LOUISIANA CHILDREN'S MEDICAL CENTER

Consolidated Financial Statements as of and for the Years Ended
December 31, 2014 and 2013,
Schedule of Expenditures of Federal Awards for the Year Ended
December 31, 2014, and
Independent Auditors Reports

LAPORTE
CPAs & BUSINESS ADVISORS

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Independent Auditor's Report

To the Governing Board of Trustees
Louisiana Children's Medical Center

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Louisiana Children's Medical Center (LCMC) (the System) which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LCMC as of December 31, 2014 and 2013, and the results of its operations, changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Louisiana Children's Medical Center as a whole. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental balance sheets, statements of operations, changes in net assets and cash flows, and consolidating schedules as of and for the years ended December 31, 2014 and 2013 are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 20, 2015, on our consideration of LCMC'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 those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LCMC's 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 each LCMC's control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 20, 2015

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 225,622**	$ 330,044
Assets Limited as to Use	**1,627**	1,617
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of $101,230 and $39,027, in 2014 and 2013, Respectively	**112,442**	106,571
Other Receivables	**18,527**	249
Inventories	**21,150**	19,685
Prepaid Expenses	**30,574**	9,739
Total Current Assets	**409,942**	467,905
Assets Limited as to Use		
Designated for Capital Projects and Specific Programs	**831,121**	802,270
Restricted by Bond Indenture, Debt Service Reserve	**9,571**	9,571
Donor-Restricted Long-Term Investments	**13,752**	13,734
Restricted Other	**28,660**	3,948
Less: Amount Required for Current Obligations	**(1,627)**	(1,617)
Assets Limited as to Use, Net	**881,477**	827,906
Property, Plant, and Equipment, Net	**282,738**	275,786
Other Assets	**265,474**	257,295
Total Assets	**$ 1,839,633**	$ 1,828,892

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets (Continued)
December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 66,158**	$ 72,327
Accrued Salaries and Benefits	**37,837**	31,180
Current Maturities of Bonds Payable	**2,240**	2,110
Current Portion of Estimated Employee Health and Workers' Compensation Claims	**4,097**	6,714
Current Portion of Estimated Professional Liabilities Claims	**4,083**	3,934
Estimated Third-Party Payor Settlements, Net	**28,483**	15,578
Deferred Revenue	**63,232**	91,593
Other Current Liabilities	**7,373**	6,778
Total Current Liabilities	**213,503**	230,214
Bonds Payable, Net of Current Portion	**68,320**	70,514
Notes Payable	**253,000**	253,000
Estimated Workers' Compensation Claims, Net of Current Portion	**1,985**	1,725
Estimated Professional Liabilities Claims, Net of Current Portion	**10,632**	8,311
Employee Benefits, Net of Current Portion	**18,301**	14,589
Total Liabilities	**565,741**	578,353
Commitments and Contingencies (Note 18)		
Noncontrolling Interest	**683**	683
Net Assets		
Unrestricted	**1,258,027**	1,233,612
Temporarily Restricted	**7,345**	8,407
Permanently Restricted	**7,837**	7,837
Total Net Assets	**1,273,209**	1,249,856
Total Liabilities and Net Assets	**$ 1,839,633**	$ 1,828,892

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Operations
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Unrestricted Revenues, Gains and Other Support		
Net Patient Service Revenues	**$ 905,974**	$ 918,419
Provision for Doubtful Accounts	**52,709**	30,965
Net Patient Service Revenues Less Provision for Doubtful Accounts	**853,265**	887,454
Other Operating Revenues	**50,116**	39,000
Total Operating Revenues	**903,381**	926,454
Operating Expenses		
Employee Compensation and Benefits	**391,964**	319,703
Purchased Services	**116,635**	99,513
Professional Fees	**134,678**	87,508
Supplies and Other Expenses	**224,236**	158,668
Depreciation and Amortization	**32,361**	29,867
Interest	**2,053**	2,028
Total Operating Expenses	**901,927**	697,287
Income from Operations	**1,454**	229,167
Investment Income	**39,838**	77,198
Other Nonoperating Income	**811**	535
Community Support, Net	**(13,152)**	(26,693)
Excess of Revenues over Expenses	**$ 28,951**	$ 280,207

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Unrestricted Net Assets		
Excess of Revenues over Expenses	**$ 28,951**	$ 280,207
Noncontrolling Interests in Income of Consolidated Subsidiaries	**(120)**	(49)
Adjustment to Additional Minimum Pension Liability	**(4,416)**	5,385
Ownership Revisions	**-**	(2)
Increase in Unrestricted Net Assets	**24,415**	285,541
Temporarily Restricted Net Assets		
Contributions and Grants	**1,913**	2,991
Investment Income	**707**	1,526
Net Assets Released from Restriction	**(3,682)**	(4,290)
(Decrease) Increase in Temporarily Restricted Net Assets	**(1,062)**	227
Change in Permanently Restricted Net Assets	**-**	-
Increase in Net Assets	**23,353**	285,768
Net Assets, Beginning of Year, as Previously Reported for 2013	**-**	965,721
Prior Period Adjustment - See Note 22	**-**	(1,633)
Net Assets, Beginning of Year, as Restated for 2013	**1,249,856**	964,088
Net Assets, End of Year	**$ 1,273,209**	$ 1,249,856

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Cash Flows from Operating Activities		
Increase in Net Assets	$ 23,353	$ 285,768
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Adjustment to Pension Liability	4,416	(5,385)
Ownership Revisions	-	2
Noncontrolling Interest in Income of Consolidated Subsidiaries	120	49
Depreciation and Amortization	33,700	31,437
Net Loss on Disposal/Sale of Assets	237	139
Provision for Doubtful Accounts	52,709	30,965
Change in Operating Assets and Liabilities		
Increase in Patient Accounts Receivable	(58,580)	(71,059)
(Increase) Decrease in Other Receivables	(18,278)	37,967
Increase in Inventories	(1,465)	(7,429)
(Increase) Decrease in Prepaid Expenses	(20,835)	655
Increase in Other Assets	(8,211)	(258,935)
(Decrease) Increase in Trade Accounts Payable	(6,169)	44,440
Increase in Accrued Salaries and Benefits	6,657	12,803
Increase (Decrease) in Third-Party Payor Settlements	12,905	(2,007)
(Decrease) Increase in Deferred Revenue	(28,361)	91,593
Increase (Decrease) in Other Liabilities	4	(30,950)
Net Cash (Used in) Provided by Operating Activities	(7,798)	160,053
Cash Flows from Investing Activities		
Capital Expenditures	(40,813)	(69,626)
Change in Assets Limited as to Use	(53,581)	(58,382)
Net Cash Used in Investing Activities	(94,394)	(128,008)
Cash Flows from Financing Activities		
Proceeds from Issuance of Debt	-	253,000
Repayments of Bonds Payable	(2,110)	(1,985)
Distributions Paid to Noncontrolling Interests	(120)	(117)
Net Cash (Used in) Provided by Financing Activities	(2,230)	250,898
Net (Decrease) Increase in Cash and Cash Equivalents	(104,422)	282,943
Cash and Cash Equivalents, Beginning of Year	330,044	47,101
Cash and Cash Equivalents, End of Year	$ 225,622	$ 330,044
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	$ 14,582	$ 5,942
Property, Plant and Equipment Purchases in Accounts Payable	$ 1,952	$ 4,746

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

Note 1. Organization

Louisiana Children's Medical Center (LCMC) is a Louisiana non-stock, not-for-profit corporation that was incorporated in 2009, with its founding member being Children's Hospital. Through a Health Care System Agreement (System Agreement) between LCMC, Children's Hospital (Children's), Touro Infirmary and its subsidiaries (Touro), and University Medical Center Management Corporation (UMCMC), these parties have determined that together they can provide a multi-hospital, not-for-profit community-based, system that will provide a continuum of care to the families of the Gulf South region.

Children's is Louisiana's only community-based, not-for-profit, full-service hospital operated exclusively for children. Children's together with its two affiliates, the Children's Hospital Medical Practice Corporation (CHMPC) and the Children's Hospital Anesthesia Corporation, are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). Located in New Orleans, Louisiana, Children's includes a 247-bed medical center providing care for infants, children and adolescents from birth to 21 years of age. It provides inpatient services in all pediatric, medical, surgical, and psychiatric subspecialties with a staff of more than 440 physicians. Outpatient services are provided in 58 subspecialties.

Children's provides a large array of community benefit and wellness programs including research activities, and special programs for the handicapped and medically underserved. CHMPC was incorporated to manage pediatric physician practices in a high-quality, cost-effective manner. Kids First, a division of CHMPC, provides pediatric care in medically underserved geographical areas. Children's Hospital Anesthesia Corporation was incorporated to provide high-quality, comprehensive, anesthesia services.

Touro Infirmary, and its 280 staffed beds, is New Orleans' only community based, not-for-profit, faith-based hospital. It is exempt from taxation under the Code. Touro Infirmary is the sole member of Woldenberg Village, Inc. (Woldenberg), and Touro Infirmary Foundation (Foundation), both of which are non-stock, not-for-profit and tax exempt corporations. Touro Infirmary is the sole stockholder of Crescent City Physicians, Inc., a for-profit corporation; and holds a majority interest, together with Woldenberg, in TIJV, LLC, a for-profit limited liability company. All significant intercompany transactions have been eliminated in their consolidated financial statements.

In 2013, the Articles of Incorporation of a corporation originally incorporated as Earl K. Long Medical Foundation, Inc. were restated, elements of which included changing the corporate name to University Medical Center Management Corporation, stipulating that the sole corporate member of UMCMC is LCMC.

Note 1. Organization (Continued)

The restatement also modified the purpose of UMCMC, which is to operate as a corporation affiliated with LSU as defined in LA R.S. 17:3390, with a principal purpose of supporting the programs, facilities and research and educational opportunities offered by LSU, and supporting research and educational opportunities, including, without limitation, medical training programs offered by the Administrators of the Tulane Educational Fund (Tulane), including, without limitation, the following: (i) operating the hospital currently known as Interim LSU Hospital (ILH) and upon its completion the new University Medical Center in New Orleans (UMC); (ii) operating in a manner consistent with the best practices of private, nonprofit institutions; (iii) being a provider of charity care for the uninsured and playing a pivotal role as a statewide referral center for patients in need of tertiary care; (iv) providing medical and allied health training; and, (v) being recognized nationally as a leader in research, training, and excellence in transparent clinical and financial outcomes.

