1563

East Jefferson General Hospital and Related Organizations

Combined Financial Report

12.31.2005

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 2/14/07

McGladrey & Pullen
Certified Public Accountants

Contents

McGladrey & Pullen
Certified Public Accountants

LaPorte Sehrt Romig Hand
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the accompanying combined basic financial statements of East Jefferson General Hospital and related organizations (the Organization) (Jefferson Parish Hospital Service District No. 2, is a component unit of Jefferson Parish, Louisiana) as of and for the years ended December 31, 2005 and 2004 as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined basic financial statements based on our audits. We did not audit the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2005 and 2004. Those statements were audited by other auditors whose report, dated February 10, 2006, expressed an unqualified opinion on these statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of East Jefferson General Hospital and related organizations, a component unit of Jefferson Parish, Louisiana, as of December 31, 2005 and 2004, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2005 on our consideration of the East Jefferson General Hospital and related organizations' internal control over financial reporting and our tests of their 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* and should be considered in assessing the results of our audit.

The Organization's reporting entity has been restated as of December 31, 2004 to include the East Jefferson General Hospital Retirement and Savings Plan as a fiduciary fund type. This has no effect on the net assets of the Organization.

The management's discussion and analysis on pages 3 through 10 and the required retirement plan information, schedule of funding progress on page 44 are not a required part of the combined basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the combined basic financial statements that collectively comprise the Organization's combined basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the combined basic financial statements. The combining and other supplementary information for the years ended December 31, 2005 and 2004 has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined basic financial statements taken as a whole.

The accompanying Hospital statistics, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the combined basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
February 17, 2006, except for Note 7, Item (E),
as to which the date is December 14, 2006

LaPorte, Sehrt, Romig & Hand

Metairie, Louisiana
February 17, 2006, except for Note 7, Item (E),
as to which the date is December 14, 2006

Management's discussion and analysis of East Jefferson General Hospital (EJGH), Jefferson Parish Hospital Service District No. 2, a component of Jefferson Parish, Louisiana, and related organizations' (the Organization) financial performance provides an overall review of the Organization's activities for the calendar years ended December 31, 2005 and 2004. The intent of this discussion is to provide an overview of the Organization's performance for the years and should be read in conjunction with the Organization's combined basic financial statements and notes thereto.

EJGH operates a 448-bed general acute care hospital and physician practices located in Metairie, Louisiana. EJGH serves the citizens of the greater New Orleans area and particularly residents of the East Bank of Jefferson Parish.

The combined basic financial statements also include PET Scan Center of East Jefferson, LLC, which operates a PET Scan facility; East Jefferson Physician Network, LLC which was used to acquire several physician practices; and East Jefferson Ambulatory Surgery Center, LLC, which will operate an ambulatory surgery center in 2006.

Financial Highlights

The assets of the Organization exceeded its liabilities by $256,583,959 and $287,662,143 (net assets) as of December 31, 2005 and 2004, respectively.

The Organization's total assets decreased by $65,397,580 or 11.9 % from December 31, 2004 and $74,187,453 or 13.3% from December 31, 2003.

The Organization's total liabilities decreased by $34,319,396 or 13.2 % from December 31, 2004 and $38,534,353 or 14.5% from December 31, 2003.

Overview of Financial Statements

The audited financial statements include the combined basic financial statements: Combined Balance Sheets, Combined Statements of Revenue, Expenses, and Changes in Net Assets, and Combined Statements of Cash Flows plus the Notes to the Combined Basic Financial Statements.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe at a given date. This information is reported in the Combined Balance Sheets, which reflects the Organization's assets in relation to its debts to bondholders, suppliers, employees, and other creditors. The excess of our assets over our liabilities is reported as Net Assets.

Information regarding the results from operations during the year is reported in the Combined Statement of Revenue, Expenses, and Changes in Net Assets. This statement shows how much our net assets increased or decreased during the year as a result of our operations, nonoperating activities, and other changes.

The Combined Statement of Cash Flows discloses the flow of cash resources into and out of the Organization during the year. It identifies all cash received during the year from operating activities, contributions and other sources, and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property and equipment, additions and deletions to the investment accounts, and transfers to related entities).

The Notes to Combined Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the combined basic financial statements.

Condensed Combined Statements of Revenue, Expenses, and Changes in Net Assets

A summary version of the Statements of Revenue, Expenses, and Changes in Net Assets for the years ended December 31, 2005, 2004, and 2003 follows:

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in Thousands)		
Net patient revenue	$ 251,388	$ 264,429	$ 245,998
Other operating revenue	5,378	5,975	5,906
Total operating revenue	256,766	270,404	251,904
Nonoperating revenue	13,464	9,017	10,468
Total revenue	270,230	279,421	262,372
Expenses:			
Salaries, wages, and benefits	140,010	135,657	133,071
Purchased services and other	78,478	72,155	61,179
Supplies	42,662	41,380	35,843
Depreciation and amortization	27,210	19,949	20,268
Interest	10,247	11,791	12,452
Total operating expenses	298,607	280,932	262,813
Nonoperating expenses	976	1,375	426
Total expenses	299,583	282,307	263,239
Excess of revenue (under) expenses before transfers and minority interest	(29,353)	(2,886)	(867)
Transfers to Jefferson Parish	(1,072)	(1,062)	(1,064)
Minority interest in net (income) of related organizations	(653)	(627)	(805)
Change in net assets	(31,078)	(4,575)	(2,736)
Net assets:			
Beginning	287,662	292,237	294,973
Ending	$ 256,584	$ 287,662	$ 292,237

Operations

Year Ended December 31, 2005: On Monday, August 29, 2005, one of the deadliest Hurricanes in the history of the United States hit the Greater New Orleans/Gulf Coast Area. It is estimated that Hurricane Katrina destroyed 100s of billions of dollars of property and thousands of lives. Hurricane Katrina also forced the levees in Orleans and Jefferson Parish to breach causing massive flooding in this area. Thousands of homes, businesses and complete communities were destroyed. East Jefferson General Hospital was one of three acute care hospitals fully staffed and operational before, during, and after Hurricane Katrina. The storm forced eleven other hospitals in the Greater New Orleans Area to close because of various economic conditions. The true financial impact of Hurricane Katrina will not be determined for years to come. The storm has forced major competition for skilled medical labor in the market, and with the complete closing of the Charity Hospital System, has forced our uninsured volume of patients to significantly increase. The Hospital's Administration is working very closely to capture all reimbursement dollars that are available to EJGH from the Federal Emergency Management Agency, our business interruption policies and the State of Louisiana. Needless to say, our operations are not normal at this time based on the storm. It has been very difficult to make projections on operational indicators. Since Hurricane Katrina, health care in the Greater New Orleans Area has become more complex due to the lack of available beds and staff members to work those beds. These factors result in longer stays for inpatients now that many post-discharge programs such as home health care are depleted or nonexistent. Hospitals in our area find it very difficult to find nurses and other qualified health care professionals and if you can find them you have to pay a premium for temporary personnel to care for the uninsured patients who, pre-Katrina, would have been served by the Charity Hospital System.

Total operating revenue decreased from 2004 to 2005 by $13,638,000. This decrease was mainly the result of approximately 400,000 people moving from the Greater New Orleans Area because of the devastation to the city. Consequently, many new programs, which would have generated additional net revenues, had to be put on hold while Hospital Administration continued to deal with the tragedy. The major programs delayed were the Ambulatory Surgery Center Joint Venture, new clinical programs that were scheduled to open at East Jefferson North and additional major teaching programs.

Operating expenses increased from 2004 to 2005 by $17,675,000. The most significant increases occurred in the areas of purchase services and depreciation and amortization of $5,673,000 and $7,261,000, respectively. Purchase services and other expenses increased largely as a result of outside consultants hired by the Hospital and depreciation and amortization expense increased largely based upon our new projected go live data with our new computer information systems and expenses related to assets affected by Hurricane Katrina. Contract labor increased by $1,133,000 and purchased medical services increased by $3,387,000 in 2005. In addition to those above cost items discussed, cost related to Hurricane Katrina for Physician Retention Program and Asset Damage was $8,030,000 for 2005.

The excess of revenue over (under) expenses before transfers and minority interest for the year ended December 31, 2004 was ($2,886,000), and for the year ended December 31, 2005, the loss was ($29,353,000) reflecting recording the change in fair value of the interest on the rate swap agreement of $905,000, an increased loss from operations of $31,313,000 and an increase in investment earnings of $4,364,000.

Year Ended December 31, 2004: Total operating revenue increased from 2003 to 2004 by $18,500,000. During 2004, the charge master continued to be updated and revised to reflect the most current and accurate data related to pricing in the Greater New Orleans area. Also, major changes were made in the professional and technical charges relating to East Jefferson Physician Network (EJPN). Also, with the Asset Sale Agreement between Doctors Hospital of Jefferson, LLC, a Tenet Health System Hospital and the Jefferson Parish Hospital Service District No. 2. (East Jefferson General Hospital) the transaction has a positive effect on an increase in patient days and volume, which is reflected in the increase in operating revenue between the years. Overall outpatient diagnostic and therapeutic procedures increased 11%.

Operating expenses increased from 2003 to 2004 by $18,119,000. The most significant increases occurred in the areas of purchase services and supplies of $10,976,000 and $5,537,000, respectively. Purchased services and other expenses increased largely as a result of outside consultants hired by the Hospital and supply expense increased largely as a result of overall price increases in the market for drugs, medical supplies and expendables for the latest technology on these items. Contact labor increased $1,631,000 and outside collections increased $1,099,000 in 2004. In addition to these increases in operating expenses, media cost increased $221,000 and travel increased $75,000 in 2004. Our purchase services expenses for 2004 include an entire year of outsourcing Information Technology, and in 2003 these expenses were only for half a year.

The excess of revenue over (under) expenses and loss before transfers and minority interest for the year ended December 31, 2003 was $867,000, and for the year ended December 31, 2004, the loss was $2,886,000 reflecting recording the change in fair value of the interest on the rate swap agreement of $894,000 and a reduction of investment earnings of $2,988,000.

Condensed Combined Balance Sheets

Condensed versions of the Balance Sheets as of December 31, 2005, 2004, and 2003 follow:

	December 31,		
	2005	2004	2003
		(Dollars in Thousands)	
Assets:			
Current assets	$ 92,498	$ 144,232	$ 118,792
Assets limited as to use, noncurrent	176,851	181,969	239,700
Capital assets, net	204,619	212,198	188,620
Other assets	9,226	10,192	10,269
Total assets	$ 483,194	$ 548,591	$ 557,381
Liabilities:			
Current liabilities	$ 56,662	$ 84,282	$ 31,959
Long-term debt	161,679	168,154	227,996
Retirement benefits, noncurrent	30	27	25
Other liabilities, noncurrent	8,239	8,466	5,164
Total liabilities	$ 226,610	$ 260,929	$ 265,144
Net Assets:			
Invested in capital assets, net of related debt	$ 40,044	$ 41,992	$ 10,083
Restricted under bond indenture	23,224	21,672	21,002
Unrestricted	193,316	223,998	261,152
Total net assets	$ 256,584	$ 287,662	$ 292,237

Long-term debt consists of several revenue bond issues issued in 1985, 1993, 1998, and 2004. The Organization continues to make all annual and semi-annual debt service payments in compliance with these bond indentures. There are no current plans to issue additional debt or defease any existing debt, other than already in place as of December 31, 2005. Please see the Notes to Combined Basic Financial Statements for additional information.

December 31, 2005: The current assets decreased in 2005 by $51,734,000 primarily due to the 1985 bonds being paid off in December of 2005. Cash, cash equivalents and short-term investments increased by $4,100,000.

Total liabilities decreased by $34,319,000 primarily due to the 1985 Bonds for $55,000,000 which matured and were paid off on December 1, 2005. This decrease is offset by increases in estimated third-party payor settlements of $8,400,000 and a $10,065,000 advance from Zurich for Hurricane Katrina related damage which is included in other current liabilities.

December 31, 2004: Total current assets increased in 2004 by $25,440,000. On August 31, 2004, East Jefferson General Hospital purchased Doctors Hospital of Jefferson, LLC from Tenet Health Systems, Inc. for $25,493,000. Included in this purchase was land with a fair market value of $1,700,000, and buildings and equipment with an assigned value of $23,793,000.

Total liabilities decreased over prior year by $4,215,000. The most significant change is the reflection of reduction in long-term debt between the periods of $59,842,000 as the 1985 Bonds are due within a year and are reflected in the current portion of the 2004 balance sheet.

