

East Jefferson General Hospital

Financial Report
December 31, 2013

Contents

Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 10
<hr/>	
Basic Financial Statements	
Statements of net position	11 – 12
Statements of revenue, expenses and changes in net position	13
Statements of cash flows	14 – 15
Statements of plan net position – pension trust fund	16
Statements of revenue, expenses and changes in net position – pension trust fund	17
Notes to basic financial statements	18 – 56
<hr/>	
Required Supplementary Information	
Retirement plan, schedule of funding progress	57
Other postemployment benefit plan, schedule of funding progress	58
Supplementary Information	
Combining statements of net position	59 – 66
Combining statements of revenue, expenses and changes in net position	67 – 70
Statements of revenue, expenses and changes in net position information (hospital only):	
Gross patient services revenue, summary by department	71 – 72
Other operating revenue	73
Provision for discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	73
Departmental expenses	74 – 77
Other Supplementary Information	
Hospital statistics (unaudited)	78 – 79
<hr/>	



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the discretely presented fiduciary fund of Jefferson Parish Hospital Service District No. 2, d/b/a East Jefferson General Hospital, a component unit of Jefferson Parish Louisiana, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of East Jefferson Ambulatory Surgery Center, LLC, a discretely presented component unit, for the years ended December 31, 2013 and 2012 which represents 100% of the assets, net position and revenue of this discretely presented component unit. We also did not audit the financial statements of East Jefferson General Hospital Retirement and Savings Plan, a discretely presented fiduciary fund, for the years ended December 31, 2013 and 2012, as presented on pages 16 - 17. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for East Jefferson Ambulatory Surgery Center, LLC and East Jefferson General Hospital Retirement and Savings Plan financial statements, is based solely on the reports of the other auditors. 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, the discretely presented component unit and the discretely presented fiduciary fund as of December 31, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1 to the financial statements, the Organization adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which are applied retroactively by restating the beginning net position of the Organization. Our opinion is not modified with respect of this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Retirement Plan schedule of funding progress and the Other Postemployment Benefit Plan schedule of funding progress on pages 3 - 10, 57 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The combining financial statements and other schedules, listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, the procedures as described above, and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying hospital statistics, listed in the table of contents as other supplementary information, are presented for the purpose of additional analysis and have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 and May 2, 2013 on our consideration of the Organization's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Jefferson General Hospital's internal control over financial reporting and compliance.



Davenport, Iowa
May 30, 2014



A Professional Accounting Corporation

Metairie, Louisiana
May 30, 2014

East Jefferson General Hospital

Management's Discussion and Analysis Years Ended December 31, 2013 and 2012

Management's Discussion and Analysis of East Jefferson General Hospital's (EJGH), Jefferson Parish Hospital Service District No. 2, a component of Jefferson Parish, Louisiana (the Organization) financial performance provides an overall review of the Organization's activities for the years ended December 31, 2013 and 2012. 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 basic financial statements and notes thereto.

EJGH operates a 420-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 basic financial statements also include the following blended component units: East Jefferson Physician Network, LLC which was used to acquire several physician practices; East Jefferson Radiation Oncology, LLC, which operates a radiation oncology center; East Jefferson Physicians Group, LLC (EJPG), which operates various clinic practices, the East Jefferson General Hospital Foundation, East Jefferson General Surgery Co-Management Company, LLC, East Jefferson Orthopedic Co-Management Company, LLC and Gulf South Quality Network, LLC. See Note 1 for further discussion of the reporting entity, including changes which occurred in 2013.

East Jefferson Ambulatory Surgery Center, LLC (EJASC), which operates an ambulatory surgery center, is a legally separate, discretely presented component unit. East Jefferson General Hospital Retirement and Savings Plan is a fiduciary fund type, pension trust fund.

Financial Highlights

The assets of the Organization exceeded its liabilities by \$270,769,423 and \$287,388,995 (net position) as of December 31, 2013 and 2012, respectively.

The Organization's total assets decreased by \$23,146,609 or 4.5% from December 31, 2012 and decreased by \$11,919,101 or 2.3% from December 31, 2011.

The Organization's total liabilities decreased by \$6,527,037 or 2.9% from December 31, 2012 and increased \$1,564,039 or 0.7% from December 31, 2011.

Overview of Financial Statements

The audited financial statements include the basic financial statements: Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position and Statements of Cash Flows plus the Notes to the 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 Statements of Net Position, 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 Position.

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

East Jefferson General Hospital

Management's Discussion and Analysis Years Ended December 31, 2013 and 2012

The 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 Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

Condensed Statements of Revenue, Expenses and Changes in Net Position

A summary version of the Statements of Revenue, Expenses and Changes in Net Position for the years ended December 31, 2013, 2012 and 2011 follows:

	Year Ended December 31,		
	2013	2012	2011
	(Dollars in Thousands)		
Net patient revenue	\$ 346,248	\$ 339,602	\$ 336,223
Other operating revenue	17,830	18,526	15,803
Rental income from leases	3,650	3,671	3,631
Total operating revenue	367,728	361,799	355,657
Nonoperating revenue	2,377	6,901	10,731
Total revenue	370,105	368,700	366,388
Expenses:			
Salaries, wages and benefits	171,568	174,854	171,207
Purchased services and other	129,570	118,132	109,527
Supplies	48,762	49,298	49,978
Depreciation and amortization	25,656	25,188	23,601
Interest	9,686	9,807	7,519
Total operating expenses	385,242	377,279	361,832
Nonoperating expenses	1	54	2,680
Total expenses	385,243	377,333	364,512
Excess of revenue over (under) expenses before transfers and minority interest	(15,138)	(8,633)	1,876
Transfers to Jefferson Parish	(1,481)	(1,636)	(1,547)
Distributions	-	(86)	(88)
Change in net position	(16,619)	(10,355)	241
Net position:			
Beginning	287,389	297,744	297,503
Ending	\$ 270,770	\$ 287,389	\$ 297,744

East Jefferson General Hospital

Management's Discussion and Analysis Years Ended December 31, 2013 and 2012

Operations

Year Ended December 31, 2013: The Organization's net patient service revenue increased approximately \$6,646,000 from 2012, which was primarily due to the growth in EJGH outpatient ancillary services. Specifically, during 2013 the Organization experienced significant outpatient revenue growth in Cardiology and Pharmacy services. Hospital outpatient charges increased 9.1% from 2012. In addition, net patient service revenue for EJPG increased approximately \$1,375,000 with a full year of the purchased Cardiology and Oncology practices in 2012, and the addition of a Neurology practice in 2013.

The Organization's other operating revenue decreased approximately \$696,000 due mainly to a decrease in the receipt of financial incentives from CMS for "meaningful use" of certified EHR technology to improve patient care as initial attestations were completed in 2012.

The Organization's total operating expenses increased by approximately \$7,963,000. Salaries, wages and benefits decreased approximately \$3,287,000 due, primarily, as a response to lower inpatient volumes and changes in the number of physicians employed by EJPG. Purchased services and other expenses increased approximately \$11,438,000 which is the result of increased contract expenses for outsourced IT services, increased inter-governmental transfers to support the upper payment limit program, and increased pharmaceutical expenses.

Year Ended December 31, 2012: The Organization's operations were significantly impacted by Hurricane Isaac. Hurricane Isaac hit New Orleans in the last week of August resulting in lost gross revenue of approximately \$8,000,000 and increased costs of approximately \$400,000. The total impact from this storm is estimated at \$6,000,000.

Net patient service revenue increased approximately \$3,379,000 from 2011, which was primarily due to the growth in EJGH outpatient ancillary services. Specifically, during 2012 the Organization experienced significant outpatient revenue growth in the Cardiology, Endoscopy, Pharmacy, Nuclear Medicine and Pet Fusion services. Hospital outpatient charges increased 3.3% from 2011. In addition, net patient service revenue for EJPG increased approximately \$2,882,000 with the addition of a Urologist, an Oncology Group, a Cardiology Group and an Obstetrician/Gynecologist.

Other operating revenue increased approximately \$2,723,000 due mainly to the receipt of financial incentives from CMS for "meaningful use" of certified EHR technology to improve patient care.

Total operating expenses increased by approximately \$15,447,000. Salaries, wages and benefits increased approximately \$3,647,000 due, primarily, to an increase in the number of physicians employed by EJPG. Purchased services and other expenses increased approximately \$8,605,000 which is the result of a full-year of outsourced laboratory services, increased contract expenses for outsourced IT services and increased pharmaceutical expenses.

East Jefferson General Hospital

**Management's Discussion and Analysis
Years Ended December 31, 2013 and 2012**

Condensed Statements of Net Position

Condensed versions of the Statements of Net Position as of December 31, 2013, 2012 and 2011 follow:

	December 31,		
	2013	2012	2011
(Dollars in Thousands)			
Assets:			
Current assets	\$ 162,630	\$ 172,979	\$ 190,658
Assets limited as to use, noncurrent	109,572	117,101	117,149
Capital assets, net	205,006	209,833	211,116
Other assets	14,464	14,906	7,815
Total assets	\$ 491,672	\$ 514,819	\$ 526,738
Liabilities:			
Current liabilities	\$ 50,111	\$ 51,691	\$ 48,961
Long-term debt	161,116	166,402	171,371
Retirement benefits, noncurrent	1,526	1,376	1,196
Other liabilities, noncurrent	8,149	7,961	7,466
Total liabilities	\$ 220,902	\$ 227,430	\$ 228,994
Net Position:			
Net investment in capital assets	\$ 38,430	\$ 38,443	\$ 32,186
Restricted:			
Expendable	84,892	90,725	89,416
Nonexpendable	360	360	433
Unrestricted	146,419	157,408	175,217
Unrestricted - equity interest in component unit	669	453	492
Total net position	\$ 270,770	\$ 287,389	\$ 297,744

Long-term debt consists of revenue bonds issued in 2011 (series 1998 and 1993 were refunded in year ended December 31, 2011), capital lease obligations (EJRO and EJGH), notes payable to the bank (EJGH and EJASC) and revenue bonds to finance the construction of a parking garage (Foundation). The Organization continues to make all annual and semi-annual debt service payments in compliance with these debt instruments. There are no current plans to issue additional debt or defease any existing debt. Please see the Notes to Basic Financial Statements for additional information.

December 31, 2013: Current assets decreased by approximately \$10,348,000, due primarily to the use of cash and investments, which were used for the payments of short- and long-term liabilities.

December 31, 2012: Current assets decreased by approximately \$23,803,000 due to the purchase of a physician practice and debt related payments, which reduced short-term investments.

East Jefferson General Hospital

Management's Discussion and Analysis
Years Ended December 31, 2013 and 2012

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2013	2012	2011
	(Dollars in Thousands)		
Cash provided by operating activities	\$ 17,485	\$ 12,805	\$ 27,788
Cash provided by (used in) capital and related financing activities	(35,284)	(43,571)	1,879
Cash (used in) noncapital financing activities	(7)	(491)	263
Cash provided by (used in) investing activities	18,485	29,494	(27,874)
Net increase (decrease) in cash	679	(1,763)	2,056
Cash and cash equivalents:			
Beginning	9,211	10,974	8,918
Ending	<u>\$ 9,890</u>	<u>\$ 9,211</u>	<u>\$ 10,974</u>

Year Ended December 31, 2013: Cash provided by operating activities increased by approximately \$4,680,000 over the prior year, primarily because of the increase in patient service revenue. Cash and cash equivalents increased by \$679,000 over the prior year.

Year Ended December 31, 2012: Cash provided by operating activities decreased by approximately \$14,983,000 over the prior year, primarily because of the increase in the loss from operations. Cash and cash equivalents decreased by approximately \$1,763,000 over the prior year.

East Jefferson General Hospital

Management's Discussion and Analysis Years Ended December 31, 2013 and 2012

Capital Assets

December 31, 2013: As of December 31, 2013, the Organization had approximately \$205,006,000 invested in capital assets. Capital expenditures in 2013 were approximately \$4,715,000 less than depreciation expense, which caused a decrease in capital assets from 2012 to 2013.

December 31, 2012: As of December 31, 2012, the Organization had approximately \$209,893,000 invested in capital assets. Capital expenditures in 2012 were approximately \$407,000 less than depreciation expense resulting in a decrease in capital assets from 2011 to 2012.

	December 31,		
	2013	2012	2011
	(Dollars in Thousands)		
Capital assets not being depreciated:			
Land	\$ 16,810	\$ 16,810	\$ 17,554
Construction in progress	9,731	6,061	7,284
Capital assets net of depreciation:			
Land improvements	1,060	1,212	1,321
Buildings	107,423	112,669	117,705
Fixed equipment	19,701	24,961	30,094
Major movable equipment	50,239	48,109	37,157
Minor equipment	42	11	1
Total capital assets, net	\$ 205,006	\$ 209,833	\$ 211,116

Additional information on the Organization's capital assets can be found in Note 6 of this report.

Long-Term Debt

Long-term debt includes the Hospital's Series 2011 revenue bond issue and the Foundation's revenue bonds, described in more detail in the Notes to Basic Financial Statements. The principal balance on the outstanding bonds was \$163,210,428, \$166,775,993 and \$173,202,565 as of December 31, 2013, 2012 and 2011, respectively.

Long-term debt also includes notes payable with banks and capital lease obligations which have an outstanding balance of \$4,696,408 as of December 31, 2013.

Additional information on the Organization's long-term debt can be found in Note 7 of this report.

East Jefferson General Hospital

Management's Discussion and Analysis Years Ended December 31, 2013 and 2012

Economic Factors

Year Ended December 31, 2013: Based on information from The Louisiana, Economic Outlook: 2014 and 2015, by Loren C. Scott, James A. Richardson and Judy S. Collins, employment in the New Orleans Metropolitan Service Area is projected to grow by approximately 1% in 2014 and 2015. Large construction projects continue to help drive the growth performance in the area, two of which are the construction of the new Charity Hospital, projected for completion in 2015, and the new VA hospital, projected for completion in 2016. The impact on the Organization of the opening of these two facilities has not yet been determined.

During 2013, the Organization initiated several strategic initiatives to increase volume and improve the quality and mix of healthcare services offered to the residents of Jefferson Parish and the surrounding areas. These strategic initiatives included:

- Developed a Cooperative Endeavor Agreement with West Jefferson Medical Center and Touro Infirmary for a Research Consortium,
- Opened a Heart Failure Clinic,
- Opened a Health and Wellness Clinic,
- Acquired a mature Neurologist practice to facilitate growth in the area,
- Began 24/7 outpatient services for Imaging and Lab areas, and
- Incurred significant capital outlays to improve patient rooms, began construction on a Hybrid Operating Room Suite, continued construction on a Cancer Center and upgraded the Hospital's phone system.

In addition, during 2013 the Organization was recognized by the following organizations for its quality improvement efforts:

- American Heart Association Gold Performance Achievement Award for GWTG HF,
- Women's Choice Award as America's Best Hospitals – Heart Care,
- 2013 International Stroke Conference Quality Achievement Award,
- Improved Leapfrog Score from "C" to "B", and
- First Louisiana hospital to receive Heart Failure Accreditation from the Society of Cardiovascular Patient Care.