LCMC, through its health care system, has extensive experience in nonprofit hospital operations and finances and is committed to the growth and expansion of charitable clinical, teaching and research missions in the communities it serves. UMCMC, with its vision of being an integrated, world class academic medical center acknowledges that LCMC has the resources and expertise necessary to achieve its vision. As such, on May 29, 2013, UMCMC and LCMC, entered into an Amended and Restated Cooperative Endeavor Agreement (CEA) with the Board of Supervisors of Louisiana State University (LSU), the Louisiana Division of Administration, the State of Louisiana, through its Division of Administration (DOA), and the State of Louisiana Department of Health and Hospitals (DHH), collectively referred to as the Parties. The objective of the CEA is to maintain the viability of operations and patient care services and programs at ILH and to protect and enhance the role in the transition to UMC, thereby stabilizing and preserving academic medicine in Louisiana.

The Parties entered into the CEA for the public purpose of creating an academic medical center in which the parties continuously work in collaboration and are committed and aligned in their actions and activities, in a manner consistent with a sustainable business model and adequate funding levels, to serve the State and its citizens: (i) as a premier site for graduate medical education, capable of competing in the health care marketplace, comparable among its peers, with the goal of attracting the best faculty, residents and students, to enrich the State's health care workforce and their training experience; (ii) in fulfilling the State's historical mission of assuring access to Safety Net Services to all citizens of the State, including its medically indigent, high risk Medicaid and State inmate populations, and (iii) by focusing on and supporting the Core Services and Key Service Lines, as defined and agreed by the Parties, necessary to assure high quality GME programs and access to Safety Net Services.

The CEA provides that the UMCMC will enter into academic affiliation agreements with LSU, Tulane, Xavier University, Dillard University, University of New Orleans, Delgado Community College and other academic institutions to strengthen and enhance opportunities to achieve the State's medical education, clinical care and research goals as part of a collaborative academic medical center (the AMC).

Note 1. Organization (Continued)

The CEA also provides: (i) the terms and conditions with which UMCMC will assume responsibility for operating ILH; (ii) that LSU will lease ILH and UMC and certain furniture, fixtures and equipment used in connection with operating ILH to UMCMC; (iii) UMCMC will purchase certain consumable inventory and minor equipment; (iv) that LSU and the State will grant to UMCMC a right of use of the land upon which UMC is being constructed and will be operated and certain land improvements surrounding UMC pursuant to a Right of Use agreement; (v) that LSU will assist in transitioning ILH operations from LSU to UMCMC; and, (vi) that UMCMC and LCMC will commit to supporting the academic, clinical and research missions of the AMC, as defined within the CEA. Terms of the CEA and the leases that result from the CEA are discussed further in Note 18.

LCMC functions as the System Parent and sole member of Children's, Touro Infirmary and any subsidiary of Touro Infirmary of which Touro Infirmary is the sole member, and UMCMC, with reserve powers to be exercised to promote the best interests of the system and its affiliates. LCMC, Children's, Touro and UMCMC are hereinafter collectively referred to as the System. All corporate powers of the System are vested in the Board of Trustees of LCMC.

As further discussed in Note 18 and as provided by the CEA, LCMC may withdraw as the sole member of UMCMC, without cause, upon providing sixty days advance written notice.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the System include the activities of LCMC, Children's, Touro, and UMCMC. All significant intercompany transactions have been eliminated in consolidation. Financial statement preparation follows accounting principles generally accepted in the United States of America (GAAP), which requires the System to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

The System considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual allowances, discounts, provisions for bad debts and charity care; losses and expenses related to the self-insured workers' compensation, professional liabilities and employee health claims; and risks and assumptions for measurement of pension and other postretirement liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances.

Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased, excluding assets whose use is limited or restricted.

Inventories

Inventory policies are unique to the entities within the System. Inventories are stated at either the lower of first-in, first-out cost or market, or at its market value at the date of the consolidated balance sheets.

Assets Limited as to Use

Assets whose use is limited primarily include assets held by trustees indenture agreements, investments restricted by donors, and designated assets set aside by the Board of Trustees (Board) for future capital improvements and commitments, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

At December 31, 2014 and 2013, and as discussed in Notes 4 and 18, restricted other assets consist of certificates of deposit held by UMCMC as collateral for both their self-insured portion of workers' compensation claims and their participation in the Louisiana Patients Compensation Fund. Restricted other assets also consists of collateral related to swap agreements and cash held in trust for residents at Woldenberg. See Notes 4 and 5.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost, except for assets donated to the System. Donated assets are recorded at their estimated fair value at the date of donation.

Note 2. Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Depreciation and amortization, which includes amortization of assets under capital lease, are computed on the straight-line basis over the estimated useful lives, or shorter of useful life or lease term for capital leases, as follows:

Land Improvements	10 - 20 Years
Buildings	15 - 40 Years
Fixed Equipment	10 - 20 Years
Major Moveable Equipment	3 -10 Years

Impairment of Long-Lived Assets

The System reviews its long-lived assets, including property and equipment and other intangibles, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable.

The System determines recoverability of the assets by comparing their carrying amount to the net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized.

Prepaid Expenses and Other Assets

In accordance with the CEA mentioned in Notes 1 and 18, advance rent payments, in the amount of $253,000,000, were made on the UMC lease. Of this total, $110,000,000 represents a prepayment of a portion of the future UMC facility, with the exception of its Ambulatory Care Center and its Garage, while $143,000,000 represents all future rent payments for the Ambulatory Care Building and Garage. Due to the notes payable, described in Note 8, being directly related to funding the advance rent payments, the System deferred the recognition of interest payments made through December 31, 2014. As described in Note 18, these advance payments together with the interest payments will be applied to the annual rental requirements of UMC once operations have transitioned to the new facility, which is expected to occur in 2015.

As of December 31, 2014 and 2013, the amounts classified as current were approximately $3,124,000 and $-0-, respectively, and are included within prepaid expenses on the consolidated balance sheets. As of December 31, 2014 and 2013, the amounts classified as non-current were approximately $262,795,000 and $254,560,000, respectively, and are included within other assets on the consolidated balance sheets.

Deferred Financing Costs

Deferred financing costs, which are included in other assets, are amortized over the period the obligation is outstanding, using a method that approximates the interest method. Deferred financing costs total approximately $3,545,000 at December 31, 2014 and 2013, and are presented net of accumulated amortization of approximately $1,360,000 and $1,301,000, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Estimated Workers' Compensation, Professional Liability, and Employee Health Claims

The System records the provisions for estimated medical, professional and general liability and workers' compensation claims based upon actual claims incurred, combined with an estimate of claims incurred but not reported. Claims expense is reduced by amounts recoverable through stop-loss insurance purchased by the System. Estimates recorded for these self-insured liabilities incorporate the System's past experience, as well as other considerations including the nature of claims, industry data, relevant trends and/or the use of actuarial information.

The System follows ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability.

Deferred Revenue

The System, through UMCMC, received payments from the State for UMCMC providing healthcare services to the medically indigent and high risk Medicaid, in advance of UMCMC providing those services. The System recognizes revenue ratably as services are provided. The balance of funds received in excess of services provided, as measured, is recognized as deferred revenue on the consolidated balance sheets.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term. The fair value of assets limited as to use, pension plan assets, swap agreements and debt are disclosed within their respective notes.

Derivatives and Financial Instruments

The System uses interest rate swap and basis swap agreements to manage interest costs and the risk associated with changing interest rates. While the System's primary objective for the use of these instruments is to manage its cash flow requirements, unrealized gains and losses in the fair value of such instruments are reflected in investment income or loss in the consolidated statements of operations in accordance with the *Accounting for Derivative Instruments and Hedging Activities* Topic of the FASB ASC.

Net Patient Service Revenues and Related Receivables

Net patient service revenues and receivables are 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. The System provides care to patients even if they lack adequate insurance coverage or are covered by contractual payment arrangements that do not pay full charges. The payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations are based on per diem rates or discounts from established charges.

Note 2. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenues and Related Receivables (Continued)

Patient accounts receivables are reduced by an allowance for doubtful accounts. In establishing its estimate of collectability of accounts receivable, each entity within the System analyzes its past history and collection patterns of its major payor sources of revenue. These allowances are adjusted monthly for volume and service mix, and annually for rate increases.

For receivables associated with self-pay patients (which includes patients without insurance who are not covered by the charity care program of each entity within the System and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted are charged off against the allowance for doubtful accounts.

The provision for bad debts, at the System level, increased to a total of approximately $52,709,000 for the year ended December 31, 2014, from a total of approximately $30,965,000 for the year ended December 31, 2013. The overall increase is attributable to the increased volume of self-pay patients through the addition of the ILH operations effective June 24, 2013.

Advertising Expenses

The System expenses advertising costs as incurred. Advertising expense was approximately $2,192,000 and $2,198,000, for the years ended December 31, 2014 and 2013, respectively.

Grants, Contributions and Donor-Restricted Gifts

From time to time, the System receives grants from individuals or private and public entities. Revenues from grants (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements, are met, and when there is reasonable assurance that the grants will be received. Grants may be restricted for either specific operating purposes or for capital purposes. Amounts are recorded as either operating or non-operating revenue based upon the nature of its cash flow.

Cash flows that do not meet the reporting criteria for investing or financing within the consolidated statements of cash flows are reported as operating activities, and their associated revenue reported as operating revenue within the consolidated statements of operations.

The System records contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Accounting for Contributions Received and Contributions Made*, which requires the System to distinguish between contributions received for each net asset category in accordance with or without donor-imposed restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Grants, Contributions and Donor-Restricted Gifts (Continued)

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is met or the gift is received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When an externally-imposed restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions.

Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Temporarily restricted gifts greater than $100,000 used to purchase a depreciable asset are reclassified as unrestricted net assets over the same period of time that the related asset is being depreciated. In accordance with the Louisiana Uniform Prudent Management of Institutional Funds Act (UPMIFA), permanently restricted gifts are reclassified as either unrestricted or temporarily restricted if (i) the value of the gift does not exceed $100,000; (ii) twenty or more years have elapsed since the gift was received; and (iii) the purpose of the restriction is unlawful, impracticable, impossible, or wasteful.

Contributions for which the restrictions are met in the same period in which the unconditional promise to give is received are recorded as unrestricted revenue in the accompanying consolidated financial statements.

Excess of Revenues over Expenses

Excess of revenues over expenses includes all changes in unrestricted net assets except for the effect of changes in accounting principles, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension obligations, change in the non-controlling interest in health-related activities, change in accumulated unrealized derivative gains and losses, and funds donated from unconsolidated sources for purchases of property and equipment.

Charity Care

The System provides medical care without charge or at reduced costs to residents of its community through the provision of charity care. The System follows ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*, which requires that costs be used as the measurement basis of charity care disclosures and that cost be identified as the direct and indirect cost of providing the charity care. The entities within the System each have their own unique policy for determining costs. They either: (1) assign direct costs to charity care programs and complement those direct costs with estimates determined from Medicare and Medicaid cost reporting methodologies, or (2) calculate a ratio of cost to usual and customary charges and apply that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for charity care.

Note 2. Summary of Significant Accounting Policies (Continued)

Charity Care (Continued)
During the years ended December 31, 2014 and 2013, estimated costs associated with charity care services provided, throughout the System, were approximately $101,784,000 and $60,084,000, respectively.

New Accounting Pronouncements
On January 1, 2014, the System adopted the provisions of FASB ASU 2012-05, "*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows."* This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. The adoption of this guidance had no impact on the System's consolidated statement of cash flows.

On January 1, 2014, the System adopted the provisions of FASB ASU 2013-01, *"Balance Sheet (Topic 210): Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities."* This guidance provides clarification on the scope of the offsetting disclosure requirements of ASU 2011-11. The adoption of this guidance had no impact on the System's consolidated financial statements.

Income Taxes
LCMC, Children's, UMCMC, Touro Infirmary and certain of its subsidiaries are not-for-profit entities under Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxation. One subsidiary of Touro Infirmary is a for-profit entity. The operations of the for-profit subsidiary have resulted in cumulative net operating losses for federal income tax purposes at December 31, 2014 and 2013, of approximately $40,434,000 and $30,000,000, respectively. These net operating loss carryforwards expire in varying amounts beginning in 2018 through 2034. No tax benefits related to these operating losses have been recognized in the accompanying consolidated financial statements.

Subsequent Events
The System has evaluated subsequent events occurring between December 31, 2014 and April 20, 2015, the date the financial statements were available to be issued. See Note 23.

Note 3. Net Patient Service Revenues

The System has arrangements with third-party payors that provide for payments to the System at amounts different from its established rates. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term.

Note 3. Net Patient Service Revenues (Continued)

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid

In the context of healthcare reform, effective February 1, 2012, Louisiana Medicaid introduced Bayou Health, a state-wide managed care Medicaid initiative. Medicaid recipients enroll in one of five available Bayou Health plans. The plans are all accountable to the Department of Health and Hospitals and to the State of Louisiana (State). There are differences between these plans, including their provider networks, referral policies, health management programs, services and incentives offered to participants. Medicaid recipients can choose which Bayou Health plan to enroll into.

The other unique elements of the Medicare and Medicaid reimbursement methodologies are as follows:

Touro:
Touro is reimbursed under the Medicare Prospective Payment System (PPS) for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. In addition, Touro is paid prospectively for Medicare inpatient capital costs based on the federal specific rate.

Touro qualifies as a disproportionate share provider and a teaching hospital under the Medicare regulations. As such, Touro receives an additional payment for Medicare inpatients served. Except for Medicare disproportionate share and medical education reimbursement and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

Touro's reimbursements from the Bayou Health plans follow the same methodology as Medicaid; that is, DHH's objective is to continue collecting all Medicaid hospital program services and costs through the annual cost report uniformly, whether the service is covered by traditional Medicaid fee for service or a Prepaid Plan.

Medicare inpatient rehabilitation services are paid through the Inpatient Rehabilitation Facility Prospective Payment. Home health services rendered to Medicare program beneficiaries are reimbursed under a per-episode prospective payment system.

Outpatient services rendered to Medicare program beneficiaries are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which Touro is paid a predetermined amount for these procedures. Medicare and Medicaid outpatient clinical lab, physical rehab services, and Medicaid ambulatory surgery services are reimbursed based upon the respective fee schedules.

Note 3. Net Patient Service Revenues (Continued)

Medicare and Medicaid (Continued)

Touro (Continued):
Retroactive cost settlements based upon annual cost reports are estimated for those programs subject to retroactive settlement and recorded in the consolidated financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made. Touro's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2010. Touro's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2009.

Net patient service revenue decreased in 2014 by approximately $83,000 and in 2013 increased by approximately $2,430,000, due to changes in estimates resulting from the removal of allowances previously estimated that are no longer necessary as a result of final settlements; years that are no longer subject to audits, reviews, and investigations; revision of allowance estimates recorded in prior years relating to expected retroactive adjustments; and revisions based on updated information from the fiscal intermediary.

During 2014 and 2013, the Hospital received approximately $399,000 and $499,000, respectively, from the State of Louisiana in the form of a Graduate Medical Education Supplement Payment.

Children's:
Children's participates primarily in the Medicaid program as a provider of medical services to program beneficiaries. Approximately 71% of Children's gross patient service revenues were derived from program beneficiaries for both of the years ended December 31, 2014 and 2013. For 2013 and most of 2014, most inpatient services rendered to Medicaid patients were paid through a retrospective reimbursement scheme. Under this system, services were paid at an interim per diem rate with final settlement determined after submission of annual costs reports and audits thereof performed by the Medicaid fiscal intermediary. Effective October 4, 2014, all inpatient services, with the exception of transplants, are paid on a prospective per diem reimbursement scheme.

Outpatient services rendered to Medicaid patients are reimbursed under a cost reimbursement methodology subject to certain limitations. Children's is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by Children's and audits thereof performed by the Medicaid fiscal intermediary.

Children's reimbursements from Bayou Health Plans follow the same methodology as Medicaid for the year ended December 2014 and 2013.

The Medicaid cost reports for 2005 and for the years 2009 through 2014 have not been final audited by the Medicaid fiscal intermediary.

Note 3. Net Patient Service Revenues (Continued)

Medicare and Medicaid (Continued)

Children's (Continued):
Management regularly evaluates the adequacy of the recorded settlements and does not anticipate significant adverse adjustments to the recorded settlements for these cost report years. Any changes in the estimated settlements are reported as adjustments to net patient service revenues in the year the final settlements are determined. For the years ended December 31, 2014 and 2013 changes in the estimates resulted in an increase to net patient service revenue of approximately $4,734,000 and $600,000, respectively.

UMCMC:
UMCMC participates primarily in the Medicaid and Medicare programs as a provider of medical services to program beneficiaries. Approximately 51% and 53% of UMCMC's gross patient service revenues were derived from program beneficiaries for the year ended December 31, 2014 and 2013, respectively.

UMCMC is reimbursed under the Medicare Prospective Payment System (PPS) for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. In addition, UMCMC is paid prospectively for Medicare inpatient capital costs based on the federal specific rate.

Inpatient services rendered to Medicaid patients are paid on an interim basis on a prospective per diem system. Outpatient services rendered to Medicaid patients are reimbursed under a cost reimbursement methodology subject to certain limitations. Final settlement of UMCMC's reimbursement is determined after submission of its annual cost reports and audits thereof performed by the Medicaid fiscal intermediary.

UMCMC qualifies as a disproportionate share provider in accordance with the State of Louisiana's Medicaid regulations and, as such, is entitled to additional payments.

The Medicaid disproportionate share regulations are established by the Louisiana Department of Health and Hospitals and are subject to review and approval by the Centers for Medicare and Medicaid Services. UMCMC has included approximately $194,782,000 and $77,443,000 for Medicaid disproportionate share revenues in net patient service revenues, for the years ended December 31, 2014 and 2013, respectively. This represents the portion of revenues earned in relation to that portion of revenue that is deferred and described in Note 2.

The Medicaid and Medicare cost reports have not been audited by the respective fiscal intermediaries.

Management regularly evaluates the adequacy of the recorded settlements and does not anticipate significant adverse adjustments to the recorded settlements for these cost report years. Any changes in the estimated settlements are reported as adjustments to net patient service revenues in the year the final settlements are determined.

Note 3. Net Patient Service Revenues (Continued)

Medicare and Medicaid (Continued)

UMCMC (Continued):
For the year ended December 31, 2014 changes in the estimates resulted in a decrease to net patient service revenue of approximately $6,869,000. No such significant changes in estimates were recorded in 2013.

The System:

Managed Care
The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 4. Assets Limited as to Use

At December 31, 2014 and 2013, assets limited as to use consist of the following (in thousands):

	2014	2013
U.S. Government Securities	**$ 26,962**	$ 1,685
Marketable Equity Securities	**561,414**	499,333
Other Fixed Income Securities	**255,328**	284,523
Mortgage-Backed Securities	**1,747**	2,226
State of Israel Bonds	**500**	500
Money Market Funds, Certificates of Deposit, and Commercial Paper	**37,153**	41,256
	$ 883,104	$ 829,523

Fair value estimates are made at a specific point in time, based on market conditions and information about the investments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The investments in marketable alternative investments are valued by management at their equity in the net assets of the investment, which approximates fair value, utilizing the net asset valuation provided by the underlying investment companies, unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties or redemption restrictions as the System does not intend to sell such investments before the expiration of the early redemption periods.

Note 4. Assets Limited as to Use (Continued)

The System has no future commitments to current or additional marketable alternative (hedge fund) managers. Some marketable alternative managers have withdrawal restrictions established upon entering their funds which limit an investor's ability to withdraw amounts as a protection for their investments. There also may be fees associated with early withdrawal that generally lapse over defined time periods. These restrictions generally allow for quarterly withdrawals; however, in no case does the withdrawal limitation extend beyond one year.