Condensed Combined Statements of Cash Flows

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in Thousands)		
Cash provided by operating activities	$ 25,036	$ 18,796	$ 16,629
Cash (used in) capital and related financing activities	(89,624)	(60,287)	(24,446)
Cash (used in) non-capital financing activities	(2,137)	(513)	(1,591)
Cash provided by investing activities	65,954	36,852	13,553
Net increase (decrease) in cash	(771)	(5,152)	4,145
Cash and cash equivalents:			
Beginning	3,157	8,309	4,164
Ending	$ 2,386	$ 3,157	$ 8,309

Year Ended December 31, 2005: Cash provided by operating activities increased by $6,240,000 over the prior year. In addition, cash used in capital and related financing activities increased from the prior year by $29,337,000. Cash and cash equivalents decreased over the prior year by $771,000.

Year Ended December 31, 2004: Cash provided by operating activities increased by $2,167,000 over the prior year. In addition, cash used in capital and related financing activities increased from the prior year by $35,841,000; however, cash provided by investing activities was $23,299,000 more than the prior year as investments were sold and the proceeds were used for the purchase of Doctors Hospital from Tenet. Cash and cash equivalents decreased over the prior year by $5,152,000. In January 2004, the Organization entered into an agreement for the purchase and implementation of a new software system and related equipment. During 2004, the Organization entered into an interest rate swap agreement and issued Series 2004 Bonds.

Capital Assets

December 31, 2005: As of December 31, 2005 the Organization had $204,619,000 invested in capital assets. Capital expenditures in 2005 were approximately $7,579,000 less than 2005 depreciation expense, resulting in a decrease of capital assets from 2004 to 2005.

December 31, 2004: As of December 31, 2004 the Organization had $212,198,000 invested in capital assets. Capital expenditures in 2004 were approximately $23,617,000 more than 2004 depreciation expense, resulting in an increase of capital assets from 2003 to 2004.

	December 31,		
	2005	2004	2003
	(Dollars in Thousands)		
Capital assets not being depreciated:			
Land	$ 12,418	$ 12,418	$ 10,718
Construction in progress	19,523	11,466	3,235
Capital assets net of depreciation:			
Land improvements	1,874	2,118	2,302
Buildings	133,804	139,847	126,447
Fixed equipment	3,902	4,107	4,788
Major movable equipment	32,857	42,230	41,100
Minor equipment	241	12	30
Total capital assets, net	$ 204,619	$ 212,198	$ 188,620

Long-Term Debt

Long-term debt consists of four revenue bond issues, described in more detail in the Notes to Combined Basic Financial Statements. The principal balance on the outstanding bonds was $158,215,000, $218,750,000, and $222,990,000 as of December 31, 2005, 2004, and 2003, respectively. The decrease is attributable to principal payments on the bonds and capital lease obligations.

Economic Factors

Year Ended December 31, 2005: Fiscal 2005 continues to provide EJGH with substantial challenges due to an increase in the uninsured in this area, an increase in the average length of stay because of few sub-acute facilities and programs being operational, higher labor cost within the region and the unknown of restoring completed available beds to Pre-Katrina levels in the region. EJGH's Administration and the Board are working very closely with State and Federal Officials to obtain grant monies, loans and cost reimbursement to cover the additional direct and indirect expenses which we continue to incur related to Hurricane Katrina. The installation of our new technology information system (COMPAS), our status as a major teaching facility in the Greater Orleans Area, the opening of our ASC and other joint ventures will generate additional revenue and make sure we are more competitive in the market place.

Year Ended December 31, 2004: Fiscal 2004 continues to provide EJGH with substantial challenges due to declining reimbursement dollars from our HMO/PPO payers, very tight margins in Medicare and Medicaid reimbursement, and aggressive marketing campaigns by our competitors. EJGH has a major Strategic Plan that will promote and develop a positive bottom line from operations. In addition to this, the acquisition of Doctors Hospital has had a positive affect on admissions and volumes. The interest rate swap agreement, which was executed in 2004, should help provide a reduction in interest expense over the remaining term of the 1993 bonds that the agreement was executed on.

We continue to work developing collaborative relations with our physicians, HMO/PPO's, and other insurance payors to stabilize reimbursement rates. We continue to provide services to patients who are underinsured or who are self-pay. We have several new Board members who are very supportive of assuring that EJGH provides the highest quality of patient care and that we exceed our 2005 Budget expectations. The installation of our new technology information systems (COMPAS) will also make us more competitive and efficient in the market place.

Financial Information Contact

The Organization's combined basic financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Jefferson General Hospital.

East Jefferson General Hospital
and Related Organizations

Combined Balance Sheets
December 31, 2005 and 2004

Assets		**2005**		2004
Current Assets:				
Cash and cash equivalents (Note 4)	**$**	**2,385,880**	$	3,157,364
Short-term investments (Note 4)		**27,090,504**		22,189,553
Receivables:				
Patients, net (Note 5)		**39,631,346**		38,131,010
Other		**1,883,581**		1,133,392
Estimated third-party payor settlements		**-**		3,397,312
Assets limited as to use, current portion (Note 4)		**10,223,767**		64,803,454
Inventories		**5,652,581**		5,934,822
Prepaid expenses		**5,630,501**		5,485,338
Total current assets		**92,498,160**		144,232,245
Noncurrent Assets:				
Assets limited as to use (Note 4):				
Under bond indenture		**23,224,315**		76,810,645
Board-designated for specific purposes		**163,850,776**		169,961,646
		187,075,091		246,772,291
Less portion required for current liabilities		**10,223,767**		64,803,454
		176,851,324		181,968,837
Capital assets (Notes 6 and 7):				
Nondepreciable		**31,941,089**		23,883,745
Depreciable, net		**172,678,160**		188,314,691
		204,619,249		212,198,436
Debt issuance costs, net of accumulated amortization		**3,578,761**		4,052,253
Investment in associated companies (Note 11)		**2,329,956**		2,729,930
Deferred compensation and life insurance (Note 8)		**3,095,442**		2,757,352
Interest rate swap agreement (Note 7)		**10,228**		-
Other receivables		**210,720**		652,367
		9,225,107		10,191,902
Total noncurrent assets		**390,695,680**		404,359,175
	$	**483,193,840**	$	548,591,420

See Notes to Combined Basic Financial Statements.

Liabilities and Net Assets		**2005**		2004
Current Liabilities:				
Current maturities of long-term debt (Note 7)	**$**	**6,475,408**	$	61,033,540
Outstanding checks in excess of bank balance		**2,254,457**		-
Accounts payable		**12,786,092**		10,330,376
Accrued expenses:				
Salaries and wages		**2,107,321**		1,640,273
Paid leave		**3,238,533**		3,326,042
Health insurance claims (Note 9)		**3,186,333**		2,002,255
Interest		**3,997,766**		4,268,454
Estimated third-party payor settlements (Note 14)		**8,386,686**		-
Other, primarily advances from insurance carrier (Notes 9 and 14)		**14,229,947**		1,680,708
Total current liabilities		**56,662,543**		84,281,648
Noncurrent Liabilities:				
Deferred compensation and executive benefits (Note 8)		**1,342,417**		1,929,609
Retirement benefits (Note 8)		**29,526**		27,213
Estimated self-insurance reserves (Note 9)		**4,330,035**		2,908,450
Long-term debt, less current maturities (Note 7)		**161,678,765**		168,154,173
Interest rate swap agreement (Note 7)		**-**		894,483
Minority interest in related organizations		**2,566,595**		2,733,701
Total noncurrent liabilities		**169,947,338**		176,647,629
Total liabilities		**226,609,881**		260,929,277
Commitments and Contingencies (Notes 5, 6, and 9)				
Net Assets:				
Invested in capital assets, net of related debt		**40,043,836**		41,991,539
Restricted under bond indenture		**23,224,315**		21,672,085
Unrestricted		**193,315,808**		223,998,519
		256,583,959		287,662,143
	$	**483,193,840**	$	548,591,420

East Jefferson General Hospital
and Related Organizations

Combined Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating revenue:		
Net patient service revenue (Note 2)	$ 251,387,688	$ 264,428,895
Other operating revenue	5,377,739	5,974,617
Total operating revenue	256,765,427	270,403,512
Operating expenses:		
Salaries, wages, and benefits	140,009,593	135,657,311
Purchased services and other	78,478,282	72,154,837
Supplies	42,662,531	41,379,335
Depreciation and amortization	27,209,926	19,949,322
Interest	10,246,692	11,791,254
Total operating expenses	298,607,024	280,932,059
(Loss) from operations	(41,841,597)	(10,528,547)
Nonoperating revenue (expenses):		
Investment earnings	8,707,045	4,342,608
Rental income from leases	2,653,593	3,328,975
Community benefit services	(296,600)	(480,790)
Gain (loss) on disposal of property and equipment	(414,035)	61,014
Insurance proceeds (Note 14)	1,147,000	-
Contributions	51,717	76,594
Equity in net income (loss) of associated companies (Note 11)	(265,021)	910,262
Grant revenue	-	298,907
Change in fair value of interest rate swap agreement (Note 7)	904,711	(894,483)
	12,488,410	7,643,087
Excess of revenue (under) expenses before transfers and minority interest	(29,353,187)	(2,885,460)
Transfers to Jefferson Parish (Note 3)	(1,072,194)	(1,062,337)
Minority interest in net income of related organizations	(652,803)	(627,119)
Change in net assets	(31,078,184)	(4,574,916)
Net assets:		
Beginning	287,662,143	292,237,059
Ending	$ 256,583,959	$ 287,662,143

See Notes to Combined Basic Financial Statements.

East Jefferson General Hospital
and Related Organizations

Combined Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities:		
Receipts from patients and third-party payors	**$ 261,671,350**	$ 262,112,508
Payments to suppliers	**(103,678,473)**	(116,449,779)
Payments to employees	**(139,172,887)**	(134,528,927)
Other receipts	**6,216,197**	7,662,033
Net cash provided by operating activities	**25,036,187**	18,795,835
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	**(19,633,499)**	(42,813,952)
Proceeds from disposals of capital assets	**62,217**	100,107
Payment of debt issuance costs	**-**	(373,317)
Proceeds from issuance of long-term debt	**-**	5,755,000
Principal payments on long-term debt	**(61,033,540)**	(10,446,218)
Interest payments on long-term debt	**(11,274,070)**	(12,508,880)
Increase in outstanding checks in excess of bank balance	**2,254,457**	-
Net cash (used in) capital and related financing activities	**(89,624,435)**	(60,287,260)
Cash Flows from Non-Capital Financing Activities:		
Contributions received	**51,717**	76,594
Grants received	**-**	298,907
Transfers to Jefferson Parish	**(1,072,194)**	(1,062,337)
Payments for community benefit services	**(296,600)**	(480,790)
Proceeds from (distributions to) minority interest	**(819,909)**	654,500
Net cash (used in) non-capital financing activities	**(2,136,986)**	(513,126)
Cash Flows from Investing Activities:		
Investment earnings	**9,980,916**	9,794,293
Purchase of investments	**(4,968,687,841)**	(4,215,159,510)
Proceeds from sales and maturities of investments	**5,022,210,219**	4,238,372,254
Distributions from associated companies	**134,953**	120,255
Net increase (decrease) in deferred compensation, life insurance, and other	**(338,090)**	396,203
Rental income	**2,653,593**	3,328,975
Net cash provided by investing activities	**65,953,750**	36,852,470
(Decrease) in cash and cash equivalents	**(771,484)**	(5,152,081)
Cash and cash equivalents:		
Beginning	**3,157,364**	8,309,445
Ending	**$ 2,385,880**	$ 3,157,364

East Jefferson General Hospital
and Related Organizations

Combined Statements of Cash Flows (Continued)
Years Ended December 31, 2005 and 2004

		2005		2004
Reconciliation of operating (loss) to net cash provided by operating activities:				
Cash Flows from Operating Activities:				
(Loss) from operations	$	(41,841,597)	$	(10,528,547)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:				
Depreciation and amortization		27,209,926		19,949,322
Interest expense		10,246,692		11,791,254
(Increase) decrease in:				
Patient receivables		(1,500,336)		(2,857,387)
Other receivables		838,458		1,687,416
Inventories		282,241		94,002
Prepaid expenses		(145,163)		(557,510)
Increase (decrease) in:				
Accounts payable		2,455,716		2,527,128
Third-party payor settlements		11,783,998		541,000
Accrued expenses		14,869,546		(4,979,227)
Deferred compensation and executive benefits, retirement benefits, and self-insurance reserves		836,706		1,128,384
Net cash provided by operating activities	$	25,036,187	$	18,795,835
Schedule of Noncash Investing Activities, (decrease) in fair value of investments	$	(1,383,588)	$	(6,566,648)
Schedule of Noncash Capital and Related Financing Activities:				
Capital lease obligation incurred for acquisition of equipment		-		341,500
Insurance proceeds included in other receivables		1,147,000		-

See Notes to Combined Basic Financial Statements.