Year Ended December 31, 2012: The Louisiana Workforce Commission projects that jobs in Southeast Louisiana will grow 1.3% annually through 2020. Based on information from The Louisiana, Economic Outlook: 2013 and 2014, by Loren C. Scott, James A. Richardson and Judy S. Collins, the New Orleans Metropolitan Service Area is projected to have a loss of 1,400 jobs in 2013 before rebounding with 4,000 new jobs in 2014. In addition to large construction projects, several firms have announced they are either coming to or expanding in the New Orleans area, including GE Capital Technology Center, Associated Wholesale Grocers and the USDA Finance Center.

During 2012, the Organization initiated several strategic initiatives to increase volume and improve the quality and mix of healthcare services offered to the residents of Jefferson Parish and the surrounding areas. These strategic initiatives included:

- Contracted with the Medical Center of Louisiana at New Orleans to place an Orthopedic Surgeon on its campus,
- Recruited a second Electrophysiologist to facilitate growth in the Cardiology Service Line including treatment of Atrial Fibrillation,

East Jefferson General Hospital

Management's Discussion and Analysis Years Ended December 31, 2013 and 2012

- Acquired a mature Medical Oncology practice with two physicians to facilitate growth in the Oncology Service Line,
- Increased the number of employed Hospitalists from seven in December 2011 to fourteen in December 2012, and
- Contracted with RehabCare effective November 2012 to manage and grow the Inpatient Rehabilitation Service Line.

In addition, during 2012 the Organization was recognized by the following organizations for its quality improvement efforts:

- Joint Commission – reaccredited in December 2012 (three years),
- Gold Seal for Stroke Care – certified by Joint Commission as an advanced primary stroke center,
- Radiation Oncology Accreditation – first in region to achieve accreditation sponsored by the National Cancer Institute and administered by the American College of Radiology,
- Nurse Magnet Hospital – third consecutive designation. Only hospital in Louisiana designated three times,
- Meaningful Use – implemented CPOE. Attested for meaningful use in May 2012, and
- HIMSS 6 – indicates level of adoption of Electronic Medical Records - December 2012.

Financial Information Contact

The Organization's 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

Statements of Net Position
December 31, 2013 and 2012

Assets	Organization		Discrete Component Unit, East Jefferson Ambulatory Surgery Center, LLC	
	2013	2012	2013	2012
Current Assets:				
Cash and cash equivalents	\$ 9,889,878	\$ 9,210,937	\$ 608,631	\$ 726,832
Short-term investments	81,610,387	91,880,780	-	-
Receivables:				
Patients, net	41,518,460	45,253,603	713,409	501,900
Other	6,028,107	4,762,933	-	-
Assets limited as to use, current portion	7,515,348	7,475,923	-	-
Inventories	7,439,536	7,169,891	-	-
Prepaid expenses	8,628,189	7,224,749	37,714	38,208
Total current assets	162,629,905	172,978,816	1,359,754	1,266,940
Noncurrent Assets:				
Assets limited as to use:				
Under bond indenture	77,170,132	82,607,797	-	-
Restricted by donor	1,949,381	2,344,748	-	-
Board-designated for strategic initiatives and for endowment	37,968,231	39,624,045	-	-
	117,087,744	124,576,590	-	-
Less portion required for current liabilities	7,515,348	7,475,923	-	-
	109,572,396	117,100,667	-	-
Capital assets:				
Nondepreciable	26,540,955	22,871,070	-	-
Depreciable, net	178,465,249	186,961,726	1,464,329	1,525,407
	205,006,204	209,832,796	1,464,329	1,525,407
Other assets	14,463,632	14,906,467	-	-
Total noncurrent assets	329,042,232	341,839,930	1,464,329	1,525,407
	\$ 491,672,137	\$ 514,818,746	\$ 2,824,083	\$ 2,792,347

See Notes to Basic Financial Statements.

Liabilities and Net Position	Organization		Discrete Component Unit, East Jefferson Ambulatory Surgery Center, LLC	
	2013	2012	2013	2012
Current Liabilities:				
Current maturities of long-term debt	\$ 5,334,355	\$ 5,022,925	\$ 150,124	\$ 1,187,009
Accounts payable	16,825,889	16,903,286	56,805	51,661
Accrued expenses:				
Salaries and wages	6,341,894	5,734,632	-	-
Paid leave	3,726,023	4,058,183	-	-
Health insurance claims	1,485,816	1,196,633	-	-
Interest	4,730,348	4,770,923	-	-
Estimated third-party payor settlements	768,970	1,829,197	-	-
Other	10,897,694	12,175,608	269,849	266,830
Total current liabilities	50,110,989	51,691,387	476,778	1,505,500
Noncurrent Liabilities:				
Deferred compensation and executive benefits	1,857,915	1,654,566	-	-
Retirement benefits	1,526,215	1,375,765	-	-
Estimated self-insurance reserves	5,190,447	5,018,782	-	-
Long-term debt, less current maturities	161,116,531	166,401,921	794,034	-
Other accrued expenses	1,100,617	1,287,330	240,947	399,314
Total noncurrent liabilities	170,791,725	175,738,364	1,034,981	399,314
Total liabilities	220,902,714	227,429,751	1,511,759	1,904,814
Commitments and Contingencies (Notes 9 and 10)				
Net Position:				
Net investment in capital assets	38,429,497	38,443,176	520,171	338,398
Restricted:				
Expendable	84,891,972	90,725,579	-	-
Nonexpendable	360,424	360,427	-	-
Unrestricted	146,418,245	157,407,171	792,153	549,135
Unrestricted - equity interest in component unit	669,285	452,642	-	-
Total net position	270,769,423	287,388,995	1,312,324	887,533
\$ 491,672,137	\$ 514,818,746	\$ 2,824,083	\$ 2,792,347	

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	Organization		Discrete Component Unit, East Jefferson Ambulatory Surgery Center, I.L.C.	
	2013	2012	2013	2012
Operating revenue:				
Net patient service revenue	\$ 346,248,059	\$ 339,601,741	\$ 7,248,082	\$ 5,928,884
Other operating revenue	17,829,680	18,526,192	4,626	10,744
Rental income from leases	3,648,945	3,671,939	-	-
Total operating revenue	367,726,684	361,799,872	7,252,708	5,939,628
Operating expenses:				
Salaries, wages and benefits	171,567,438	174,854,018	1,168,985	1,105,939
Purchased services and other	129,569,838	118,132,082	1,315,548	1,343,794
Supplies	48,762,358	49,298,556	1,329,558	990,418
Depreciation and amortization	25,656,056	25,187,719	161,360	158,763
Interest	9,685,907	9,806,686	61,086	79,918
Total operating expenses	385,241,597	377,279,061	4,036,537	3,678,832
Income (loss) from operations	(17,514,913)	(15,479,189)	3,216,171	2,260,796
Nonoperating revenue (expenses):				
Investment earnings	567,324	4,598,689	997	2,288
(Loss) on disposal of capital assets	(744)	(53,945)	-	-
Grant revenue	59,642	1,253,091	-	-
Contributions	3,391	37,564	-	-
Equity in net income of component unit and associated companies	1,747,054	1,010,775	-	-
	2,376,667	6,846,174	997	2,288
Excess of revenue over (under) expenses before transfers, change in equity interest and distributions	(15,138,246)	(8,633,015)	3,217,168	2,263,084
Transfers to Jefferson Parish	(1,481,326)	(1,635,965)	-	-
Distributions	-	(86,083)	(2,792,377)	(2,340,746)
Change in net position	(16,619,572)	(10,355,063)	424,791	(77,662)
Net position:				
Beginning (as restated)	287,388,995	297,744,058	887,533	965,195
Ending	\$ 270,769,423	\$ 287,388,995	\$ 1,312,324	\$ 887,533

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Statements of Cash Flows Years Ended December 31, 2013 and 2012

	Organization		Discrete Component Unit, East Jefferson Ambulatory Surgery Center, LLC	
	2013	2012	2013	2012
Cash Flows from Operating Activities:				
Receipts from patients and third-party payors	\$ 348,922,975	\$ 335,437,407	\$ 7,036,573	\$ 6,069,697
Payments to suppliers	(180,713,000)	(168,778,995)	(2,794,816)	(2,504,673)
Payments to employees	(170,938,537)	(173,393,371)	(1,168,985)	(1,105,940)
Other receipts	20,213,451	19,540,069	4,626	10,744
Net cash provided by operating activities	17,484,889	12,805,110	3,077,398	2,469,828
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(20,675,663)	(22,213,567)	(100,282)	(65,426)
Proceeds from disposals of capital assets	110,477	822,846	-	-
Grant revenues	59,642	1,253,091	-	-
Payment of debt issuance costs	-	(13,000)	-	-
Purchase of physician group	-	(8,831,688)	-	-
Principal payments on long-term debt	(5,052,300)	(7,807,075)	(242,851)	(238,782)
Interest payments on long-term debt	(9,726,482)	(6,782,261)	(61,086)	(79,918)
Net cash (used in) capital and related financing activities	(35,284,326)	(43,571,654)	(404,219)	(384,126)
Cash Flows from Noncapital Financing Activities:				
Contributions received	3,391	37,564	-	-
Transfers to Jefferson Parish	(1,481,326)	(1,635,965)	-	-
(Distributions) to members	-	-	(2,792,377)	(2,340,746)
Distributions from component unit and associated companies, net	1,471,379	1,107,699	-	-
Net cash (used in) noncapital financing activities	(6,556)	(490,702)	(2,792,377)	(2,340,746)
Cash Flows from Investing Activities:				
Investment earnings	2,767,989	3,229,545	997	2,288
Purchase of investments	(167,979,952)	(249,821,246)	-	-
Proceeds from sales and maturities of investments	183,538,526	275,248,182	-	-
Other	158,371	837,580	-	-
Net cash provided by investing activities	18,484,934	29,494,061	997	2,288
Increase (decrease) in cash and cash equivalents	678,941	(1,763,185)	(118,201)	(252,756)
Cash and cash equivalents:				
Beginning	9,210,937	10,974,122	726,832	979,588
Ending	\$ 9,889,878	\$ 9,210,937	\$ 608,631	\$ 726,832

(Continued)

East Jefferson General Hospital

Statements of Cash Flows (Continued)
Years Ended December 31, 2013 and 2012

	Organization		Discrete Component Unit, East Jefferson Ambulatory Surgery Center, LLC	
	2013	2012	2013	2012
Reconciliation of operating loss to net cash provided by operating activities:				
Income (loss) from operations	\$ (17,514,913)	\$ (15,479,189)	\$ 3,216,171	\$ 2,260,796
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:				
Depreciation and amortization	25,656,056	25,187,719	161,360	158,763
Interest expense	9,685,907	9,806,686	61,086	79,918
(Increase) decrease in:				
Patient receivables	3,735,143	(3,578,296)	(211,509)	140,812
Other receivables	(2,006,120)	(2,660,292)	-	-
Inventories	(269,645)	487,188	-	-
Prepaid expenses	(1,450,389)	(2,046,375)	494	(2,498)
Increase (decrease) in:				
Accounts payable	783,955	31,286	5,144	(32,495)
Third-party payor settlements	(1,060,227)	(581,578)	-	-
Accrued expenses	(413,629)	963,198	(155,348)	(135,468)
Deferred compensation and executive benefits, retirement benefits and self-insurance reserves	338,751	674,763	-	-
Net cash provided by operating activities	\$ 17,484,889	\$ 12,805,110	\$ 3,077,398	\$ 2,469,828
Noncash Investing Activities:				
Increase (decrease) in fair value of investments	\$ (2,200,665)	\$ 1,369,144	\$ -	\$ -
Equity in net income of component unit and associated companies	1,747,054	1,010,775	-	-
Noncash Capital and Related Financing Activities:				
increase (decrease) in accounts payable related to construction in progress	\$ (373,457)	\$ 2,063,376	\$ -	\$ -
Noncash Investing and Financing Activities:				
purchase of physician group:				
Patient receivables acquired	\$ -	\$ 295,691	\$ -	\$ -
Property and equipment acquired	-	111,300	-	-
Accounts payable assumed	-	(2,230)	-	-
Goodwill	-	8,426,927	-	-
Cash payment	\$ -	\$ 8,831,688	\$ -	\$ -

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Retirement and Savings Plan
 Statements of Plan Net Position - Pension Trust Fund
 December 31, 2013 and 2012

	2013	2012
Assets		
Cash and investments at fair value:		
Cash equivalents	\$ 1,561,520	\$ 1,171,968
Mutual funds	161,016,634	134,441,290
Debt securities	6,636,610	6,370,361
Equities	29,728,358	25,885,504
Investment in partnership	36,678	68,194
Total cash and investments	198,979,800	167,937,317
Receivables:		
Accrued interest and dividends	207,253	50,229
Contributions receivable:		
Employee	652,027	700,362
Employer	4,591,593	4,745,512
Total receivables	5,450,873	5,496,103
Liabilities, accounts payable	63,504	72,604
Net Position Held in Trust for Pension Benefits	\$ 204,367,169	\$ 173,360,816

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Retirement and Savings Plan

Statements of Revenue, Expenses and Changes in Net Position - Pension Trust Fund
 Years Ended December 31, 2013 and 2012

	2013	2012
Additions:		
Contributions:		
Members	\$ 8,181,147	\$ 8,246,475
Employer	7,456,076	7,785,511
Total contributions	15,637,223	16,031,986
Investment income:		
Interest	846,271	1,020,724
Dividends	5,095,650	3,708,810
Net appreciation in fair value of investments	24,692,650	13,906,114
	30,634,571	18,635,648
Less:		
Investment advisory services	345,372	325,386
Custodial fees	111,344	65,940
Net investment income	30,177,855	18,244,322
Total additions	45,815,078	34,276,308
Deductions, retirement benefits paid and savings plan withdrawals	14,808,725	13,586,090
Net increase	31,006,353	20,690,218
Net position held in trust for pension benefits:		
Beginning	173,360,816	152,670,598
Ending	\$ 204,367,169	\$ 173,360,816

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Reporting entity: 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 operates an acute care hospital and physician practices and owns certain medical office buildings. The Hospital is a component unit of Jefferson Parish, Louisiana for financial reporting purposes and is included in the basic financial statements of Jefferson Parish together with its component units, which are described below. The component units discussed below are included because the nature and significance of their relationship to the Hospital are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete under criteria set forth by the Governmental Accounting Standards Board (GASB).

Blended component units: The following component units are legally separate organizations for which the Hospital has determined should be presented as blended component units. With the exception of the Foundation, the Hospital appoints the voting majority of the component units' Board of Directors, and each has a specific financial benefit or burden to the Hospital. While the Foundation appoints its own Board of Directors, it also has a specific financial benefit to the Hospital and the resources held by the Foundation have historically been for the benefit of the Hospital. Accordingly, these organizations represent blended component units of the Hospital.

East Jefferson Radiation Oncology, LLC (EJRO) was formed in 2006 and shall continue perpetually. EJRO provides radiation oncology services. The Hospital has a 100% ownership interest in EJRO.

