340,249	6,253,139
Net assets released from restrictions	3,172,010	(3,172,010)	-	-
Total revenues and support - C.A.R.E. Network	5,433,915	478,975	340,249	6,253,139
Less expenses incurred for:				
Cancer support services, awareness, education, and early detection	2,004,229	-	-	2,004,229
Research	2,812,651	-	-	2,812,651
Fundraising expenses	964,440	-	-	964,440
Total expenses - C.A.R.E. Network	5,781,320	-	-	5,781,320
Excess of C.A.R.E. Network Revenues Over (Under) Expenses	(347,405)	478,975	340,249	471,819
Change in value of derivative liabilities	(277,502)	-	-	(277,502)
INCREASE IN NET ASSETS	3,002,285	478,975	340,249	3,821,509
Increase in net assets attributable to non-controlling interest	4,731	-	-	4,731
Change in net assets attributable to the Mary Bird Perkins Cancer Center	$ 2,997,554	$ 478,975	$ 340,249	$ 3,816,778

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, 2012 AND 2011

	Mary Bird Perkins Cancer Center		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
Balance at December 31, 2010	$ 39,898,190	$ 377,590	$ 2,048,120
Change in net assets for the year ended December 31, 2011	2,997,554	478,975	340,249
Distributions to noncontrolling interest	-	-	-
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

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

	Total Controlling Interest	Noncontrolling Interest	Total
	$ 42,323,900	$ 3,018,565	$ 45,342,465
	3,816,778	4,731	3,821,509
	-	(79,385)	(79,385)
	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

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS		
Increase in net assets	$ 3,741,066	$ 3,821,509
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:		
Depreciation	4,054,851	4,154,082
Amortization of bond issuance costs	13,365	14,790
Provision for bad debts	454,822	539,710
Loss (gain) on sales of investments	45,444	(134,300)
Unrealized (gains) losses on investments	(519,467)	81,224
Gain on sale of assets	(3,687)	-
Change in value of derivative liability	(37,240)	277,502
Net change in patient accounts receivable	(306,699)	(870,809)
Net change in other receivables and prepaid expenses	(1,023,265)	(86,144)
Net change in accounts payable and accrued expenses	84,881	(145,322)
Net cash provided by operating activities and gains	6,504,071	7,652,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,562,766)	(7,084,271)
Net sales of certificates of deposit	567,012	3,008,848
Purchases of investments	(4,768,538)	(7,307,103)
Sales of investments	1,557,032	2,002,289
Net cash used in investing activities	(9,207,260)	(9,380,237)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes and bonds	(2,726,477)	(3,558,800)
Proceeds from sale of other assets	470,541	-
Distributions paid to noncontrolling interests	-	(79,385)
Net cash provided by (used in) financing activities	(2,255,936)	(3,638,185)
Net change in cash and cash equivalents	(4,959,125)	(5,366,180)
Cash and cash equivalents - beginning of year	14,584,840	19,951,020
Cash and cash equivalents - end of year	$ 9,625,715	$ 14,584,840
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 449,402	$ 567,378

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

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

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 Center is a Louisiana not-for-profit corporation and is the owner and operator of cancer treatment and research facilities in Baton Rouge, Hammond, Houma, Gonzales, and Covington. The Center also has a tumor registry which coordinates regional data gathering services, trains hospital personnel in registry procedures, and compiles abstracts of medical records on newly diagnosed cancer cases. The Center also offers a series of education, outreach, and patient support programs through its C.A.R.E. Network. C.A.R.E. is an acronym for Cancer Support Services, Awareness and Education, Research, and Early Detection.

During the year ended December 31, 2005, the Center established the Mary Bird Perkins Cancer Center Foundation (the Foundation) for the purpose of building a long-term sustainable endowment fund to provide financial support to programs conducted in the geographic area served by the Center which are intended to reduce cancer incidence, reduce cancer mortality, or to improve the life for those affected by cancer. 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 who shall be selected for their knowledge and interest in the purposes for which the Foundation is created. The Foundation is organized on a non-stock basis with the Center as its sole member.

The Center also formed Integrated Oncology Solutions, LLC (IOS) during the year ended December 31, 2005, for the purpose of engaging in for-profit consulting, professional management services, professional medical physics and dosimetry consulting and technical services, and related services to medical providers.

During the year ended December 31, 2007, the Center, together with St. Elizabeth Hospital, created St. Elizabeth - Mary Bird Perkins Cancer Center, LLC for the purpose of constructing and operating a cancer treatment and research facility in Gonzales, Louisiana. The Center holds a 65% membership interest in the venture, and operations commenced during the year ended December 31, 2009.

