

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

JUNE 30, 2011

FINANCIAL STATEMENTS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**

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

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

Langlinais Broussard and Kohlenberg
(A Corporation of Certified Public Accountants)

September 29, 2011

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

BALANCE SHEET

JUNE 30.

ASSETS

	<u>2011</u>
Current Assets	
Cash and Cash Equivalents	\$ 5,662,966
Patient Accounts Receivable, less Allowance for Doubtful Accounts of \$2,671,394	4,563,854
Estimated Third-Party Payor Settlements	397,105
Other Receivables	202,513
Inventory	887,579
Prepaid Expenses	432,811
Due from Affiliates	<u>128,384</u>
 Total Current Assets	 <u>12,275,212</u>
Assets Limited to Use	
For Self Insurance Programs Investments	 <u>132,226</u>
 Total Assets Limited to Use	 <u>132,226</u>
Capital Assets	
Land	3,074,518
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,507,512</u>
 Total Capital Assets, Net of Accumulated Depreciation	 <u>15,582,030</u>
Other Assets	
Investment- H & S Land	<u>234,279</u>
 Total Other Assets	 <u>234,279</u>
 Total Assets	 <u>\$ 28,223,747</u>

The accompanying notes are an integral part of these financial statements

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

BALANCE SHEET

JUNE 30,

LIABILITIES AND MEMBERS' EQUITY

	<u>2011</u>
Current Liabilities	
Accounts Payable	\$ 1,477,169
Current Maturities of Long-Term Debt	697,561
Due To Affiliates	120,184
Patient Accounts - Credit Balances	93,584
Accrued Salaries and Vacation	765,439
Other Accrued Liabilities	<u>659,304</u>
Total Current Liabilities	<u>3,813,241</u>
Long-Term Debt	
Long Term Debt, Net of Current Maturities	<u>511,449</u>
Total Long-Term Debt	<u>511,449</u>
Total Liabilities	<u>4,324,690</u>
Members' Equity	<u>23,899,057</u>
Total Liabilities and Members' Equity	<u>\$ 28,223,747</u>

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF INCOME

JUNE 30.

	<u>2011</u>
Operating Revenues	
Net Patient Service Revenue	\$ 40,441,645
Other Operating Revenue	<u>611,307</u>
Total Operating Revenues	<u>41,052,952</u>
Operating Expenses	
Salaries and Benefits	12,754,859
Professional Fees	5,831,938
Supplies and Other Expenses	12,022,997
Interest Expense	116,690
Taxes and Licenses	801,211
Maintenance and Utilities	750,303
Depreciation and Amortization	1,160,320
Provision for Bad Debts	<u>3,278,188</u>
Total Operating Expenses	<u>36,716,506</u>
Income (Loss) from Operations	<u>4,336,446</u>
Non-Operating Revenues (Expenses)	
Interest Income	<u>6,002</u>
Total Non-Operating Revenues (Expenses)	<u>6,002</u>
Net Income	<u>\$ 4,342,448</u>

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF MEMBERS' EQUITY

JUNE 30,

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

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF CASH FLOWS

JUNE 30,

	2011
Cash Flows from Operating Activities	
Net Income	\$ 4,342,448
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and Amortization	1,160,320
Provision for Bad Debts	3,278,188
Changes in Assets and Liabilities	
Accounts Receivable	(2,422,672)
Increase in Estimated Third-Party Settlements	(275,642)
Decrease in Other Receivables	85,768
Decrease in Inventories	42,577
Increase in Prepaid Expenses	(44,787)
Increase in Due from Affiliates	(117,651)
Increase in Due to Affiliates	118,177
Increase in Accounts Payable	337,284
Increase Accrued Salaries and Vacation	77,808
Decrease Other Accrued Expenses	(60,523)
Net Cash Provided by Operating Activities	6,521,295
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(796,784)
Decrease in Investment - H&S Land	47,980
Increase in Assets Limited to Use	(264)
Net Cash Provided by Investing Activities	(749,068)
Cash Flows from Financing Activities	
Principal payments on Long-Term Debt	(837,729)
Distributions paid to Members	(3,800,000)
Cash Flows used in Financing Activities	(4,637,729)
Net Increase in Cash and Cash Equivalents	1,134,498
Cash and Cash Equivalents, Beginning of the Year	4,528,468
Cash and Cash Equivalents, End of the Year	\$ 5,662,966
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	\$ 116,690

The accompanying notes are an integral part of these financial statements

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Use of Estimates

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

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

Impact of Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") approved the FASB Accounting Standards Codification (the "ASC") as the single source of authoritative non-governmental U.S. GAAP as of July 1, 2009. The ASC became effective for interim and annual periods ending after September 15, 2009. The ASC reorganizes the many U.S. GAAP pronouncements into approximately 90 accounting topics, with all topics using a consistent structure. The ASC does not change or alter existing GAAP and will not have any impact on the financial statements. Effective July 1, 2009, changes to the ASC are communicated through an Accounting Standards Update.