East Jefferson Physicians Group, LLC (EJPG) was formed in 2006 and shall continue perpetually. EJPG owns and operates a wide range of clinical practices. The Hospital has a 100% ownership interest in EJPG.

Gulf South Quality Network, LLC (GULF) was formed in 2010 and shall continue perpetually. GULF was formed to develop a physician network engaged in the process of clinical integration. The Hospital had a 100% ownership interest in GULF until during 2012 when four new organizations became Members of GULF, however, the Hospital was responsible for 100% of the losses for the year ended December 31, 2012 and GULF was therefore a blended component unit as of December 31, 2012. As of December 31, 2013, the Hospital was one of nine members; however, the Hospital was responsible for approximately 12.5% of the losses for the year ended December 31, 2013. Therefore, GULF is no longer a blended component unit and is recorded using the equity method of accounting as of December 31, 2013.

East Jefferson Physician Network, LLC (EJPN) was formed in 1996 and shall continue perpetually. EJPN is used to acquire several physician practices. The Hospital has a 95% ownership interest in EJPN as of December 31, 2013 and 2012.

East Jefferson General Surgery Co-Management Company, LLC (SURG) was formed in 2009 and shall continue perpetually. SURG entered into a management agreement with the Hospital to manage, enhance and improve general surgery services. The Hospital had a 51% ownership in SURG as of December 31, 2011. During 2012, SURG was dissolved and all assets were liquidated to the Members.

East Jefferson General Hospital

Notes to Basic Financial Statements

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

East Jefferson Orthopedic Co-Management Company, LLC (ORTHO) was formed in 2009 and shall continue perpetually. ORTHO entered into a management agreement with the Hospital to manage, enhance and improve orthopedic services. The Hospital had a 51% ownership in ORTHO as of December 31, 2011. During 2012, ORTHO was dissolved and all assets were liquidated to the Members.

East Jefferson General Hospital Foundation (Foundation) was formed in 1969 to generate philanthropic support for the Hospital. The Foundation is an independent non-profit organization governed by a community board of trustees. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organization. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of amounts to different financial statement line items, no modifications have been made to the Foundation's financial information in the Hospital's financial reporting entity for these differences. Individual financial statements can be requested from Foundation's office at 4200 Houma Blvd. Metairie, Louisiana 70006.

The Hospital, along with its blended component units, EJRO, EJPG, GULF, EJPN, SURG, ORTHO and the Foundation, are collectively referred to as the Organization.

Discrete component unit: East Jefferson Ambulatory Surgery Center, LLC (EJASC) is a legally separate, discretely presented component unit of the Hospital as the Hospital does not appoint the voting majority of EJASC's Board of Directors and EJASC does not have a specific financial benefit or burden to the Hospital. EJASC was formed in 2004 and shall continue perpetually. EJASC operates a surgery center on the Hospital's campus. The Hospital has a 51% ownership interest in EJASC as of December 31, 2013 and 2012 but only has a 50% voting right and does not have the voting majority over the board. EJASC has a December 31 fiscal year-end. EJASC is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of amounts to different financial statement line items, no modifications have been made to EJASC's financial information in the Hospital's financial reporting entity for these differences. Individual financial statements can be requested from EJASC's office at 4320 Houma Blvd. Metairie, Louisiana 70006.

Fiduciary fund: East Jefferson General Hospital Retirement and Savings Plan (Pension Trust Fund) is a fiduciary fund type, pension trust fund. The Pension Trust Fund is accounted for in essentially the same manner as 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.

East Jefferson General Hospital

Notes to Basic Financial Statements

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

Presented below are condensed combining schedules for the blended component units.

Condensed Combining Statement of Net Position

December 31, 2013

(Dollars in Thousands)

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	Foundation	Eliminations	Total Organization
Assets							
Current assets	\$ 203,823	\$ 1,986	\$ 5,635	\$ 201	\$ 1,216	\$ (50,231)	\$ 162,630
Assets limited as to use	105,718	-	-	-	3,854	-	109,572
Capital assets, net	202,900	1,908	198	-	-	-	205,006
Other assets	(30,201)	-	7,831	-	323	36,511	14,464
Total assets	\$ 482,240	\$ 3,894	\$ 13,664	\$ 201	\$ 5,393	\$ (13,720)	\$ 491,672
Liabilities and Net Position							
Liabilities							
Current liabilities	\$ 46,840	\$ 1,283	\$ 52,163	\$ -	\$ 56	\$ (50,231)	\$ 50,111
Long-term debt, less current maturities	160,485	631	-	-	-	-	161,116
Other liabilities	9,675	-	-	-	-	-	9,675
Total liabilities	217,000	1,914	52,163	-	56	(50,231)	220,902
Net position							
Net investment in capital assets	37,710	522	198	-	-	-	38,430
Restricted, expendable	83,293	-	-	-	1,599	-	84,892
Restricted, nonexpendable	-	-	-	-	350	10	360
Unrestricted	144,237	1,458	(38,697)	201	3,388	36,501	147,089
Total net position	265,240	1,980	(38,499)	201	5,337	36,511	270,770
	\$ 482,240	\$ 3,894	\$ 13,664	\$ 201	\$ 5,393	\$ (13,720)	\$ 491,672

Condensed Combining Statement of Net Position

December 31, 2012

(Dollars in Thousands)

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
Assets								
Current assets	\$ 204,254	\$ 2,144	\$ 6,461	\$ 201	\$ 47	\$ 708	\$ (40,837)	\$ 172,978
Assets limited as to use	112,749	-	-	-	-	4,352	-	117,101
Capital assets, net	207,086	2,553	194	-	-	-	-	209,833
Other assets	(19,963)	-	8,252	-	-	346	26,270	14,905
Total assets	\$ 504,126	\$ 4,697	\$ 14,907	\$ 201	\$ 47	\$ 5,406	\$ (14,567)	\$ 514,817
Liabilities and Net Position								
Liabilities								
Current liabilities	\$ 47,929	\$ 1,358	\$ 38,998	\$ -	\$ 4,187	\$ 55	\$ (40,837)	\$ 51,690
Long-term debt, less current maturities	165,016	1,386	-	-	-	-	-	166,402
Other liabilities	9,336	-	-	-	-	-	-	9,336
Total liabilities	222,281	2,744	38,998	-	4,187	55	(40,837)	227,428
Net position								
Net investment in capital assets	37,789	460	194	-	-	-	-	38,443
Restricted, expendable	88,731	-	-	-	-	1,994	-	90,725
Restricted, nonexpendable	-	-	-	-	-	350	10	360
Unrestricted	155,325	1,493	(24,285)	201	(4,140)	3,007	26,260	157,661
Total net position	281,845	1,953	(24,091)	201	(4,140)	5,351	26,270	287,389
	\$ 504,126	\$ 4,697	\$ 14,907	\$ 201	\$ 47	\$ 5,406	\$ (14,567)	\$ 514,817

East Jefferson General Hospital

Notes to Basic Financial Statements

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

Condensed Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2013
(Dollars in Thousands)

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
Total operating revenue	\$ 334,209	\$ 9,936	\$ 25,417	\$ -	\$ -	\$ 1,151	\$ (2,985)	\$ 367,728
Operating expenses, before depreciation and amortization	315,593	7,236	39,333	-	-	408	(2,985)	359,585
Depreciation and amortization	24,492	673	492	-	-	-	-	25,657
Total operating expenses	340,085	7,909	39,825	-	-	408	(2,985)	385,242
Income (loss) from operations	(5,876)	2,027	(14,408)	-	-	743	-	(17,514)
Nonoperating revenue (expenses)	(9,248)	-	-	-	-	(757)	12,381	2,376
Other changes in net position	(1,481)	(2,000)	-	-	4,140	-	(2,140)	(1,481)
Change in net position	(16,805)	27	(14,408)	-	4,140	(14)	10,241	(16,619)
Net position:								
Beginning (as restated)	281,845	1,953	(24,091)	201	(4,140)	5,351	26,270	287,369
Ending	\$ 265,240	\$ 1,980	\$ (38,499)	\$ 201	\$ -	\$ 5,337	\$ 36,511	\$ 270,770

Condensed Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2012
(Dollars in Thousands)

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
Total operating revenue	\$ 328,444	\$ 11,400	\$ 23,911	\$ 26	\$ -	\$ 59	\$ -	\$ 1,251	\$ (3,292)	\$ 361,799
Operating expenses, before depreciation and amortization	307,696	7,843	37,092	13	2	30	2,046	660	(3,291)	352,091
Depreciation and amortization	24,306	664	218	-	-	-	-	-	-	25,188
Total operating expenses	332,002	8,507	37,310	13	2	30	2,046	660	(3,291)	377,279
Income (loss) from operations	(3,558)	2,893	(13,399)	13	(2)	29	(2,046)	591	(1)	(15,480)
Nonoperating revenue (expenses)	(4,949)	-	-	-	-	-	-	(735)	12,531	6,847
Other changes in net position	(1,636)	(3,650)	-	-	(45)	(131)	-	-	3,740	(1,722)
Change in net position	(10,143)	(757)	(13,399)	13	(47)	(102)	(2,046)	(144)	16,270	(10,355)
Net position:										
Beginning (as restated)	291,988	2,710	(10,692)	188	47	102	(2,094)	5,495	10,000	297,744
Ending	\$ 281,845	\$ 1,953	\$ (24,091)	\$ 201	\$ -	\$ -	\$ (4,140)	\$ 5,351	\$ 26,270	\$ 287,369

East Jefferson General Hospital

Notes to Basic Financial Statements

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

Condensed Combining Statement of Cash Flows
Year Ended December 31, 2013
(Dollars in Thousands)

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
Operating activities	\$ 14,299	\$ 2,801	\$ (424)	\$ -	\$ -	\$ 809	\$ -	\$ 17,485
Capital and related financing activities	(34,358)	(852)	(74)	-	-	-	-	(35,284)
Noncapital financing activities	2,994	(2,000)	-	-	-	(1,001)	-	(7)
Investing activities	18,040	-	-	-	-	446	-	18,485
Net increase (decrease) in cash and cash equivalents	975	(51)	(498)	-	-	253	-	679
Cash and cash equivalents:								
Beginning of the year	7,014	1,221	340	84	-	552	-	9,211
End of the year	\$ 7,989	\$ 1,170	\$ (158)	\$ 84	\$ -	\$ 805	\$ -	\$ 9,690

Condensed Combining Statement of Cash Flows
Year Ended December 31, 2012
(Dollars in Thousands)

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
Operating activities	\$ 4,497	\$ 3,866	\$ 3,895	\$ -	\$ (2)	\$ 29	\$ -	\$ 530	\$ -	\$ 12,805
Capital and related financing activities	(33,834)	(854)	(8,883)	-	-	-	-	-	-	(43,571)
Noncapital financing activities	4,441	(3,650)	-	-	(45)	(131)	-	(1,106)	-	(491)
Investing activities	30,279	-	-	-	-	-	-	(785)	-	29,494
Net increase (decrease) in cash and cash equivalents	5,383	(638)	(4,998)	-	(47)	(102)	-	(1,361)	-	(1,763)
Cash and cash equivalents:										
Beginning of the year	1,631	1,859	5,338	84	47	102	-	1,913	-	10,974
End of the year	\$ 7,014	\$ 1,221	\$ 340	\$ 84	\$ -	\$ -	\$ -	\$ 552	\$ -	\$ 9,211

East Jefferson General Hospital

Notes to Basic Financial Statements

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

Significant accounting policies:

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 statements of net position.

Accounting standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) codification (GASB Cod.). The financial statements of the component units are also prepared in accordance with the GASB codification, as they are established for the direct benefit of the Organization. The financial statements of the Organization and its component units have been prepared on the accrual basis of accounting.

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 amounts 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 approximately \$19,457,000 and \$18,251,000 for the years ended December 31, 2013 and 2012, respectively, and is recorded as a reduction of net patient service revenue.

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.

East Jefferson General Hospital

Notes to Basic Financial Statements

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

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. 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 statements of net position. 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.

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.

The Organization has investments in associated companies and a component unit, which are accounted for by the equity method of accounting under which the Organization's share of the net income of the associated companies and component unit are recognized as income in the Organization's statements of revenue, expenses and changes in net position and is added to the investment account. Dividends and distributions received from the associated companies and component unit are treated as a reduction of the investment account. The Organization's equity in the net income of the associated companies and component unit is \$1,747,054 and \$1,010,775 for the years ended December 31, 2013 and 2012, respectively.

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 \$368,000 and \$494,000 during the years ended December 31, 2013 and 2012, respectively.

Goodwill: Goodwill is primarily the result of an acquisition of a physician group in 2012. Goodwill, which is included in other assets on the accompanying statements of net position, is being tested for impairment annually. Management performed assessments for impairment as of December 31, 2013 and 2012 and determined no goodwill impairment exists. The goodwill is subject to amortization and is amortized on a straight-line method over its estimated useful lives, which range from 10 to 20 years.

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.

East Jefferson General Hospital

Notes to Basic Financial Statements

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

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 service revenue, cafeteria and special meals, Wellness Center membership, Upper Payment Limit (UPL) revenue, electronic health records (EHR) technology incentives, rental income from leases and other miscellaneous services. Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and amortization, interest and payments related to the UPL programs and the low income and needy care collaboration. All revenue and expenses not meeting these criteria are considered nonoperating.

Electronic health records incentive program: The electronic health records incentive program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under both the Medicare and Medicaid programs are for five and six years, respectively, based on a statutory formula. The Medicaid programs are determined on a state-by-state basis, which are approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Organization initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive reporting periods. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ from the initial payments under the program, although management does not anticipate material adjustments, as input data for the EHR incentive amounts has remained relatively consistent over time. The Organization accounts for the incentive payments under the gain contingency model, which means it has met the meaningful use criteria and receipt of the incentive payments was certain. Income from incentive payments is recognized as revenue after the Organization has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period. For the year ended December 31, 2013 and 2012, the Organization has recognized EHR incentive program revenue of approximately \$2,478,000 and \$2,921,000, respectively, which is included in other operating revenue as the meaningful use objectives have been met.

Net position: Net position is reported in three components: net investment in capital assets, restricted and unrestricted. The classifications are defined as follows:

Net investment in capital assets – This component of net position 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. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – The restricted expendable component of net position consists of constraints placed on net position 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. The restricted nonexpendable component of net position are permanently unavailable for use. The earnings on the nonexpendable net position are classified as restricted expendable.

Unrestricted – This component of net position consists of net position that do not meet the definition of the other components of net position described above.

East Jefferson General Hospital

Notes to Basic Financial Statements

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

During 2013, the Organization adopted GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The adoption of these Statements, which are more fully described in Note 14, are applied retroactively by restating net position, the impact of which is presented below.

