10002

ASSOCIATED HOSPITAL SERVICES, INC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2011 AND 2010

ASSOCIATED HOSPITAL SERVICES, INC

TABLE OF CONTENTS

PAILET, MEUNIER and LeBLANC, L.L.P.
Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Associated Hospital Services, Inc

We have audited the accompanying balance sheets of Associated Hospital Services, Inc as December 31, 2011 and 2010, and the related statements of operations, members' equity, and cash flows for the years then ended These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Associated Hospital Services, Inc at December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of Associated Hospital Services, Inc 's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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

Pailet, Meunier and LeBlanc, LLP

Metairie, Louisiana
March 14, 2012

3421 N. Causeway Blvd , Suite 701 • Metairie, LA 70002 • Telephone (504) 837-0770 • Fax (504) 837-7102
201 St. Charles Ave , Suite 2500 • New Orleans, LA 70170 • Telephone (504) 599-5905 • Fax (504) 837-7102
www pmlcpa com

ASSOCIATED HOSPITAL SERVICES, INC

BALANCE SHEETS

DECEMBER 31,

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,237,270	$ 2,518,330
Accounts Receivable	791,997	780,038
Inventory	431,789	362,497
Prepaid Expenses and Other Assets	61,347	64,944
Income Taxes Receivable		
Deferred	547,312	599,195
Total Current Assets	3,069,715	4,325,004
Investments	246,739	708,939
Fixed Assets		
Property, Plant, and Equipment		
Land	248,724	248,724
Buildings	3,062,501	3,000,401
CBWS, Machinery, and Equipment	6,253,603	6,229,456
Office Equipment and Furniture	65,284	62,241
Total Property, Plant, and Equipment	9,630,112	9,540,822
Less Accumulated Depreciation	(5,374,812)	(4,782,849)
Total Fixed Assets	4,255,300	4,757,973
TOTAL ASSETS	$ 7,571,754	$ 9,791,916

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 577,619	$ 603,927
Total Current Liabilities	577,619	603,927
DEFERRED INCOME TAXES	969,274	926,958
MEMBERS' EQUITY:		
Paid In Capital	5,532,726	5,532,726
Retained Earnings	492,135	2,728,305
Total Members' Equity	6,024,861	8,261,031
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,571,754	$ 9,791,916

SEE NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATED HOSPITAL SERVICES, INC

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	2011	2010
REVENUES	$ 5,416,901	$ 5,518,395
COSTS AND EXPENSES	5,971,442	5,393,034
INCOME (LOSS) FROM OPERATIONS	(554,541)	125,361
OTHER INCOME (EXPENSE)		
Interest Income	51,141	32,095
Miscellaneous Income	43,818	44,794
Charitable Donation	(1,727,269)	-
Interest Expense	(510)	(1,224)
Gain(Loss) on Securities	597	(33,563)
Total Other Income (Expense)	(1,632,223)	42,102
INCOME BEFORE INCOME TAXES	(2,186,764)	167,463
INCOME TAX EXPENSE (BENEFIT)		
Deferred	49,406	62,783
Total	49,406	62,783
NET INCOME (LOSS)	$ (2,236,170)	$ 104,680

SEE NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATED HOSPITAL SERVICES, INC

STATEMENTS OF MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE - JANUARY 1,2010	$ 3,496,387	$ 2,623,625	$ 6,120,012
CONTRIBUTED CAPITAL	2,036,339	-	2,036,339
NET INCOME	-	104,680	104,680
BALANCE - DECEMBER 30, 2010	5,532,726	2,728,305	8,261,031
CONTRIBUTED CAPITAL	-	-	-
NET INCOME	-	(2,236,170)	(2,236,170)
BALANCE - DECEMBER 31, 2011	$ 5,532,726	$ 492,135	$ 6,024,861