Cash and Cash Equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Assets Limited as to Use

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

Patient Accounts Receivable

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

Prepaid Expenses

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

Inventories

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

Property and Equipment

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

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

The following estimated useful lives are generally used.

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

Equity Method Investments

The equity method of accounting is used for investments in affiliated companies which are not controlled by the Hospital and which the hospital's interest is generally between 20 percent and 50 percent and has significant influence over the entity. Our share of earnings or losses of affiliated companies, in which at least 20 percent of the voting securities is owned and we have significant influence but no control over the entity, is included in operating results (see Note 14).

Compensated Absences

The Hospital's policy is to compensate employees for absences due to earned vacation and sick leave. Accumulated vacation pay is accrued at the balance sheet date because it is payable upon termination of employment if certain conditions are met. Sick pay accrues but is not reflected as a liability because it is not payable upon termination of employment.

Income Taxes

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

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No 109*, codified in ASC Topic 740 ("ASC 740"). This standard clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return including the entity's status as a pass-through entity. Additionally, ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Hospital had no significant uncertain tax positions at the date of adoption or at June 30, 2011. Accordingly, the adoption did not have a material effect on the Hospital's financial position or results of operations. If interest and penalties are incurred related to uncertain tax positions, such amounts are recognized in income tax expense. Tax periods for all fiscal years after 2007 remain open to examination by the federal and state taxing jurisdictions to which the Hospital is subject.

Net Patient Service Revenue

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Charity Care

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

Advertising Costs

The Hospital expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2011 was \$145,986

NOTE 2 - BUSINESS AND CREDIT CONCENTRATIONS

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

The mix of receivables from patients and third-party payors at June 30, 2011 is as follows:

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

The Hospital maintains cash amounts in excess of federally insured limits. Such amounts totaled \$6,167,102 as of June 30, 2011.

NOTE 3 - ACCOUNTS RECEIVABLE - PATIENTS

Patients Accounts Receivable consists of the following:

	<u>2011</u>
Gross Patient Accounts Receivable	\$ 11,181,085
Less Allowance for Contractual Adjustments and Uncollectible Accounts	<u>6,617,231</u>
Net Patient Accounts Receivable	<u>\$ 4,563,854</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - NET PATIENT SERVICE REVENUE

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

Medicare

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

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

Medicaid

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Other

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

A summary of net patient service revenue is as follows

	<u>2011</u>
Gross Patient Service Revenue	\$ 129,792,489
Less Provision for Contractual and Other Adjustments	<u>(89,350,844)</u>
Net patient service revenue	<u>\$ 40,441,645</u>

NOTE 5 - MAJOR SOURCE OF REVENUE

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2011 is as follows

	<u>2011</u>
Land	\$ 3,074,518
Buildings	9,903,215
Fixed and Major Moveable Equipment	7,637,082
Equipment Under Capital Lease Obligation	<u>756,914</u>
	21,371,729
Less Accumulated Depreciation & Amortization	<u>(5,789,699)</u>
Total	<u>\$ 15,582,030</u>

