

**BATON ROUGE
GENERAL MEDICAL CENTER**

Financial Statements

September 30, 2010 and 2009

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

Release Date 4/29/11

**BATON ROUGE
GENERAL MEDICAL CENTER**

For the Years Ended September 30, 2010 and 2009

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Independent Auditor's Report

To the Board of Trustees
Baton Rouge General Medical Center

We have audited the accompanying balance sheets of Baton Rouge General Medical Center (the Hospital) as of September 30, 2010 and September 30, 2009, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge General Medical Center as of September 30, 2010 and September 30, 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A Professional Accounting Corporation

December 20, 2010

111 VYDENNE MEADOWS, BOULLEVARD, SUITE 400, METairie, LA 70005 • 504.885.2222 • FAX 504.832.2535
5109 VILLAGE WALK, SUITE 300, CLAYBOURNE, LA 70438-4012 • 985.921.5891 • FAX 985.842.5099
TOWN HALL WEST, 10000 PIERRE ROUGE, STE. 200, BATON ROUGE, LA 70804-1797 • 225.296.5150 • FAX 225.296.5194
WWW.LAPORTE.COM

RSM McGladrey Network
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BATON ROUGE GENERAL MEDICAL CENTER
Balance Sheets
September 30, 2010 and 2009

	2010	2009
	<i>(In Thousands)</i>	
Assets		
Current assets		
Cash and cash equivalents	\$ 47,970	\$ 33,110
Patient accounts receivable, net (Note 1)	35,030	34,591
Assets whose use is limited	3,483	3,723
Amounts due from contractual third-party payors	-	524
Inventories	7,810	7,952
Prepaid expenses and other assets	2,952	3,091
Total current assets	97,245	82,991
Assets whose use is limited, less current portion	34,043	33,812
Other assets	4,585	6,079
Property, plant, and equipment, net	149,427	158,799
Total assets	\$ 285,300	\$ 281,681
Liabilities and net assets		
Current liabilities		
Trade accounts payable	\$ 16,102	\$ 14,303
Accrued expenses	8,955	8,504
Amounts due to contractual third-party payors	657	-
Current portion of long-term debt	8,506	8,147
Total current liabilities	34,220	30,954
Long-term debt, less current portion	199,017	207,950
Due (from) to affiliate	(4,133)	148
Total liabilities	229,104	239,052
Net assets		
Unrestricted	56,196	42,629
Total liabilities and net assets	\$ 285,300	281,681

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

BATON ROUGE GENERAL MEDICAL CENTER
Statements of Operations
Years Ended September 30, 2010 and 2009

	2010	2009
	<i>(In Thousands)</i>	
Unrestricted revenues, gains and other support		
Net patient service revenue	\$ 304,843	\$ 292,977
Investment income	1,654	1,279
Other revenue	12,654	10,270
Total revenues, gains and other support	319,151	304,526
 Expenses		
Salaries, wages, and benefits	116,680	117,999
Supplies and other expenses	148,072	144,652
Provision for bad debts	16,489	17,207
Depreciation and amortization	13,163	12,305
Interest expense	11,180	11,629
Total expenses	305,584	303,792
 Excess of revenues over expenses	\$ 13,567	\$ 734

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

BATON ROUGE GENERAL MEDICAL CENTER
Statements of Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
	<i>(In Thousands)</i>	
Unrestricted net assets		
Excess of revenues over expenses	\$ 13,567	\$ 734
Temporarily restricted net assets		
Contributions for Bluebonnet expansion	-	663
Net assets released from restrictions	-	(663)
(Decrease) increase in temporarily restricted net assets	-	-
Change in net assets	<u>13,567</u>	<u>734</u>
Net assets, beginning of year	42,629	41,895
Net assets, end of year	<u>\$ 56,196</u>	<u>\$ 42,629</u>