Investment income at December 31, 2014 and 2013, including both unrestricted and restricted activity, comprises the following (in thousands):

	2014	2013
Interest and Dividend Income	**$ 33,938**	$ 14,558
Net Gains		
Realized Gains on Securities	**52,470**	28,287
Unrealized (Losses) Gains on Securities	**(45,863)**	35,879
	$ 40,545	$ 78,724

Investment income is reported net of investment fees on the consolidated statements of operations. Investment fees were approximately $1,609,000 and $1,189,000, for the years ended December 31, 2014 and 2013, respectively.

Note 5. Derivative Instruments

As discussed further in Notes 7 and 16, the System entered into the following derivative instruments consisting of interest rate and basis swap agreements.

At December 31, 2014, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate	Derivative Rate	Counterparty
August 15, 2005 (and amended December 29, 2014)	January 1, 2019	$ 25,850,000	6.125%	Variable rate based on SIFMA Index	Touro
September 29, 2011 (and amended December 29, 2014)	January 1, 2019	$ 19,760,000 / $ 19,167,000	5.625%	Variable rate based on SIFMA Index	Touro
September 30, 2011	January 1, 2015	$ 20,200,000	82% of LIBOR	0.692%	Touro
September 30, 2011	January 1, 2015	$ 24,650,000	82% of LIBOR	0.625%	Touro
April 1, 2014	April 1, 2024	$ 125,000,000	5.65%	USD-LIBOR-BBA	Children's
April 1, 2014	April 1, 2024	$ 128,000,000	5.50%	USD-LIBOR-BBA	Children's

Note 5. Derivative Instruments (Continued)

At December 31, 2013, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate	Derivative Rate	Counterparty
August 15, 2005 (and amended December 29, 2011)	January 1, 2015	$ 27,970,000	6.125%	Variable rate based on SIFMA Index	Touro
September 29, 2011	January 1, 2015	$ 19,760,000 / $ 19,167,000	5.625%	Variable rate based on SIFMA Index	Touro
September 30, 2011	January 1, 2015	$ 20,200,000	82% of LIBOR	0.692%	Touro
September 30, 2011	January 1, 2015	$ 26,760,000	82% of LIBOR	0.625%	Touro

In relation to the swap agreements, the System's investment income included interest earnings of approximately $10,284,000 and an unrealized gain (loss) of approximately $1,435,000 in 2014, and an unrealized loss approximately ($989,000) in 2013. Interest expense associated with the debt instruments was reduced by the realized gains and interest earnings from the swaps' effectiveness by approximately $2,178,000 and $2,327,000 in 2014 and 2013, respectively. At December 31, 2014, these agreements had a carrying value (which approximates fair value) of approximately $4,141,000 and were recorded in other receivables. At December 31, 2013, these agreements had a carrying value (which approximates fair value) of approximately ($760,000) and were recorded in other current liabilities.

Terms of the interest rate swap agreements obligate the System to put aside collateral in favor of Bank of America and Merrill Lynch, based on a predetermined formula. As of December 31, 2014, the collateral accounts totaled approximately $25,873,000, and such amounts are included in assets limited as to use, restricted other on the consolidated balance sheets. All covenant obligations related to the swap agreements have been met for 2014.

The System purchases and sells interest rate options to enhance the overall return on its investment portfolio. Interest rate options grant the purchaser, for a premium payment, the right to either purchase or sell to the writer a specified financial instrument under agreed-upon terms. The premium compensates the seller for bearing the risk of unfavorable interest rate changes. The System's options on Eurodollar futures, U.S. Treasury bond futures and U.S. Treasury notes settle in cash and generally expire within one year of inception.

Futures contracts are sold or purchased to provide incremental value and to hedge or reduce market price risks. Interest rate futures contracts are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may either be settled in cash or through delivery. Futures contracts have little credit risk due to daily cash settlement of the net change of open contracts.

Note 5. Derivative Instruments (Continued)

With respect to the derivative instruments held at December 31, 2014 and 2013, the System's exposure to credit-related losses in the event of nonperformance by counterparties is minimized because investment managers for the System deal almost exclusively in exchange-traded futures and options. These securities are extremely liquid, are subject to rigorous exchange and government regulation, involve limited counterparty risk, have no hidden embedded risks, and have daily available public prices.

All derivative instruments are subject to market risk, which is the risk that future changes in market conditions may make an instrument less valuable or more onerous. Exposure to market risk is managed in accordance with risk limits set by the investment committee of the LCMC Board of Trustees and by monitoring performance by investment managers in accordance with specified investment guidelines.

Note 6. Property, Plant and Equipment

At December 31st, property, plant and equipment consisted of the following (in thousands):

	2014	2013
Land and Land Improvements	**$ 61,258**	$ 61,255
Leasehold Improvements	**538**	471
Buildings	**329,054**	324,122
Fixed Equipment	**150,052**	146,172
Major Moveable Equipment	**282,518**	252,178
	823,420	784,198
Less: Accumulated Depreciation	**(546,623)**	(515,378)
Construction in Progress	**5,941**	6,966
Property, Plant and Equipment, Net	**$ 282,738**	$ 275,786

Depreciation expense on depreciable assets was approximately $33,622,000 and $31,363,000 for the years ended December 31, 2014 and 2013, respectively.

Note 7. Bonds Payable

At December 31st, bonds payable consist of the following tax-exempt revenue and refunding bonds issued by the Louisiana Public Facilities Authority on behalf of Touro (in thousands):

	2014	2013
Series 1993, Issued September 1993, due in Sinking Fund Installments through 2023, Annual Interest Rates of 6.125%.	**$ 25,850**	$ 27,960
Series 1999, Issued May 1999, due in Sinking Fund Installments through 2029, Annual Interest Rates of 5.625%.	**45,295**	45,295
	71,145	73,255
Less: Current Maturities	**(2,240)**	(2,110)
Less: Unamortized Original Issue Discount	**(585)**	(631)
Non-Current Portion of Bonds Payable	**$ 68,320**	$ 70,514

The Series 1993 bonds were issued to advance refund and redeem previously issued bonds, and to finance capital expenditures of Touro.

The Series 1999 bonds were issued to provide funds to finance the cost of the construction, furnishing, and equipping of a 120-bed nursing home and a 60-bed assisted living facility at Woldenberg; the addition of a private-room floor at Touro; and for the funding of routine capital improvements and equipment.

In July 2005, Touro distributed, to bondholders, notices of intent to engage in a Tender Offer and Redemption of $35,245,000 of Series 1993 bonds, which was the long-term portion of the $44,785,000 Series 1993 bonds outstanding. As interest rates declined significantly since the issuance of the bonds, this transaction was structured to reduce the borrowing cost of the existing fixed rate of approximately 6.1%. On August 15, 2005, there was a call for full redemption of the bonds (at 100%) remaining outstanding that were not tendered to Touro by August 1 (at 101%). This call for redemption resulted in $1,190,000 of the bonds being redeemed with the balance of $34,055,000 being tendered. The tendered bonds were concurrently placed with Merrill Lynch in exchange for an interest rate swap agreements (see Note 5 for further details on the swap). On November 1, 2010, there was a call for full redemption of $1,650,000 principal amount of the bonds (at 100%). This call for redemption resulted in these bonds being redeemed.

On September 28, 2011, Touro engaged in a tender offer of $56,040,000 of Series 1999 bonds which resulted in $3,385,000 of the bonds being tendered (at 100%). $20,200,000 of the remaining Series 1999 bonds were placed with Merrill Lynch in exchange for various interest rate and basis swap agreements, maturing January 1, 2015 (see Note 5 for further details on the swap). On November 5, 2011, Touro called and repurchased $6,355,000 of these outstanding Series 1999 bonds.

Note 7. Bonds Payable (Continued)

At December 31, 2014, scheduled repayments of principal and sinking fund installments to retire the bonds are as follows (in thousands):

2015	$	2,240
2016		2,375
2017		2,520
2018		2,675
2019		2,840
Thereafter		58,495
Total	$	71,145

The Series 1993 and 1999 bonds are general obligations of Touro, and future revenues are pledged to repayment of the bonds. Additionally, as mentioned above, under the terms of the indenture agreement, Touro is required to maintain certain deposits with a trustee. The related debt agreements also place limits on the incurrence of additional borrowings and require that Touro satisfy certain measures of financial performance as long as the bonds are outstanding. In 2014, Touro met all measures of financial performance as defined in the loan agreements.

Note 8. Notes Payable

On June 3, 2013, UMCMC entered into a trust indenture with the Bank of New York Mellon Trust Company relating to the issuance of the Series 2013 Notes $253,000,000 with a variable interest rate per annum equal to the index rate. In order to induce the purchase of these notes, a Guaranty Agreement was established with Children's Hospital, named as the Guarantor of the Series 2013 Notes. The Series 2013 Notes were scheduled to mature April 1, 2014.

On April 1, 2014, LCMC and Children's entered into a Master Trust Indenture in which they are named as the members of the Obligated Group. Under this Master Trust Indenture, the obligations and all other payment obligations under this Indenture are the joint and several obligations of the Obligated Group. These obligations shall be secured by the general credit of the Obligated Group together with a lien on the Pledged revenues, as defined, of the Obligated Group.

Pursuant to the Trust Indenture dated April 2, 2014, UMCMC authorized the issuance of $253,000,000 aggregate principal amount of notes. The notes are being issued in two series: (i) Series 2014-A1 Notes in the principal amount of $125,000,000 and (ii) Series 2014-A2 Notes in the principal amount of $128,000,000. These notes are the general obligations of UMCMC and shall be secured by the Trust Estate, as defined below.

The issuance of these notes, together with the payment of interest accrued on its Series 2013 Notes, canceled any and all obligations of the Series 2013 Notes.

Note 8. Notes Payable (Continued)

The Series 2014-A Notes mature on April 1, 2024 and bear interest at a rate of 7.25%. Interest only is payable on these Notes on April 1 and October 1, beginning October 1, 2014. UMCMC will establish a Debt Service Fund (the Indenture Funds) for holding funds sufficient to support the Debt Service on the Notes.