The effect is as follows:

Net position, January 1, 2012, as previously reported		\$ 295,265,469
GASB 61 impact:		
East Jefferson Ambulatory Surgery Center, LLC previously reported as a blended component unit and is now reported as a discretely presented component unit	\$ 1,544,947	
East Jefferson General Hospital Foundation previously not a component unit and is now reported as a blended component unit	5,495,407	
Minority interest in equity interests, which was previously reported as a noncurrent liability, is now reported as restricted, nonexpendable net position	82,478	
		<u>7,122,832</u>
GASB 65 impact, bond issuance costs previously reported as assets		<u>(4,644,243)</u>
Net position, January 1, 2012, as currently stated		<u><u>\$297,744,058</u></u>

Prior to adoption of GASB No. 65, bond issuance costs were capitalized and amortized over the life of the debt. The net impact of GASB Nos. 61 and 65 on the change in net position for the year ended December 31, 2012 was to decrease operating loss by \$107,438.

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. Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

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

Reclassifications: Certain items on the statement of net position and statement of revenue, expenses and changes in net position as of and for the year ended December 31, 2012 have been reclassified to be consistent with classifications adopted as of and for the year ended December 31, 2013. The reclassifications had no effect on the change in net position.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue

Approximately 97% of the Hospital's net patient service revenue for the years ended December 31, 2013 and 2012 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 are paid via the outpatient prospective payment system. Any former 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 finalized by the Medicare fiscal intermediary through December 31, 2009.

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 finalized through December 31, 2009.

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.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue (Continued)

A summary of the Organization's net patient revenue for the years ended December 31, 2013 and 2012 is as follows:

	Organization		EJASC	
	2013	2012	2013	2012
Gross patient service revenue	\$ 1,132,337,856	\$ 1,111,418,424	\$ 35,785,367	\$ 30,114,216
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	766,632,616	753,565,678	28,537,285	24,185,332
Less provision for bad debts	19,457,181	18,251,005	-	-
	<u>\$ 346,248,059</u>	<u>\$ 339,601,741</u>	<u>\$ 7,248,082</u>	<u>\$ 5,928,884</u>

Contractual adjustment expense for the years ended December 31, 2013 and 2012 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 \$1,416,000 and \$782,000 for the years ended December 31, 2013 and 2012, respectively, and is primarily related to the recognition of disproportionate share reimbursement.

Note 3. Charity Care and Community Benefit

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, 2013 and 2012 was approximately \$1,136,000 and \$2,031,000, 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 \$56,454,000 and \$47,225,000 for the years ended December 31, 2013 and 2012, 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 2013 and 2012 to the Parish to fund a medical facility at the Parish prison. Additional transfers of \$481,326 and \$635,965 for the years ended December 31, 2013 and 2012, respectively, were made to fund other Parish programs. These amounts have been recorded in the accompanying basic financial statements as transfers.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments

The Organization's cash, cash equivalents and investments as of December 31, 2013 and 2012 are classified in the accompanying statements of net position as follows:

	2013	2012
Hospital:		
Current assets:		
Cash and cash equivalents	\$ 7,989,495	\$ 7,013,725
Short-term investments:		
Certificates of deposit	250,000	250,000
Investments	81,040,791	91,630,780
Noncurrent assets, assets limited as to use:		
Investments	112,933,526	119,924,634
Other	300,000	300,000
Foundation:		
Current assets:		
Cash and cash equivalents	804,604	552,309
Short-term investments	319,596	-
Noncurrent assets, assets limited as to use, investments	3,854,218	4,351,956
Other blended component units, cash and cash equivalents	1,095,779	1,644,903
	<u>\$ 208,588,009</u>	<u>\$ 225,668,307</u>

Authorized investments:

Louisiana state statutes authorize the Hospital 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 Hospital 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 Foundation's policy allows for investing of available funds in: depository accounts in federally insured banks and savings and loan associations; money market mutual funds; fixed income securities and equity securities. The Foundation strives to obtain growth of asset value at a rate of 5% greater than inflation, as measured by CPI.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments (Continued)

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 as of December 31, 2013:

Hospital	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 -10	More than 10
Money market mutual funds	\$ 26,224,927	\$ 26,224,927	\$ -	\$ -	\$ -
Municipal bonds	167,749,390	78,619,779	72,062,426	17,067,185	-
	<u>\$ 193,974,317</u>	<u>\$ 104,844,706</u>	<u>\$ 72,062,426</u>	<u>\$ 17,067,185</u>	<u>\$ -</u>

As of December 31, 2013, the Foundation has \$4,173,814 of mutual funds, which do not have maturity dates.

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. The Organization's investment policy limits any investments in Louisiana Municipal Bonds to have long-term ratings at Baa3 or higher by Moody's Investor Service or BBB- or higher by Standard & Poor's Corporation or Fitch Inc. or short-term ratings at MIG1 or higher by Moody's Investor Service or VM1G1 or higher by Standard & Poor's Corporation or Fitch Inc. The policy also limits the total portfolio to a duration that is within a range between 50% and 150% of the duration of the Barclays Capital U.S. 1-3 Year Government Bond index and the Barclays Capital Municipal Managed Money Short/Intermediate 1-10 Year index as weighted by the portfolio holdings.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments (Continued)

As of December 31, 2013, the Hospitals investments were rated as follows:

<u>Investment Type</u>	Moody's Investor's Service	Standard & Poor's	Fair Value
Money market mutual funds	Aaa	AAA	\$ 26,224,927
Municipals bonds (rated as listed here)	Aaa	AAA	4,146,861
	Aaa	AA+	41,239,936
	Aaa	A	1,082,114
	Aaa	n/a	20,568,165
	Aa1	AA+	6,116,222
	Aa1	AAA	2,647,420
	Aa1	AA	504,495
	Aa1	n/a	3,556,595
	Aa2	AAA	206,732
	Aa2	AA+	3,647,816
	Aa2	AA	14,896,909
	Aa2	AA-	2,594,525
	Aa2	A	106,530
	Aa2	n/a	9,333,778
	Aa3	AA+	214,708
	Aa3	AA	3,495,796
	Aa3	AA-	2,598,684
	Aa3	A+	525,340
	Aa3	A	172,096
	Aa3	n/a	5,094,409
	A1	AA	1,543,075
	A1	AA-	2,164,388
	A1	A+	359,994
	A1	A	1,033,567
	A1	n/a	3,748,911
	A2	AA+	240,342
	A2	AA	1,216,317
	A2	AA-	1,768,973
	A2	A+	134,230
	A2	n/a	3,115,330
	A3	AA	875,395
	A3	AA-	263,583
	A3	A	499,825
	Baa1	AA	475,000
	Baa1	A	210,438
	n/a	AAA	1,623,067
	n/a	AA+	10,133,020
	n/a	AA	4,130,708
	n/a	AA-	6,611,058
	n/a	A+	3,864,231
	n/a	A	988,807
			<u>\$ 193,974,317</u>

The Foundation's investments are not rated.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments (Continued)

Concentration of credit risk:

The Hospital's investment policy is to apply the standard of prudence: Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The Hospital places no limits on the amount that may be invested with one issuer.

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. The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy requires all certificates of deposit and repurchase agreements be collateralized by government securities for an amount in excess of FDIC and SAIF insurance limits. Certificates of deposit or repurchase agreement with terms longer than four days must be held by an independent third party.

As of December 31, 2013, all of the Hospital's bank balances in deposits with financial institutions were covered by insurance or collateral held by financial institutions in the Hospital's name. The investments were also entirely covered by insurance or held by financial institutions in the Hospital's name.

East Jefferson General Hospital Retirement and Savings Plan:

Following are the components of the East Jefferson General Hospital Retirement and Savings Plan's (Plan) cash equivalents and investments as of December 31, 2013 and 2012:

	Defined Benefit Retirement Plan	Savings Plan	Total
	2013		
Cash equivalents	\$ 1,561,520	\$ -	\$ 1,561,520
Investments	42,171,758	155,246,522	197,418,280
	<u>\$ 43,733,278</u>	<u>\$ 155,246,522</u>	<u>\$ 198,979,800</u>
	2012		
Cash equivalents	\$ 1,171,968	\$ -	\$ 1,171,968
Investments	37,626,932	129,138,417	166,765,349
	<u>\$ 38,798,900</u>	<u>\$ 129,138,417</u>	<u>\$ 167,937,317</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments (Continued)

Cash equivalents: The Plan's cash equivalents totaling \$1,561,520 and \$1,171,968 as of December 31, 2013 and 2012, respectively, consist of government backed pooled funds. The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department.

Investments: Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. As of December 31, 2013 and 2012, the Retirement Plan's investments were held by Comerica. The Savings Plan's investments are held by VALIC.

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. As of December 31, 2013 and 2012, there were no investment holdings that exceeded the Plan's concentration of credit risk policy.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no formal investment policy regarding credit risk. Credit ratings of the Plan's investments in long-term debt securities as of December 31, 2013 and 2012 are as follows:

<u>Investment Type</u>	<u>Moody's Investor's</u>		
	<u>Service - Aaa</u>	<u>Not Rated</u>	<u>Total</u>
	2013		
U.S. government and government agency	\$ 5,164,619	\$ -	\$ 5,164,619
Mortgage backed securities	-	1,471,991	1,471,991
	<u>\$ 5,164,619</u>	<u>\$ 1,471,991</u>	<u>\$ 6,636,610</u>
	2012		
U.S. government and government agency	\$ 4,350,661	\$ -	\$ 4,350,661
Mortgage backed securities	-	2,019,700	2,019,700
	<u>\$ 4,350,661</u>	<u>\$ 2,019,700</u>	<u>\$ 6,370,361</u>

Custodial credit risk: Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan holds its cash equivalents in a nominee name in the amount of \$1,561,520 and \$1,171,968 as of December 31, 2013 and 2012, respectively. The Plan has assets in the amount of \$197,418,280 and \$166,765,349 as of December 31, 2013 and 2012, respectively, which are not held in a nominee name or in the name of the Plan and, therefore, exposed to custodial credit risk. These assets are held in Comerica and VALIC custodial accounts.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of December 31, 2013 and 2012, the Plan had the following investments in long-term debt securities and maturities:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 -10	More than 10
2013					
U.S. government and government agency	\$ 5,164,619	\$ -	\$ 1,478,496	\$ 2,514,297	\$ 1,171,826
Mortgage backed securities	1,471,991	-	-	-	1,471,991
	<u>\$ 6,636,610</u>	<u>\$ -</u>	<u>\$ 1,478,496</u>	<u>\$ 2,514,297</u>	<u>\$ 2,643,817</u>
2012					
U.S. government and government agency	\$ 4,350,661	\$ -	\$ 1,619,349	\$ 2,091,832	\$ 639,480
Mortgage backed securities	2,019,700	-	-	-	2,019,700
	<u>\$ 6,370,361</u>	<u>\$ -</u>	<u>\$ 1,619,349</u>	<u>\$ 2,091,832</u>	<u>\$ 2,659,180</u>

The Plan has no formal investment policy regarding interest rate risk.

The Plan invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Note 5. Composition of Patient Receivables

Patient receivables as of December 31, 2013 and 2012 consist of the following:

	Organization		EJASC	
	2013	2012	2013	2012
Patients	\$ 140,561,694	\$ 151,278,629	\$ 3,063,875	\$ 2,323,898
Less estimated third-party contractual adjustments	87,219,255	93,797,305	2,350,466	1,821,998
Less allowance for doubtful accounts	11,823,979	12,227,721	-	-
	<u>\$ 41,518,460</u>	<u>\$ 45,253,603</u>	<u>\$ 713,409</u>	<u>\$ 501,900</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital assets activity as of and for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2012	Additions	Disposals	Transfers	December 31, 2013
Organization:					
Capital assets not being depreciated:					
Land	\$ 16,810,445	\$ -	\$ -	\$ -	\$ 16,810,445
Construction in progress	6,060,625	9,256,232	-	(5,586,347)	9,730,510
Total capital assets not being depreciated	22,871,070	9,256,232	-	(5,586,347)	26,540,955
Capital assets being depreciated:					
Land improvements	6,306,955	-	-	-	6,306,955
Buildings	263,337,624	1,833,415	(37,393)	307,402	265,441,048
Fixed equipment	92,735,470	77,047	(7,045)	-	92,805,472
Major movable equipment	203,847,595	9,099,989	(1,082,441)	5,278,945	217,144,088
Minor equipment	897,762	35,523	-	-	933,285
Total capital assets being depreciated	567,125,406	11,045,974	(1,126,879)	5,586,347	582,630,848
Less accumulated depreciation for:					
Land improvements	5,095,180	152,027	-	-	5,247,207
Buildings	150,669,455	7,348,303	-	-	158,017,758
Fixed equipment	67,774,079	5,330,562	-	-	73,104,641
Major movable equipment	155,738,118	12,182,249	(1,015,658)	-	166,904,709
Minor equipment	886,848	4,436	-	-	891,284
Total accumulated depreciation	380,163,680	25,017,577	(1,015,658)	-	404,165,599
Total capital assets being depreciated, net	186,961,726	(13,971,603)	(111,221)	5,586,347	178,465,249
Organization capital assets, net	\$ 209,832,796	\$ (4,715,371)	\$ (111,221)	\$ -	\$ 205,006,204
EJASC:					
Capital assets being depreciated:					
Land improvements	\$ 2,063,574	\$ -	\$ -	\$ -	\$ 2,063,574
Major movable equipment	1,100,853	100,282	-	-	1,201,135
Total capital assets being depreciated	3,164,427	100,282	-	-	3,264,709
Less accumulated depreciation for:					
Land improvements	669,782	103,057	-	-	772,839
Major movable equipment	969,238	58,303	-	-	1,027,541
Total accumulated depreciation	1,639,020	161,360	-	-	1,800,380
EJASC capital assets, net	\$ 1,525,407	\$ (61,078)	\$ -	\$ -	\$ 1,464,329

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012
Organization:					
Capital assets not being depreciated:					
Land	\$ 17,553,695	\$ -	\$ (743,250)	\$ -	\$ 16,810,445
Construction in progress	7,283,979	8,950,363	-	(10,173,717)	6,060,625
Total capital assets not being depreciated	24,837,674	8,950,363	(743,250)	(10,173,717)	22,871,070
Capital assets being depreciated:					
Land improvements	6,269,725	41,110	(3,880)	-	6,306,955
Buildings	261,014,909	1,127,189	(119,332)	1,314,858	263,337,624
Fixed equipment	92,690,139	226,140	(180,809)	-	92,735,470
Major movable equipment	181,953,035	14,033,107	(997,406)	8,858,859	203,847,595
Minor equipment	887,428	10,334	-	-	897,762
Total capital assets being depreciated	542,815,236	15,437,880	(1,301,427)	10,173,717	567,125,406
Less accumulated depreciation for:					
Land improvements	4,948,366	150,221	(3,407)	-	5,095,180
Buildings	143,310,165	7,422,601	(63,311)	-	150,669,455
Fixed equipment	62,595,690	5,359,198	(180,809)	-	67,774,079
Major movable equipment	144,796,159	11,862,318	(920,359)	-	155,738,118
Minor equipment	886,158	690	-	-	886,848
Total accumulated depreciation	356,536,538	24,795,028	(1,167,886)	-	380,163,680
Total capital assets being depreciated, net	186,278,698	(9,357,148)	(133,541)	10,173,717	186,961,726
Organization capital assets, net	\$ 211,116,372	\$ (406,785)	\$ (876,791)	\$ -	\$ 209,832,796
EJASC:					
Capital assets being depreciated:					
Land improvements	\$ 2,063,574	\$ -	\$ -	\$ -	\$ 2,063,574
Major movable equipment	1,035,427	65,426	-	-	1,100,853
Total capital assets being depreciated	3,099,001	65,426	-	-	3,164,427
Less accumulated depreciation for:					
Land improvements	566,725	103,057	-	-	669,782
Major movable equipment	913,532	55,706	-	-	969,238
Total accumulated depreciation	1,480,257	158,763	-	-	1,639,020
EJASC capital assets, net	\$ 1,618,744	\$ (93,337)	\$ -	\$ -	\$ 1,525,407

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 7. Long-Term Debt

Long-term debt as of December 31, 2013 and 2012 consists of:

	2013	2012
Organization:		
Hospital Revenue and Refunding Bonds, Series 2011, net of unamortized bond discount (A)	\$ 160,164,050	\$ 162,790,710
Note payable (B)	1,549,319	1,904,948
Capital lease obligation, MRI (C)	1,760,687	2,185,052
Parking Garage Revenue Bonds (D)	1,590,428	2,450,993
EJRO capital lease obligation (E)	1,386,402	2,093,143
	<u>166,450,886</u>	<u>171,424,846</u>
Less current maturities	5,334,355	5,022,925
	<u>\$ 161,116,531</u>	<u>\$ 166,401,921</u>
EJASC:		
Notes payable, bank (F)	\$ 944,158	\$ 1,187,009
Less current maturities	150,124	1,187,009
	<u>\$ 794,034</u>	<u>\$ -</u>

- (A) **Hospital Revenue and Refunding Bonds, Series 2011 - \$170,000,000.** On October 26, 2011, the Hospital issued \$170,000,000 in Revenue and Refunding Bonds, the proceeds of which, together with other amounts made available by the Hospital, are to be used to: (i) refund and defease the outstanding Hospital Revenue Bonds, Series 1998 and Hospital and Revenue Refunding, Series 1993 Bonds, (ii) finance costs of future capital projects, (iii) fund a deposit to the debt service reserve fund securing the Series 2011 Bonds and (iv) pay the costs of issuance of the Series 2011 Bonds.