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

BATON ROUGE GENERAL MEDICAL CENTER
Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Change in net assets	\$ 13,567	\$ 734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,163	12,305
Amortization of bond premium	(410)	(420)
Provision for bad debts	16,489	17,207
Contribution from foundation	-	(663)
(Increase) decrease in operating assets:		
Patient accounts receivable	(16,928)	(14,726)
Inventories and other current assets	281	3,993
Other assets	1,123	(53)
Increase (decrease) in operating liabilities:		
Amounts due to third-party payors	1,181	3,999
Accounts payable and other current liabilities	(2,031)	(12,205)
Net cash provided by operating activities	26,435	10,171
Cash flows from investing activities		
Purchases of property, plant, and equipment	(3,418)	(7,163)
Contribution from foundation	-	663
Decrease in assets whose use is limited	9	13,260
Net cash (used in) provided by investing activities	(3,409)	6,760
Cash flows from financing activities		
Principle payments on bonds outstanding	(8,166)	(13,410)
Net cash used in financing activities	(8,166)	(13,410)
Net increase in cash and cash equivalents	14,860	3,521
Cash and cash equivalents, beginning of year	33,110	29,589
Cash and cash equivalents, end of year	\$ 47,970	\$ 33,110
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of the amount capitalized	\$ 11,180	\$ 11,629

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

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 1. Significant Accounting Policies

Organization

Baton Rouge General Medical Center (the Hospital) is a private, community-owned, nonprofit hospital located in Baton Rouge, Louisiana. The Hospital primarily provides health care services, including acute care, rehabilitative services, skilled nursing care, and psychiatric services, all of which are designed to meet the health care needs of the southeast Louisiana area.

The Hospital is an affiliate of General Health System (GHS). The Hospital purchases certain services from GHS, including management services, information services, financial accounting, cash management, human resources, employee benefits, insurance, audit, legal and consulting services, printing, mailing and courier services, and such other services as are mutually agreed.

Income Tax Status

The Hospital is a not-for-profit organization as described in Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxation under Internal Revenue Code Section 501(a).

Revenue, Gains, and Losses

The Hospital's mission is to provide a broad range of innovative health care services delivered in a caring, consumer-oriented, and cost-effective manner through a quality-driven system. As such, activities related to this purpose are classified as revenue.

Revenue is generated from direct patient care, related support services, and other revenue related to the operation of the Hospital. In addition, earnings on interest-bearing deposits and marketable securities that are used in conjunction with providing health care services are reported as revenue. Other activities that result in gains or losses unrelated to the Hospital's primary mission are reported as non-operating gains or losses.

Cash Equivalents and Investments

Cash equivalents include investments in money market accounts and highly liquid investments with original maturities of three months or less when purchased, excluding amounts whose use is limited by Board designation, under trust agreements, or amounts pledged to third parties. Fair values are based on cost. Investments that can be readily traded are considered current assets.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables

The Hospital has entered into agreements with third-party payors, including government programs and managed health care plans, under which the Hospital is compensated for care based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. The allowance for uncollectible accounts at September 30, 2010 and 2009 was approximately \$20,117,000 and \$19,159,000, respectively.

Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted as final settlements are determined. Actual results could differ from those estimates.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued 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 expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. 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.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables (Continued)

The Hospital will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

Inventories

Inventories are valued at the latest invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Property, Plant, and Equipment

All property, plant, and equipment acquisitions are recorded at cost, except for donated assets, which are recorded at fair market value on the date of donation. Capital leases are recorded at the present value of future minimum lease payments and the related amortization is included in depreciation and amortization expense in the statement of activities. Depreciation of plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets range from 3 to 30 years.

Prepaid Expenses and Deferred Financing Cost

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis. Deferred debt issuance costs and original issue premium on the Company's revenue bonds are being amortized over the terms of the bonds using the bonds outstanding method.

Assets Whose Use is Limited

Several funds were established concurrent with the issuance of tax-exempt debt. Trustees maintain the capital improvement and debt retirement funds, which include cash, investments, and accrued interest receivable, as special trust accounts for the benefit and security of the holders and owners of the debt. The limited use assets as of September 30, 2010 and 2009 are as follows:

	2010	2009
	<i>(In Thousands)</i>	
Capital improvement funds	\$ 9,070	\$ 10,417
Debt retirement funds	28,321	26,984
Other restricted assets	135	134
	<u>37,526</u>	<u>37,535</u>
Less current portion	<u>(3,483)</u>	<u>(3,723)</u>
	<u>\$ 34,043</u>	<u>\$ 33,812</u>

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Self-Insurance Liabilities

The Hospital is self-insured up to certain amounts for employee health, malpractice, general liability, and workers' compensation claims. The Hospital participates in the Louisiana Patients Compensation Fund, which limits the Hospital's exposure to malpractice losses. The Hospital limits exposure to general liability and workers' compensation claims through indemnity insurance purchased in the commercial market, which includes specific loss and aggregate limit thresholds.