As security for payment of these Notes, UMCMC pledges and assigns: (i) a security interest in their Indenture Funds mentioned above, (ii) Pledged Revenues that includes all receipts, income, rents, royalties, benefits and other revenue from the operation of UMCMC's facilities, exclusive of revenue from donors that have a restriction as to the use of the revenue and exclusive of revenues where applicable law precludes the granting of a security interest in those revenues, and (iii) any and all property of every kind that may be subjected to the lien of the Indenture. Collectively, these three elements define the Trust Estate.

Note 9. Employee Retirement Plans

Defined Contribution Plans

Children's sponsors a Section 403(b) defined contribution employee benefit plan, which covers substantially all employees of Children's and LCMC who meet age and length of service requirements. The plan allows for participating employees to make contributions ranging up to 7% of their before-tax annual compensation and provides for retirement and death benefits.

Matching contributions are made equal to 50 cents per dollar for the participating employee's annual contribution up to 7% of the before-tax employee contribution. In addition, a core contribution equal to 5% of the participant's annual compensation is made. Effective July 1, 2014, the core contribution was reduced to 3%. Employees of CHMPC participate in the plan and are eligible to receive a core contribution of 1.5%. The match for the CHMPC participating employees equals 50 cents per dollar of employee's annual contributions up to 7% of the before-tax employee contribution. An additional 3% discretionary contribution may be made; however, no such discretionary contribution was made in 2014 or 2013. Contributions by Children's to this plan during the years ended December 31, 2014 and 2013, were approximately $6,549,000 and $5,984,000, respectively. An employee becomes 100% vested in matching contributions after three full years of continuous service.

Touro and Woldenberg each sponsor a Section 403(b) defined contribution employee benefit plan. Employees who are at least 21 years of age and have completed 1,000 hours of service during a 12-month period are eligible to participate.

Note 9. Employee Retirement Plans (Continued)

Defined Contribution Plans (Continued)

Employees of Touro who participate may make tax-deferred contributions up to the applicable Internal Revenue Service (IRS) limitations. Touro makes qualified matching contributions of 50% of employee contributions up to 4% of the employee's eligible earnings. An employee of Touro wishing to contribute more may do so up to applicable IRS limitations; however, Touro does not match any portion of these additional contributions. Participants fully vest in Touro's matched contributions immediately. During the years ended December 31, 2014 and 2013, Touro's matching contributions approximated $785,000 and $688,000, respectively.

Employees of Woldenberg who participate may make tax-deferred contributions up to the applicable IRS limitations. Woldenberg does not match any portion of their participants' contributions; therefore, there was no expense recorded for either 2014 or 2013.

CCPI sponsors a Section 401(k) defined contribution employee benefit plan. Employees who have completed thirty days of service are eligible to join the plan. Employees of CCPI may contribute to the plan through salary deferrals up to applicable IRS limitations. CCPI makes qualified matching contributions of 100% of salary deferral contributions up to 3% of pay, plus 50% of salary deferral contributions in excess of 3% of pay up to 5% of pay. CCPI recognized expense of approximately $494,000 in 2014 and $442,000 in 2013.

UMCMC sponsors a Section 403(b) defined contribution employee benefit plan, which covers substantially all employees who meet age and length of service requirements. The plan allows for participating employees to make contributions up to the applicable IRS limitations. UMCMC makes matching contributions equal to 100% of an employee's annual contribution up to 3% of the employee's eligible earnings. In addition, UMCMC will also make a matching contribution of 50% of the next 3% to 5% of employee annual earnings. UMCMC makes a core contribution equal to 2% of the participant's annual compensation. Contributions by UMCMC to this plan during the years ended December 31, 2014 and 2013, were approximately $4,568,000 and $2,230,000, respectively.

Defined Benefit Pension Plan

Touro's defined benefit pension plan covers substantially all full-time employees. The plan is noncontributory and provides benefits that are based on the participants' years of service and level of compensation. Each participant is entitled to an account balance that grows each year with pay, transition, employer match, and interest credits. Touro's funding policy is based on the minimum contributions required under the Employee Retirement Income Security Act of 1974 as determined by its consulting actuaries. Touro contributed approximately $2,870,000 and $1,650,000, to the plan in 2014 and 2013, respectively.

Note 9. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The following table sets forth the plan's components of net periodic pension cost, change in projected benefit obligation, change in plan assets, funded status, and pension expense recognized by Touro as of and for the years ended December 31, 2014 and 2013 using the projected unit credit method with salary progression (in thousands):

	2014	2013
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	**$ 38,237**	$ 41,517
Service Cost	**2,472**	2,787
Interest Cost	**1,766**	1,568
Actuarial Loss (Gain)	**4,730**	(5,199)
Benefits Paid	**(2,680)**	(2,437)
Benefit Obligation at End of Year	**44,524**	38,237
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	**29,537**	28,857
Actual Return on Plan Assets	**2,218**	1,467
Benefits Paid	**(2,680)**	(2,437)
Employer Contributions	**2,870**	1,650
Fair Value of Plan Assets at End of Year	**31,945**	29,537
Funded Status (Underfunded)	**$ (12,579)**	$ (8,700)
Net Periodic Pension Cost		
Service Cost	**$ 2,472**	$ 2,787
Interest Cost	**1,766**	1,568
Actuarial Gain on Plan Assets	**(2,218)**	(1,467)
Net Amortization	**318**	187
Net Periodic Cost	**$ 2,338**	$ 3,075

Included in net assets at December 31st, are the following amounts that have not yet been recognized in net periodic postretirement benefit cost (in thousands):

	2014	2013
Unrecognized Net Actuarial Loss	**$ 11,519**	$ 7,257
Unrecognized Prior Service Cost	**(66)**	(220)
Total Accrued Benefit Cost	**$ 11,453**	$ 7,037

Amounts included in net assets at December 31, 2014, that are expected to be amortized into net periodic postretirement cost during 2015 total approximately $2,975,000.

Note 9. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Weighted-average assumptions used to determine projected benefit obligations at December 31st were as follows:

	2014	2013
Discount Rate, Obligation	**3.90%**	4.80%
Discount Rate, Periodic Cost	**4.80%**	3.90%
Expected Return on Plan Assets	**7.00%**	7.00%
Rate of Compensation Increase	**2.30%**	2.30%
Cash Balance Interest Credit Rate	**4.00%**	4.00%

The defined benefit pension plan asset allocation as of the measurement date (January 1st) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2014	2013	Target Allocation
Equity Securities	**45%**	45%	50% - 60%
Debt Securities	**53%**	53%	35% - 50%
Cash and Cash Equivalents	**2%**	2%	0% - 5%

The plan invests in a diversified mix of traditional asset classes, including equities, government and corporate fixed income debt securities, and cash and cash equivalents. The plan's overall allocation is based on mean variance optimization modeling using certain assumptions regarding expected return, risk, and correlations among various asset classes. Asset allocation analysis considers various potential outcomes and probabilities of returns given current capital markets assumptions.

As mentioned in Note 16, the System uses a fair value hierarchy for valuation inputs. The following is a description of the valuation methodologies used for plan assets measured at fair value.

Level 1 - the fair values of the mutual funds and corporate stocks are based at quoted closing prices of securities on the last business day of the Plan year.

Level 2 - the fair values of corporate bonds, U.S. government agency securities, and foreign bonds are based on inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples of these inputs are values based on yields currently available on comparable securities of issuers with similar credit ratings, inputs derived from observable market data by correlation or other means.

Note 9. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2014 (in thousands):

December 31, 2014	Level 1	Level 2	Total
Cash	$ 779	$ -	$ 779
Mutual Funds			
Diversified Emerging Markets	1,419	-	1,419
Large Blend	5,756	-	5,756
Large Growth	-	-	-
Natural Resources	1,318	-	1,318
Corporate Stocks			
Foreign Large Blend	1,724	-	1,724
Foreign Large Growth	1,750	-	1,750
Foreign Large Value	1,267	-	1,267
Multialternative	976	-	976
Corporate Bonds	-	13,525	13,525
U.S. Government Agency Securities	-	1,131	1,131
Foreign Bonds	-	2,300	2,300
Total	$ 14,989	$ 16,956	$ 31,945

Note 9. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2013 (in thousands):

December 31, 2013	Level 1	Level 2	Total
Cash	$ 587	$ -	$ 587
Mutual Funds			
Diversified Emerging Markets	1,459	-	1,459
Large Blend	6,015	-	6,015
Large Growth	-	-	-
Natural Resources	1,472	-	1,472
Corporate Stocks			
Foreign Large Blend	1,478	-	1,478
Foreign Large Growth	2,971	-	2,971
Corporate Bonds	-	12,301	12,301
U.S. Government Agency Securities	-	1,191	1,191
Foreign Bonds	-	2,063	2,063
Total	$ 13,982	$ 15,555	$ 29,537

In general, equity securities (both value and growth and active and passive) are utilized to provide expected returns above those of fixed income securities. Fixed income securities are utilized to provide a more stable and less volatile series of returns. The fixed income portfolio contains only securities considered investment grade by maintaining a rating of at least BAA/BBB by Moody's or Standard and Poor's rating agencies.

Professional money managers are delegated the day-to-day responsibility of managing individual portfolios within the context of certain diversification guidelines and to certain performance benchmark standards.

The plan's investment consultant provides quarterly performance reports to evaluate the achievement of overall return expectations of total investments as well as each manager's contribution, both on the basis of absolute and relative performance standards.

The plan's overall asset allocation is reviewed periodically to conform to current market conditions and expectations with regard to overall capital markets assumptions. Historical return patterns and correlations, expected return risk premium, and other multifactor considerations are utilized in the development of overall capital markets assumptions for the purpose of the plan's asset allocation determinations.

Note 9. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Touro expects to make contributions of approximately $2,000,000 to the defined benefit pension plan in 2015.

At December 31, 2014 and 2013 Touro's plan had accumulated benefit obligations of approximately $42,152,000 and $36,307,000, respectively.