East Jefferson General Hospital
and Related Organizations

Retirement and Savings Plan
Statements of Plan Net Assets - Pension Trust Fund
December 31, 2005 and 2004

Assets	2005	2004
Receivables and prepaids:		
Accrued interest and dividends	**$ 114,701**	$ 123,825
Contributions receivable:		
Employee	**400,724**	-
Employer	**304,364**	-
Total receivables	**819,789**	123,825
Investments at fair value:		
Cash equivalents	**2,603,985**	3,557,988
U.S. government and agency issues	**6,170,111**	5,879,408
Corporate bonds	**5,879,973**	5,998,441
Equities	**19,950,948**	19,274,554
AIG Valic	**64,037,303**	54,789,851
Total investments	**98,642,320**	89,500,242
Liabilities, contributions paid in advance due to forfeitures	**415,579**	333,567
Net Assets Held in Trust for Pension Benefits	**$ 99,046,530**	$ 89,290,500

See Notes to Combined Basic Financial Statements.

East Jefferson General Hospital
and Related Organizations

Retirement and Savings Plan
Statements of Changes in Plan Net Assets - Pension Trust Fund
Years Ended December 31, 2005 and 2004

	2005	2004
Additions:		
Contributions:		
Members	**$ 5,991,726**	$ 5,367,690
Employer	**5,277,988**	6,317,858
Total contributions	**11,269,714**	11,685,548
Investment income:		
Interest	**585,190**	535,195
Dividends	**934,356**	1,253,874
Net appreciation in fair value of investments	**2,381,363**	4,282,072
	3,900,909	6,071,141
Less:		
Investment advisory services	**231,288**	237,688
Custodial fees	**147,388**	69,696
Net investment income	**3,522,233**	5,763,757
Total additions	**14,791,947**	17,449,305
Deductions:		
Retirement benefits paid and savings plan withdrawals	**4,836,854**	5,526,068
Forfeitures of nonvested contributions	**199,063**	255,056
Total deductions	**5,035,917**	5,781,124
Net increase	**9,756,030**	11,668,181
Net assets held in trust for pension benefits:		
Beginning	**89,290,500**	77,622,319
Ending	**$ 99,046,530**	$ 89,290,500

See Notes to Combined Basic Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The combined basic financial statements include the accounts of the following entities:

East Jefferson General Hospital (Hospital) is organized as Jefferson Parish Hospital Service District No. 2 by the Parish Council of Jefferson Parish, Louisiana (Parish) under provisions of the Jefferson Parish Charter and of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes. The Hospital is a component unit of Jefferson Parish, Louisiana. The Hospital operates an acute care hospital and physician practices and owns certain medical office buildings.

PET Scan Center of East Jefferson, LLC (PET Scan) was formed in 2002 and shall continue perpetually. PET Scan operates a PET Scan facility. The Hospital had a 53.0% and a 53.5% ownership interest in PET Scan as of December 31, 2005 and 2004, respectively.

East Jefferson Physician Network, LLC (EJPN, LLC) was formed in 1996 and shall continue perpetually. EJPN, LLC was used to acquire several physician practices. The Hospital has a 95% ownership interest in EJPN, LLC as of December 31, 2005 and 2004.

East Jefferson Ambulatory Surgery Center, LLC (EJASC, LLC) was formed in 2004 and shall continue perpetually. EJASC, LLC is in the process of establishing a surgery center on the Organization's campus. The Hospital has a 51% ownership interest in EJASC, LLC as of December 31, 2005 and 2004.

The Hospital, PET Scan, EJPN, LLC, and EJASC, LLC are collectively referred to as the Organization. There are no other organizations or agencies whose financial statements should be combined and presented with these combined basic financial statements.

Significant accounting policies:

Principles of combination: The accompanying combined basic financial statements include the accounts of the Hospital, PET Scan, EJPN, LLC, and EJASC, LLC. All significant intercompany accounts and transactions have been eliminated in combination.

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the combined balance sheets.

Fiduciary fund type: The Organization also includes a pension trust fund, fiduciary fund type. Pension Trust Fund is accounted for in essentially the same manner as the other entities of the Organization, using the same measurement focus and accrual basis of accounting. Employee and employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the East Jefferson General Hospital Retirement and Savings Plan. This plan is included in the reporting entity due to the Organization's significant administrative involvement.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounting standards: The Organization has elected to apply all applicable Governmental Accounting Standards Board (GASB) Pronouncements as well as the following pronouncements issued before and after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables: Patient receivables where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was $34,955,651 and $29,639,070 for the years ended December 31, 2005 and 2004, respectively.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use and investments: Assets limited as to use include assets set aside by the Board of Directors for retirement of long-term debt and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by trustees under bond indenture agreements.

Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheets. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment earnings, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in nonoperating income.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Funds that were established in connection with the issuance of the revenue bonds are maintained by a trustee in special trust accounts for the benefit and security of the holders and owners of the debt and are reported as assets limited as to use under bond indentures. Interest earned on the investments held in trust is retained in the funds and used for the purposes described in the respective bond ordinances.

Investments in associated companies are accounted for by the equity method of accounting under which the Organization's share of the net income of the associated companies is recognized as income in the Organization's combined statements of revenue, expenses, and changes in net assets and are added to the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account. The Organization has interests in a company that operates a laundry service and in a company that owns a medical office building.

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets.

Interest capitalized on construction was approximately $757,000 and $396,000 during the years ended December 31, 2005 and 2004, respectively.

Debt issuance costs: Debt issuance costs are being amortized over the term the related debt is outstanding.

Fair value of financial instruments: Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, accounts payable, accrued liabilities, estimated third-party payor settlements, and other current liabilities. The Organization's investments and assets limited as to use are carried at fair value on the combined balance sheets. Based on borrowing rates currently available to the Organization with similar terms and maturities, the fair value of the long-term debt, excluding capital lease obligations, approximates $168,082,000 and $229,027,000 as of December 31, 2005 and 2004, respectively.

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 including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the region. Operating revenue consists of net patient services, cafeteria and special meals, Wellness Center membership, and other miscellaneous services. Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and amortization, and interest. All revenue and expenses not meeting these criteria are considered nonoperating.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net assets: Net asset classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," above.

Charity care: The Organization provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates.

Gifts, grants, and bequests: Gifts, grants, and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Board of Directors.

Board of Directors: Members of the Hospital's Board of Directors receive no compensation or per diem.

Note 2. Net Patient Service Revenue

Approximately 88% and 89% of the Hospital's net patient service revenue for the years ended December 31, 2005 and 2004, respectively, is earned under agreements with third-party payors. These agreements with third-party payors provide for payments to the Hospital at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations. A summary of the payment arrangements with major third-party payors follows:

Medicare: The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization which is under contract with the Hospital to perform such reviews.

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost based and cost/fee blend reimbursed services are paid via the outpatient prospective payment system. Under this system most outpatient services are paid at predetermined outpatient rates, subject to certain stop-loss provisions referred to by Medicare as the transitional corridor. The transitional corridor will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2003. Cost reimbursed outpatient services were paid 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. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited and finalized by the Medicare fiscal intermediary through December 31, 2003.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are reimbursed based on cost reimbursement and fee schedule limitations. The cost based rates are subject to retroactive adjustment.

The Hospital's Medicaid cost reports have been audited and finalized through December 31, 1999.

Other agreements: The Hospital has entered into payment agreements 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, prospectively determined daily rates, and capitated per member per month rates.

Note 2. Net Patient Service Revenue (Continued)

A summary of the Organization's net patient revenue for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Gross patient service revenue	$ 773,713,503	$ 766,836,759
Less discounts, allowances, and estimated contractual adjustments under third-party reimbursement programs	487,370,164	472,768,794
Less provision for bad debts	34,955,651	29,639,070
	$ 251,387,688	$ 264,428,895

Contractual adjustment expenses for the years ended December 31, 2005 and 2004 include the effects of changes in the estimate of liabilities due to Medicare. The effect of this change in estimate for the Medicare liability was a reduction in contractual adjustment expense of approximately $704,000 and $3,404,000 for the years ended December 31, 2005 and 2004, respectively, and is primarily related to the recognition of disproportionate share reimbursement.

Note 3. Charity Care and Community Service

The Organization 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 and the estimated cost of those services and supplies. The amount of charges foregone, based on established rates during the years ended December 31, 2005 and 2004, was approximately $1,180,000 and $3,263,000, respectively.

Although not accounted for as charity care, the Organization considers the contractual adjustment expense related to the Medicaid services as charity care. Contractual adjustment expense related to the Medicaid services performed was approximately $39,166,000 and $40,552,000 for the years ended December 31, 2005 and 2004, respectively.

Community benefit services represent the cost of providing services such as ambulance services, public speeches on health care issues to Parish organizations, and funding of a community health center.

The Organization transferred $1,000,000 in 2005 and 2004 to the Parish to fund a medical facility at the Parish prison. Additional transfers of $72,194 and $62,337 for the years ended December 31, 2005 and 2004, respectively, were made to fund other Parish programs. These amounts have been recorded in the accompanying combined basic financial statements as transfers.

Note 4. Cash and Investments

The Organization's cash, cash equivalents, and investments as of December 31, 2005 and 2004 are classified in the accompanying balance sheets as follows:

	2005	2004
Current assets:		
Cash and cash equivalents	$ 2,385,880	$ 3,157,364
Short-term investments	27,090,504	22,189,553
Assets limited as to use	187,075,091	246,772,291
	$ 216,551,475	$ 272,119,208

Authorized investments:

Louisiana state statutes authorize the Organization to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Organization be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The Organization's carrying amount of cash and deposits, including $250,000 of certificates of deposits, was $2,635,880 and the bank balance was $7,828,967 as of December 31, 2005. The bank balance of deposits as of December 31, 2005 were entirely covered by insurance or collateral held by financial institutions in the Organization's name.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Organization's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Organization's investments by maturity:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 -10	More than 10
Money market mutual funds	$ 12,531,343	$ 12,531,343	$ -	$ -	$ -
U.S. Government securities	201,384,252	149,895,159	47,898,451	3,590,642	-
	$ 213,915,595	$ 162,426,502	$ 47,898,451	$ 3,590,642	$ -

Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Note 4. Cash and Investments (Continued)

As of December 31, 2005, the Organization's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor's Service
U.S. Government Securities:		
Fannie Mae Discount Notes	A1+	Aaa
Freddie Mac Notes	AAA	Aaa
Freddie Mac Discount Note	A1+	Aaa
United States Treasury Bills	AAA	Aaa
United States Treasury Notes	AAA	Aaa

Concentration of credit risk:

The Organization's investment policy seeks diversification to reduce overall portfolio risk while generating growth of asset value.

The Organization places no limits on the amount that may be invested with one issuer.

More than 5% of the Organization's investments are in U.S. Treasury Notes as of December 31, 2005. These investments are 33.5% of the Organization's total investments.

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the Organization's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

As of December 31, 2005, the Organization's bank balance of deposits with financial institutions and investments were not subject to custodial credit risk.