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.

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.

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 C.A.R.E. Network 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. During the year ended December 31, 2011, the Center adopted 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.

1. Summary of significant accounting policies (continued)

Promises to give (continued)

All promises to give are due within 3 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, a for-profit subsidiary, for the purpose of providing services to medical providers. Accordingly, 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, 2012. With few exceptions, the statute of limitations for the examination of the Center's income tax returns is generally 3 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, 2009.

1. Summary of significant accounting policies (continued)

Cash flows

For purposes of the statements of cash flows, 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 2011 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. A summary of the basis of reimbursement with major third-party payors is as follows:

- *Medicare* - services rendered to Medicare program beneficiaries are paid at predetermined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

- *Medicaid* - services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates.

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, 2012 and 2011.

	2012	2011
Gross patient service revenue	$ 86,599,911	$ 83,859,131
Less: provision for contractual adjustments	(60,538,979)	(57,365,924)
Net patient service revenue	$ 26,060,932	$ 26,493,207

3. Split-interest agreements

The Center is the irrevocable beneficiary of two split-interest agreement related to charitable lead trusts. 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, 2012 and 2011 were 3.75% and 3.91%, respectively. The remaining terms of the agreements are approximately 20 years and 1 year, respectively. Contribution revenues totaled $296,249 and $60,049 for the years ended December 31, 2012 and 2011, respectively, and distributions received from the trusts totaled $44,840 and $50,790 for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2012, trust distributions are expected to be received as follows:

Less than one year	$ 296,703
One to five years	191,184
More than five years	588,721
	1,076,608
Less: Discount to net present value	(191,659)
Beneficial interest in split-interest agreement	$ 884,949

4. Investments

Investments which are not considered limited as to use are stated at fair value and consisted of the following at December 31, 2012 and 2011:

	2012	2011
Money market funds	$ 1,577,453	$ 1,804,097
Mutual funds	8,121,692	5,955,655
	$ 9,699,145	$ 7,759,752

The composition of investments classified as assets limited as to use at December 31, 2012 and 2011, which are stated at fair value, is as follows:

	2012	2011
Money market funds and cash equivalents	$ 278,341	$ 244,919
Government obligations	836,441	783,069
Corporate bonds	686,289	515,286
Mutual funds and equities	4,512,164	3,303,829
Alternative investments	989,716	709,912
	$ 7,302,951	$ 5,557,015

4. Investments (continued)

Following is the composition of investment revenues for the years ended December 31, 2012 and 2011:

	2012	2011
Dividends, interest, and realized gains	$ 498,867	$ 406,754
Unrealized gain (loss) on investments	519,467	(81,224)
	$ 1,018,334	$ 325,530

5. Property and equipment

Property and equipment consisted of the following at December 31, 2012 and 2011:

	2012	2011
Land	$ 532,570	$ 532,570
Buildings	27,781,134	24,764,900
Medical and physics equipment	30,641,289	27,478,737
Office furniture and equipment	3,321,646	3,136,775
Construction in progress	1,104,384	939,225
	63,381,023	56,852,207
Less: accumulated depreciation	(28,309,124)	(24,291,364)
	$ 35,071,899	$ 32,560,843

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.

6. Long-term debt

Long-term debt at December 31, 2012 and 2011 consisted of the following:

	2012	2011
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 (1.02% and 1.08% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2014. The lease agreement is secured by the Center's equipment, revenues, and receivables.	$ 2,100,000	$ 3,150,000
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 (1.02% and 1.08% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2015. The lease agreement is secured by the Center's equipment, revenues, and receivables.	857,143	1,142,858
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 (1.96% and 2.02% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2020. The lease agreement is secured by the Center's equipment, revenues, and receivables.	3,682,196	3,886,763
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 (1.96% and 2.02% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2020. The lease agreement is secured by the Center's equipment, revenues, and receivables.	692,308	730,769

6. Long-term debt (continued)

	2012	2011
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 1.73% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2015. The agreement is secured by the Center's equipment, revenues, and receivables.	$ 1,013,630	$ 1,351,493
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 (1.81% and 1.87% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2017. The agreement is secured by the Center's equipment, revenues, and receivables.	1,341,450	1,609,740
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 (1.81% and 1.87% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2017. The agreement is secured by the Center's equipment, revenues, and receivables.	1,140,060	1,428,070
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 (1.77% and 1.83% at December 31, 2012 and 2011, respectively) and is due in monthly installments through December of 2017. The agreement is secured by the Center's equipment, revenues, and receivables.	1,267,857	1,521,428
	12,094,644	14,821,121
Less: current portion	(2,676,476)	(2,676,477)
	$ 9,418,168	$ 12,144,644