Future benefit payments expected to be paid in each of the next five fiscal years and in the aggregate for the following five years as of December 31, 2014, are as follows (in thousands):

2015	$ 1,150
2016	1,260
2017	1,320
2018	1,400
2019	1,510
2020 - 2024	9,670
Total	$ 16,310

Supplemental Executive Retirement Plan

Touro has a supplemental executive retirement plan with a former Chief Executive Officer (CEO) in which an annual payment is made over ten years and investment return is credited to the base amount due each year. In addition, Touro has a deferred compensation plan with this former CEO under an employment contract. Amounts payable under these plans totaled approximately $98,000 and $936,000, at December 31, 2014 and 2013, respectively. An additional deferred compensation trust exists, which has been recorded with an offsetting asset and liability in the amount of approximately $671,000 and $944,000, as of December 31, 2014 and 2013, respectively.

Executive Benefit Plan

Children's and LCMC sponsor an Executive Benefit Plan benefiting members of senior management. This plan includes an executive employment retention plan, with specific vesting dates, providing the executive with tax deferral opportunities. Expenses related to the Executive Benefit Plan during the years ended December 31, 2014 and 2013, for all participants totaled approximately $700,000 and $1,294,000, respectively. In addition, Children's and LCMC sponsor a 457(b) investment account that can be utilized by senior management. As of December 31, 2014 and 2013, the Hospital's total liability for these plans is approximately $3,129,000 and $2,776,000, respectively, and is included in accrued compensation on the consolidated balance sheets. Related assets of approximately $3,129,000 and $2,776,000, at December 31, 2014 and 2013, respectively, are recorded to fully settle these plan liabilities.

Note 10. Concentrations of Credit Risk

Patient accounts receivable are stated at estimated net realizable value. The System grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at December 31st, was as follows:

	2014		2013	
Medicare	**14**	**%**	18	%
Medicaid	**40**		34	
Managed Care	**42**		41	
Patients	**4**		6	
Workers' Compensation	**-**		1	
Total	**100**	**%**	100	%

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the only concentrated group of credit risk for the System, and management does not believe that there are any credit risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated credit risks to the System.

The System maintains allowances for uncollectible accounts for estimated losses resulting from a payors inability to make payments on accounts. The System uses a balance sheet approach to value the allowance account based on historical write-offs and the aging of the accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

The System periodically maintains cash in bank accounts in excess of insured limits. The System has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31st, are available for the following purposes (in thousands):

	2014	2013
Specific Purpose Funds		
Research and Education	**$ 1,676**	$ 1,988
Gumbel Building	**1,620**	1,480
Patient Care (Including Elder Care)	**1,295**	1,907
Nursing Education	**515**	547
Other	**511**	536
Charity	**465**	1,214
Lectures and Medical Staff	**371**	381
Plant Funds		
Miscellaneous Renovation Projects	**892**	354
Total	**$ 7,345**	$ 8,407

Note 12. Permanently Restricted Net Assets (Endowment Funds)

The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Board has determined that the majority of the System's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

The System holds donor-restricted endowment funds established primarily to fund specified activities for and within the System and the medical community as a whole. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Louisiana's UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed in UPMIFA.

Note 13. Permanently Restricted Net Assets (Endowment Funds) (Continued)

In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the System, and (7) the System's investment policies.

Endowment Investment and Spending Policies - The System has adopted investment and spending policies for endowment assets to achieve a disciplined, consistent management philosophy that accommodates reasonable and probable events. Preservation of capital and return on investment are of primary importance. The primary investment objective is to preserve financial assets generated through donor gifts, so that the proceeds may be distributed for the purposes intended by the donors and to the benefit of the System, at a level of risk deemed acceptable by the LCMC investment committee. To satisfy its long-term rate-of-return objectives, the System relies on a strategy outlined by its investment policy statement and includes purchases of bonds, stocks, and cash and cash equivalents.

The System's Endowment Net Asset Composition by fund type as of December 31, 2014, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 7,837	$ 7,837
Undesignated Funds	-	129	-	129
Total	$ -	$ 129	$ 7,837	$ 7,965

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2014, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	$ -	$ 121	$ 7,837	$ 7,958
Investment Return				
Investment Income	-	171	-	171
Net Appreciation (Realized and Unrealized)	-	167	-	167
Total Investment Return	-	338	-	338
Released by Donor	-	(120)	-	(120)
Appropriation of Endowment Net Assets for Expenditure	-	(210)	-	(210)
Net Assets, End of Year	$ -	$ 129	$ 7,837	$ 7,965

Note 13. Permanently Restricted Net Assets (Endowment Funds) (Continued)

The System's Endowment Net Asset Composition by fund type as of December 31, 2013, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 7,837	$ 7,837
Undesignated Funds	-	121	-	121
Total	$ -	$ 121	$ 7,837	$ 7,958

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2013, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	$ -	$ 109	$ 7,837	$ 7,946
Investment Return:				
Investment Income	-	116	-	116
Net Appreciation (Realized and Unrealized)	-	796	-	796
Total Investment Return	-	912	-	912
Appropriation of Endowment Net Assets for Expenditure	-	(900)	-	(900)
Net Assets, End of Year	$ -	$ 121	$ 7,837	$ 7,958

Permanently restricted net assets (endowment funds) at December 31st, are invested in perpetuity, the income from which is expendable to support the following purposes (in thousands):

	2014	2013
Nursing Education	**$ 1,444**	$ 1,444
Charitable Care	**2,186**	2,186
General Education and Purpose	**923**	923
Patient Care	**374**	374
Lectures and Medical Staff	**301**	301
Research	**299**	299
Elder Care	**2,000**	2,000
Other	**311**	311
Total	**$ 7,837**	$ 7,837

Note 14. Assets Held in Trust

Children's has been named the income beneficiary of a separate trust. Because the assets of the trust are not controlled by Children's and Children's does not have an irrevocable right to receive the income earned on the trust's assets, they are not included in Children's financial statements. The assets had a market value of approximately $4,399,000 and $4,362,000 at December 31, 2014 and 2013, respectively. Distributions of income are made at the discretion of the trustee. For the years ended December 31, 2014 and 2013, Children's recorded contribution income of approximately $96,000 and $92,000, respectively, received from the trust.

Note 15. Functional Expenses

The System provides general health care services, both inpatient and outpatient, to patients in the Gulf South region. For the years ended December 31, 2014 and 2013, expenses related to providing these services are as follows (in thousands):

	2014	Restated 2013
Health Care Services	**$ 729,830**	$ 549,349
Fiscal and Administrative Services	**172,097**	147,938
Total	**$ 901,927**	$ 697,287

Note 16. Fair Value of Financial Instruments

The System accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category primarily include listed equities.

Level 2 - Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and for which all significant inputs are observable, either directly or indirectly, as of the measurement date. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds and interest rate swaps.

Note 16. Fair Value of Financial Instruments (Continued)

Level 3 - Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. Financial assets in this category generally include alternative investments.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2014, are summarized below (in thousands):

Assets	Level 1	Level 2	Level 3	Total Fair Value
U.S. Government Securities	$ 26,893	$ 69	$ -	$ 26,962
Marketable Equity Securities	314,279	213,736	33,399	561,414
Other Fixed Income Securities	20,314	234,950	64	255,328
Mortgage-Backed Securities	-	1,747	-	1,747
Money Market Funds	12,427	24,726	-	37,153
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	4,141	-	4,141
Total	$ 373,913	$ 479,869	$ 33,463	$ 887,245

Liabilities	Level 1	Level 2	Level 3	Total Fair Value
Interest Rate and Basis Swaps	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -

The changes in investments measured at fair value for which the System has used Level 3 inputs to determine fair value for the year ended December 31, 2014, are as follows (in thousands):

	Level 3 Beginning Balance January 1, 2014	Realized and Unrealized Gains (Losses)	Purchases, Sales and Settlements	Net Transfers In and/or (Out) of Level 3	Level 3 Ending Balance December 31, 2014
Marketable Equity Securities	$ 22,550	$ 895	$ 1	$ 9,953	$ 33,399
Other Fixed Income Securities	128	3	1	(68)	64
Total	$ 22,678	$ 898	$ 2	$ 9,885	$ 33,463

Note 16. Fair Value of Financial Instruments (Continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2013, are summarized below (in thousands):

Assets	Level 1	Level 2	Level 3	Total Fair Value
U.S. Government Securities	$ 1,594	$ 91	$ -	$ 1,685
Marketable Equity Securities	328,853	147,930	22,550	499,333
Other Fixed Income Securities	24,625	259,770	128	284,523
Mortgage-Backed Securities	-	2,226	-	2,226
Money Market Funds	11,479	29,777	-	41,256
State of Israel Bonds	-	500	-	500
Total	$ 366,551	$ 440,294	$ 22,678	$ 829,523

Liabilities	Level 1	Level 2	Level 3	Total Fair Value
Interest Rate and Basis Swaps	$ -	$ 760	$ -	$ 760
Total	$ -	$ 760	$ -	$ 760

The changes in investments measured at fair value for which the System has used Level 3 inputs to determine fair value for the year ended December 31, 2013, are as follows (in thousands):

	Level 3 Beginning Balance January 1, 2013	Realized and Unrealized Gains (Losses)	Purchases, Sales and Settlements	Net Transfers In and/or (Out) of Level 3	Level 3 Ending Balance December 31, 2013
Marketable Equity Securities	$ 21,912	$ 2,668	$ -	$ (2,030)	$ 22,550
Other Fixed Income Securities	147	(2)	12	(29)	128
Total	$ 22,059	$ 2,666	$ 12	$ (2,059)	$ 22,678

The System's measurements of fair value are made on a recurring basis and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Investments - The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Interest Rate and Basis Swap Agreements - The fair values of these agreements represent the estimated amount the System would pay to terminate these agreements at the reporting date, taking into account current interest rates and credit worthiness of the counterparty and the System.