The Series 2011 Bonds were issued at a discount of approximately \$1,628,000. The bond discount, reported in the accompanying financial statements as a deduction from long-term debt, is deferred and amortized over the life of the bonds in a manner which approximates the effective interest method.

The Series 2011 bonds bear interest at rates ranging from 2.5% to 6.375%, payable semi-annually. Annual principal payments are due in varying amounts ranging from \$2,785,000 to \$11,515,000 through July 2041.

The Series 2011 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 Restricted Group to comply with certain covenants. The Restricted Group includes the Hospital and its blended component units, with the exception of the Foundation, which is not a member of the Restricted Group for the Series 2011 bonds. The covenants provide for timely financial reporting and require the Restricted Group to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio and the days cash on hand ratio.

- (B) The Hospital has entered into a note payable agreement for the acquisition of a PET Scanner. The note bears interest at 3.39%, due in monthly installments of approximately \$35,000, with a maturity date of January 2018. This note is secured by equipment.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 7. Long-Term Debt (Continued)

- (C) The Hospital has entered into a capital lease agreement with a medical partnership for the purpose of constructing a medical building used to house a 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 \$671,000 as of December 31, 2013.
- (D) The Foundation has issued bonds to finance the construction of a parking garage on property leased from the Hospital. The bonds provide for no recourse against the Foundation and are secured by a first lien on the parking garage. The bonds bear interest at 70% of prime rate as announced by Citibank, N.A. in New York. The interest rates may vary between a ceiling of 12% and a floor of 6.3%. The interest rate was 6.3% for the years ended December 31, 2013 and 2012. The bonds are subject to periodic mandatory redemptions in whole at a price of 100% of the then outstanding principal amount plus accrued interest to the redemption date. Principal payments are specified in the bond agreement. The parking garage has an amortized cost of approximately \$917,000 as of December 31, 2013.
- (E) EJRO has entered into a capital lease agreement for a Novalis TX linear accelerator and related hardware. The lease requires monthly payments of approximately \$69,000 through October 2015. The lease is collateralized by leasehold improvements and equipment with an amortized cost of approximately \$1,125,000 as of December 31, 2013.
- (F) As of December 31, 2012, EJASC had two notes payable each bearing interest at 6.75%, due in monthly installments of approximately \$15,000. During 2013, EJASC refinanced these notes payable with one note payable that bears interest at 4.75% and is due in monthly installments of approximately \$13,000 with a maturity date of July 2021. This note is secured by substantially all of EJASC's equipment. The note payable contains certain financial covenants for EJASC, including financial reporting requirements.

Long-term debt activity as of and for the years ended December 31, 2013 and 2012 is as follows:

	December 31,		December 31,		Due Within
	2012	Additions	Deductions	2013	One Year
Organization:					
Hospital Revenue and Refunding					
Bonds, Series 2011	\$ 164,325,000	\$ -	\$ (2,705,000)	\$ 161,620,000	\$ 2,785,000
Note payable	1,904,948	-	(355,629)	1,549,319	336,763
Capital lease obligation, MRI	2,185,052	-	(424,365)	1,760,687	475,333
Parking Garage Revenue					
Bonds	2,450,993	-	(860,565)	1,590,428	982,265
EJRO capital lease obligation	2,093,143	-	(706,741)	1,386,402	754,994
	172,959,136	-	(5,052,300)	167,906,836	5,334,355
Less bond discount	1,534,291	-	(78,341)	1,455,950	-
	<u>\$ 171,424,845</u>	<u>\$ -</u>	<u>\$ (4,973,959)</u>	<u>\$ 166,450,886</u>	<u>\$ 5,334,355</u>
EJASC:					
Note payable, bank	\$ 1,187,009	\$ -	\$ (242,851)	\$ 944,158	\$ 150,124

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 7. Long-Term Debt (Continued)

	December 31, 2011	Additions	Deductions	December 31, 2012	Due Within One Year
Organization:					
Hospital Revenue and Refunding					
Bonds, Series 2011	\$ 170,000,000	\$ -	\$ (5,675,000)	\$ 164,325,000	\$ 2,705,000
Note payable	2,245,589	-	(340,641)	1,904,948	325,542
Capital lease obligation, MRI	2,563,338	-	(378,286)	2,185,052	424,365
Parking Garage Revenue					
Bonds	3,202,565	-	(751,572)	2,450,993	861,277
EJRO capital lease obligation	2,754,719	-	(661,576)	2,093,143	706,741
	180,766,211	-	(7,807,075)	172,959,136	5,022,925
Less bond discount	1,613,434	-	(79,143)	1,534,291	-
	<u>\$ 179,152,777</u>	<u>\$ -</u>	<u>\$ (7,727,932)</u>	<u>\$ 171,424,845</u>	<u>\$ 5,022,925</u>
EJASC:					
Notes payable, bank	\$ 1,425,791	\$ -	\$ (238,782)	\$ 1,187,009	\$ 1,187,009

The aggregate principal and interest maturities, including capital leases, of long-term debt as of December 31, 2013 are as follows:

Organization	Principal	Interest
Year ending December 31:		
2014	\$ 5,334,355	\$ 9,844,452
2015	5,005,757	9,585,798
2016	3,921,591	9,384,793
2017	3,590,671	9,235,800
2018	3,159,462	9,123,229
2019 to 2023	17,655,000	43,584,960
2024 to 2028	23,115,000	38,122,906
2029 to 2033	31,190,000	30,046,781
2034 to 2038	42,420,000	18,810,713
2039 to 2041	32,515,000	4,231,088
	167,906,836	\$ 181,970,520
Less unamortized bond discount	1,455,950	
	<u>\$ 166,450,886</u>	
EJASC		
Year ending December 31:		
2014	\$ 150,124	\$ 43,020
2015	112,441	37,821
2016	117,899	32,369
2017	123,623	26,653
2018	129,625	20,659
2019 to 2021	310,446	23,526
	<u>\$ 944,158</u>	<u>\$ 184,048</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 7. Long-Term Debt (Continued)

The Restricted Group has pledged revenue to repay \$170,000,000 hospital revenue and refunding bonds issued October 2011. These bonds are payable solely from the hospital revenue and are payable through 2041. Annual principal and interest payments on the bonds are expected to require less than 10% of revenue. As of December 31, 2013, the total principal and interest remaining to be paid on the Series 2011 bonds is \$342,929,801. Principal and interest paid for the current year on the Series 2011 bonds was approximately \$2,705,000 and \$9,542,000, respectively. Total revenue for the Restricted Group for the current year is \$368,665,241.

The future minimum rental commitments payable as of December 31, 2013 on capital lease obligations are as follows:

Year ending December 31:	
2014	\$ 1,712,866
2015	1,544,472
2016	901,482
2017	226,978
Total minimum lease payments	4,385,798
Less amount representing executory costs (i.e., operating expenses) included in total minimum lease payments	841,130
Net minimum lease payments	3,544,668
Less amount representing interest	397,579
Present value of net minimum lease payments	\$ 3,147,089

Note 8. Retirement and Benefit Plans

Defined benefit retirement 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 5 years of credited service are entitled to an annual retirement benefit payable monthly for life, unless the present value amount is under \$8,500. In this instance, the employer has the option to distribute in a lump-sum payment. The Plan also provides early retirement benefits at reduced amounts at age 55 with 10 years of service. For the years ended December 31, 2013 and 2012, the Hospital's total payroll for all employees was approximately \$112,870,000 and \$118,166,000, respectively, and the Hospital's total covered payroll (for pension plan participants) was approximately \$40,726,000 and \$44,842,000, 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 had the immediate effect of reducing the actuarially determined 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.

East Jefferson General Hospital

Notes to Basic Financial Statements

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 before 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, corporate bonds, foreign obligation bonds, partnership 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 per the Plan's funding policy to contribute at an actuarially determined rate which was 6.2% for each of the years ended December 31, 2013 and 2012.

Significant actuarial assumptions used in 2013 and 2012 include a rate of return on the investment of present and future assets of 7.5% per year compounded annually. There has been no cost of living adjustment. In 2013 and 2012 the actuarial value of assets was determined using market value. The unfunded actuarial accrued liability is being amortized as an open level dollar of payroll. The remaining amortization period at a January 1, 2013 actuarial valuation date was 30 years.

Annual pension costs, net pension obligation and the accrual for retirement benefits for 2013 and 2012 are as follows:

	2013	2012
Annual required contribution for current year	\$ 2,792,819	\$ 3,046,895
Interest on net pension obligation	2,810	2,837
Adjustment to annual required contribution	(3,172)	(3,203)
Annual pension costs	2,792,457	3,046,529
Contribution made	2,792,457	3,046,529
Change in net pension obligation	-	-
Net pension obligation, beginning of year	38,201	38,201
Net pension obligation, end of year	<u>\$ 38,201</u>	<u>\$ 38,201</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

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 Traditional 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 overfunded amount from prior years over a 30-year period. The Hospital made contributions of approximately \$2,792,000 and \$3,047,000 for the years ended December 31, 2013 and 2012, 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
12/31/11	\$ 2,542,150	100%	\$ 38,201
12/31/12	3,046,529	100	38,201
12/31/13	2,792,457	100	38,201

Funded status and funding progress, pension plan:

The funded status of the Plan as of December 31, 2013 and 2012 is based on the most recent actuarial valuation dated January 1, 2014 and 2013, respectively, as follows:

Valuation date January 1:	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2014	\$ 43,903,854	\$ 73,504,221	\$ 29,600,367	59.7	\$ 40,725,802	72.7%
2013	38,780,935	71,765,206	32,984,271	54.0	44,841,780	73.6

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

The supplementary information presented in the Required Retirement Plan Information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Plan Year	2013	2012
Valuation Date	January 1, 2014	January 1, 2013
Actuarial Cost Method	Traditional unit credit	Traditional Unit Credit
Asset Valuation Method	Market value	Market value
Actuarial Assumptions:		
Investment rate of return	7.5% per annum	7.5% per annum
Amortization method	Level dollar	Level dollar
Amortization period	30 years remaining (open basis)	30 years remaining (open basis)
Salary increase rate	None	None

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 457(b) 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 the limits allowed by the IRS, as defined in the Savings Plan agreement. Effective January 1, 2011, the Board approved a resolution to convert the 403(b) Retirement Savings Plan matching contribution to a discretionary contribution. A discretionary contribution would provide the Hospital's Board the option of whether or not to fund the matching contribution, in whole or in part. The option of whether or not to fund, in whole or in part, will be decided by the Board on a year to year basis.

In December 2013 and 2012, the Board of Directors approved funding the 2013 and 2012 Hospital matching contribution to the Employee 403(b) Retirement Savings Plan, which occurs during the first quarter of 2014 and 2013. The employer contributions to the Savings Plan, which are included in other accrued expenses, for 2013 and 2012 were \$4,591,592 and \$4,745,512, respectively, which are net of forfeitures of \$595,657 and \$425,012, respectively.

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 expenses, net forfeitures applied, for the Savings Plan totaled \$4,727,058 and \$4,607,595 for the years ended December 31, 2013 and 2012, respectively.