SEE NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATED HOSPITAL SERVICES, INC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES.		
NET INCOME/(LOSS)	$ (2,236,170)	$ 104,680
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	591,963	624,723
Deferred income tax expense	94,199	68,113
(Gain)/Loss on sale of equipment	-	(24,326)
Changes in operating assets and liabilities·		
Accounts receivable	(11,959)	(8,529)
Inventory	(69,292)	(36,280)
Prepaid expenses and other assets	3,597	(529)
Accounts payable and accrued expenses	(26,309)	(1,717,343)
Net Cash provided/(used) by operating activities	(1,653,971)	(989,491)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	462,200	6,107
Purchases of property, plant and equipment	(89,290)	(819,575)
Net cash provided/(used) by investing activities	372,911	(813,468)
CASH FLOWS FROM FINANCING ACTIVITIES·		
Proceeds from Capital Contributions	-	2,036,339
Net cash provided by financing activities	-	2,036,339
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,281,060)	233,380
CASH AND CASH EQUIVALENTS - BEGINNING	2,518,330	2,284,950
CASH AND CASH EQUIVALENTS - ENDING	$ 1,237,270	$ 2,518,330
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION - Cash paid during the year for		
Interest	$ 510	$ 1,224

SEE NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATED HOSPITAL SERVICES, INC

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Associated Hospital Services, Inc (the "Company") is organized as a voluntary cooperative laundry operated for the benefit of its member-owner hospitals which are currently Jefferson Parish Hospital Service District No 1 (West Jefferson Medical Center) and Jefferson Parish Hospital Service District No 2 (East Jefferson General Hospital)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Cash Equivalents – The Company considers all highly liquid investments with a maturity of three months or less or a cancelable term when purchased to be cash equivalents

Inventory – Inventory consists of rental inventory, which are stated at amortized cost based on estimated usages using industry averages and actual uses

Property, Plant and Equipment – Property, plant and equipment is stated at cost For financial reporting purposes, the Company provided depreciation for its building and improvements using the straight-line method and uses the double-declining balance and straight-line methods for its equipment, with useful lives ranging from 3 to 31 5 years The Company uses various other cost recovery methods for federal income tax purposes.

Income Taxes – The Company uses the liability method of accounting for income taxes in which tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse.

2 CASH AND CASH EQUIVALENTS

The Organization maintains a commercial non-interest bearing account which is fully insured by the Federal Deposit Insurance Corporation (FDIC) and an commercial interest bearing account which is secured up to $250,000 of federal deposit insurance The risk of maintaining a balance over the FDIC limit is mitigated by maintaining all deposits in high quality financial institutions. These deposits are stated at cost, which approximates market The Organization had $1,339,006 and $2,551,182 in deposits (collected bank balances) as of December 31, 2011 and 2010, respectively These deposits are secured from risk by federal deposit insurance and $0 of pledged securities The Organization maintained cash balances in excess of the FDIC Insurance by $197,572 and $1,980,003 as of December 31, 2011 and 2010, respectively. The Organization has not experienced any loses and does not believe it is exposed to any significant credit risk on cash balances

2 CASH AND CASH EQUIVALENTS (continued)

At December 31, 2011 and 2010 the Organization has cash and cash equivalents (book balances) totaling $1,237,270 and $2,518,330, respectively, as follows

	2011	2010
Operating Account	$ 83,102	$ 278,100
Savings Account	632,409	2,230,003
Cash Equivalents	521,759	10,227
Total	$ 1,237,270	$ 2,518,330

3. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment and depreciation are as follows as of December 31, 2011 and 2010, respectively:

	2011	2010
Land	$ 248,724	$ 248,724
Office Equipment and Furniture	65,284	62,241
CBWS, Machinery, and Equipment	6,253,603	6,229,456
Buildings	3,062,501	3,000,401
Total Property, Plant, and Equipment	9,630,112	9,540,822
Accumulated Depreciation	5,374,812	4,782,849
Net Property, Plant, and Equipment	$ 4,255,300	$ 4,757,973
Depreciation	$ 591,963	$ 624,723

4 INTEREST EXPENSE

Interest expense relating to short term debt - line of credit in the amount of $510 was paid in 2011 and interest expense amounting to $1,224 was paid in 2010

5 INCOME TAXES

The tax effects of significant components of the Company's deferred tax assets and liabilities as of December 31, 2011 and 2010 were as follows

	2011	2010
Deferred tax assets		
State net operating loss	$ 82,253	$ 81,193
Federal net operating loss	387,480	367,707
General business credit	54,267	54,267
Prepaid insurance	23,312	24,679
Charitable contributions	-	71,350
Total deferred tax assets	547,312	599,196
Deferred tax liabilities		
Property, plant and equipment	969,274	926,958
Total deferred tax liabilities	969,274	926,958
Net deferred tax liabilities	$ (421,962)	$ (327,762)

The Company's 2011 and 2010 effective tax rates differ from the statutory rate primarily due to the nondeductibility of certain expenses, including amounts relating to meals and entertainment.