Note 17. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors (in thousands):

	2014	2013
Purpose Restrictions Accomplished		
Research and Education	$ 1,886	$ 3,515
Charity Care	833	21
Other	288	201
Cancer	192	138
Elder Care	146	109
OBGYN	124	70
Funding of Nursing Educators	96	71
Gumbel Building	76	140
Rehabilitation	27	5
Pastoral Care	10	11
Cardiology	4	2
Surgery	-	7
Total Restrictions Released	$ 3,682	$ 4,290

Net assets released from restrictions are included as other operating revenue or other non-operating income, depending upon the nature of the restriction, within unrestricted revenue on the consolidated statements of operations.

Note 18. Commitments and Contingencies

The System has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the System's recorded reserves or insurance coverage, and will not materially affect the consolidated financial position, results of operations, changes in net assets, or cash flows of the System.

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 System 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.

Note 18. Commitments and Contingencies (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement so-called Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis. The programs use RACs and MICs to search for potentially improper Medicare and Medicaid 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 or MIC identifies a claim it believes to be improper, it notifies the Hospital to formally begin an assessment process. Upon completion of the assessment and appeal process, it makes a deduction from the provider's Medicare and Medicaid reimbursement in an amount estimated to equal the overpayment.

The Hospital will deduct from revenue amounts assessed under the RAC and MIC audits after the assessment and appeals process is complete until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments against the Hospital are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated. Management has determined RAC and MIC assessments to be insignificant to date.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) were signed into law. The PPACA is creating sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the System is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other consultants to optimize available reimbursement.

Electronic Health Records (EHR) Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that adopt and meaningfully use certified EHR technology. These incentive payments are determined based on a formula, including inputs such as charity charges and total discharges. The revenue associated with EHR incentive payments is recognized by the System when management can provide reasonable assurance that the System will be able to demonstrate compliance with the meaningful use objectives for that reporting period and that the incentive payments will be received by the System. Because these incentive payments are based on management's best estimate, the amounts recognized are subject to change. Any changes resulting from a change in estimate would be recognized within operations in the period in which they occur. In addition, these payments and the related attestation of compliance with meaningful use objectives are subject to audit by the federal government or its designee.

Note 18. Commitments and Contingencies (Continued)

Electronic Health Records (EHR) Incentive Payments (Continued)

For the year ended December 31, 2014, the System recognized approximately $1,707,000 and $777,000 of revenue related to Medicare and Medicaid incentive payments for EHR, respectively. For the year ended December 31, 2013, the System recognized approximately $3,942,000 and $3,270,000 of revenue related to Medicare and Medicaid incentive payments for EHR, respectively. These amounts were recognized in full at the date of attestation and are included within other operating revenues on the consolidated statements of operations.

Operating ILH and UMC

As mentioned in Note 1, UMCMC has assumed responsibility for operating ILH and UMC under the terms of a CEA. The CEA has an initial term of five years and will automatically renew for five year terms, unless UMCMC provides at least two hundred seventy days' advance notice of its intent not to renew. The CEA may terminate prior to the expiration of its term under the following conditions: (a) upon the mutual agreement of all parties; (b) there is a change in law that has a material adverse effect on the parties; or (c) expiration of the leases discussed further within this footnote.

Separate and apart from the above conditions, the CEA also provides that LCMC shall be allowed to withdraw as a member of UMCMC prior to the expiration of the term of the CEA. LCMC may withdraw as a member, without cause, upon providing sixty (60) days advance written notice to LSU; however, LCMC must act in good faith and with full consideration of the Corporation to be financially viable and sustainable, which determination will be made by the LCMC Board of Trustees only after opportunity for consultation and input by LSU and Tulane, as well as other academic partners, provided that the curative efforts do not delay or extend the 60 day period.

The CEA became effective June 24, 2013, at which time UMCMC assumed operations of ILH.

Leases with ILH and UMC

With regards to the CEA mentioned in Note 1, UMCMC has entered into multiple lease agreements.

Effective May 29, 2013, UMCMC entered into an Amended and Restated Master Hospital Lease Agreement with LSU for the leasing of ILH and UMC, supplemented by amendments with the same effective date. For the term of leasing ILH, UMCMC shall pay an annual rent of approximately $24,101,000. Upon the completion of the construction of UMC and UMCMC taking occupancy of UMC, UMCMC is obligated to minimum annual rental payments of approximately $69,410,000.

The term of the ILH lease is expected to conclude in 2015. The term of the UMC lease will be five years which will automatically renew for seven periods of five years each, for a total of thirty-five additional years, unless notice to terminate is given. The annual rent payments for leasing both ILH and UMC are subject to increase annually; however, that increase is limited to no more than 5% than the rent in the previous year. The annual lease payments for UMC will be reviewed and adjusted to the Fair Market Rental Value, as defined, every twenty years.

Note 18. Commitments and Contingencies (Continued)

Leases with ILH and UMC (Continued)

The Amended and Restated Master Hospital Lease Agreement required UMCMC to make advance lease payments towards the facility rental. Of this total, $110,000,000 is a prepayment of a portion of the future UMC rent payments, excluding the UMC's Ambulatory Care building and its Garage. UMCMC will receive an annual credit of approximately $5,500,000 against its quarterly rent obligation for UMC, for each of the first twenty years of the UMC lease term. The remaining $143,000,000 represents all future rent payments for UMC's Ambulatory Care building and its Garage. This will be amortized over the forty year term of the UMC lease.

These advance payments are included within prepaid expenses and other assets on the consolidated balance sheets, as discussed in Note 2. These payments were funded by the Series 2013 Notes mentioned in Note 8.

Payment of rent by UMCMC under the Amended and Restated Master Hospital Lease Agreement is guaranteed by LCMC as long as they are the sole member of UMCMC.

In relation to the Amended and Restated Master Hospital Lease agreement, UMCMC entered into a Right of Use, Possession and Occupancy agreement whereby UMCMC is granted the right to use and occupy the land and surface improvements for allowing the leased buildings and future buildings and other improvements to be located on the land, together with vehicular and pedestrian access to and from the leased buildings and future improvements, parking and related uses. This agreement commences on the date that the UMC facility lease commences and shall only terminate and expire when the UMC facility lease expires.

Effective May 29, 2013, UMCMC also entered into an Equipment Lease for an initial term of ten years with two separate and successive options to renew for a period of five years. The annual consideration for this lease shall be $9,878,000 and shall be paid in one lump sum. UMCMC is responsible for lost and stolen equipment that is being leased and the cost associated with either replacing that equipment or reimbursing the lessor for the fair market value of that equipment. UMCMC has substantial reporting requirements to the Louisiana Property Assistance Agency and the State's Legislative Auditor under this equipment lease.

Rent expense under the above Amended and Restated Master Lease and Equipment Lease totaled approximately $32,671,000 and $17,460,000 for the years ended December 31, 2014 and 2013, respectively.

In projecting minimum annual lease payments, UMCMC included a growth factor of 3% to its annual rents, calculated rent for UMC lease for only the first twenty years of its lease due to the provision of that rent being reviewed and adjusted to the Fair Market Rental Value, and included the application of the advance lease payment mentioned above.

Note 18. Commitments and Contingencies (Continued)

Leases with ILH and UMC (Continued)
Minimum annual rental payments, as of December 31, 2014 for the above mentioned leases, are as follows (in thousands):

2015	$ 54,885
2016	74,743
2017	76,343
2018	78,337
2019	80,391
Thereafter	1,441,104
Total	$ 1,805,803

Other Leases
Rent expense for the System not related to the leases with ILH and UMC, which relates primarily to operating leases for equipment and office space, was approximately $5,138,000 and $4,884,000 for the years ended December 31, 2014 and 2013, respectively. The future minimum rentals under these leases for the next five years range from approximately $2,364,000 to $3,776,000 per year.

Gross rental income earned in the System's operation of medical office buildings in 2014 and 2013, was approximately $4,681,000 and $3,187,000, respectively. The future minimum rental payments to be received by the System on non-cancelable operating lease agreements for the next five years range from approximately $269,000 to $2,817,000 per year.

New Orleans East Hospital (NOEH)
On April 1, 2014, a CEA has been entered into between Parish Hospital Service District for Parish of Orleans (the District), Louisiana Children's Medical Center and Touro Infirmary. Louisiana Children's Medical Center and Touro are collectively referred to as the Joint Parties throughout the CEA.

The CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of an 80 bed public hospital and emergency department doing business as NOEH. Touro will serve in the primary role of managing and being responsible for the day-to-day operations of NOEH and to provide supplemental operational support for NOEH to support and enhance the continuity and viability of NOEH's operations for the citizens of Eastern New Orleans.

Under the CEA, the Joint Parties are obligated for: (i) employing or contracting with those required to operate NOEH; (ii) providing comprehensive administrative, professional, operational, revenue cycle and financial management of NOEH; (iii) obtaining and maintaining the appropriate licenses, software and hardware and corresponding support services related to those technology systems; and (iv) assisting NOEH in recruiting medical staff. The agreement commenced on the Effective Date, as defined, and will expire June 30, 2029, with an option to renew for up to 10 years.

Note 18. Commitments and Contingencies (Continued)

New Orleans East Hospital (NOEH) (Continued)

So long as a mortgage on the District's property is insured or held by the Secretary of HUD, the Secretary may make a written request to the District and the Joint Parties to terminate the CEA with or without cause.

The District shall pay to the Joint Parties a Fee that is comprised of annual management, revenue cycle management, and direct and indirect operating components. The District and the Joint Parties have agreed that Operating Revenues of NOEH, as defined, shall be the only source of funds for paying the Fee.

The Joint Parties may also terminate the CEA prior to the expiration of the its term; should the accumulated and unpaid fees and operational obligations of the Joint Parties reach $12,000,000, the Joint Parties are relieved of performing further their operational obligations.

Through the CEA, the System has recognized revenue of approximately $846,000 for the year ended December 31, 2014, which is included on the System's consolidated statements of operations. At December 31, 2014, the District owes the System approximately $8,450,000 for both the revenue recognized as well as direct costs incurred by the System on behalf of the District. This amount is included within other receivables on the System's consolidated balance sheets.

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the System and are in various stages of developing. Events occurring through December 31, 2014 may result in the filing of additional claims. The System has a risk management program that provides professional and general liability coverage. Within the program, the System carries an umbrella policy for professional and general liability insurance coverage of $25,000,000 on a claims-made basis, with a a self-insured retention of $1,000,000 per claim and $3,000,000 in the aggregate.