Note 5. Composition of Patient Receivables

Patient receivables as of December 31, 2005 and 2004 consist of the following:

	2005	2004
Patients	$ 124,672,734	$ 108,429,679
Less estimated third-party contractual adjustments	59,573,729	53,245,790
Less allowance for doubtful accounts	25,467,659	17,052,879
	$ 39,631,346	$ 38,131,010

Note 6. Capital Assets

Capital assets activity as of and for the years ended December 31, 2005 and 2004 is as follows:

	December 31, 2004	Additions	Transfers and Disposals	December 31, 2005
Capital assets, not being depreciated:				
Land	$ 12,418,178	$ -	$ -	$ 12,418,178
Construction in progress	11,465,567	13,091,085	(5,033,741)	19,522,911
Total capital assets, not being depreciated	23,883,745	13,091,085	(5,033,741)	31,941,089
Capital assets, being depreciated:				
Land improvements	5,858,295	1,492	2,100	5,861,887
Buildings	224,434,417	89,578	1,662,813	226,186,808
Fixed equipment	53,625,173	30,326	(3,396,931)	50,258,568
Major movable equipment	126,768,714	6,417,805	1,044,449	134,230,968
Minor equipment	431,132	3,213	422,990	857,335
Total capital assets, being depreciated	411,117,731	6,542,414	(264,579)	417,395,566
Less accumulated depreciation for:				
Land improvements	3,739,825	248,223	-	3,988,048
Buildings	84,587,268	7,795,427	-	92,382,695
Fixed equipment	49,518,351	842,603	(4,004,998)	46,355,956
Major movable equipment	84,538,101	17,650,932	(814,781)	101,374,252
Minor equipment	419,495	199,249	(2,289)	616,455
Total accumulated depreciation	222,803,040	26,736,434	(4,822,068)	244,717,406
Total capital assets, being depreciated, net	188,314,691	(20,194,020)	4,557,489	172,678,160
Organization capital assets, net	$ 212,198,436	$ (7,102,935)	$ (476,252)	$ 204,619,249

Note 6. Capital Assets (Continued)

	December 31, 2003	Additions	Transfers and Disposals	December 31, 2004
Capital assets, not being depreciated:				
Land	$ 10,718,178	$ 1,700,000	$ -	$ 12,418,178
Construction in progress	3,235,395	8,230,172	-	11,465,567
Total capital assets, not being depreciated	13,953,573	9,930,172	-	23,883,745
Capital assets, being depreciated:				
Land improvements	5,761,618	96,677	-	5,858,295
Buildings	204,134,795	20,299,622	-	224,434,417
Fixed equipment	65,151,864	660,444	(12,187,135)	53,625,173
Major movable equipment	126,310,020	12,168,537	(11,709,843)	126,768,714
Minor equipment	2,496,736	-	(2,065,604)	431,132
Total capital assets, being depreciated	403,855,033	33,225,280	(25,962,582)	411,117,731
Less accumulated depreciation for:				
Land improvements	3,459,975	279,850	-	3,739,825
Buildings	77,688,366	6,898,902	-	84,587,268
Fixed equipment	60,363,263	1,342,223	(12,187,135)	49,518,351
Major movable equipment	85,209,732	10,999,119	(11,670,750)	84,538,101
Minor equipment	2,467,078	18,021	(2,065,604)	419,495
Total accumulated depreciation	229,188,414	19,538,115	(25,923,489)	222,803,040
Total capital assets, being depreciated, net	174,666,619	13,687,165	(39,093)	188,314,691
Organization capital assets, net	$ 188,620,192	$ 23,617,337	$ (39,093)	$ 212,198,436

In January 2004 the Organization entered into an agreement for the purchase and implementation of a new software system and related equipment. This agreement extends through the year ending December 31, 2010 with a total commitment of $25,810,000. As of December 31, 2005 approximately $15,931,000 of the construction in process relates to this project.

Note 7. Long-Term Debt and Interest Rate Swap Agreement

Long-term debt as of December 31, 2005 and 2004 consists of:

	2005	2004
Hospital Revenue Refunding Bonds, Series 2004 (A) (E)	$ 4,200,000	$ 5,755,000
Hospital Revenue Bonds, Series 1998 (B) (E)	114,995,000	117,645,000
Hospital Revenue Refunding Bonds, Series 1993 (C) (E)	39,020,000	40,350,000
Customized Purchase Hospital Revenue Bonds, Series 1985 (D)	-	55,000,000
Capital lease obligation, MRI (F)	4,085,965	4,244,681
Capital lease obligation, parking garage (G)	5,635,776	5,911,646
Capital lease obligations, laboratory equipment (H)	217,432	281,386
	168,154,173	229,187,713
Less current maturities	6,475,408	61,033,540
	$ 161,678,765	$ 168,154,173

(A) The Hospital issued $5,755,000 of Hospital Revenue Refunding Bonds, Series 2004. The proceeds of these bonds were used to refund a portion of the Hospital Revenue Bonds, Series 1993 and pay issuance costs incurred. The Series 2004 Bonds bear interest at a variable rate which was 3.62% as of December 31, 2005 and are secured by a letter of credit which has been issued in the amount of $5,849,603. Annual principal payments are due in amounts ranging from $145,000 to $3,610,000 through July 2009.

(B) The Hospital issued $125,000,000 of Hospital Revenue Bonds, Series 1998. The proceeds of these bonds were used for capital improvements and paying interest and issuance costs incurred. The Series 1998 Bonds bear interest at rates ranging from 4.5% to 5.25% payable semi-annually. Annual principal payments are due in amounts ranging from $2,650,000 to $8,130,000 through July 2028.

(C) The Hospital issued $64,575,000 of Hospital Revenue Refunding Bonds, Series 1993. The proceeds of these bonds were used to advance refund its Hospital Revenue Refunding Bonds, Series 1986, and for paying bond insurance and issuance costs incurred. The Series 1993 Bonds bear interest at rates ranging from 5% to 5.75% payable semi-annually. Annual principal payments are due in amounts ranging from $1,330,000 to $5,020,000 through July 2016.

(D) The Hospital issued $55,000,000 of Customized Purchase Hospital Revenue Bonds, Series 1985. The entire principal balance was due December 2005.

(E) The Series 2004, Series 1998, and Series 1993 Bonds grant a security interest in all revenue either accrued or received in connection with operations of the Hospital. The terms of the trust indentures require the Hospital to comply with certain covenants. The covenants provide for restrictions as to financial reporting and require the Hospital to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio. The Hospital was not in compliance with the specified debt service coverage ratio as of December 31, 2005, primarily because of the impact of Hurricane Katrina.

As of December 14, 2006, the Hospital has received waivers from all three bond insurers for the covenant noncompliance for the year ended December 31, 2005. A condition of these waivers required that the Hospital amend their agreements with the bond insurers. One of the provisions of the amended agreements requires semi-annual testing of financial covenants on a rolling twelve-month basis. One of the agreements also required the Hospital to deposit approximately $8,500,000 of their short-term investments in a reserve account fund. Prior to amending the agreements with the bond insurers and receiving the waivers, the Hospital also hired a management consultant to provide recommendations to assist management with improving the Hospital's financial results.

Note 7. Long-Term Debt and Interest Rate Swap Agreement (Continued)

(F) The Hospital has entered into a capital lease agreement with a medical partnership for the purpose of constructing a medical building used to house magnetic resonance imaging unit and radiation therapy equipment. The medical building and equipment revert to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately $47,000 and minimum monthly operating expense payments of approximately $22,000 through March 2017. The base rental payments are subject to a 1% annual cumulative escalation clause. The lease is collateralized by the building and equipment with an amortized cost of approximately $2,324,000 as of December 31, 2005.

(G) The Hospital has entered into a capital lease agreement with East Jefferson General Hospital Foundation for the purpose of constructing a parking garage. The parking garage reverts to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately $65,000 and minimum monthly operating expense payments of approximately $15,000 through May 2017. The lease is collateralized by the parking garage with an amortized cost of approximately $3,143,000 as of December 31, 2005.

(H) The Hospital has entered into two capital lease agreements for the purchase of laboratory equipment. The leases require total monthly payments of $6,635 through December 2008. The leases are collateralized by laboratory equipment with an amortized cost of approximately $206,000 as of December 31, 2005.

Long-term debt activity as of and for the years ended December 31, 2005 and 2004 is as follows:

	December 31, 2004	Borrowings	Payments	December 31, 2005	Due Within One Year
Hospital Revenue Refunding Bonds, Series 2004	$ 5,755,000	$ -	$ (1,555,000)	$ 4,200,000	$ 250,000
Hospital Revenue Bonds, Series 1998	117,645,000	-	(2,650,000)	114,995,000	2,785,000
Hospital Revenue Refunding Bonds, Series 1993	40,350,000	-	(1,330,000)	39,020,000	2,890,000
Customized Purchase Hospital Revenue Bonds, Series 1985	55,000,000	-	(55,000,000)	-	-
Capital lease obligation, MRI	4,244,681	-	(158,716)	4,085,965	181,368
Capital lease obligation, parking garage	5,911,646	-	(275,870)	5,635,776	301,001
Capital lease obligations, laboratory equipment	281,386	-	(63,954)	217,432	68,039
	$ 229,187,713	$ -	$ (61,033,540)	$ 168,154,173	$ 6,475,408

	December 31, 2003	Borrowings	Payments	December 31, 2004	Due Within One Year
Hospital Revenue Refunding Bonds, Series 2004	$ -	$ 5,755,000	$ -	$ 5,755,000	$ 1,555,000
Hospital Revenue Bonds, Series 1998	120,195,000	-	(2,550,000)	117,645,000	2,650,000
Hospital Revenue Refunding Bonds, Series 1993	47,795,000	-	(7,445,000)	40,350,000	1,330,000
Customized Purchase Hospital Revenue Bonds, Series 1985	55,000,000	-	-	55,000,000	55,000,000
Capital lease obligation, MRI	4,382,947	-	(138,266)	4,244,681	158,716
Capital lease obligation, parking garage	6,164,484	-	(252,838)	5,911,646	275,870
Capital lease obligations, laboratory equipment	-	341,500	(60,114)	281,386	63,954
	$ 233,537,431	$ 6,096,500	$ (10,446,218)	$ 229,187,713	$ 61,033,540

Note 7. Long-Term Debt and Interest Rate Swap Agreement (Continued)

The aggregate principal and interest maturities, including capital leases, of long-term debt as of December 31, 2005 are as follows:

	Principal	Interest
Year ending December 31:		
2006	$ 6,475,408	$ 8,090,451
2007	6,761,917	7,807,080
2008	7,084,911	7,496,613
2009	7,470,946	7,173,445
2010	7,640,585	6,828,865
2011 to 2015	45,738,054	28,315,923
2016 to 2020	31,822,352	17,951,855
2021 to 2025	31,915,000	10,754,000
2026 to 2030	23,245,000	2,362,250
	$ 168,154,173	$ 96,780,482

The future minimum rental commitments payable as of December 31, 2005 on capital lease obligations are as follows:

Year ending December 31:	
2006	$ 1,921,026
2007	1,924,693
2008	1,931,088
2009	1,820,492
2010	1,826,487
2011 to 2015	9,224,466
2016 to 2017	2,491,648
Total minimum lease payments	21,139,900
Less amount representing executory costs (i.e., operating expenses) included in total minimum lease payments	5,082,258
Net minimum lease payments	16,057,642
Less amount representing interest	6,118,469
Present value of net minimum lease payments	$ 9,939,173

Note 7. Long-Term Debt and Interest Rate Swap Agreement (Continued)

The Hospital's interest rate swap agreement is summarized as follows:

The Hospital is a party to an interest rate swap agreement for a notional amount of $44,047,000 and $46,890,000 as of December 31, 2005 and 2004, respectively. Under this arrangement, which terminates July 1, 2016, the Hospital pays a fixed rate of 3.331% and the counterparty pays a floating rate equal to 68% of the one-month LIBOR (4.29% and 2.28% as of December 31, 2005 and 2004, respectively), both of which are applied to the notional principal amount.

The fair value of the swap asset (liability) as of December 31, 2005 and 2004 is $10,228 and $(894,483), respectively. The change in the fair value of the swap agreement is included in nonoperating revenue in the accompanying statements of revenue, expenses, and changes in net assets. The interest settlements received by the Hospital, or paid to the counterparty, are included as a component of interest expense. The net settlements reduced interest expense by approximately $71,000 and $69,000 for the years ended December 31, 2005 and 2004, respectively.

Note 8. Retirement and Benefit Plans

Description of pension plan:

The Hospital contributes to the Retirement Plan for Employees of East Jefferson General Hospital (Plan) which is a single-employer, noncontributory defined benefit public employee retirement system (PERS). The Plan is sponsored by the Hospital to provide retirement benefits as well as death benefits. All full-time employees at least 21 years of age with at least one year of credited service are eligible to participate in the Plan. Plan benefits vest after five years of credited service. Employees who retire at or after age 62 with 10 years of credited service are entitled to an annual retirement benefit payable monthly for life. For the years ended December 31, 2005 and 2004, the Hospital's total payroll for all employees was approximately $115,077,000 and $108,233,000, respectively, and the Hospital's total covered payroll (for pension plan participants) was approximately $69,325,000 and $88,164,000, respectively. Covered payroll refers to all compensation paid by the Hospital to active employees covered by the Plan on which contributions to the Plan are based.

In November 2004, the Board of Directors of the Hospital adopted a resolution to revise the Plan participation eligibility requirements to exclude employees hired or rehired subsequent to January 1, 2005. In January 2005, the Board of Directors adopted a resolution to freeze the Plan effective April 1, 2005. This resolution has the immediate effect of reducing the actuarially determine recommended contribution to the Plan for 2005. The Board of Directors also resolved to increase base contributions to the Employee Savings Plan on a graduated scale based on length of service.

Note 8. Retirement and Benefit Plans (Continued)

The benefit provisions of the Plan consist of current and prior accrued benefits. The current benefit provided is equal to .75% of the participant's annual earnings for each Plan year commencing after December 31, 1988, plus .5% of the participant's annual earnings in excess of covered compensation, as defined by the Plan, for each Plan year commencing after December 31, 1988, for up to 35 years of benefit service. The prior accrued benefit provided was equal to 30% of the participant's final average monthly earnings in excess of the Social Security Maximum Wage Average. Certain Plan participants are also entitled to supplemental benefits as specifically defined in the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to East Jefferson General Hospital, Administration Department or by calling (504) 454-4000.