East Jefferson General Hospital

Notes to Basic Financial Statements

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 years ended December 31, 2013 and 2012:

	Defined Benefit Retirement Plan	Savings Plan			(Total Memorandum Only)
		401(a)	403(b)	457(b)	
December 31, 2013					
Assets					
Receivables:					
Accrued interest and dividends	\$ 207,253	\$ -	\$ -	\$ -	\$ 207,253
Contributions receivable:					
Employee	-	-	500,654	151,373	652,027
Employer	-	2,894,811	1,696,782	-	4,591,593
Total receivables	207,253	2,894,811	2,197,436	151,373	5,450,873
Investments at fair value:					
Cash equivalents	1,561,520	-	-	-	1,561,520
Debt securities	6,636,610	-	-	-	6,636,610
Equities	29,728,358	-	-	-	29,728,358
Mutual funds	5,770,112	56,869,510	80,910,279	17,466,733	161,016,634
Investment in partnership	36,678	-	-	-	36,678
Total investments	43,733,278	56,869,510	80,910,279	17,466,733	198,979,800
Liabilities, accounts payable	63,504	-	-	-	63,504
Net Position Held in Trust for					
Pension Benefits	\$ 43,877,027	\$ 59,764,321	\$ 83,107,715	\$ 17,618,106	\$ 204,367,169
December 31, 2012					
Assets					
Receivables:					
Accrued interest and dividends	\$ 50,229	\$ -	\$ -	\$ -	\$ 50,229
Contributions receivable					
Employee	-	-	535,546	164,816	700,362
Employer	-	2,943,295	1,802,217	-	4,745,512
Total receivables	50,229	2,943,295	2,337,763	164,816	5,496,103
Investments at fair value:					
Cash equivalents	1,171,968	-	-	-	1,171,968
Debt securities	6,370,361	-	-	-	6,370,361
Equities	25,885,504	-	-	-	25,885,504
Mutual funds	5,302,873	49,594,497	65,891,400	13,652,520	134,441,290
Investment in partnership	68,194	-	-	-	68,194
Total investments	38,798,900	49,594,497	65,891,400	13,652,520	167,937,317
Liabilities, accounts payable	72,604	-	-	-	72,604
Net Position Held in Trust for					
Pension Benefits	\$ 38,776,525	\$ 52,537,792	\$ 68,229,163	\$ 13,817,336	\$ 173,360,816

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

	Defined	Savings Plan			(Total
	Benefit Retirement Plan	401(a)	403(b)	457(b)	Memorandum Only)
Year Ended December 31, 2013					
Additions:					
Contributions					
Members	\$ -	\$ -	\$ 6,247,680	\$ 1,933,467	\$ 8,181,147
Employer	2,792,819	2,845,433	1,817,824	-	7,456,076
Total contributions	2,792,819	2,845,433	8,065,504	1,933,467	15,637,223
Investment income:					
Interest	111,879	333,639	340,711	60,042	846,271
Dividends	1,122,584	1,358,278	2,123,490	491,298	5,095,650
Net appreciation in fair value of investments	4,831,944	7,216,222	10,497,909	2,146,575	24,692,650
	6,066,407	8,908,139	12,962,110	2,697,915	30,634,571
Less					
Investment advisory services	345,372	-	-	-	345,372
Custodial fees	-	19,452	86,180	5,712	111,344
Net investment income	5,721,035	8,888,687	12,875,930	2,692,203	30,177,855
Total additions	8,513,854	11,734,120	20,941,434	4,625,670	45,815,078
Deductions, retirement benefits paid and savings plan withdrawals					
	3,413,352	4,507,591	6,062,882	824,900	14,808,725
Net increase	5,100,502	7,226,529	14,878,552	3,800,770	31,006,353
Net position held in trust for pension benefits					
Beginning	38,776,525	52,537,792	68,229,163	13,817,336	173,360,816
Ending	\$ 43,877,027	\$ 59,764,321	\$ 83,107,715	\$ 17,618,106	\$ 204,367,169

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan			(Total Memorandum Only)		
	Plan	401(a)	403(b)	457(b)		
Year Ended December 31, 2012						
Additions:						
Contributions:						
Members	\$ -	\$ -	\$ 6,346,820	\$ 1,899,655	\$	8,246,475
Employer	3,046,895	2,936,398	1,802,218	-		7,785,511
Total contributions	3,046,895	2,936,398	8,149,038	1,899,655		16,031,986
Investment income:						
Interest	160,374	398,878	400,075	61,397		1,020,724
Dividends	893,136	1,033,578	1,443,579	338,517		3,708,810
Net appreciation in fair value of investments	3,813,333	3,725,335	5,247,499	1,119,947		13,906,114
	4,866,843	5,157,791	7,091,153	1,519,861		18,635,648
Less:						
Investment advisory services	325,386	-	-	-		325,386
Custodial fees	16,725	17,380	27,620	4,215		65,940
Net investment income	4,524,732	5,140,411	7,063,533	1,515,646		18,244,322
Total additions	7,571,627	8,076,809	15,212,571	3,415,301		34,276,308
Deductions, retirement benefits paid and savings plan withdrawals						
	3,318,413	4,581,334	4,858,573	827,770		13,586,090
Net increase	4,253,214	3,495,475	10,353,998	2,587,531		20,690,218
Net position held in trust for pension benefits:						
Beginning	34,523,311	49,042,317	57,875,165	11,229,805		152,670,598
Ending	\$ 38,776,525	\$ 52,537,792	\$ 68,229,163	\$ 13,817,336		\$ 173,360,816

Deferred compensation and executive benefits:

The Hospital previously 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. As of December 31, 2013, assets and liabilities associated with the deferred compensation plan were none and \$1,857,915, respectively, the unfunded status of the plan will be paid from operations. As of December 31, 2012, assets and liabilities associated with the deferred compensation plan were \$4,923 and \$1,654,566, respectively, the unfunded status of the plan will be paid from operations. These amounts are included in noncurrent assets and liabilities in the accompanying basic financial statements.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Hospital sponsors a postretirement medical plan that provides post-termination medical insurance coverage for the participant and the participant's spouse of health insurance through age 65, then lifetime Medicare supplement insurance. The employees eligible under this policy are key employees as designated by the Hospital's Board of Directors who terminate employment at or after age 62 with at least 10 years of service. Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Hospital provides to all full-time employees. Commencing at the participant's age 65, the coverage shall be provided in the form of an insured Medicare Supplement Policy providing the level of coverage determined by the Hospital in its sole discretion.

The Hospital shall pay 50% or 100% of the premiums for the coverage under this plan for the participant and the participant's spouse depending on the ages of both of the covered individuals with a gross premium cap of \$1,000 per month per individual. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal years 2013 and 2012, the Hospital contributed \$27,578 and \$30,036, respectively, to the plan.

Annual OPEB cost and net OPEB obligation:

The Hospital's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for the years ended December 31, 2013 and 2012, the amount actuarially contributed to the plan, and changes in the Hospital's annual OPEB obligation:

	2013	2012
Annual required contribution	\$ 124,525	\$ 163,991
Interest on net OPEB obligation	53,503	46,293
Annual OPEB cost	178,028	210,284
Contributions made	(27,578)	(30,036)
Increase in net OPEB obligation	150,450	180,248
Net OPEB obligation, beginning of year	1,337,564	1,157,316
Net OPEB obligation, end of year	\$ 1,488,014	\$ 1,337,564

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal years 2013, 2012 and 2011 is as follows:

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended December 31:			
2013	\$ 178,028	15.5%	\$ 1,488,014
2012	210,284	14.3	1,337,564
2011	199,904	13.7	1,157,316

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits (OPEB) (Continued)

Funded status and funding progress:

Postemployment benefit obligations under GASB Statement No. 45 as of December 31, 2013, the most recent actuarial valuation date, are as follows:

<u>Actuarial Valuation Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
December 31, 2013	\$ -	\$ 1,869,892	\$ 1,869,892	\$ -

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Projected Unit Credit Actuarial Cost Method as allowed under GASB Statement No. 45. The excess of the AAL over the actuarial value of plan assets is the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a maximum of 30 years in level dollar amounts on an open period amortization basis. The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost.

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 4% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 10. 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 2013 and 2012, the Hospital had stop-loss insurance coverage for claims in excess of \$300,000 per individual per plan year and a lifetime maximum coverage of \$700,000 per individual. The following is a summary of estimated claims liability for the years ended December 31, 2013 and 2012. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

	2013	2012
Balance, beginning	\$ 1,196,633	\$ 1,643,626
Claims expense and change in accrual	10,550,000	9,500,000
Claims payment	(10,260,817)	(9,946,993)
Balance, ending	<u>\$ 1,485,816</u>	<u>\$ 1,196,633</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

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 reasonably 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, 2013 and 2012. The Hospital has recorded a current liability for open claims and claims incurred but not reported which is included in other accrued expenses.

	2013	2012
Balance, beginning	\$ 3,276,028	\$ 4,213,500
Claims expense and change in accrual	1,318,512	179,500
Claims payment	(1,477,969)	(1,116,972)
Balance, ending	<u>\$ 3,116,571</u>	<u>\$ 3,276,028</u>

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, 2013 and 2012. The Hospital has recorded the liability in noncurrent liabilities.

	2013	2012
Balance, beginning	\$ 3,575,369	\$ 2,972,642
Claims expense and change in accrual	828,329	817,727
Claims payment	(588,403)	(215,000)
Balance, ending	<u>\$ 3,815,295</u>	<u>\$ 3,575,369</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Other self-insurance programs:

The Hospital is 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 for the years ended December 31, 2013 and 2012. The Hospital has recorded the liability in noncurrent liabilities.

	2013	2012
Balance, beginning	\$ 1,143,413	\$ 857,313
Claims expense and change in accrual	344,485	315,560
Claims payment	(412,746)	(29,460)
Balance, ending	<u>\$ 1,075,152</u>	<u>\$ 1,143,413</u>

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.

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments and/or underpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The Organization has been subject to such audits and will continue to be subject to additional audits in the future. The Organization has accrued an estimated liability, which is included in the allowance for contractual adjustments, which is a reduction of patient receivables, as of December 31, 2013 and December 31, 2012. The allowance is based on the number of RAC audit requests, the Organization's historical defense rate and the analysis and reviews of management. It is reasonably possible that the recorded estimates will change materially in the near term.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Health care reform:

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. Given that final regulations and interpretive guidelines have yet to be published, the Organization is unable to fully predict the impact of PPACA on its operations and financial results. If the law is implemented as adopted, the Organization's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of the Organization is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

Lease commitments:

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

As of December 31, 2013, the total minimum rental commitment under operating lease agreements is approximately \$32,656,000 and is due as follows:

Year ending December 31:

2014	\$ 5,495,000
2015	5,613,000
2016	5,571,000
2017	5,592,000
2018	5,578,000
Thereafter	4,807,000
	<u>\$ 32,656,000</u>

Total rent expense for the above leases for the years ended December 31, 2013 and 2012 was approximately \$4,772,000 and \$2,587,000, respectively.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Professional services commitments:

The Organization has agreements for the outsourcing of its information technology department, for laboratory services, for food services and other miscellaneous items. These agreements expire at various times through 2021.

As of December 31, 2013, the total minimum commitment under these agreements is approximately due as follows:

Year ending December 31:

2014	\$ 28,333,000
2015	28,151,000
2016	24,624,000
2017	19,359,000
2018	19,268,000
2019 to 2021	57,806,000
	<u>\$177,541,000</u>

Total expense for the above agreements for the years ended December 31, 2013 and 2012 was approximately \$30,267,000 and \$24,344,000, respectively.

Note 11. 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, 2013 and 2012 was as follows:

	2013	2012
Medicare	52.6%	55.5%
Medicaid	10.4	6.9
Managed care	14.6	14.1
Other third-party payors	15.2	17.4
Patients	7.2	6.1
	<u>100.0%</u>	<u>100.0%</u>

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 12. Other Assets

Other assets as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Investment in:		
Associated Hospital Services (laundry service)	\$ 3,034,736	\$ 2,994,849
East Jefferson Ambulatory Surgery Center, LLC	669,285	452,642
Goodwill	8,801,575	9,361,715
Deferred compensation and life insurance	1,043,683	1,015,384
Other	914,353	1,081,877
	<u>\$ 14,463,632</u>	<u>\$ 14,906,467</u>

Note 13. 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, 2013 and 2012 are as follows:

	2013	2012
Program	\$ 245,387,623	\$ 243,906,737
General and administrative	139,853,974	133,372,324
	<u>\$ 385,241,597</u>	<u>\$ 377,279,061</u>

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

During the year ended December 31, 2013, the Organization adopted the following GASB Statements:

Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010 is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. The adoption of this statement impacted the Organization's presentation of the Foundation and EJASC. As described in Note 1, the Foundation, which was previously not included as a component unit, is now a blended component unit and EJASC, which was previously a blended component unit, is now presented as a discretely presented component unit. The adoption of this statement was retroactively applied as described in Note 1.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the Organization beginning with its year ending December 31, 2013. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The adoption of this statement was applied retroactively as described in Note 1.

As of December 31, 2013, the GASB has also issued several statements not yet implemented by the Organization. The Statements which may impact the Organization are as follows:

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the Organization beginning with its year ending December 31, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Organization beginning with its year ending December 31, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the Organization beginning with its year ending December 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
- Reporting the disposal of government operations that have been transferred or sold.

GASB Statement No. 70, *Account and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the County beginning after June 15, 2013. Earlier application is encouraged. This statement is meant to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. Also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, issued November 2013, shall be applied simultaneously with the provisions of Statement 68. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

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

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 15. Upper Payment Limit Programs and Low Income and Needy Care Collaboration

The Hospital received supplemental Medicaid payments, also known as Upper Payment Limit (UPL) payments, for inpatient and outpatient services through intergovernmental transfers in accordance with specific state statutes subject to federal regulations and approval. Under one of the UPL agreements the hospital received supplemental payments for services provided by physicians in recognition for providing services to Medicaid patients. Under a separate UPL agreement the Hospital entered into a cooperative endeavor agreement with other health care providers for the purpose of ensuring adequate healthcare services are available for underserved, non-rural populations. During the year ended December 31, 2013, total revenues and expenses recognized by the Hospital and EJPG related to these UPL agreements was approximately \$1,986,000 and \$966,000, respectively. During the year ended December 31, 2012, total revenues and expenses recognized by the Hospital and EJPG related to these UPL agreements was approximately \$4,371,000 and \$360,000, respectively. These receipts and payments are recorded as other operating revenues and expenses in the statements of revenue, expenses and changes in net position.

In April 2011, the Hospital and other health care providers formed a one-year collaboration to help fund a program to ensure the availability of quality healthcare services for the low income and needy population to reduce the costs of health care. This collaboration was extended in 2012. For the years ended December 31, 2013 and 2012, the Hospital made payments into the program of \$2,830,000 and \$3,910,000 and incurred \$6,616,000 and \$2,675,000 of other operating expenses, respectively.

Supplementary Information

East Jefferson General Hospital

**Required Supplementary Information
Retirement Plan
December 31, 2013**

Schedule of Funding Progress	2013	2012	2011
Actuarial valuation date	1/1/14	1/1/13	1/1/12
Actuarial value of assets (AVA)	\$ 43,903,854	\$ 38,780,935	\$ 34,587,098
Actuarial accrued liability (AAL)	\$ 73,504,221	\$ 71,765,206	\$ 70,572,102
Unfunded AAL (UAAL)	\$ 29,600,367	\$ 32,984,271	\$ 35,985,004
Funded ratio	59.7%	54.0%	49.0%
Annual covered payroll	\$ 40,725,802	\$ 44,841,780	\$ 46,621,480
UAAL as % of payroll	72.7%	73.6%	77.2%

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, 2014.
2. The actuarial method used is traditional unit credit.
3. The amortization method is a level dollar 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 7.5% and no projected salary increases.

East Jefferson General Hospital

**Required Supplementary Information
Other Postemployment Benefit Plan**

Schedule of Funding Progress

Fiscal Year-End	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over- funded) AAL (UAAL) (b-a)		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2013	12/31/2013	\$ -	\$ 1,869,892	\$ 1,869,892	-	%	\$ 3,822,330	49%
2012	12/31/2010	-	2,351,426	2,351,426	-	-	6,695,229	33
2011	12/31/2010	-	2,198,381	2,198,381	-	-	6,695,229	33

Note: Fiscal year 2007 was the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of December 31, 2013. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are discount rate of 4.0%.
4. The amortization method is open period, level dollar.