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
2013	$ 2,676,476
2014	2,676,476
2015	1,626,518
2016	1,002,900
2017	952,909
Thereafter	3,159,365
	$ 12,094,644

7. Net assets

Temporarily restricted net assets were restricted for the following purposes at December 31, 2012 and 2011:

	2012	2011
Cancer screenings / early detection	$ 973,410	$ 411,085
Cancer support services	122,662	152,893
Comprehensive cancer care	162,110	34,190
Research / education	106,558	258,397
	$ 1,364,740	$ 856,565

Net assets which were released from restrictions during the years ended December 31, 2012 and 2011, due to the Center making payments were as follows:

	2012	2011
Cancer screenings / early detection	$ 250,509	$ 800,302
Cancer support services	411,635	419,570
Comprehensive cancer care	-	156,776
Research / education	462,119	1,795,362
	$ 1,124,263	$ 3,172,010

8. Endowed net assets

The Mary Bird Perkins Cancer Center Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed net assets in perpetuity. In an effort to achieve this objective, the Foundation's asset allocation strategy is periodically reviewed and adjusted to maximize return while limiting risk.

The Foundation has not disbursed any funds from the endowment or the board designated funds over the last two years. Appropriations of endowment assets must be approved by the Board of Directors of the Mary Bird Perkins Cancer Center Foundation. A summary of endowed net assets as of December 31, 2012 and 2011, is as follows:

	Unrestricted Board Designated	Restricted	Total
December 31, 2011:			
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
December 31, 2011:			
Donor-restricted endowment	$ -	$ 2,388,369	$ 2,388,369
Board-designated endowment	4,447,352	-	4,447,352
	$ 4,447,352	$ 2,388,369	$ 6,835,721

A summary of changes in endowed net assets for the years ended December 31, 2012 and 2011, is as follows:

	Unrestricted Board Designated	Restricted	Total
Endowed net assets - December 31, 2010	$ 3,631,714	$ 2,048,120	$ 5,679,834
Investment income	55,731	-	55,731
Contributions	759,907	340,249	1,100,156
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

9. Lease commitments - lessee

The parcels of land on which the Center's treatment facilities in Baton Rouge and Hammond, Louisiana are located are owned by various unrelated and unaffiliated 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 in Baton Rouge, Houma, Gonzales, and Covington 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:

Year ending December 31,	Amount
2013	$ 676,187
2014	657,707
2015	358,624
2016	298,807
2017	279,747
Thereafter	2,092,190
	$ 4,363,262

Rental expenses under these lease agreements totaled approximately $1,084,700 and $1,097,000 during the years ended December 31, 2012 and 2011, respectively.

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, 2021, with options to renew.

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

Year ending December 31,	Amount
2013	$ 666,468
2014	608,311
2015	608,311
2016	587,183
2017	517,760
Thereafter	1,209,307
	$ 4,197,340

11. Contract fees payable and related party transactions

The Center has entered into a contract with a group of radiation oncologists to provide professional medical services to the patients of the Center. The monthly fees paid to the group are calculated based on collections pursuant to a contractual agreement which specifies payment of a percentage on certain medical services rendered to the Center's patients. As of December 31, 2012 and 2011, estimated amounts of $64,465 and $1,142,916 were due to the group, respectively.

During the year ended December 31, 2006, the Center entered into a cost sharing agreement with Integrated Oncology Solutions, LLC. In accordance with the terms of this agreement, certain overhead costs are allocated between the two entities based on an overhead allocation formula.

12. Uncompensated care

The Center's mission is to provide care 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 $2,900,000 and $2,500,000 of costs in excess of reimbursement received for healthcare services provided to this classification of patients during the years ended December 31, 2012 and 2011, respectively.

In addition, the Center recorded bad debts of approximately $487,000 and $429,000 during the years ended December 31, 2012 and 2011 respectively. These amounts represent additional discounts and adjustments applied to patient accounts.