Basis of accounting: The Plan's assets are held in various investments, including U.S. government and agency issues, equity securities, mutual funds, and guaranteed investment contracts with a life insurance company. The Plan's asset value is the fund value as reported by the life insurance company, which is a book value with part of the fund subject to a market value adjustment should the contract be terminated.

Funding status and progress: The amount shown as the net pension obligation in the following table is a standardized disclosure measure of the present value of pension benefits, adjusted beginning January 1, 2001 for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is independent of the actuarial funding method used to determine contributions to the Plan, is the actuarial present value of credited projected benefits. The measure is intended to help users assess the Plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

Plan members are not required to contribute a portion of their annual salary. The Hospital is required to contribute at an actuarially determined rate which was 2.1% and 1.6% for the years ended December 31, 2005 and 2004, respectively.

Significant actuarial assumptions used in 2005 and 2004 include a rate of return on the investment of present and future assets of 8.5% per year compounded annually and a combined projected salary increase attributable to seniority/merit, which includes inflation at 2.5%, of 5% per year compounded annually. There has been no cost of living adjustment. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as an open level percentage of payroll. The remaining amortization period at a January 1, 2006 actuarial valuation date was 30 years.

Note 8. Retirement and Benefit Plans (Continued)

Annual pension costs, net pension obligation, and the accrual for retirement benefits for 2005 and 2004 are as follows:

		2005		2004
Annual required contribution for current year	$	1,446,841	$	2,955,561
Interest on net pension obligation		2,313		2,132
Adjustment to annual required contribution		(2,532)		(2,334)
Annual pension costs		1,446,622		2,955,359
Contribution made		1,444,309		2,953,227
Decrease in net pension obligation		2,313		2,132
Net pension obligation, beginning of year		27,213		25,081
Net pension obligation, ending of year	$	29,526	$	27,213

Contributions required and contributions made: The funding policy of the Plan provides for actuarially determined periodic employer contributions at rates that, for individual employees, remain fairly constant over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the Unit Credit actuarial cost method. The Plan is being funded based on its normal cost, as actuarially determined, reduced by amounts sufficient to amortize an over funded amount from prior years over a ten-year period. The Hospital made contributions of approximately $1,444,000 and $2,955,000 for the years ended December 31, 2005 and 2004, respectively, and is fully funded according to Internal Revenue Service funding limitations. Significant actuarial assumptions used to compute the contribution required are the same as those used to compute the standardized measure of the pension benefit obligation.

Trend information: Trend information related to the Plan is as follows:

Fiscal Year Ended		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
12/31/03	$	3,476,208	100%	$	25,081
12/31/04		2,955,359	100		27,213
12/31/05		1,446,622	100		29,526

Note 8. Retirement and Benefit Plans (Continued)

Employee Savings Plan:

Effective September 15, 1989, the Hospital adopted the East Jefferson General Hospital Savings Plan (Savings Plan) for the benefit of eligible employees. Benefits under the Plan are payable upon the retirement/disability of the participant or termination of the participant's employment. The Hospital believes the Savings Plan qualifies under Sections 401(a), 403(b), and 501(a) of the Internal Revenue Code of 1986, as applicable to governmental plans.

Employees who have attained the age of 21 and completed one year of service are eligible to become participants in the Savings Plan. Savings Plan participants may elect to make pre-tax contributions up to a maximum of 6% of their Savings Plan compensation, as defined in the Savings Plan agreement. The Savings Plan agreement provides that the Hospital contribute 2% of participants' Savings Plan compensation each year and match participant contributions up to 2% of the participants' Savings Plan compensation. Beginning April 1, 2005, the Hospital will increase its contribution to a graduated scale of 2% to 5% of compensation based on employee length of service.

Savings Plan assets are invested in an equity fund (consisting primarily of common stocks) or a guaranteed investment contract fund with a commercial insurance company, as elected by plan participants. A separate account is established for each Savings Plan participant. Participants have a nonforfeitable right to the value of their after-tax deposits at any time and become 100% vested in Hospital basic deposits and Hospital matching deposits upon the completion of five years of service. Loans are not permitted under the terms of the Savings Plan.

Employer contributions and employer paid Savings Plan expenses totaled $3,709,798 and $3,080,489 for the years ended December 31, 2005 and 2004, respectively.

Note 8. Retirement and Benefit Plans (Continued)

The following is a summary of the financial statements of the pension plan and employee savings plan as of and for the year ended December 31, 2005:

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
Assets					
Receivables and prepaids:					
Accrued interest and dividends	$ 114,701	$ -	$ -	$ -	$ 114,701
Contributions receivable:					
Employee	-	-	308,633	92,091	400,724
Employer	-	-	304,364	-	304,364
Total receivables	114,701	-	612,997	92,091	819,789
Investments at fair value:					
Cash equivalents	2,603,985	-	-	-	2,603,985
U.S. government and agency issues	6,170,111	-	-	-	6,170,111
Corporate bonds	5,879,973	-	-	-	5,879,973
Equities	19,950,948	-	-	-	19,950,948
AIG Valic	-	45,757,767	15,841,545	2,437,991	64,037,303
Total investments	34,605,017	45,757,767	15,841,545	2,437,991	98,642,320
Liabilities, contributions paid in advance due to forfeitures	-	388,974	26,605	-	415,579
Net Assets Held in Trust for Pension Benefits	$ 34,719,718	$ 45,368,793	$ 16,427,937	$ 2,530,082	$ 99,046,530

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
Additions:					
Contributions:					
Members	$ -	$ 351	$ 4,682,972	$ 1,308,403	$ 5,991,726
Employer	1,444,309	-	3,833,679	-	5,277,988
Total contributions	1,444,309	351	8,516,651	1,308,403	11,269,714
Investment income:					
Interest	575,968	7,392	1,830	-	585,190
Dividends	272,353	375,213	232,646	54,144	934,356
Net appreciation in fair value of investments	173,950	1,585,707	527,388	94,318	2,381,363
	1,022,271	1,968,312	761,864	148,462	3,900,909
Less:					
Investment advisory services	231,288	-	-	-	231,288
Custodial fees	105,590	34,492	6,037	1,269	147,388
Net investment income	685,393	1,933,820	755,827	147,193	3,522,233
Total additions	2,129,702	1,934,171	9,272,478	1,455,596	14,791,947
Deductions:					
Retirement benefits paid and savings plan withdrawals	2,244,200	1,881,044	644,343	67,267	4,836,854
Forfeitures of nonvested contributions	-	83,686	115,377	-	199,063
Total deductions	2,244,200	1,964,730	759,720	67,267	5,035,917
Net increase (decrease)	(114,498)	(30,559)	8,512,758	1,388,329	9,756,030
Net assets held in trust for pension benefits:					
Beginning	34,834,216	45,399,352	7,915,179	1,141,753	89,290,500
Ending	$ 34,719,718	$ 45,368,793	$ 16,427,937	$ 2,530,082	$ 99,046,530

Deferred compensation and executive benefits:

The Hospital provided a supplemental executive retirement plan (SERP) as well as a deferred compensation plan to certain key employees. The SERP plan was terminated during 2005. No Hospital contributions were made to the plans in 2005 or 2004. Assets and liabilities associated with the deferred compensation plan were $1,242,417 and $1,177,391 as of December 31, 2005 and 2004, respectively. Liabilities associated with the SERP were none and $752,218 as of December 31, 2005 and 2004, respectively. These amounts are included in noncurrent assets and liabilities in the accompanying combined basic financial statements.

Note 9. Self-Insurance, Commitments, and Contingent Liabilities

Self-insurance for health insurance:

The Hospital is self-insured for its employee health insurance plan. The self-insured claims are processed through a Plan Administrator. In 2003, the Hospital was not insured under a stop-loss policy and was therefore fully self-insured. In 2004, the Hospital had stop-loss insurance coverage for claims in excess of $300,000 per individual per plan year. The following is a summary of estimated claims liability for the years ended December 31, 2005 and 2004. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

	2005	2004
Balance, beginning	$ 2,002,255	$ 2,218,315
Claims expense	14,586,187	13,474,535
Claims payment	(13,402,109)	(13,690,595)
Balance, ending	$ 3,186,333	$ 2,002,255

Self-insurance for worker's compensation insurance:

The Hospital is self-insured for worker's compensation. The self-insured claims are processed through a Plan Administrator. The Hospital has purchased stop-loss insurance coverage for claims in excess of $150,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The following is a summary of estimated claims liability for the years ended December 31, 2005 and 2004. The Hospital has recorded a current liability for open claims and claims incurred but not reported which is included in other accrued expenses.

	2005	2004
Balance, beginning	$ 785,137	$ 577,399
Claims expense	1,557,880	987,564
Claims payment	(788,785)	(779,826)
Balance, ending	$ 1,554,232	$ 785,137

Note 9. Self-Insurance, Commitments, and Contingent Liabilities (Continued)

Professional liability insurance:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 plus interest, costs and future medical expenses for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future. The Hospital participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Hospital is self-insured with respect to the first $100,000 of each claim and has purchased additional coverage through a claims-made policy with a commercial insurance carrier for losses on claims in excess of $500,000 for claims made on or prior to December 31, 2003 and $1,000,000 for claims made subsequent to December 31, 2003. The following is a summary of estimated claims liability for the years ended December 31, 2005 and 2004. The Hospital has recorded the liability in noncurrent liabilities.

	2005	2004
Balance, beginning	$ 2,307,663	$ 1,579,897
Claims expense	1,060,564	727,766
Claims payment	-	-
Balance, ending	$ 3,368,227	$ 2,307,663

Other self-insurance programs:

During 2004 the Hospital became self-insured for general liability and vehicle liability. The self-insured claims are processed through a Plan Administrator. The following is a summary of estimated claims liability from the date at which the Hospital became self-insured through December 31, 2005. The Hospital has recorded the liability in noncurrent liabilities.

	2005	2004
Balance, beginning	$ 600,787	$ -
Claims expense	361,021	600,787
Claims payment	-	-
Balance, ending	$ 961,808	$ 600,787

Note 9. Self-Insurance, Commitments, and Contingent Liabilities (Continued)

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Organization's financial position.

The Organization has been named as a defendant in various legal actions arising from normal business activities in which damages in various amounts are claimed. The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the Organization's financial position.

Lease commitments:

The Organization leases property and various equipment under leases that expire at various dates through January 2034.

As of December 31, 2005, the total minimum rental commitment under operating lease agreements is approximately $6,066,000 which is due as follows:

Year ending December 31:	
2006	$ 1,923,000
2007	940,000
2008	286,000
2009	215,000
2010	117,000
2011 - 2015	585,000
2016 - 2020	585,000
2021 - 2025	585,000
2026 - 2030	585,000
2031 - 2035	245,000
	$ 6,066,000

Total rent expense for the above leases for the years ended December 31, 2005 and 2004 was approximately $2,168,000 and $2,080,000, respectively.

Note 9. Self-Insurance, Commitments, and Contingent Liabilities (Continued)

Professional services commitments:

The Organization has agreements for the outsourcing of its information technology department and for its emergency room coverage. These agreements expire in December 2006 and June 2007, respectively.

As of December 31, 2005, the total minimum commitment under these agreements is approximately $5,857,000 which is due as follows:

Year ending December 31:	
2006	$ 5,768,000
2007	89,000
	$ 5,857,000

Total expense for the above agreements for the years ended December 31, 2005 and 2004 was approximately $6,346,000 and $6,797,000, respectively.

Note 10. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2005 and 2004 was as follows:

	2005	2004
Medicare	39.3%	37.1%
Medicaid	6.3	9.1
Managed care	24.2	25.7
Other third-party payors	17.9	17.3
Patients	12.3	10.8
	100.0%	100.0%

Note 11. Investment in Associated Companies

The Organization's investment in associated companies as of December 31, 2005 and 2004 consist of the following:

		2005		2004
Associated Hospital Services (laundry service)	$	1,748,086	$	2,232,663
Metairie Medical Office Limited Partnership (medical office building)		581,870		497,267
	$	2,329,956	$	2,729,930

The Organization's equity in net income of associated companies consists of the following:

		2005		2004
Associated Hospital Services	$	(484,577)	$	767,599
Metairie Medical Office Limited Partnership		219,556		142,663
	$	(265,021)	$	910,262

Note 12. Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2005 and 2004 are as follows:

		2005		2004
Program	$	161,801,035	$	153,902,424
General and administrative		136,155,483		127,029,635
	$	297,956,518	$	280,932,059

Note 13. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Organization adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units,* during the year ended December 31, 2004, which had no effect on the Organization's combined basic financial statements.