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

NOTE 7 - LONG-TERM DEBT

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

	<u>2011</u>
5.50% note payable, collateralized by the Hospital's equipment, inventory and accounts receivable, payable in 36 monthly installments, of \$44,920 maturing April 2013	\$ 937,881
5 75% note payable, collateralized by 1.1 acres of property. Payable in 36 monthly installments of \$8,711, maturing January 2013	157,698
Capital lease obligations, varying rates of imputed interest from 10 68%, due in varying amounts through February 2015, collateralized by leased equipment	<u>113,431</u>
Total Long-Term Debt	1,209,010
Less Current Portion	<u>697,561</u>
Long-Term Portion	<u>\$ 511,449</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$1,661,328	\$ -	\$ 565,749	\$1,095,579	\$ 597,943
Capital Lease	<u>385,411</u>	<u>-</u>	<u>271,980</u>	<u>113,431</u>	<u>99,618</u>
Total	<u>\$2,046,739</u>	<u>\$ -</u>	<u>\$ 837,729</u>	<u>\$1,209,010</u>	<u>\$ 697,561</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - LONG-TERM DEBT continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 697,561	\$ 49,474	\$ 747,035
2013	502,350	13,551	515,901
2014	5,259	741	6,000
2015	<u>3,840</u>	<u>200</u>	<u>4,040</u>
Total	<u>\$1,209,010</u>	<u>\$ 63,966</u>	<u>\$1,272,976</u>

NOTE 8 - CHARITY CARE

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

Management estimates that approximately \$7,869 of costs were related to charity care. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 9 - INSURANCE PROGRAMS

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

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

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

NOTE 10 - PENSION PLAN

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 - OPERATING LEASES

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

<u>YEAR ENDING</u>	<u>AMOUNT</u>
2012	\$ 156,011
2013	138,257
2014	<u>6,047</u>
TOTAL	<u>\$ 300,315</u>

Rent expenses for the years ended June 30, 2011 totaled approximately \$194,697

NOTE 12 - RELATED PARTY TRANSACTIONS

The Hospital is a related party with Our Lady of Lourdes Regional Medical (OLOL) and H&S Land Corporation, due to common ownership or management with these entities.

Significant transactions between the Hospital and related parties for the year ended June 30, 2011 were as follows

	<u>2011</u>
Due from Louise Insurance (an affiliate of OLOL)	\$ 78,093
Due from H & S Land	<u>50,291</u>
Total Due from Affiliates	<u>\$ 128,384</u>
Due to Our Lady of Lourdes Regional Medical Center (See Note 13)	<u>\$ 120,184</u>
Management fee expenses for services provided by Our Lady of Lourdes Regional Medical Center	<u>\$ 944,338</u>

NOTE 13 - CONTINGENCIES

Hospital management has elected to engage a firm to re-evaluate the service fees incurred for services provided by Our Lady of Lourdes Regional Medical Center for the year ended June 30, 2011. In the event that the resolved fair market value of the services is higher than what has been recorded, the hospital may owe Our Lady of Lourdes Regional Medical Center an amount greater than the balance shown in Note 12. Variances from management's current estimates will be recorded in future periods. The amount of this contingency can not be estimated at this time.

NOTE 14 - EQUITY METHOD INVESTMENT

The Hospital has a 50 percent ownership interest in a for-profit land management company, H&S Land Company, LLC ("H&S"). The Hospital's investment in H&S is reflected in other assets on the accompanying balance sheets. The hospital recognized a \$2,603 loss in this fiscal year relating to H&S.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 14 - EQUITY METHOD INVESTMENT continued

The following is summarized unaudited financial information as per the company's last filed tax return for the year ended December 31, 2010

	<u>2011</u>
Land	\$ 550,786
Total Assets	<u>\$ 550,786</u>
Current Liabilities	\$ 82,228
Membership Equity	<u>468,558</u>
Total Liabilities and Membership Equity	<u>\$ 550,786</u>
Total Revenue	\$ 1,000
Operating Expenses	<u>(6,230)</u>
Net Loss	<u>\$ (5,230)</u>

NOTE 15 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

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

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

Level 3 - Significant unobservable inputs

	<u>2011</u>
Cash and Cash Equivalents (Level 1)	\$ 5,662,966
Assets Limited to Use (Level 1)	\$ 132,226
Accounts Payable and Accrued Expenses (Level 1)	\$ 2,901,912
Estimated Receivables from Third-Party Payors (Level 2)	\$ 397,105
Long-Term Debt (Level 2)	\$ 1,209,010

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through September 29, 2011, the date the financial statements were available to be issued