Net operating loss carryforwards aggregating approximately $2,056,311 for State purposes expire between 2012 and 2021 Federal net operating loss carryforwards aggregating approximately $1,019,684 expire between 2024 and 2026 Federal general business tax credits in the amount of $54,267 may be used only against income tax liabilities

Under current federal tax law, the organization has charitable contributions in the amount of $1,727,518 which may be carried forward and utilized as a Deferred-Tax-Asset of $656,457 against income between 2011 and 2016 However, due to the net operating loss carryforwards in the previous paragraph, the organization is taking the conservative approach and electing not to record these as an asset

6 RETIREMENT PLAN

In 2002, the Company started a 401(k) plan for its employees The Company matches 100% of the employee's first 3% of salary contributed and ½% for the 4th% and 5th% of salary contributed The Company's contributions for each of the years ended December 31, 2011 and 2010 were approximately $48,563 and $46,579, respectively

7 RELATED PARTY TRANSACTIONS

The Company operates as a laundry facility and a centralized linen purchaser for members and other third parties. Revenues derived from member transactions for each of the years ended December 31, 2011 and 2010 were $2,442,688 and $2,413,695 respectively

Included in accounts receivable are receivables and finance charges from members of approximately $357,224 and $338,205 at December 31, 2011 and 2010, respectively Receivables are not collateralized.

8 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Substantially all of the Company's receivables are due from hospitals, doctors and other health care institutions. The Company manages the receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts when necessary Credit losses have not been significant.

In addition to revenues derived from members (see Note 7), approximately $1,145,115 and $1,160,275 of revenues were derived from one third-party customer during the years ended December 31, 2011 and 2010 respectively.

9 LEASES

Ryder Truck Lease & Service Agreement

Operating lease rental expense relating to the rental of delivery trucks was approximately $96,104 for the year ended December 31, 2011 and approximately $99,249 for the year ended December 31, 2010

Minimum lease payments are as follows

2012	$ 29,957
2013	29,957
2014	29,957
2015	29,957
2016	21,192
Total	$ 141,020

10 SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued Management evaluated the activity of Associated Hospital Services, Inc. through March 14, 2012, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements

PAILET, MEUNIER and LeBLANC, L.L.P.
Certified Public Accountants
Management Consultants

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
Associated Hospital Services, Inc

We have audited the financial statements of Associated Hospital Services, Inc as of and for the year ended December 31, 2011, which collectively comprise the Company's basic financial statements and have issued our report thereon dated March 14, 2012 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 Associated Hospital Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Associated Hospital Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Associated Hospital Services, Inc 's internal control over financial reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

Compliance and Other Matters

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

This report is intended solely for the information and use of the Legislative Auditor, audit committee, management, others within the organization and is not intended to be and should not be used by anyone other than these specified parties Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document

Pailet, Meunier and LeBlanc, LLP

Metairie, Louisiana
March 14, 2012

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

Associated Hospital Services, Inc
7639 Townsend Place
New Orleans, LA 70126

We have audited the financial statements of Associated Hospital Services, Inc for the year ended December 31, 2011 Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit We have communicated such information in our letter to you dated March 14, 2012 Professional standards also require that we communicate to you the following information related to our audit

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies The significant accounting policies used by Associated Hospital Services, Inc are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011 We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus All significant transactions have been recognized in the financial statements in the proper period

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit

3421 N Causeway Blvd , Suite 701 • Metairie, LA 70002 • Telephone (504) 837-0770 • Fax (504) 837-7102
201 St. Charles Ave , Suite 2500 • New Orleans, LA 70170 • Telephone (504) 599-5905 • Fax (504) 837-7102
www pmlcpa com

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management Management has corrected all such misstatements In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report We are pleased to report that no such disagreements arose during the course of our audit

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 14, 2012

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts To our knowledge, there were no such consultations with other accountants

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention

This information is intended solely for the use of management and Board of Directors of Associated Hospital Services, Inc and is not intended to be and should not be used by anyone other than these specified parties

Pailet, Meunier and LeBlanc, LLP

Metairie, LA
March 14, 2012