The Organization adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* and Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* during the year ended December 31, 2005, which had no effect on the Organization's combined basic financial statements.

As of December 31, 2005, the Governmental Accounting Standards Board has also issued several statements not yet implemented by the Organization. The Statements which might impact the Organization are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued April 2004, will be effective for the Organization beginning with its year ending December 31, 2006. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* issued June 2004, will be effective for the Organization beginning with its year ending December 31, 2007. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation,* an amendment of GASB Statement No. 34, will be effective for the Organization beginning with its year ending December 31, 2006. The purpose of Statement No. 46 is to help organizations determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

GASB Statement No. 47, *Accounting for Termination Benefits,* issued June 2005, will be effective for the Organization beginning with its year ending December 31, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Note 14. Hurricane Katrina

On August 29, 2005, southeastern Louisiana and southern Mississippi were impacted by Hurricane Katrina, and its resulting aftermath. The economy, population, and infrastructure of the metropolitan New Orleans area, in particular, have been severely affected. The Hospital is located in Metairie, Louisiana, and suffered disruption of business and damage to its structures from the effects of the Hurricane. Additionally, the State's charity hospital system facilities in the New Orleans area were heavily damaged which resulted in a substantial increase in the number of uninsured patients at East Jefferson General Hospital. Management believes this change in payor mix has had dramatic negative impact on the net patient service revenue recognized by the Hospital. In addition, post-discharge programs such as home health care have been affected, leading to increased length of stay at the Hospital. The state of Louisiana is currently evaluating how to adequately compensate the affected providers for this shift in patient census.

The Hospital estimates its damage and business interruption losses from the storm exceed $30,000,000. The Hospital has increased depreciation expense by $6,000,000 as an estimate of the change in the useful lives of assets damaged during the storm. The Hospital has filed claims with its insurance carriers and to date has received advances totaling $10,065,000. However, because management can not yet reasonably estimate the final settlements that will be reached with its insurance carriers, the advances received have not been recognized in the accompanying combined statements of revenue, expenses and changes in net assets, and are therefore included in other current liabilities as of December 31, 2005. Additionally the Hospital has filed claims with the State of Louisiana's assistance programs and with the Federal Emergency Management Agency (FEMA). As of December 31, 2005, the Hospital has received $1,147,000 in reimbursement from FEMA and other insurers for flood damage, which have been included in the accompanying combined statements of revenue, expenses and changes in net assets as nonoperating revenue.

As of the date of these financial statements management can not reasonably estimate the amount of reimbursement for damage and loss claims, including amounts to be received from FEMA, insurance carriers and state of Louisiana assistance programs. The ultimate future effect of this event on the ongoing operations of the Hospital is unknown.

In addition, the Hospital received an advance of $6,000,000 in 2005 from the Medicare program to provide operating funds for the Hospital. This amount is included in estimated third-party payor settlements on the accompanying combined balance sheets.

In January 2006, FEMA made a community disaster loan of $45,489,020 to the Hospital. Funds borrowed under this agreement bear interest at 2.68% and are due January 2011. The proceeds from this loan are to be used for operating expenses of the Hospital.

SUPPLEMENTARY INFORMATION

East Jefferson General Hospital
and Related Organizations

Required Retirement Plan Information
December 31, 2005

Schedule of Funding Progress		**2005**		2004		2003
Actuarial valuation date		**1/1/06**		1/1/05		1/1/04
Actuarial value of assets (AVA)	**$**	**34,719,918**	$	34,833,733	$	32,338,260
Actuarial accrued liability (AAL)	**$**	**50,674,981**	$	50,355,490	$	46,598,037
Unfunded AAL (UAAL)	**$**	**15,955,063**	$	15,521,757	$	14,259,777
Funded ratio		**68.5%**		69.2%		69.4%
Annual covered payroll	**$**	**69,325,248**	$	88,164,146	$	80,774,461
UAAL as % of payroll		**23.0%**		17.6%		17.7%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

1. The valuation date is January 1, 2006.
2. The actuarial method used is unprojected unit credit.
3. The amortization method is a level payment open method. The remaining amortization period is 30 years.
4. The assets are shown at fair value.
5. Economic assumptions are as follows: investment rate of return of 8.5% and no projected salary increases. These assumptions include an inflationary adjustment of 2.5% and no cost of living adjustment.

East Jefferson General Hospital
and Related Organizations

Combining Balance Sheet
December 31, 2005

Assets	EJGH	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Current Assets:						
Cash and cash equivalents	$ 294,836	$ 76,339	$ 906,574	$ 1,108,131	$ -	$ 2,385,880
Short-term investments	27,090,504	-	-	-	-	27,090,504
Receivables:						
Patients, net	38,483,375	-	1,147,971	-	-	39,631,346
Other	2,015,879	185,980	-	-	(318,278)	1,883,581
Assets limited as to use, current portion	10,223,767	-	-	-	-	10,223,767
Inventories	5,652,581	-	-	-	-	5,652,581
Prepaid expenses	5,626,510	-	3,991	-	-	5,630,501
Total current assets	89,387,452	262,319	2,058,536	1,108,131	(318,278)	92,498,160
Noncurrent Assets:						
Assets limited as to use:						
Under bond indenture	23,224,315	-	-	-	-	23,224,315
Board-designated for specific purposes	163,850,776	-	-	-	-	163,850,776
	187,075,091	-	-	-	-	187,075,091
Less portion required for current liabilities	10,223,767	-	-			10,223,767
	176,851,324	-	-	-	-	176,851,324
Capital assets	202,363,110	-	1,303,936	952,203	-	204,619,249
Debt issuance costs, net of accumulated amortization	3,578,761	-	-	-	-	3,578,761
Investment in related organizations and associated companies *	7,086,201	-	-	-	(4,756,245)	2,329,956
Deferred compensation and life insurance	3,095,442	-	-	-	-	3,095,442
Interest rate swap agreement	10,228	-	-	-	-	10,228
Other receivables	-	-	-	210,720	-	210,720
Total noncurrent assets	392,985,066	-	1,303,936	1,162,923	(4,756,245)	390,695,680
	$ 482,372,518	$ 262,319	$ 3,362,472	$ 2,271,054	$ (5,074,523)	$ 483,193,840

* EJGH carries its investment in EJPN, LLC at $1,773,458 as of December 31, 2005. This investment should be carried at $123,531. The effects of this investment have been properly eliminated in the combined balance sheet as of December 31, 2005.

Liabilities and Net Assets	EJGH	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Current Liabilities:						
Current maturities of long-term debt	$ 6,475,408	$ -	$ -	$ -	$ -	$ 6,475,408
Outstanding checks in excess of bank balance	2,254,457	-	-	-	-	2,254,457
Accounts payable	12,933,751	132,286	38,333	-	(318,278)	12,786,092
Accrued expenses:						
Salaries and wages	2,107,321	-	-	-	-	2,107,321
Paid leave	3,238,533	-	-	-	-	3,238,533
Health insurance claims	3,186,333	-	-	-	-	3,186,333
Interest	3,997,766	-	-	-	-	3,997,766
Estimated third-party payor settlements	8,386,686	-	-	-	-	8,386,686
Other, primarily advances from insurance carrier	14,177,634	-	52,313	-	-	14,229,947
Total current liabilities	56,757,889	132,286	90,646	-	(318,278)	56,662,543
Noncurrent Liabilities:						
Deferred compensation and executive benefits	1,342,417	-	-	-	-	1,342,417
Retirement benefits	29,526	-	-	-	-	29,526
Estimated self-insurance reserves	4,330,035	-	-	-	-	4,330,035
Long-term debt, less current maturities	161,678,765	-	-	-	-	161,678,765
Minority interest in related organizations	-	-	-	-	2,566,595	2,566,595
Total noncurrent liabilities	167,380,743	-	-	-	2,566,595	169,947,338
Total liabilities	224,138,632	132,286	90,646	-	2,248,317	226,609,881
Net Assets:						
Invested in capital assets, net of related debt	37,787,697	-	1,303,936	952,203	-	40,043,836
Restricted under bond indenture	23,224,315	-	-	-	-	23,224,315
Unrestricted *	197,221,874	130,033	1,967,890	1,318,851	(7,322,840)	193,315,808
Total net assets	258,233,886	130,033	3,271,826	2,271,054	(7,322,840)	256,583,959
	$ 482,372,518	$ 262,319	$ 3,362,472	$ 2,271,054	$ (5,074,523)	$ 483,193,840

East Jefferson General Hospital
and Related Organizations

Combining Balance Sheet
December 31, 2004

Assets	EJGH	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Current Assets:						
Cash and cash equivalents	$ 149,171	$ 74,441	$ 1,038,870	$ 1,894,882	$ -	$ 3,157,364
Short-term investments	22,189,553	-	-	-	-	22,189,553
Receivables:						
Patients, net	37,314,204	-	816,806	-	-	38,131,010
Other	1,252,190	159,773	-	-	(278,571)	1,133,392
Estimated third-party payor settlements	3,397,312	-	-	-	-	3,397,312
Assets limited as to use, current portion	64,803,454	-	-	-	-	64,803,454
Inventories	5,934,822	-	-	-	-	5,934,822
Prepaid expenses	5,481,347	-	3,991	-	-	5,485,338
Total current assets	140,522,053	234,214	1,859,667	1,894,882	(278,571)	144,232,245
Noncurrent Assets:						
Assets limited as to use:						
Under bond indenture	76,810,645	-	-	-	-	76,810,645
Board-designated for specific purposes	169,961,646	-	-	-	-	169,961,646
	246,772,291	-	-	-	-	246,772,291
Less portion required for current liabilities	64,803,454	-	-	-	-	64,803,454
	181,968,837	-	-	-	-	181,968,837
Capital assets, net	210,227,129	-	1,971,307	-	-	212,198,436
Debt issuance costs, net of accumulated amortization	4,052,253	-	-	-	-	4,052,253
Investment in related organizations and associated companies *	7,855,144	-	-	-	(5,125,214)	2,729,930
Deferred compensation and life insurance	2,757,352	-	-	-	-	2,757,352
Other receivables	542,876	-	-	109,491	-	652,367
Total noncurrent assets	407,403,591	-	1,971,307	109,491	(5,125,214)	404,359,175
	$ 547,925,644	$ 234,214	$ 3,830,974	$ 2,004,373	$ (5,403,785)	$ 548,591,420

* EJGH carries its investment in EJPN, LLC at $2,063,462 as of December 31, 2004. This investment should be carried at $109,656. The effects of this investment have been properly eliminated in the combined balance sheet as of December 31, 2004.

Liabilities and Net Assets	EJGH	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Current Liabilities:						
Current maturities of long-term debt	$ 61,033,540	$ -	$ -	$ -	$ -	$ 61,033,540
Accounts payable	10,479,957	118,786	10,204	-	(278,571)	10,330,376
Accrued expenses:						
Salaries and wages	1,640,273	-	-	-	-	1,640,273
Paid leave	3,326,042	-	-	-	-	3,326,042
Health insurance claims	2,002,255	-	-	-	-	2,002,255
Interest	4,268,454	-	-	-	-	4,268,454
Other	1,627,388	-	53,320	-	-	1,680,708
Total current liabilities	84,377,909	118,786	63,524	-	(278,571)	84,281,648
Noncurrent Liabilities:						
Deferred compensation and executive benefits	1,929,609	-	-	-	-	1,929,609
Retirement benefits	27,213	-	-	-	-	27,213
Estimated self-insurance reserves	2,908,450	-	-	-	-	2,908,450
Long-term debt, less current maturities	168,154,173	-	-	-	-	168,154,173
Interest rate swap agreement	894,483	-	-	-	-	894,483
Minority interest in related organizations	-	-	-	-	2,733,701	2,733,701
Total noncurrent liabilities	173,913,928	-	-	-	2,733,701	176,647,629
Total liabilities	258,291,837	118,786	63,524	-	2,455,130	260,929,277
Net Assets:						
Invested in capital assets, net of related debt	40,020,232	-	1,971,307	-	-	41,991,539
Restricted under bond indenture	21,672,085	-	-	-	-	21,672,085
Unrestricted *	227,941,490	115,428	1,796,143	2,004,373	(7,858,915)	223,998,519
Total net assets	289,633,807	115,428	3,767,450	2,004,373	(7,858,915)	287,662,143
	$ 547,925,644	$ 234,214	$ 3,830,974	$ 2,004,373	$ (5,403,785)	$ 548,591,420