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

SCHEDULE OF NET PATIENT SERVICE REVENUE

JUNE 30,

	2011		
	<u>INPATIENT</u>	<u>OUTPATIENT</u>	<u>TOTAL</u>
Daily Patient Services			
Patient Care Unit	\$ 10,117,398	\$ 2,295,437	\$ 12,412,835
Day Patient	<u>75,838</u>	<u>266,351</u>	<u>342,189</u>
Total Daily Patient Services	<u>10,193,236</u>	<u>2,561,788</u>	<u>12,755,024</u>
Other Services			
Cath Lab	23,824,040	36,700,597	60,524,637
Operating Rooms	19,402,801	321,135	19,723,936
Emergency Services	1,189,988	2,750,098	3,940,086
Coumadin Services	1,603	1,433,481	1,435,084
Cardiac Rehab	<u>155</u>	<u>228,038</u>	<u>228,193</u>
Total Other Services	<u>44,418,587</u>	<u>41,433,349</u>	<u>85,851,936</u>
Other Professional Services			
Laboratory	5,937,673	4,674,692	10,612,365
Pharmacy	6,065,073	1,671,085	7,736,158
Radiology	2,333,441	2,781,632	5,115,073
Respiratory Therapy	2,632,469	852,664	3,485,133
CT	970,843	2,079,007	3,049,850
Blood Center	922,529	192,211	1,114,740
Physical/Occupational/Speech Therapy	62,813	36	62,849
Gastroenterology	<u>9,361</u>	<u>-</u>	<u>9,361</u>
Total Other Professional Services	<u>18,934,202</u>	<u>12,251,327</u>	<u>31,185,529</u>
Gross Patient Service Revenue	<u>\$ 73,546,025</u>	<u>\$ 56,246,464</u>	129,792,489
Less: Contractual Adjustments			<u>(89,350,844)</u>
Net Patient Service Revenue			<u>\$ 40,441,645</u>

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

SCHEDULE OF OTHER OPERATING REVENUE

JUNE 30,

	<u>2011</u>
Other Operating Revenue	
Cafeteria	\$ 159,151
Lab Services Provided under Contract	401,964
Grants	30,756
Vending	5,775
Rental	<u>13,661</u>
	<u>\$ 611,307</u>

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

SCHEDULE OF EXPENSES

JUNE 30,

	<u>2011</u>
Salaries	
Administrative and Other	\$ 1,873,009
Patient Care Unit	3,045,913
Day Patient	227,545
Cath Lab	741,267
Operating Room	657,460
Emergency Room	697,213
Coumadin Services	236,228
Cardiac Rehab	47,748
Laboratory	475,268
Pharmacy	377,867
Radiology	216,881
Respiratory Therapy	379,868
CT	118,070
Acute Cardiac Transfer	158,900
Material Management	119,181
Plant Operations	137,248
Housekeeping	235,445
Health Information System	266,367
Food Services	<u>315,827</u>
Total Salaries	10,327,305
Employee Benefits	<u>2,427,554</u>
Total Salaries and Benefits	<u>\$ 12,754,859</u>

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

SCHEDULE OF EXPENSES

JUNE 30

	<u>2011</u>
Professional Fees	
Administrative	\$ 1,124,129
Patient Care Unit	85,245
Day Patient	390
Cath Lab	237,743
Operating Room	820,854
Emergency Room	1,121,700
Coumadin Services	7,100
Cardiac Rehab	27,975
Laboratory	319,501
Blood Center	592,987
Pharmacy	16,630
Radiology	319,875
Respiratory Therapy	34,383
CT	107,723
Physical Therapy	14,390
Wound Care	7,775
Plant Operations and Electronic Engineering	262,153
Housekeeping	70,814
Accounting	124,206
Patient Financial Services	5,113
Human Resources	4,950
Management Information System	372,627
Health Information System	150,454
Food Services	302
Medical Staff	<u>2,919</u>
Total Professional Fees	<u>\$ 5,831,938</u>

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

SCHEDULE OF EXPENSES

JUNE 30,

	<u>2011</u>
Supplies and Other Expenses	
Administrative and Other	\$ 801,645
Patient Care Unit	322,830
Day Patient	95,354
Cath Lab	5,869,107
Operating Room	2,215,022
Emergency Room	78,271
Coumadin Services	91,695
Cardiac Rehab	10,526
Laboratory	346,041
Blood Center	30,246
Pharmacy	1,630,934
Radiology	73,611
Respiratory Therapy	37,220
CT	29,931
Wound Care	3,280
Acute Cardiac Transfer	677
Material Management	76,443
Plant Operations and Electronic Engineering	16,633
Housekeeping	48,981
Food Services	<u>244,550</u>
 Total Supplies and Other Expenses	 <u>\$ 12,022,997</u>