The liabilities, which are recorded on the Hospital's parent company (General Health System), represent management's best estimate of the ultimate unpaid cost of all reported and unreported claims incurred. The medical malpractice and workers' compensation claims estimates are based on actuarial projections of the historical loss development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the period. These estimates are continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; such adjustments are included in current activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The significant estimates affecting the Hospital's net patient service revenue and provision for bad debts relate to the allowance for uncollectible accounts, provision for contractual discounts, and provision for retroactive adjustments under third-party payor arrangements. Differences between original estimates and subsequent revisions are included in the statement of activities in the period in which the differences become known. These revisions increased net patient service revenue by \$1,029,771 in 2010 and increased net patient service revenue by \$2,021,633 in 2009, respectively.

Advertising Costs

The Company's policy is to expense advertising costs as the costs are incurred. Advertising costs for the years ending September 30, 2010 and 2009, were approximately \$747,000 and \$754,000, respectively.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 2. Community Benefits

The Hospital provides health care services to patients who are economically disadvantaged and medically underserved. These patients generally cannot afford health care because of inadequate resources or they are uninsured.

For patients who meet certain criteria under the Hospital's charity care policy, care is provided without charge or at amounts that are less than established rates. Benefits to the indigent also include charges foregone and costs in excess of government payments for services provided to Medicaid beneficiaries. Technological advances offered at the Hospital for many patient care services have increased both the options and the cost of "appropriate" care.

The Hospital also commits significant time and resources to others who may not qualify as indigent, but who still require special services and support. These benefits include charges foregone and costs in excess of government payments for care provided to Medicare beneficiaries.

A summary of charges foregone (representing charges in excess of payments) and estimated costs in excess of payments related to community benefits provided during the years ended September 30, 2010 and 2009, is as follows:

	2010		2009	
	Charges Foregone	Estimated Costs In Excess of Payments	Charges Foregone	Estimated Costs In Excess of Payments
<i>(In Thousands)</i>				
Benefits for the indigent				
Charity care	\$ 25,438	\$ 10,175	\$ 23,404	\$ 6,336
Medicaid program services	101,051	-	86,713	-
	<u>126,489</u>	<u>10,175</u>	<u>110,117</u>	<u>6,336</u>
Other community benefits				
Medicare program services	139,710	-	146,782	-
Other community benefits	-	-	-	-
	<u>139,710</u>	<u>-</u>	<u>146,782</u>	<u>-</u>
Total quantifiable benefits	<u>\$ 266,199</u>	<u>\$ 10,175</u>	<u>\$ 256,899</u>	<u>\$ 6,336</u>

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 2. Community Benefits (Continued)

The Hospital also recognizes the critical role of education in creating a more positive future for individuals. BRGMC operates the Baton Rouge General Medical Center School of Nursing and Radiology and provides trained healthcare professionals to the Baton Rouge community. In response to the community need for registered nurses, BRGMC has increased the class size of its School of Nursing.

In addition, BRGMC is a Council of Teaching Hospital accredited community-based teaching hospital and an accredited residency program in family medicine. This commitment to graduate medical education (GME) is important to both Baton Rouge and the State of Louisiana. BRGMC has been active in GME for many years, working with the Louisiana State University School of Medicine (LSU) and the Earl K. Long Memorial Hospital (EKL) to enhance the quality of healthcare through medical education programs. BRGMC, LSU, and EKL have created joint residency programs in internal medicine, emergency medicine, pediatrics, and general surgery. Mid City recently entered into an affiliation agreement with Tulane University to create a satellite training campus for its medical students. In May of 2010, ten selected students began the program during which they will spend their third and fourth year clinical rotations at Mid City. The BRGMC General physicians will be serving as the students' teachers and mentors. The program officially titled LEAD (Leadership, Education, Advocacy, and Discovery) Academy signifies the first time that Tulane has opened a training facility outside of New Orleans.