East Jefferson General Hospital
and Related Organizations

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2005

	EJGH	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Operating revenue:						
Net patient service revenue	$ 248,298,678	$ -	$ 3,089,010	$ -	$ -	$ 251,387,688
Other operating revenue	5,377,739	-	-	-	-	5,377,739
Total operating revenue	253,676,417	-	3,089,010	-	-	256,765,427
Operating expenses:						
Salaries, wages, and benefits	140,009,593	-	-	-	-	140,009,593
Purchased services and other	77,182,102	13,500	1,308,888	-	(26,208)	78,478,282
Supplies	42,662,531	-	-	-	-	42,662,531
Depreciation and amortization	26,818,561	-	681,369	-	(290,004)	27,209,926
Interest	10,246,692	-	-	-	-	10,246,692
Total operating expenses	296,919,479	13,500	1,990,257	-	(316,212)	298,607,024
Income (loss) from operations	(43,243,062)	(13,500)	1,098,753	-	316,212	(41,841,597)
Nonoperating revenue (expenses):						
Investment earnings	8,662,175	1,897	5,623	37,350	-	8,707,045
Rental income from leases	2,653,593	26,208	-	-	(26,208)	2,653,593
Community benefit services	(296,600)	-	-	-	-	(296,600)
Loss on sale of property and equipment	(414,035)	-	-	-	-	(414,035)
Insurance proceeds	1,147,000	-	-	-	-	1,147,000
Contributions	51,717	-	-	-	-	51,717
Equity in net income (loss) of related organizations and associated companies	206,774	-	-	-	(471,795)	(265,021)
Change in fair value of interest rate swap agreement	904,711	-	-	-	-	904,711
	12,915,335	28,105	5,623	37,350	(498,003)	12,488,410
Excess of revenue over (under) expenses before capital contribution (distribution), transfers, and minority interest	(30,327,727)	14,605	1,104,376	37,350	(181,791)	(29,353,187)
Capital contribution (distribution)	-	-	(1,600,000)	229,331	1,370,669	-
Transfers to Jefferson Parish	(1,072,194)	-	-	-	-	(1,072,194)
Minority interest in net income of related organizations	-	-	-	-	(652,803)	(652,803)
Change in net assets	(31,399,921)	14,605	(495,624)	266,681	536,075	(31,078,184)
Net assets:						
Beginning	289,633,807	115,428	3,767,450	2,004,373	(7,858,915)	287,662,143
Ending	$ 258,233,886	$ 130,033	$ 3,271,826	$ 2,271,054	$ (7,322,840)	$ 256,583,959

East Jefferson General Hospital
and Related Organizations

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2004

	EJGH	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Operating revenue:						
Net patient service revenue	$ 261,487,812	$ -	$ 2,941,083	$ -	$ -	$ 264,428,895
Other operating revenue	5,974,617	-	-	-	-	5,974,617
Total operating revenue	267,462,429	-	2,941,083	-	-	270,403,512
Operating expenses:						
Salaries, wages, and benefits	135,657,311	-	-	-	-	135,657,311
Purchased services and other	70,807,440	13,523	1,359,609	473	(26,208)	72,154,837
Supplies	41,379,335	-	-	-	-	41,379,335
Depreciation and amortization	19,977,563	-	261,763	-	(290,004)	19,949,322
Interest	11,791,254	-	-	-	-	11,791,254
Total operating expenses	279,612,903	13,523	1,621,372	473	(316,212)	280,932,059
Income (loss) from operations	(12,150,474)	(13,523)	1,319,711	(473)	316,212	(10,528,547)
Nonoperating revenue (expenses):						
Investment earnings	4,335,590	611	1,561	4,846	-	4,342,608
Rental income from leases	3,328,975	26,208	-	-	(26,208)	3,328,975
Community benefit services	(480,790)	-	-	-	-	(480,790)
Gain on sale of property and equipment	61,014	-	-	-	-	61,014
Contributions	76,594	-	-	-	-	76,594
Equity in net income of related organizations and associated companies	1,627,891	-	-	-	(717,629)	910,262
Grant revenue	298,907	-	-	-	-	298,907
Change in fair value of interest rate swap agreement	(894,483)	-	-	-	-	(894,483)
	8,353,698	26,819	1,561	4,846	(743,837)	7,643,087
Excess of revenue over (under) expenses before capital contribution (distribution), transfers, and minority interest	(3,796,776)	13,296	1,321,272	4,373	(427,625)	(2,885,460)
Capital contribution (distribution)	-	-	(700,000)	2,000,000	(1,300,000)	-
Transfers to Jefferson Parish	(1,062,337)	-	-	-	-	(1,062,337)
Minority interest in net income of related organizations	-	-	-	-	(627,119)	(627,119)
Change in net assets	(4,859,113)	13,296	621,272	2,004,373	(2,354,744)	(4,574,916)
Net assets:						
Beginning	294,492,920	102,132	3,146,178	-	(5,504,171)	292,237,059
Ending	$ 289,633,807	$ 115,428	$ 3,767,450	$ 2,004,373	$ (7,858,915)	$ 287,662,143

East Jefferson General Hospital
and Related Organizations

Statements of Revenue, Expenses, and Changes in Net Assets Information
(Hospital Only)
Years Ended December 31, 2005 and 2004

Gross Patient Service Revenue, Summary by Department	**2005 Inpatient**	**2005 Outpatient**	**2005 Total**
Routine care services:			
Medical and surgical	$ 84,623,300	$ 4,562,258	$ 89,185,558
Intensive care	19,297,307	1,798	19,299,105
Coronary care	5,149,464	-	5,149,464
Psychiatric care	5,678,724	574,878	6,253,602
Nursery	12,069,474	183	12,069,657
Rehabilitation	4,679,038	-	4,679,038
Skilled nursing facility	5,854,376	-	5,854,376
	137,351,683	5,139,117	142,490,800
Ancillary services:			
Ambulance	1,444,125	5,531,753	6,975,878
Anesthesiology	12,565,174	11,929,687	24,494,861
Blood bank	5,999,895	1,560,895	7,560,790
Cardiology	46,029,943	25,649,638	71,679,581
Central supply	4,787,649	2,531,150	7,318,799
Dialysis	3,276,017	176,514	3,452,531
Electroencephalography	317,557	185,687	503,244
Emergency services	8,520,650	19,924,892	28,445,542
Endoscopy	2,549,598	6,443,151	8,992,749
Labor and delivery	5,437,557	762,053	6,199,610
Laboratory	28,198,910	24,831,447	53,030,357
Magnetic resonance imaging	2,500,312	7,570,908	10,071,220
Operating and recovery	69,436,589	70,210,979	139,647,568
Outpatient screening of wellness	-	1,802,500	1,802,500
Pharmacy and IV solution	86,182,724	22,550,385	108,733,109
Physical therapy	10,182,309	2,410,312	12,592,621
Physician network revenue	-	20,552,493	20,552,493
Radiation therapy	1,054,565	12,572,407	13,626,972
Radiology	27,850,707	47,469,445	75,320,152
Respiratory care	19,972,596	3,405,450	23,378,046
Wound care center	33,519	2,125,973	2,159,492
	336,340,396	290,197,719	626,538,115
	$ 473,692,079	$ 295,336,836	769,028,915
Less charity care			1,180,234
Gross patient service revenue			767,848,681
Less discounts, allowances, and estimated contractual adjustments under third-party reimbursement programs			484,677,140
Less provision for bad debts			34,872,863
Net patient service revenue			$ 248,298,678

	2004	
Inpatient	Outpatient	Total
$ 80,708,342	$ 4,461,662	$ 85,170,004
18,542,793	3,612	18,546,405
5,134,138	175	5,134,313
5,826,180	572,382	6,398,562
12,534,838	484	12,535,322
5,289,470	-	5,289,470
5,449,470	-	5,449,470
133,485,231	5,038,315	138,523,546
1,454,140	5,835,566	7,289,706
13,505,791	12,157,469	25,663,260
6,016,412	1,698,543	7,714,955
48,745,163	22,592,221	71,337,384
5,176,996	2,632,539	7,809,535
3,119,950	124,352	3,244,302
304,523	266,144	570,667
8,573,777	20,669,420	29,243,197
2,660,815	7,809,773	10,470,588
7,921,899	806,735	8,728,634
27,652,113	23,661,343	51,313,456
2,656,461	7,608,347	10,264,808
68,255,754	70,620,302	138,876,056
-	763,699	763,699
81,229,997	24,543,250	105,773,247
9,989,328	2,770,230	12,759,558
-	18,281,243	18,281,243
1,009,471	11,811,494	12,820,965
28,442,097	50,164,855	78,606,952
18,581,824	3,613,529	22,195,353
16,636	2,505,953	2,522,589
335,313,147	290,937,007	626,250,154
$ 468,798,378	$ 295,975,322	764,773,700
		3,263,212
		761,510,488
		470,423,082
		29,599,594
		$ 261,487,812

East Jefferson General Hospital
and Related Organizations

Statements of Revenue, Expenses, and Changes in Net Assets Information
(Hospital Only)
Years Ended December 31, 2005 and 2004

Other Revenue	**2005**	2004
Cafeteria	**$ 1,774,646**	$ 1,808,410
Educational fees	**21,140**	36,226
Special meals	**582,149**	672,124
Vending machines	**350,564**	358,651
LTAC services	**612,283**	751,806
Wellness Center membership fees	**1,781,504**	1,851,965
Elder Advantage fees	**31,705**	34,989
Miscellaneous	**223,748**	460,446
	$ 5,377,739	$ 5,974,617

Provision for Discounts, Allowances, and Estimated Contractual Adjustments under Third-Party Reimbursement Programs		
Medicare contractual adjustments	**$ 229,571,661**	$ 228,771,970
Medicaid contractual adjustments	**39,166,294**	40,552,475
Managed care discounts	**215,462,751**	200,813,697
Obstetric package discounts	**476,434**	284,940
	$ 484,677,140	$ 470,423,082

East Jefferson General Hospital
and Related Organizations

Statements of Revenue, Expenses, and Changes In Net Assets Information
(Hospital Only)
Years Ended December 31, 2005 and 2004

	2005			
Departmental Expenses	**Salaries, Wages and Benefits**	**Purchased Services and Other**	**Supplies**	**Total**
Routine services:				
Medical and surgical	$ 22,586,392	$ 2,783,536	$ 1,298,881	$ 26,668,809
Intensive care	5,158,931	415,045	417,847	5,991,823
Coronary care	1,588,379	178,318	90,520	1,857,217
Psychiatric care	1,530,549	169,563	25,859	1,725,971
Nursery	3,168,697	87,237	211,948	3,467,882
Nursing administration	331,621	9,017	21,389	362,027
Rehabilitation	1,251,485	212,954	73,700	1,538,139
Skilled nursing facility	1,834,435	196,432	122,396	2,153,263
	37,450,489	4,052,102	2,262,540	43,765,131
Ancillary services:				
Ambulance	2,776,448	827,989	246,373	3,850,810
Anesthesiology	119,231	2,591,122	1,141,994	3,852,347
Blood bank	631,356	205,175	1,770,443	2,606,974
Cardiology	3,036,734	114,692	7,347,839	10,499,265
Central supply	370,655	498,174	1,325,092	2,193,921
Dialysis	-	860,593	7,245	867,838
Electroencaphalography	63,044	1,683	4,203	68,930
Emergency services	4,521,394	453,273	584,256	5,558,923
Endoscopy	693,373	30,611	367,950	1,091,934
Labor and delivery	1,607,845	110,273	350,600	2,068,718
Laboratory	3,064,073	1,360,745	1,557,518	5,982,336
Magnetic resonance imaging	322,285	602,850	355,614	1,280,749
Operating and recovery	6,327,206	2,376,204	16,865,860	25,569,270
Occupational Medicine & Wellness Center	1,237,782	1,538,092	106,699	2,882,573
Pharmacy and IV solution	2,690,489	17,038,811	648,965	20,378,265
Physical therapy	2,417,944	325,919	66,243	2,810,106
Radiation therapy	764,270	245,286	122,831	1,132,387
Radiology	4,795,776	432,179	2,954,590	8,182,545
Respiratory care	3,559,114	666,643	470,129	4,695,886
Wound care center	435,866	30,031	89,985	555,882
	$ 39,434,885	$ 30,310,345	$ 36,384,429	$ 106,129,659