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 $511,000 and $445,000 during the years ended December 31, 2012 and 2011, 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 a 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, 2012 and 2011, were as follows:

	Receivables		Revenue	
	2012	2011	2012	2011
Medicare	8%	15%	45%	43%
Medicaid	14	15	10	10
Managed care organizations	59	47	41	42
Patients and other	19	23	4	5
	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 eight swap agreements totaled approximately $12,000,000 and $15,000,000 at December 31, 2012 and 2011, respectively. The pay rates of these agreements ranged from 2.53% to 3.67%, and the receive rates ranged from 59.80% of the 30 Day LIBOR rate + 1.46% to 59.80% of the 30 Day LIBOR rate + 1.75%. These agreements have various maturity dates through December 7, 2020, and the estimated amounts to settle these agreements, which totaled $510,172 and $547,412 at December 31, 2012 and 2011, 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.

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.

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

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.

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.

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

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, 2012 and 2011.

	Level 1	Level 2	Level 3
December 31, 2012:			
Investments:			
Money market funds	$ 1,855,993	$ -	$ -
Government obligations	-	836,441	-
Corporate bonds	-	686,289	-
Equity securities	1,838,963	-	-
Mutual funds	10,794,893	-	-
Alternative investments	-	-	989,716
	$ 14,489,849	$ 1,522,731	$ 989,716
Split interest agreements	$ -	$ -	$ 884,949
Derivative liability	$ -	$ 510,172	$ -
December 31, 2011:			
Investments:			
Money market funds	$ 2,049,016	$ -	$ -
Government obligations	-	783,069	-
Corporate bonds	-	515,286	-
Equity securities	1,467,019	-	-
Mutual funds	7,792,465	-	-
Alternative investments	-	-	709,912
	$ 11,308,500	$ 1,298,355	$ 709,912
Split interest agreement	$ -	$ -	$ 633,540
Derivative liability	$ -	$ 547,412	$ -

The following table represents changes in Level 3 instruments measured on a recurring basis for the years ended December 31, 2012 and 2011:

	Split interest Agreement	Alternative Investments
Balance - December 31, 2010	$ 624,281	$ -
Purchases	-	750,000
Receipts	(50,790)	-
Change in value	60,049	(40,088)
Balance - December 31, 2011	633,540	709,912
Purchases / donations	250,000	291,000
Receipts	(44,840)	-
Change in value	46,249	(11,196)
Balance - December 31, 2012	$ 884,949	$ 989,716

17. Classification of expenses

The following expenses were incurred during the years ended December 31, 2012 and 2011:

	2012	2011
Salaries, benefits, and staff expenses	$ 19,038,330	$ 17,499,087
Occupancy and equipment costs	4,314,904	4,077,427
Supplies and services	1,486,190	1,763,586
Depreciation and interest	4,462,553	5,013,079
Marketing and communication	1,532,234	1,430,929
Other	3,682,673	3,189,014
Total expenses	$ 34,516,884	$ 32,973,122

Included in the above expenses are the following costs and expenses incurred by the Center in support of the C.A.R.E. Network programs. Contributions, grants, and sponsorship funds of approximately $6,400,000 and $6,200,000 were received during the years ended December 31, 2012 and 2011, respectively and were used to offset these expenses and are included in the accompanying financial statements as revenues. The expenses attributable to the C.A.R.E. Network for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Salaries, benefits, and staff expenses	$ 4,343,243	$ 4,182,330
Occupancy and equipment costs	28,391	24,451
Supplies and services	149,559	96,281
Depreciation and interest	50,455	48,781
Marketing and communication	345,214	350,342
Other	999,079	1,079,135
Total expenses	$ 5,915,941	$ 5,781,320

18. Subsequent events

Management has evaluated subsequent events through April 22, 2013, the date that the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

19. Service to the community (unaudited)

It is an integral part of Mary Bird Perkins Cancer Center's charitable mission to treat every patient referred for radiation treatment regardless of the patient's 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. 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. The elite program, which now has a PhD component, also established the Dr. Charles M. Smith Endowed Chair for Medical Physics, the only one in the State and one of just a few in the nation. This public-private partnership has been tremendously successful, opening up new areas of cancer research and development and improving treatment for cancer patients. In addition, Mary Bird Perkins 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 held up 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:

- 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 2012, with the help of many vital partnerships, the Center was able to screen over 6,000 people at community cancer screenings for breast, colorectal, oral, prostate, and skin cancer. This was largely due to the Center's utilization of the *Early Bird,* the only mobile medical clinic in the area dedicated to comprehensive community cancer screenings. The mobile unit 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 47,000 people have been screened - all at no cost to the patient. In 2012, the Center was also awarded a $2 million grant from the Baton Rouge Area Foundation for the purchase of a second mobile medical clinic and five years of operating expenses to serve those parishes impacted by the BP Oil Spill. A contract was entered into for the purchase of the unit in October 2012 and it is scheduled to be delivered in late March 2013.