Another unique program to Baton Rouge General is its Burn Center, recognized by the American Burn Association as the only burn center in southern Louisiana and, therefore, BRGMC assumes the healthcare responsibility for patients from an area far exceeding the standard service area. The Burn Center's comprehensive range of services includes education and prevention programs for the patient, family, and community, with specific programs for work-related burn prevention and treatment. Burn treatment procedures use a team approach to care that involves physicians, nurses, occupational and physical therapists, clinical dietitians, respiratory therapists, and social and pastoral care. The "Burn Camp" and the "Recovering Burn Support Group" are two examples of post-acute-care programs developed by the Company to meet the rehabilitative and psychosocial needs of this unique patient population.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 2. Community Benefits (Continued)

In addition, the Company also provides many free health screenings, health fairs and programs encouraging community wellness, including:

- The Company offers free resources and support groups for cancer patients, including lymphedema, pancreatic cancer, and prostate cancer support groups.
- There are over 34 cancer clinical trials open to patient accrual.
- Each year, the hospital provides free community screenings for prostate and skin cancer to aid in early detection. In 2010, the Hospital also provided 32 free mammograms for women who were unable to afford a mammogram.
- BRGMC is a corporate sponsor of the annual American Cancer Society Relay for Life and Komen Race for the Cure.
- The Company sponsors and teaches Tar Wars, a pro-health tobacco education program and poster contest for fifth grade students, utilizing volunteer healthcare professionals to discuss the use of tobacco products.
- Through our specialized Healthy Heart Club, a cardiac reconditioning program, we offer an ongoing maintenance program in which the general public can exercise in our gym under the supervision of certified therapists and nutritionists.
- The hospital and local physicians worked collaboratively to provide free screening tests to identify those who are at risk for cardiovascular disease.
- The Company and a local television station partnered to provide flu shots for those 65 years of age and older each fall. In 2008, approximately 1,000 seniors received free flu shots from Baton Rouge General.
- The Company provides birth and baby classes to expectant parents that include childbirth preparation, breastfeeding basics, baby care basics, and CPR for Family and Friends.
- The hospital provided free screenings, assessments and seminars to more than 2,500 people in the community in 2010.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 3. Third-Party Reimbursement

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. 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. Final settlement is determined after submission of the Hospital's annual cost reports and audits thereof by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2007.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2005.

During the years ended September 30, 2010 and 2009, approximately 53% and 56%, respectively, of consolidated net patient service revenue was derived from Medicare and Medicaid program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As mentioned in Note 1, CMS announced a project that uses RACs to search for improper Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. RAC assessments against the Hospital are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

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

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 4. Investments

The Hospital's investments at September 30, 2010 and 2009 were as follows:

	2010	2009
	<i>(In Thousands)</i>	
Assets whose use is limited		
Cash and cash equivalents	12,604	14,918
Certificate of deposits	135	134
U.S. government and government agency obligations and mutual funds	24,787	22,483
	\$ 37,526	\$ 37,535

The fair value measurement are based on a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 4. Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2010 and 2009.

- Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual Funds: Valued at the net asset value (NAV) of shares held at year end.

Based on this fair value hierarchy, the Hospital's investments and assets whose use is limited were valued at fair value using quoted prices in active markets for identical assets (Level 1) as of September 30, 2010 and 2009.

The following schedule summarizes the investment income in the statements of activities for the years ended September 30, 2010 and 2009:

	2010	2009
	<i>(In Thousands)</i>	
Dividends and interest	\$ 1,205	\$ 1,305
Net unrealized gains (losses)	451	(26)
Net realized gains (losses)	(1)	-
Investment manager fees	(1)	-
Investment income	<u>\$ 1,654</u>	<u>\$ 1,279</u>

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 5. Property, Plant and Equipment

Property and equipment and accumulated depreciation at September 30, 2010 and 2009, are as follows:

	2010	2009
	<i>(In Thousands)</i>	
Land and land improvements	\$ 16,921	\$ 16,690
Buildings and fixed equipment	198,599	198,149
Equipment	103,515	101,219
Construction in progress	1,448	1,224
	<u>320,483</u>	<u>317,282</u>
Accumulated depreciation	(171,056)	(158,483)
	<u>\$ 149,427</u>	<u>\$ 158,799</u>

Depreciation expense was approximately \$12,791,000 and \$11,933,000 for the years ended September 30, 2010 and 2009, respectively.

Note 6. Leases and Other Commitments

The Hospital leases medical and office equipment and office buildings under several operating leases, which expire in various years through 2015. Rental expense under operating leases totaled approximately \$3,242,000 and \$2,350,000 for the years ended September 30, 2010 and 2009, respectively.