2004			
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 20,772,076	$ 2,088,928	$ 1,368,824	$ 24,229,828
4,798,994	311,926	410,761	5,521,681
1,483,339	226,244	97,633	1,807,216
1,563,635	119,655	28,730	1,712,020
2,984,481	101,280	221,274	3,307,035
179,150	10,360	15,033	204,543
1,345,025	197,652	88,673	1,631,350
1,533,230	239,647	125,045	1,897,922
34,659,930	3,295,692	2,355,973	40,311,595
2,455,572	99,657	237,531	2,792,760
123,228	3,102,301	1,077,564	4,303,093
609,538	165,723	1,493,212	2,268,473
3,073,958	37,576	7,653,103	10,764,637
336,174	321,472	1,457,929	2,115,575
-	685,704	7,734	693,438
62,684	6,567	6,289	75,540
4,055,498	401,822	530,166	4,987,486
632,588	12,046	478,668	1,123,302
1,597,216	56,169	373,548	2,026,933
2,862,325	1,223,572	1,148,764	5,234,661
238,170	780,105	529,820	1,548,095
6,127,195	2,474,949	14,765,613	23,367,757
1,220,337	408,490	144,739	1,773,566
2,450,300	16,898,440	703,511	20,052,251
2,419,528	108,011	67,671	2,595,210
716,766	230,209	142,478	1,089,453
4,901,145	628,333	3,249,725	8,779,203
3,273,234	471,841	422,422	4,167,497
439,258	38,901	103,747	581,906
$ 37,594,714	$ 28,151,888	$ 34,594,234	$ 100,340,836

(Continued)

East Jefferson General Hospital
and Related Organizations

Statements of Revenue, Expenses, and Changes in Net Assets Information
(Hospital Only) (Continued)
Years Ended December 31, 2005 and 2004

	2005			
Departmental Expenses	**Salaries, Wages and Benefits**	**Purchased Services and Other**	**Supplies**	**Total**
General services:				
Dietary and cafeteria	$ 2,173,825	$ 165,058	$ 1,911,822	$ 4,250,705
Housekeeping	1,953,270	431,640	317,811	2,702,721
Laundry	-	184,253	(48,011)	136,242
Plant engineering and security	2,736,834	4,117,507	514,207	7,368,548
Utilities	-	4,658,100	-	4,658,100
	6,863,929	9,556,558	2,695,829	19,116,316
Fiscal and administrative services:				
Accounting	597,971	8,183	10,727	616,881
Administration	11,712,450	8,395,466	525,987	20,633,903
Information systems	432,994	9,485,177	146,724	10,064,895
Education	377,116	127,543	19,317	523,976
Employee benefits	24,932,275	-	-	24,932,275
Financial support services	882,773	70,314	3,322	956,409
Insurance	-	5,698,513	-	5,698,513
Medical records	1,827,222	742,444	87,549	2,657,215
Miscellaneous	-	450,605	-	450,605
Patient accounts	1,742,526	1,704,104	60,310	3,506,940
Personnel	1,671,481	239,060	32,354	1,942,895
Physician's network	9,951,197	1,866,571	176,769	11,994,537
Printing and duplication	75,051	33,937	180,638	289,626
Professional fees	-	2,684,500	-	2,684,500
Public relations	1,409,642	1,693,289	55,465	3,158,396
Purchasing	293,447	11,466	3,906	308,819
Telephone service	201,458	4,577	167	206,202
Volunteer services	152,687	47,348	16,498	216,533
	56,260,290	33,263,097	1,319,733	90,843,120
Total	$ 140,009,593	$ 77,182,102	$ 42,662,531	$ 259,854,226

2004			
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 2,218,724	$ 162,229	$ 1,966,443	$ 4,347,396
1,798,616	388,419	319,513	2,506,548
-	191,501	20,890	212,391
2,282,032	4,619,875	487,775	7,389,682
-	3,868,362	-	3,868,362
6,299,372	9,230,386	2,794,621	18,324,379
573,005	17,543	10,924	601,472
10,906,474	3,996,644	607,233	15,510,351
159,423	9,552,967	152,941	9,865,331
398,618	155,502	37,431	591,551
27,423,928	-	-	27,423,928
917,909	79,833	4,520	1,002,262
-	5,488,886	-	5,488,886
1,766,575	660,898	129,786	2,557,259
-	646,595	-	646,595
1,701,829	1,664,262	158,437	3,524,528
1,408,779	270,854	34,555	1,714,188
9,810,335	2,592,874	192,703	12,595,912
99,753	29,689	239,553	368,995
-	2,481,588	-	2,481,588
1,337,554	1,703,909	44,920	3,086,383
297,210	17,361	2,586	317,157
165,895	722,166	2,181	890,242
136,008	47,903	16,737	200,648
57,103,295	30,129,474	1,634,507	88,867,276
$ 135,657,311	$ 70,807,440	$ 41,379,335	$ 247,844,086

East Jefferson General Hospital
and Related Organizations

Hospital Statistics
Years Ended December 31, 2005 and 2004

	(Unaudited)	
	2005	2004
Total admissions	**20,025**	20,730
Inpatient admissions, excluding nursery	**16,609**	18,742
Nursery, newborn and neonatal	**1,897**	1,988
Total patient days of service	**123,399**	119,809
Inpatients, excluding nursery	**115,184**	111,433
Nursery, neonatal	**4,001**	4,077
Nursery, newborn	**4,214**	4,299
Special care units days of service, included in inpatient days of service above:		
Psychiatric unit	**6,598**	6,776
Rehabilitation unit	**6,824**	7,728
Skilled nursing facility unit	**10,555**	9,784
Average daily census	**338.0**	327.3
Inpatients, excluding nursery	**326.5**	315.6
Nursery, neonatal	**11.0**	11.1
Nursery, newborn	**11.5**	11.7
Percentage of occupancy, inpatients, excluding nursery	**71.9%**	68.6%
Medicare percentage of total patient days	**57.7%**	54.3%
Average length of stay (days):		
Inpatients, excluding nursery	**6.5**	6.2
Nursery, newborn and neonatal	**4.3**	4.2
Psychiatric unit	**6.0**	4.9
Rehabilitation unit	**13.2**	12.2
Skilled nursing facility unit	**12.6**	13.1

East Jefferson General Hospital
and Related Organizations

Hospital Statistics
Years Ended December 31, 2005 and 2004

	(Unaudited)	
	2005	2004
Ambulance runs	**11,691**	12,212
Anesthesiology cases	**15,042**	15,387
Blood bank units of service	**83,477**	82,512
Cardiology:		
Cath lab procedures	**11,221**	10,597
Noninvasive procedures	**63,329**	64,104
Deliveries, newborn	**1,905**	1,963
EEG tests	**1,525**	1,856
Emergency room visits	**51,075**	50,010
Endoscopy procedures	**10,064**	11,372
Laboratory units of service	**921,828**	923,809
Operations performed	**15,054**	15,441
Open heart operations	**292**	308
Physical therapy relative value units	**62,041**	47,611
Recovery room visits	**10,646**	10,602
Respiratory care units of service	**342,127**	325,276
Radiology:		
Diagnostic exams	**86,035**	86,473
CT scans	**33,502**	32,193
Nuclear medicine exams	**7,845**	7,982
Ultrasonic procedures	**14,217**	14,371
Special procedures	**4,469**	5,661
MRI procedures	**7,871**	8,050
Full-time equivalent employees	**2,254**	2,035

McGladrey & Pullen
Certified Public Accountants

LaPorte Sehrt Romig Hand
Certified Public Accountants

Independent Auditor's 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

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the combined basic financial statements of East Jefferson General Hospital and related organizations as of and for the year ended December 31, 2005, and have issued our report thereon dated February 17, 2006, except for Note 7, Item (E), as to which the date is December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Jefferson General Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of East Jefferson General Hospital in a separate letter dated February 17, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Jefferson General Hospital's combined basic 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Item 05-A.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
February 17, 2006

LaPorte, Sehrt, Romig & Hand

Metairie, Louisiana
February 17, 2006

East Jefferson General Hospital
and Related Organizations

Summary Schedule of Current Audit Findings
Year Ended December 31, 2005

05-A:

Finding: The Organization did not comply with certain bond covenants.

Conditions: The Series 1993, 1998, and 2004 Revenue Bonds require the Hospital to maintain a net income available for debt service ratio of 110% of the principal and interest payments due on the bonds during the fiscal year. The Hospital did not meet the required ratio for the year ended December 31, 2005.

Effect: Noncompliance with bond covenants.

Recommendation: We recommend the Organization develop steps to be in compliance with its covenants.

Response and corrective action plan: The Hospital notified all bond trustees of the noncompliance prior to year-end and is working with them to develop plans to alleviate the situation.

**East Jefferson General Hospital
and Related Organizations**

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2005**

None

McGladrey & Pullen
Certified Public Accountants

LaPorte Sehrt Romig Hand
Certified Public Accountants

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

In connection with our audit of the combined basic financial statements of East Jefferson General Hospital and related organizations for the year ended December 31, 2005, we made certain observations. The purpose of this letter is to summarize those observations and provide recommendations which we believe will assist management in improving internal and administrative controls and operational efficiency.

CURRENT YEAR RECOMMENDATIONS – None

PRIOR YEAR RECOMMENDATIONS

Equipment and Software

The Hospital has entered an agreement to purchase a new software system. Management should identify the cost and the associated net book value of the "old system" on the Hospital's financial statements. We recommend that management verify if the depreciable life assigned is such that these assets will be fully depreciated by the time the old system is no longer in use. This analysis may or may not result in accelerating depreciation on these assets over the implementation period.

Management's Response: The Hospital will initiate this process with Phoenix and Cerner input to identify when and what systems will become obsolete during the Enterprise Solution process. Additional depreciation expense will be recorded if it is determined to be a material amount during this project phase, based upon the analysis and implementation related schedules.

Status: IN PROCESS – Management continues to analyze systems that will become obsolete and the additional depreciation expense to be recorded.

Arbitrage Calculation

The Hospital did not obtain a formal arbitrage rebate liability calculation related to the Series 1993 and 1998 Revenue Bonds. Management has performed internal calculations to ensure that there is no potential arbitrage rebate liability related to these bonds; however, we wanted to make you aware of this required calculation.

Management's Response: Management has made the decision that obtaining a formal arbitrage rebate liability calculation would not be cost justified at this time.

Status: IN PROCESS – The calculation has not been performed.

EJPN, LLC

The Hospital does not account for its investment in EJPN, LLC on the equity method of accounting. The effects of this difference are eliminated for combined report purposes, however the net assets of the Hospital's standalone financial statements are overstated. Management should evaluate the need for this entity and adjust its investment to the appropriate balance.

Management's Response: Management is in the process of analyzing whether or not to dissolve the LLC as perhaps its useful life has been exhausted. In 2003 management started recording this entity on combined basis. All financial statements issued to external third parties are on a combined basis with appropriate eliminating entries.

Status: RESOLVED

PET Scan Center of East Jefferson, LLC

We noted several of the estimated useful lives assigned to capital assets owned by the PET Scan Center were not appropriate. We recommend that Hospital management work with the PET Scan Center to assign proper lives to the depreciable assets. If an agreement on the proper depreciable lives assigned cannot be reached, Hospital management should adjust the financial information being combined into the Hospital's financial statements to reflect the appropriate lives for these assets and the related depreciation.

Management's Response: Management will coordinate with the PET Scan Center to assure that appropriate lives are assigned to these depreciable assets.

Status: RESOLVED

Asbestos Reserve

The Hospital recorded a reserve related to cash received to reimburse the Hospital for future asbestos removal costs related to the Browne-McHardy building. Management should monitor the costs incurred to renovate this building to ensure asbestos removal costs are properly offset to this reserve.

Management's Response: Once management has decided the outcome of dealing with asbestos in this building we will adjust our reserve at the appropriate time.

Status: RESOLVED

Supplemental Executive Retirement Plan (SERP)

The Hospital did not obtain a valuation of the SERP payable as of December 31, 2002. Due to payments made to participants of this plan during fiscal year 2002, management should consider the benefits of obtaining a formal valuation of this plan during fiscal year 2003.

Management's Response: Management is in the process of evaluating whether to continue the SERP. If the plan is continued, a formal valuation will be obtained.

Status: RESOLVED

East Jefferson Physician Network

There is no formal calculation performed for the allowance for uncollectible accounts and contractual adjustments related to East Jefferson Physician Network patient accounts receivable balances. Management should calculate an estimate of these allowances on a monthly basis based on historical reimbursement information. These calculations should also consider the age of the patient accounts receivable.

Status: RESOLVED

*****

This report is intended solely for the information and use of the Board of Directors, management, and others within the Hospital, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to thank Hospital personnel for their assistance throughout fieldwork.

We appreciate serving East Jefferson General Hospital and related organizations and would be happy to assist you in addressing and implementing any suggestions in this letter.

McGladrey & Pullen, LLP

Davenport, Iowa
February 17, 2006

LaPorte, Sehrt, Romig & Hand

Metairie, Louisiana
February 17, 2006