East Jefferson General Hospital

Combining Statements of Net Position
December 31, 2013

Assets	EJGH	EJRO, LLC	EJPG, LLC
Current Assets:			
Cash and cash equivalents	\$ 7,989,495	\$ 1,169,783	\$ (157,779)
Short-term investments	81,290,791	-	-
Receivables:			
Patients, net	36,558,511	639,532	4,320,417
Other	55,767,911	-	282,395
Assets limited as to use, current portion	7,515,348	-	-
Inventories	7,439,536	-	-
Prepaid expenses	7,261,157	176,675	1,190,357
Total current assets	203,822,749	1,985,990	5,635,390
Noncurrent Assets:			
Assets limited as to use:			
Under bond indenture	77,170,132	-	-
Restricted by donor	-	-	-
Board-designated for strategic initiatives and for endowment	36,063,394	-	-
	113,233,526	-	-
Less portion required for current liabilities	7,515,348	-	-
	105,718,178	-	-
Capital assets	202,900,182	1,908,251	197,771
Investment in equity interests and associated companies and other	(30,201,373)	-	7,830,020
Total noncurrent assets	278,416,987	1,908,251	8,027,791
	\$ 482,239,736	\$ 3,894,241	\$ 13,663,181

EJPN, LLC	Foundation	Eliminations	Total Organization
\$ 83,775	\$ 804,604	\$ -	\$ 9,889,878
-	319,596	-	81,610,387
-	-	-	41,518,460
117,077	91,743	(50,231,019)	6,028,107
-	-	-	7,515,348
-	-	-	7,439,536
-	-	-	8,628,189
<u>200,852</u>	<u>1,215,943</u>	<u>(50,231,019)</u>	<u>162,629,905</u>
-	-	-	77,170,132
-	1,949,381	-	1,949,381
-	1,904,837	-	37,968,231
-	3,854,218	-	117,087,744
-	-	-	7,515,348
-	3,854,218	-	109,572,396
-	-	-	205,006,204
-	324,108	36,510,877	14,463,632
-	4,178,326	36,510,877	329,042,232
<u>\$ 200,852</u>	<u>\$ 5,394,269</u>	<u>\$ (13,720,142)</u>	<u>\$ 491,672,137</u>

East Jefferson General Hospital

Combining Statements of Net Position
December 31, 2013

Liabilities and Net Position	EJGH	EJRO, LLC	EJPG, LLC
Current Liabilities:			
Current maturities of long-term debt	\$ 4,579,361	\$ 754,994	\$ -
Accounts payable	16,255,661	528,230	50,256,562
Accrued expenses:			
Salaries and wages	4,435,610	-	1,906,284
Paid leave	3,726,023	-	-
Health insurance claims	1,485,816	-	-
Interest	4,730,348	-	-
Estimated third-party payor settlements	768,970	-	-
Other	10,857,694	-	-
Total current liabilities	46,839,483	1,283,224	52,162,846
Noncurrent Liabilities:			
Deferred compensation and executive benefits	1,857,915	-	-
Retirement benefits	1,526,215	-	-
Estimated self-insurance reserves	5,190,447	-	-
Long-term debt, less current maturities	160,485,123	631,408	-
Other accrued expenses	1,100,617	-	-
Total noncurrent liabilities	170,160,317	631,408	-
Total liabilities	216,999,800	1,914,632	52,162,846
Net Position:			
Net investment in capital assets	37,709,877	521,849	197,771
Restricted:			
Expendable	83,292,980	-	-
Nonexpendable	-	-	-
Unrestricted	143,567,794	1,457,760	(38,697,436)
Unrestricted - equity interest in component unit	669,285	-	-
Total net position	265,239,936	1,979,609	(38,499,665)
	\$ 482,239,736	\$ 3,894,241	\$ 13,663,181

EJPN, LLC	Foundation	Eliminations	Total Organization
\$ -	\$ -	\$ -	\$ 5,334,355
-	16,455	(50,231,019)	16,825,889
-	-	-	6,341,894
-	-	-	3,726,023
-	-	-	1,485,816
-	-	-	4,730,348
-	-	-	768,970
-	40,000	-	10,897,694
-	56,455	(50,231,019)	50,110,989
-	-	-	1,857,915
-	-	-	1,526,215
-	-	-	5,190,447
-	-	-	161,116,531
-	-	-	1,100,617
-	-	-	170,791,725
-	56,455	(50,231,019)	220,902,714
-	-	-	38,429,497
-	1,598,992	-	84,891,972
-	350,389	10,035	360,424
200,852	3,388,433	36,500,842	146,418,245
-	-	-	669,285
200,852	5,337,814	36,510,877	270,769,423
\$ 200,852	\$ 5,394,269	\$ (13,720,142)	\$ 491,672,137

East Jefferson General Hospital

Combining Statements of Net Position

December 31, 2012

Assets	EJGH	EJRO, LLC	EJPG, LLC
Current Assets:			
Cash and cash equivalents	\$ 7,013,725	\$ 1,221,136	\$ 340,072
Short-term investments	91,880,780	-	-
Receivables:			
Patients, net	40,083,829	750,785	4,418,989
Other	44,942,271	-	384,658
Assets limited as to use, current portion	7,475,923	-	-
Inventories	7,169,891	-	-
Prepaid expenses	5,687,794	172,455	1,317,551
Total current assets	204,254,213	2,144,376	6,461,270
Noncurrent Assets:			
Assets limited as to use:			
Under bond indenture	82,607,797	-	-
Restricted by donor	-	-	-
Board-designated for strategic initiatives and for endowment	37,616,837	-	-
	120,224,634	-	-
Less portion required for current liabilities	7,475,923	-	-
	112,748,711	-	-
Capital assets	207,085,782	2,552,656	194,358
Investment in equity interests and associated companies and other	(19,961,990)	-	8,251,366
Total noncurrent assets	299,872,503	2,552,656	8,445,724
	\$ 504,126,716	\$ 4,697,032	\$ 14,906,994

EJPN, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
\$ 83,695	\$ -	\$ 552,309	\$ -	\$ 9,210,937
-	-	-	-	91,880,780
-	-	-	-	45,253,603
117,077	-	155,859	(40,836,932)	4,762,933
-	-	-	-	7,475,923
-	-	-	-	7,169,891
-	46,949	-	-	7,224,749
200,772	46,949	708,168	(40,836,932)	172,978,816
-	-	-	-	82,607,797
-	-	2,344,748	-	2,344,748
-	-	2,007,208	-	39,624,045
-	-	4,351,956	-	124,576,590
-	-	-	-	7,475,923
-	-	4,351,956	-	117,100,667
-	-	-	-	209,832,796
-	-	347,213	26,269,878	14,906,467
-	-	4,699,169	26,269,878	341,839,930
\$ 200,772	\$ 46,949	\$ 5,407,337	\$ (14,567,054)	\$ 514,818,746

East Jefferson General Hospital

**Combining Statements of Net Position
December 31, 2012**

Liabilities and Net Position	EJGH	EJRO, LLC	EJPG, LLC
Current Liabilities:			
Current maturities of long-term debt	\$ 4,316,184	\$ 706,741	\$ -
Accounts payable	15,458,430	651,790	37,732,486
Accrued expenses:			
Salaries and wages	4,469,243	-	1,265,389
Paid leave	4,058,183	-	-
Health insurance claims	1,196,633	-	-
Interest	4,770,923	-	-
Estimated third-party payor settlements	1,829,197	-	-
Other	11,830,608	-	-
Total current liabilities	47,929,401	1,358,531	38,997,875
Noncurrent Liabilities:			
Deferred compensation and executive benefits	1,654,566	-	-
Retirement benefits	1,375,765	-	-
Estimated self-insurance reserves	5,018,782	-	-
Long-term debt, less current maturities	165,015,519	1,386,402	-
Other accrued expenses	1,287,330	-	-
Total noncurrent liabilities	174,351,962	1,386,402	-
Total liabilities	222,281,363	2,744,933	38,997,875
Net Position:			
Net investment in capital assets	37,789,305	459,513	194,358
Restricted:			
Expendable	88,731,220	-	-
Nonexpendable	-	-	-
Unrestricted	154,872,186	1,492,586	(24,285,239)
Unrestricted - equity interest in component unit	452,642	-	-
Total net position	281,845,353	1,952,099	(24,090,881)
	\$ 504,126,716	\$ 4,697,032	\$ 14,906,994

EJPN, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
\$ -	\$ -	\$ -	\$ -	\$ 5,022,925
-	3,887,131	10,381	(40,836,932)	16,903,286
-	-	-	-	5,734,632
-	-	-	-	4,058,183
-	-	-	-	1,196,633
-	-	-	-	4,770,923
-	-	-	-	1,829,197
-	300,000	45,000	-	12,175,608
-	4,187,131	55,381	(40,836,932)	51,691,387
-	-	-	-	1,654,566
-	-	-	-	1,375,765
-	-	-	-	5,018,782
-	-	-	-	166,401,921
-	-	-	-	1,287,330
-	-	-	-	175,738,364
-	4,187,131	55,381	(40,836,932)	227,429,751
-	-	-	-	38,443,176
-	-	1,994,359	-	90,725,579
-	-	350,389	10,038	360,427
200,772	(4,140,182)	3,007,208	26,259,840	157,407,171
-	-	-	-	452,642
200,772	(4,140,182)	5,351,956	26,269,878	287,388,995
\$ 200,772	\$ 46,949	\$ 5,407,337	\$ (14,567,054)	\$ 514,818,746

East Jefferson General Hospital

**Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2013**

	EJGH	EJRO, LLC	EJPG, LLC
Operating revenue:			
Net patient service revenue	\$ 312,474,720	\$ 9,851,891	\$ 23,921,448
Other operating revenue	16,026,849	11,971	1,495,345
Rental income from leases	5,707,032	71,776	-
Total operating revenue	334,208,601	9,935,638	25,416,793
Operating expenses:			
Salaries, wages and benefits	139,073,971	1,506,192	30,987,275
Purchased services and other	118,759,864	5,496,351	7,890,885
Supplies	48,191,007	115,512	455,839
Depreciation and amortization	24,491,721	672,757	491,578
Interest	9,568,591	117,316	-
Total operating expenses	340,085,154	7,908,128	39,825,577
Income (loss) from operations	(5,876,553)	2,027,510	(14,408,784)
Nonoperating revenue (expenses):			
Investment earnings	323,800	-	-
(Loss) on disposal of capital assets	(744)	-	-
Grant revenue	59,642	-	-
Contributions received (given)	1,003,891	-	-
Equity in net income (loss) of component units and associated companies	(10,634,127)	-	-
	(9,247,538)	-	-
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and deconsolidation	(15,124,091)	2,027,510	(14,408,784)
Capital contribution (distribution)	-	(2,000,000)	-
Transfers to Jefferson Parish	(1,481,326)	-	-
Other	-	-	-
Change in net position	(16,605,417)	27,510	(14,408,784)
Net position:			
Beginning (as restated)	281,845,353	1,952,099	(24,090,881)
Ending	\$ 265,239,936	\$ 1,979,609	\$ (38,499,665)

	EJPN, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
\$	-	\$ -	\$ -	\$ -	\$ 346,248,059
	-	-	1,150,608	(855,093)	17,829,680
	-	-	-	(2,129,863)	3,648,945
	-	-	1,150,608	(2,984,956)	367,726,684
	-	-	-	-	171,567,438
	-	-	407,694	(2,984,956)	129,569,838
	-	-	-	-	48,762,358
	-	-	-	-	25,656,056
	-	-	-	-	9,685,907
	-	-	407,694	(2,984,956)	385,241,597
	-	-	742,914	-	(17,514,913)
	80	-	243,444	-	567,324
	-	-	-	-	(744)
	-	-	-	-	59,642
	-	-	(1,000,500)	-	3,391
	-	-	-	12,381,181	1,747,054
	80	-	(757,056)	12,381,181	2,376,667
	80	-	(14,142)	12,381,181	(15,138,246)
	-	-	-	2,000,000	-
	-	-	-	-	(1,481,326)
	-	4,140,182	-	(4,140,182)	-
	80	4,140,182	(14,142)	10,240,999	(16,619,572)
	200,772	(4,140,182)	5,351,956	26,269,878	287,388,995
\$	200,852	\$ -	\$ 5,337,814	\$ 36,510,877	\$ 270,769,423

East Jefferson General Hospital

Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2012

	EJGH	EJRO, LLC	EJPG, LLC
Operating revenue:			
Net patient service revenue	\$ 305,733,650	\$ 11,321,501	\$ 22,546,590
Other operating revenue	17,191,280	7,148	1,364,451
Rental income from leases	5,519,559	71,776	-
Total operating revenue	328,444,489	11,400,425	23,911,041
Operating expenses:			
Salaries, wages and benefits	144,453,146	1,519,670	28,361,237
Purchased services and other	104,935,755	5,988,749	8,276,264
Supplies	48,662,203	173,865	454,852
Depreciation and amortization	24,305,958	663,942	217,819
Interest	9,644,206	162,480	-
Total operating expenses	332,001,268	8,508,706	37,310,172
Income (loss) from operations	(3,556,779)	2,891,719	(13,399,131)
Nonoperating revenue (expenses):			
Investment earnings	4,227,296	-	-
(Loss) on disposal of capital assets	(53,945)	-	-
Grant revenue	1,253,091	-	-
Contributions received (given)	1,143,907	-	-
Equity in net income (loss) of component units and associated companies	(11,519,841)	-	-
	(4,949,492)	-	-
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and change in equity interest	(8,506,271)	2,891,719	(13,399,131)
Capital contribution (distribution)	-	(3,650,000)	-
Transfers to Jefferson Parish	(1,635,965)	-	-
Distributions	-	-	-
Change in net position	(10,142,236)	(758,281)	(13,399,131)
Net position:			
Beginning (as restated)	291,987,589	2,710,380	(10,691,750)
Ending	\$ 281,845,353	\$ 1,952,099	\$ (24,090,881)

EJPN, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Foundation	Eliminations	Total Organization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,601,741
-	-	58,667	-	1,250,634	(1,345,988)	18,526,192
26,208	-	-	-	-	(1,945,604)	3,671,939
26,208	-	58,667	-	1,250,634	(3,291,592)	361,799,872
-	-	-	519,965	-	-	174,854,018
13,500	2,600	29,525	1,518,226	659,055	(3,291,592)	118,132,082
-	-	-	7,636	-	-	49,298,556
-	-	-	-	-	-	25,187,719
-	-	-	-	-	-	9,806,686
13,500	2,600	29,525	2,045,827	659,055	(3,291,592)	377,279,061
12,708	(2,600)	29,142	(2,045,827)	591,579	-	(15,479,189)
80	-	-	-	371,313	-	4,598,689
-	-	-	-	-	-	(53,945)
-	-	-	-	-	-	1,253,091
-	-	-	-	(1,106,343)	-	37,564
-	-	-	-	-	12,530,616	1,010,775
80	-	-	-	(735,030)	12,530,616	6,846,174
12,788	(2,600)	29,142	(2,045,827)	(143,451)	12,530,616	(8,633,015)
-	(44,653)	(131,026)	-	-	3,825,679	-
-	-	-	-	-	-	(1,635,965)
-	-	-	-	-	(86,083)	(86,083)
12,788	(47,253)	(101,884)	(2,045,827)	(143,451)	16,270,212	(10,355,063)
187,984	47,253	101,884	(2,094,355)	5,495,407	9,999,666	297,744,058
\$ 200,772	\$ -	\$ -	\$ (4,140,182)	\$ 5,351,956	\$ 26,269,878	\$ 287,388,995