Future minimum payments under all operating leases with original or remaining terms of one year or more at September 30, 2010, are as follows (in thousands):

2011	\$ 228
2012	225
2013	99
2014	41
2015	2

Note 7. Business and Credit Concentrations

Financial instruments which potentially subject the Hospital to concentrations of credit risk consist principally of unsecured accounts receivable and depository accounts in excess of federally insured limits.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 7. Business and Credit Concentrations (Continued)

The Hospital grants credit to patients, substantially all of whom are regional residents, and generally does not require collateral or other security in extending this credit; however, the Hospital routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, and commercial insurance policies).

Note 8. Long-Term Debt

On December 8, 2004, the Louisiana Public Facilities Authority issued the Series 2004 Bonds, for which the Hospital is obligated. The proceeds of the Series 2004 Bonds were used in refunding previously issued bond series, together with providing funds for (a) funding a \$98.1 million capital expansion of the Bluebonnet campus including capitalized interest during the construction period, (b) funding a debt service reserve fund, and (c) paying certain costs incurred in connection with the issuance of the bonds. Long-term debt at September 30, 2010 is summarized as follows (in thousands):

Mortgage Revenue Bonds, FHA Insured Series 2004; plus unamortized premium of \$5,361 and \$5,771 at September 30, 2010 and 2009, respectively; \$39,700 of serial bonds bearing interest rates of 4% to 5% and maturing through 2018; \$42,345 of 5.25% and \$107,735 of 5.25% term bonds maturing in 2024 and 2033, respectively; with optional or mandatory redemption requirements beginning in 2014; collateralized by a pledge of future revenue of BRGMC and secured by (a) mortgage granting to the Bank of New York, as mortgagee, a first lien on certain of BRGMC's real property and (b) a security agreement granting a security interest on certain of BRGMC's personal property (fair value of \$156,489 and \$202,646 at September 30, 2010 and 2009), respectively.	\$ 195,141
Bonds payable to others	12,382
Less principal payments due within one year	(8,506)
	<u>\$ 199,017</u>

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

The scheduled maturities of long-term debt for the next five years ending September 30th are as follows (in thousands):

2011	\$	8,506
2012		8,841
2013		8,380
2014		6,110
2015		5,720
Thereafter		<u>164,605</u>
	\$	<u>202,162</u>

As mentioned above, proceeds from the Series 2004 Bonds were used to refund previous bond issuances that were obligations of the Hospital. Approximately \$96,894,000 of the proceeds of the Bonds, together with other monies of the Hospital, was used to currently refund the Series 1989A Bonds, Series 1989B Bonds, Series 1992 Bonds and Series 1994 Bonds (the "Currently Refunded Bonds"), which was redeemed within ninety (90) days after the delivery of the Bonds. In the opinion of Bond Counsel, pursuant to the related indentures under which the Currently Refunded Bonds were issued and upon the deposit being made to the bond funds for the Currently Refunded Bonds, the Currently Refunded Bonds have been defeased, have been deemed to be paid and are no longer considered to be outstanding under such indentures.

Note 9. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services were as follows:

	2010	2009
	<i>(In Thousands)</i>	
Health care services	\$ 198,556	\$ 194,373
General and administrative	107,028	109,419
	<u>\$ 305,584</u>	<u>\$ 303,792</u>

Note 10. Contingencies

Malpractice claims that fall within the Hospital's adopted policy of self-insurance (see Note 1) have been asserted against the Hospital by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial.

BATON ROUGE GENERAL MEDICAL CENTER

Notes to Financial Statements

Note 10. Contingencies (Continued)

The accrual for malpractice and general liability self-insurance reserves, which is recorded on the Hospital's parent company (General Health System), totaled approximately \$4,193,000 and \$4,671,000 at September 30, 2010 and 2009, respectively, of which \$750,000 is included in current liabilities at each of those dates. Based on management's best knowledge and belief, it is the opinion of management that the ultimate resolution of malpractice claims and incidents will not have a material effect on the Hospital's financial statements.

Note 11. Related Party Transactions

As mentioned in Note 1, the Hospital is an affiliate of GHS and purchases certain services. For the year ended September 30, 2010, the Hospital incurred \$48,057,018 in service fees with GHS. For the year ended September 30, 2009, the costs incurred totaled \$48,446,148.

Note 12. Accounting for Uncertainty in Taxes

The Company adopted the provisions of the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC. The Company recognizes a threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company's tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2007 through 2010. There are currently no returns under examination. Management evaluated the Company's tax positions and considered that the Company had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 20, 2010, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.