- During 2012, 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 6,800 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 reached 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.

- 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 where appropriate, and dental services. The Center also provides free transportation for many of the medically indigent patients who are treated at the Center each year. In 2012, more than $25,000 in transportation assistance was provided to patients seeking treatment residing in outlying communities in the form of gas cards and cab fare.

- Mary Bird Perkins Cancer Center is committed to providing quality professional education programs for physicians. Accredited by the Louisiana State Medical Society, Mary Bird Perkins Cancer 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 2012 in several communities across the Center's 18-parish service area. Education programs were conducted for 969 physicians and allied health professionals.

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	Mary Bird Perkins Cancer Center	Mary Bird Perkins Cancer Center Foundation
CURRENT ASSETS		
Cash and cash equivalents	$ 5,916,214	$ 43,775
Restricted cash	1,364,740	-
Investments	9,699,145	-
Patients accounts receivable, net	2,584,327	-
Unconditional promises to give	331,129	289,585
Other receivables	695,255	7,500
Prepaid expenses and other current assets	652,537	-
	21,243,347	340,860
OTHER ASSETS		
Property and equipment, net	29,160,499	-
Debt issuance costs, net	63,830	-
Assets limited as to use:		
Investments	-	7,302,951
Beneficial interest in split interest agreements	-	884,949
Investment in St. Elizabeth - MBPCC, LLC	5,424,948	-
Investment in Integrated Oncology Solutions, LLC	1,577,553	-
	36,226,830	8,187,900
Total assets	$ 57,470,177	$ 8,528,760
CURRENT LIABILITIES		
Current portion of long-term debt	$ 2,676,476	$ -
Accounts payable and other accrued expenses	3,311,714	13,434
Credit balances in patient accounts receivable	184,879	-
Contract fees payable (receivable)	(20,435)	-
	6,152,634	13,434
Long-term debt, excluding current portion	9,418,168	-
Derivative liability	510,172	-
Total liabilities	16,080,974	13,434
NET ASSETS / EQUITY		
Controlling interest:		
Unrestricted - undesignated	40,018,963	54,633
Unrestricted - designated for endowment purposes	-	5,883,536
Temporarily restricted	1,364,740	-
Permanently restricted	5,500	2,577,157
Total controlling interest	41,389,203	8,515,326
Noncontrolling interest	-	-
Total net assets	41,389,203	8,515,326
Total liabilities and net assets	$ 57,470,177	$ 8,528,760

Integrated Oncology Solutions, LLC	St. Elizabeth - Mary Bird Perkins Cancer Center, LLC	Eliminations	Consolidated
$ 3,041	$ 2,297,945	$ -	$ 8,260,975
-	-	-	1,364,740
200	-	-	9,699,345
-	237,342	-	2,821,669
-	-	-	620,714
1,686,663	382	(145,434)	2,244,366
3,004	39,208	-	694,749
1,692,908	2,574,877	(145,434)	25,706,558
-	5,911,400	-	35,071,899
-	-	-	63,830
-	-	-	7,302,951
-	-	-	884,949
-	-	(5,424,948)	-
-	-	(1,577,553)	-
-	5,911,400	(7,002,501)	43,323,629
$ 1,692,908	$ 8,486,277	$ (7,147,935)	$ 69,030,187
$ -	$ -	$ -	$ 2,676,476
115,355	55,303	(145,434)	3,350,372
-	-	-	184,879
-	84,900	-	64,465
115,355	140,203	(145,434)	6,276,192
-	-	-	9,418,168
-	-	-	510,172
115,355	140,203	(145,434)	16,204,532
1,577,553	8,346,074	(9,923,627)	40,073,596
-	-	-	5,883,536
-	-	-	1,364,740
-	-	-	2,582,657
1,577,553	8,346,074	(9,923,627)	49,904,529
-	-	2,921,126	2,921,126
1,577,553	8,346,074	(7,002,501)	52,825,655
$ 1,692,908	$ 8,486,277	$ (7,147,935)	$ 69,030,187