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Position Information

(Hospital Only)

Years Ended December 31, 2013 and 2012

Gross Patient Service Revenue, Summary by Department	2013		
	Inpatient	Outpatient	Total
Routine care services:			
Medical and surgical	\$ 51,712,003	\$ 13,204,263	\$ 64,916,266
Intensive care	16,846,730	6,283	16,853,013
Coronary care	6,082,754	299	6,083,053
Psychiatric care	4,564,820	714	4,565,534
Nursery	10,585,904	988	10,586,892
Rehabilitation	3,370,782	-	3,370,782
Skilled nursing facility	5,850,057	-	5,850,057
	<u>99,013,050</u>	<u>13,212,547</u>	<u>112,225,597</u>
Ancillary services:			
Ambulance	4,142,604	14,402,717	18,545,321
Anesthesiology	15,342,827	14,069,592	29,412,419
Blood bank	7,377,898	2,648,660	10,026,558
Cardiology	41,625,303	77,801,014	119,426,317
Central supply	457,771	252,719	710,490
Dialysis	3,209,656	251,016	3,460,672
Electroencephalography	245,332	144,817	390,149
Emergency services	16,843,025	34,053,496	50,896,521
Endoscopy	2,464,275	6,640,808	9,105,083
Labor and delivery	8,411,783	906,110	9,317,893
Laboratory	37,117,416	43,477,434	80,594,850
Magnetic resonance imaging	2,875,837	8,973,469	11,849,306
Operating and recovery	92,008,853	75,602,022	167,610,875
Pharmacy and IV solution	90,511,175	113,086,470	203,597,645
Physical therapy	18,713,103	6,821,065	25,534,168
Physician network revenue	-	5,104,115	5,104,115
Radiation therapy	1,039,001	43,463	1,082,464
Radiology	36,336,860	89,477,262	125,814,122
Respiratory care	28,439,595	6,267,024	34,706,619
Wound care center	35,101	5,662,759	5,697,860
	<u>407,197,415</u>	<u>505,686,032</u>	<u>912,883,447</u>
	<u>\$ 506,210,465</u>	<u>\$ 518,898,579</u>	<u>1,025,109,044</u>
Less charity care			1,135,795
Gross patient service revenue			1,023,973,249
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs			692,239,415
Less provision for bad debts			19,259,114
Net patient service revenue			\$ 312,474,720

2012		
Inpatient	Outpatient	Total
\$ 57,064,171	\$ 12,357,282	\$ 69,421,453
18,304,415	6,420	18,310,835
6,537,600	-	6,537,600
4,987,126	1,800	4,988,926
9,858,909	-	9,858,909
2,920,116	-	2,920,116
6,488,135	-	6,488,135
<u>106,160,472</u>	<u>12,365,502</u>	<u>118,525,974</u>
4,297,547	15,282,709	19,580,256
15,733,290	13,219,133	28,952,423
8,092,729	2,679,318	10,772,047
40,434,069	66,277,306	106,711,375
484,053	356,933	840,986
3,612,874	281,060	3,893,934
283,255	182,741	465,996
15,481,694	31,746,734	47,228,428
2,491,395	8,405,405	10,896,800
7,957,425	801,855	8,759,280
40,019,203	41,039,261	81,058,464
3,194,576	8,790,814	11,985,390
96,499,558	72,929,433	169,428,991
99,892,638	90,598,825	190,491,463
18,775,630	6,591,482	25,367,112
-	4,196,705	4,196,705
1,379,349	111,630	1,490,979
39,336,316	86,526,462	125,862,778
32,137,129	6,872,518	39,009,647
31,242	6,399,485	6,430,727
<u>430,133,972</u>	<u>463,289,809</u>	<u>893,423,781</u>
<u>\$ 536,294,444</u>	<u>\$ 475,655,311</u>	1,011,949,755
		2,030,875
		<u>1,009,918,880</u>
		686,062,611
		18,122,619
		<u>\$ 305,733,650</u>

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Position Information
(Hospital Only)

Years Ended December 31, 2013 and 2012

Other Operating Revenue	2013	2012
Cafeteria	\$ 1,780,772	\$ 1,889,431
Educational fees	23,397	18,311
Special meals	882,678	986,667
Vending machines	329,538	320,234
LTAC services	504,224	732,609
Wellness center membership fees	2,852,915	2,958,249
Elder advantage fees	7,645	14,693
EMS dispatch fees	252,970	280,984
TM pharmacy	1,478,128	925,870
Upper Payment Limit (UPL) programs	4,442,454	4,371,155
EHR incentive programs	2,156,485	2,920,961
Miscellaneous	1,315,643	1,772,116
	\$ 16,026,849	\$ 17,191,280

Provision for Discounts, Allowances and Estimated
Contractual Adjustments under Third-Party
Reimbursement Programs

Medicare contractual adjustments	\$ 448,673,620	\$ 448,297,755
Medicaid contractual adjustments	55,972,937	46,945,211
Managed care discounts	187,592,858	190,819,645
	\$ 692,239,415	\$ 686,062,611

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Position Information
(Hospital Only)
Years Ended December 31, 2013 and 2012

Departmental Expenses	2013			
	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
Routine services:				
Medical and surgical	\$ 22,619,151	\$ 571,703	\$ 1,450,399	\$ 24,641,253
Intensive care	4,098,891	100,937	273,193	4,473,021
Coronary care	1,618,376	12,182	105,642	1,736,200
Psychiatric care	1,451,278	145,579	19,651	1,616,508
Nursery	2,589,014	207,431	136,245	2,932,690
Nursing administration	623,152	23,174	38,708	685,034
Rehabilitation	1,408,652	664,295	81,050	2,153,997
Skilled nursing facility	2,962,069	16,268	161,860	3,140,197
	<u>37,370,583</u>	<u>1,741,569</u>	<u>2,266,748</u>	<u>41,378,900</u>
Ancillary services:				
Ambulance	4,348,276	378,069	571,189	5,297,534
Anesthesiology	87,856	2,130	865,744	955,730
Blood bank	-	2,152	1,645,355	1,647,507
Cardiology	3,103,907	367,931	9,070,405	12,542,243
Central supply	423,850	651,985	59,368	1,135,203
Dialysis	-	733,792	4,430	738,222
Electroencephalography	45,023	-	3,075	48,098
Emergency services	5,174,836	160,545	512,864	5,848,245
Endoscopy	616,421	30,683	495,334	1,142,438
Labor and delivery	1,532,918	42,758	270,316	1,845,992
Laboratory	-	10,402,836	372,819	10,775,655
Magnetic resonance imaging	377,248	27,105	60,102	464,455
Operating and recovery	8,302,575	2,160,970	23,560,720	34,024,265
Occupational Medicine & Wellness Center	1,577,372	638,016	102,777	2,318,165
Pharmacy and IV solution	4,130,626	30,670,100	291,178	35,091,904
Physical therapy	4,505,119	76,014	73,367	4,654,500
Radiation therapy	311,319	754,287	6,062	1,071,668
Radiology	5,411,878	2,439,143	3,222,307	11,073,328
Respiratory care	3,837,036	59,794	574,032	4,470,862
Wound care center	132,508	1,646,969	3,929	1,783,406
	<u>\$ 43,918,768</u>	<u>\$ 51,245,279</u>	<u>\$ 41,765,373</u>	<u>\$ 136,929,420</u>

2012

Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
\$ 24,050,897	\$ 553,218	\$ 1,422,890	\$ 26,027,005
4,292,422	207,456	310,568	4,810,446
1,720,095	48,422	113,655	1,882,172
1,693,920	161,484	21,170	1,876,574
2,926,887	83,680	100,957	3,111,524
619,959	9,730	54,436	684,125
1,187,662	206,613	56,904	1,451,179
3,106,284	29,668	114,873	3,250,825
39,598,126	1,300,271	2,195,453	43,093,850
4,267,095	474,919	540,171	5,282,185
86,459	249	957,281	1,043,989
-	5,278	1,978,139	1,983,417
3,016,846	301,431	8,211,191	11,529,468
429,439	549,710	217,135	1,196,284
-	823,174	5,354	828,528
44,003	-	4,368	48,371
5,347,954	219,626	597,512	6,165,092
734,745	340,645	446,133	1,521,523
1,476,942	42,100	221,097	1,740,139
1,482	10,165,620	263,713	10,430,815
358,768	11,971	91,580	462,319
8,832,365	2,324,669	24,049,968	35,207,002
1,633,361	740,723	106,694	2,480,778
4,078,167	28,981,142	321,822	33,381,131
4,787,994	432,495	73,038	5,293,527
268,752	808,362	6,229	1,083,343
5,378,219	2,738,664	3,171,264	11,288,147
4,435,354	50,813	641,828	5,127,995
135,758	1,845,915	3,792	1,985,465
\$ 45,313,703	\$ 50,857,506	\$ 41,908,309	\$ 138,079,518

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Position Information
 (Hospital Only) (Continued)
 Years Ended December 31, 2013 and 2012

Departmental Expenses	2013			
	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
General services:				
Dietary and cafeteria	\$ 2,111,135	\$ 62,425	\$ 2,111,562	\$ 4,285,122
Housekeeping	2,407,490	1,119,725	590,455	4,117,670
Laundry	-	867,738	434,267	1,302,005
Plant engineering and security	2,961,734	5,534,347	531,586	9,027,667
Utilities	-	5,386,975	-	5,386,975
	<u>7,480,359</u>	<u>12,971,210</u>	<u>3,667,870</u>	<u>24,119,439</u>
Fiscal and administrative services:				
Accounting	519,450	10,319	9,830	539,599
Administration	12,540,828	11,082,936	103,647	23,727,411
Information systems	382,973	19,365,304	43,832	19,792,109
Education	180,637	76,922	2,111	259,670
Employee benefits	25,324,136	2,784	-	25,326,920
Insurance	-	5,322,637	-	5,322,637
Medical records	1,821,822	1,470,464	15,783	3,308,069
Miscellaneous	-	8,290,467	-	8,290,467
Patient accounts	2,032,217	1,597,226	6,255	3,635,698
Personnel	2,284,462	96,050	5,025	2,385,537
Physician's network	3,425,284	1,062,696	61,207	4,549,187
Printing and duplication	51,546	750,319	194,677	996,542
Professional fees	-	1,661,860	-	1,661,860
Public relations	1,053,345	1,982,010	12,930	3,048,285
Purchasing	309,711	2,941	25,517	338,169
Telephone service	242,831	123	140	243,094
Volunteer services	135,019	26,748	10,062	171,829
	<u>50,304,261</u>	<u>52,801,806</u>	<u>491,016</u>	<u>103,597,083</u>
Total	<u>\$ 139,073,971</u>	<u>\$ 118,759,864</u>	<u>\$ 48,191,007</u>	<u>\$ 306,024,842</u>

2012

	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
\$	2,234,971	\$ 65,713	\$ 2,145,404	\$ 4,446,088
	2,405,581	1,176,745	609,324	4,191,650
	-	856,883	495,114	1,351,997
	2,997,361	4,715,538	563,547	8,276,446
	-	4,729,420	-	4,729,420
	7,637,913	11,544,299	3,813,389	22,995,601
	486,381	12,111	7,720	506,212
	13,283,739	10,257,699	214,610	23,756,048
	431,510	14,108,619	73,154	14,613,283
	175,596	22,520	2,653	200,769
	26,083,655	6,777	2,756	26,093,188
	-	4,488,462	-	4,488,462
	1,690,600	1,410,372	19,493	3,120,465
	-	3,958,206	-	3,958,206
	2,004,403	1,657,594	7,386	3,669,383
	2,460,441	74,414	9,350	2,544,205
	3,283,664	905,417	49,488	4,238,569
	45,367	795,861	277,457	1,118,685
	-	1,325,681	-	1,325,681
	1,242,750	2,180,076	11,361	3,434,187
	310,456	1,318	57,318	369,092
	248,421	229	196	248,846
	156,421	28,323	12,110	196,854
	51,903,404	41,233,679	745,052	93,882,135
\$	144,453,146	\$ 104,935,755	\$ 48,662,203	\$ 298,051,104

East Jefferson General Hospital

Hospital Statistics

Years Ended December 31, 2013 and 2012

	(Unaudited)	
	2013	2012
Total admissions	19,551	19,910
Inpatient admissions, excluding nursery and specialty units	18,020	18,425
Nursery, newborn and neonatal	1,531	1,485
Total patient days of service	97,936	107,009
Inpatients, excluding nursery and specialty units	94,310	103,433
Nursery, newborn	3,626	3,576
Special care units days of service, included in inpatient days of service above:		
Psychiatric unit	10,208	10,935
Rehabilitation unit	5,825	4,883
Skilled nursing facility unit	13,396	14,837
Average daily census	268.3	292.4
Inpatients, excluding nursery and specialty units	258.4	282.6
Nursery, newborn	9.9	9.8
Percentage of occupancy, inpatients, excluding nursery	61.5%	68.3%
Medicare percentage of total patient days	67.1%	68.3%
Average length of stay (days):		
Inpatients, excluding nursery	4.4	4.7
Nursery, newborn and neonatal	2.5	2.5
Psychiatric unit	7.3	7.7
Rehabilitation unit	14.1	14.5
Skilled nursing facility unit	10.1	11.0

East Jefferson General Hospital

Hospital Statistics

Years Ended December 31, 2013 and 2012

	(Unaudited)	
	2013	2012
Ambulance runs	30,891	30,300
Anesthesiology cases	14,811	15,064
Blood bank units of service	105,361	105,209
Cardiology, noninvasive procedures	74,769	69,676
Deliveries, newborn	1,634	1,554
EEG tests	768	933
Emergency room visits	50,752	52,524
Endoscopy procedures	10,724	13,541
Laboratory units of service	1,389,332	1,374,911
Surgical hours	21,498	20,870
Open heart operations	245	284
Physical therapy relative value units	119,239	129,996
Recovery room visits	7,801	7,950
Respiratory care units of service	549,039	617,531
Radiology:		
Diagnostic exams	75,955	78,486
CT scans	28,930	29,028
Nuclear medicine exams	7,679	6,985
Ultrasonic procedures	16,141	16,860
Special procedures	3,668	4,347
MRI procedures	7,170	7,170
Full-time equivalent employees	2,126	2,226



**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**

Independent Auditor's Report

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Jefferson General Hospital (Organization), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated May 30, 2014. We did not audit East Jefferson Ambulatory Surgery Center, LLC and the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2013 and 2012. Those financial statements were audited by other independent auditor's whose reports thereon have been furnished to us and, our opinion on the financial statements is based solely upon the reports of other independent auditors.

The financial statements of East Jefferson Ambulatory Surgery Center, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Physician Network, LLC, Gulf South Quality Network, LLC, East Jefferson General Surgery Co-Management Company, LLC, and East Jefferson Orthopedic Co-Management Company, LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

McGladrey LLP

Davenport, Iowa
May 30, 2014

Laforte

A Professional Accounting Corporation

Metairie, Louisiana
May 30, 2014