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012

	Mary Bird Perkins Cancer Center	Mary Bird Perkins Cancer Center Foundation
OPERATING REVENUES:		
Net revenues from patient care	$ 23,669,136	$ -
Medical management services	2,441,990	-
Interest, dividends, rental, and other operating revenues	1,586,367	-
Total revenues from operations	27,697,493	-
OPERATING EXPENSES:		
Cost of providing patient care	10,988,209	-
General and administrative expenses	10,062,664	-
Interest, depreciation, and amortization	3,727,652	-
Total expenses from operations	24,778,525	-
Net margin from operations	2,918,968	-
C.A.R.E. NETWORK AND ACTIVITIES:		
Unrestricted contributions, donations, and grants	3,262,328	542,170
Restricted contributions, donations, and grants	1,632,438	194,288
Research trials and cancer abstracting services	885,629	-
Non-operating investment gains	-	544,464
Total revenues - C.A.R.E. Network	5,780,395	1,280,922
Less expenses incurred for:		
Cancer support services, awareness, education, and early detection	1,797,741	118,542
Research	3,211,282	-
Fundraising expenses	902,149	4,769
Total expenses - C.A.R.E. Network	5,911,172	123,311
Excess of C.A.R.E. Network Revenues Over (Under) Expenses	(130,777)	1,157,611
Earnings of subsidiaries	(219,191)	-
Revenues over (under) expenses	2,569,000	1,157,611
Change in value of derivative liability	37,240	-
Increase in net assets	2,606,240	1,157,611
Equity transfers	(466,940)	466,940
Capital contributions	-	-
Decrease in net assets attributable to non-controlling interest	-	-
Increase in net assets attributable to the Mary Bird Perkins Cancer Center	$ 2,139,300	$ 1,624,551

Integrated Oncology Solutions, LLC	St. Elizabeth - Mary Bird Perkins Cancer Center, LLC	Eliminations	Consolidated
$ -	$ 2,391,796	$ -	$ 26,060,932
1,116,397	-	-	3,558,387
17,243	55,006	-	1,658,616
1,133,640	2,446,802	-	31,277,935
-	1,086,968	-	12,075,177
1,310,516	703,969	-	12,077,149
-	720,965	-	4,448,617
1,310,516	2,511,902	-	28,600,943
(176,876)	(65,100)	-	2,676,992
-	-	(118,542)	3,685,956
-	-	-	1,826,726
-	-	-	885,629
-	-	-	544,464
-	-	(118,542)	6,942,775
-	-	(118,542)	1,797,741
-	-	-	3,211,282
-	-	-	906,918
-	-	(118,542)	5,915,941
-	-	-	1,026,834
-	-	219,191	-
(176,876)	(65,100)	219,191	3,703,826
-	-	-	37,240
(176,876)	(65,100)	219,191	3,741,066
-	-	-	-
1,150,000	-	(1,150,000)	-
-	-	(22,785)	(22,785)
$ 973,124	$ (65,100)	$ (908,024)	$ 3,763,851

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 statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2013.

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.

This report is intended solely for the information and use of the Board of Directors and management of the Mary Bird Perkins Cancer Center and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 22, 2013

P&N Postlethwaite & Netterville

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Finance Committee
Mary Bird Perkins Cancer Center
Baton Rouge, Louisiana

Report on Compliance for Major Federal Program

We have audited the Mary Bird Perkins Cancer Center's (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended December 31, 2012. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Major Federal Program

In our opinion, the Mary Bird Perkins Cancer Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

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Report on Internal Control Over Compliance

Management of the Mary Bird Perkins Cancer Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Mary Bird Perkins Cancer Center as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 22, 2013

P&N

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

Federal Grantor / Program Title / Grant Number	CFDA Number	Expenditures
Department of Defense - Military Medical Research and Development (W81XWH-10-1-0005)	12.420	$ 757,616

Notes to the Schedule of Expenditures of Federal Awards

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Mary Bird Perkins Cancer Center (the Center). The Center's reporting entity is defined in note 1 to the consolidated financial statements as of and for the year ended December 31, 2012. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the Center's consolidated financial statements as of for the year ended December 31, 2012.

(3) Relationship to Financial Statements

Federal awards are included in the financial statement line item titled "interest, dividends, rental, and other income" in the consolidated statement of activities in the financial statements of the Center.

MARY BIRD PERKINS CANCER CENTER
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

(1) Summary of Auditors' Results

Financial Statements

a) The type of report issued on the financial statements: unqualified (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

Federal Awards

a) Material weaknesses identified: none

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

c) The type of report issued on compliance for major programs: unqualified (unmodified) opinion

d) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no

e) Identification of major programs:

- Department of Defense – Military Medical Research and Development (CFDA number 12.420)

f) Dollar threshold used to distinguish between Type A and Type B programs: $300,000

g) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no

(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 AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

A. Findings - Financial Statement Audit:

(1) None