Professional liability claims are limited through the System's participation in the Louisiana Patient's Compensation Fund (the Fund). The Fund was established through state legislation and statutorily limits each medical professional liability claim to $500,000. The System is self-insured for the first $100,000 of each claim. The remaining $400,000 of each claim is covered by the Fund.

The System has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional liability claims, which was discounted at 6%, was approximately $14,715,000 and $12,245,000 at December 31, 2014, and 2013, respectively.

As mentioned in Note 2, a certificate of deposit serves as collateral for UMCMC participating in the Louisiana Patients Compensation Fund.

Note 18. Commitments and Contingencies (Continued)

Estimated Employee Health and Workers' Compensation Claims

Children's is self-insured for employee health claims up to $250,000 per claim, while Touro and UMCMC are self-insured up to $300,000 per claim. Children's and Touro are self-insured for workers' compensation claims up to $800,000 while UMCMC is self-insured up to $1,500,000. The System has a risk management program that provides excess coverage for both employee health and workers' compensation, on an occurrence basis. The estimated liability for employee health and workers' compensation claims, discounted at 6%, was approximately $6,082,000 and $8,439,000 at December 31, 2014 and 2013, respectively.

As mentioned in Note 2, a certificate of deposit serves as collateral for the self-insured portion of workers' compensation.

Note 19. Community Support

In furtherance of its charitable purpose, the System provides a broad range of community programs that are designed to meet the health needs of the community and are funded and resourced by the System. The System's Governing Board and hospital management teams work closely with local civic leaders and other healthcare providers to address the health care needs of the community.

Such community support programs include health seminars on a variety of health topics that are relevant to the health needs of the community including healthy eating, diabetes management, healthy aging, cancer support and survivorship, sexual abuse awareness, and smoking cessation. Other programs include benefits to the community such as health screenings, in-home caregiver services, counseling for patients and families, pastoral care, health enhancement and wellness programs, telephone information services, and the donation of space for use by community groups. The System also has a robust trauma prevention program including but not limited to, tourniquet training, Sudden Impact (targeting high school students), safety belt programs, and baby carrier programs.

The System provides benefits to Medicaid patients in the form of uncompensated patient care costs. The System also emphasizes the importance of higher education and funds the teaching of students and health professionals through a comprehensive graduate medical education program.

Note 19. Community Support (Continued)

Certain community support programs' revenues and expenses are excluded from operations and are shown, net, as community support on the consolidated statements of operations. This classification is driven by the magnitude of the programs and the knowledge that these programs are solely for the benefit of the community, not self-supporting or financially viable, and not a part of the System's operations. These programs, which are primarily pediatric centered, include the following: Children's Healthcare Assistance Plan (CHAP), Kids First physician practices, Mobile Dental Program, Children At Risk Evaluation (CARE) Center, Children's Research Institute, Children's Inpatient Behavioral Health Program, Limited Intervention Program, the Parenting Center, Ventilator Assisted Care Program, Safe Kids Coalition, Greater New Orleans Immunization Network, Ambulatory Clinical and Nutritional Support Services, the Miracle League, Cochlear Implant Program, and Autism Center. CHAP, one of the largest of these programs, is designed to assist families with income too high to qualify for Medicaid, but whose lack of resources limit their access to quality health care. In addition to CHAP, CHMPC increases the accessibility of health care to the indigent and underinsured through its Kids First pediatric primary care physician practices.

The revenues and expenses associated with these programs for the year ended December 31, 2014, are detailed as follows (in thousands):

2014	Research Institute	CHAP	Mobile Dental	CARE Center	Behavioral Health	Other	Total
Patient Revenues	$ -	$ 14,914	$ 1,578	$ 1,009	$ 30,772	$ 12,393	$ 60,666
Revenue Deductions	-	(14,914)	(1,352)	(786)	(23,569)	(9,004)	(49,625)
Other Revenues	775	-	-	415	-	1,372	2,562
Total Revenues	775	-	226	638	7,203	4,761	13,603
Total Expenses	3,727	4,067	1,554	1,490	7,762	8,153	26,753
Community Support, Net	$ (2,952)	$ (4,067)	$ (1,328)	$ (852)	$ (559)	$ (3,392)	$ (13,152)

The revenues and expenses associated with these programs for the year ended December 31, 2013, are detailed as follows (in thousands):

2013	Research Institute	CHAP	Mobile Dental	CARE Center	Behavioral Health	Other	Total
Patient Revenues	$ -	$ 15,955	$ 1,807	$ 1,254	$ 30,952	$ 13,245	$ 63,213
Revenue Deductions	-	(15,955)	(1,562)	(1,008)	(24,159)	(8,930)	(51,614)
Other Revenues	1,171	-	5	86	-	1,377	2,639
Total Revenues	1,171	-	250	332	6,793	5,692	14,238
Total Expenses	5,932	4,867	1,568	1,740	8,280	18,543	40,930
Community Support, Net	$ (4,761)	$ (4,867)	$ (1,318)	$ (1,408)	$ (1,487)	$ (12,851)	$ (26,693)

Note 19. Community Support (Continued)

The expenses presented in the tables above, include direct expenses and an allocation of indirect expenses as follows (in thousands):

		2014		2013
Direct Expenses	**$**	**16,294**	$	27,111
Indirect Expenses		**10,459**		13,819
Total Expenses	**$**	**26,753**	$	40,930

Indirect expenses represent estimates of patient care cost and allocated overhead using Medicare cost reporting methodologies.

Note 20. Accounting for Uncertainty in Taxes

The System follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. The System 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 System's tax filings are subject to audit by various taxing authorities. The System's open audit periods are 2011 through 2013. There are currently no returns under examination. Management evaluated the System's tax positions and considered that the System had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

Note 21. Upper Payment Limit Program

The System and other health care providers have collaborated with the State and units of local government in Louisiana, to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy residents in the community population. The provision for this care directly to low income and needy patients will result in the alleviation of the expense of public funds the governmental entities previously expended on such care, thereby allowing the governmental entities to increase support for the state Medicaid program up to federal Medicaid Upper Payment Limits (UPL). Each State's UPL methodology must comply with its State plan and be approved by the Centers for Medicare & Medicaid Services (CMS).

Federal matching funds are not available for Medicaid payments that exceed UPLs. As of December 31, 2014 and 2013, the System has received UPL payments of approximately $66,940,000 and $284,044,000, respectively, which are recognized in net patient service revenue on the consolidated statements of operations.

Note 22. Prior-Period Adjustment

In previous years, an estimate representing professional liability claims incurred but not reported (IBNR) was not recorded. As a result, the accompanying financial statements for 2013 have been restated. The effect of the restatement to 2013 was to decrease beginning net assets by $1,633,000, to increase liabilities by $1,580,000 and to increase the excess of revenues over expenses by $53,000.

Note 23. Subsequent Events

West Jefferson Medical Center
On February 23, 2015, the Jefferson Parish Council approved a long-term lease of West Jefferson Medical Center to LCMC. The actual signing of the lease and the closing of this deal, with all final financial details, has not yet occurred as of the date of this report.

Contribution of Capital
Effective January 30, 2015, CCPI and LCMC entered into a contribution agreement with a local limited liability company (LLC) whereby CCPI has contributed capital in exchange for forty-nine percent (49%) of the membership interests of the LLC. This ownership interest will be accounted for using the equity method.

LCMC, in its role, shall fully and unconditionally guarantee the payment and performance of all obligations of CCPI under this agreement.

Diagnostic Imaging Center
On February 3, 2015, Touro Infirmary purchased the business of a neighboring diagnostic imaging center. The purchase price is defined in the agreement.

Refinancing of Outstanding Bonds
Subsequent to December 31, 2014, Touro began negotiations with interested lenders on refinancing the Series 1999 bonds that are outstanding and are discussed within Note 7. Management expects that a successful refinancing will provide a lower cost of capital than what this bond indenture currently obligates Touro to. The exact terms of a refinance are not known as of the date of this report.

Note 24. Reclassifications

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

SUPPLEMENTARY INFORMATION

TOURO INFIRMARY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 52,333**	$ 77,469
Assets Limited as to Use	**1,627**	1,617
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of $13,943 and $11,166 in 2014 and 2013, Respectively	**43,292**	31,606
Other Receivables	**10,369**	3,064
Inventories	**5,969**	5,467
Estimated Third-Party Payor Settlements, Net	**1,208**	-
Prepaid Expenses	**2,410**	1,820
Total Current Assets	**117,209**	121,043
Assets Limited as to Use		
Designated for Capital Projects and Specific Programs	**47,921**	46,254
Restricted by Bond Indenture, Debt Service Reserve	**9,571**	9,571
Donor-Restricted Long-Term Investments	**11,890**	11,560
Restricted Other	**607**	1,198
Less: Amount Required for Current Obligations	**(1,627)**	(1,617)
Assets Limited as to Use, Net	**68,362**	66,966
Property, Plant, and Equipment, Net	**146,737**	145,903
Other Assets	**2,679**	2,735
Total Assets	**$ 334,986**	$ 336,647

TOURO INFIRMARY AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 14,493**	$ 17,541
Accrued Salaries and Benefits	**10,844**	10,505
Current Maturities of Bonds Payable	**2,240**	2,110
Current Portion of Estimated Employee Health and Workers' Compensation Claims	**2,123**	2,448
Current Portion of Estimated Professional Liabilities Claims	**2,787**	2,661
Estimated Third-Party Payor Settlements, Net	**-**	3,147
Due to Related Party	**916**	-
Other Current Liabilities	**3,678**	5,248
Total Current Liabilities	**37,081**	43,660
Bonds Payable, Net of Current Portion	**68,320**	70,514
Estimated Employee Health and Workers' Compensation Claims, Net of Current Portion	**1,241**	1,143
Estimated Professional Liabilities Claims, Net of Current Portion	**4,855**	4,700
Employee Benefits	**13,360**	10,668
Total Liabilities	**124,857**	130,685
Noncontrolling Interest	**683**	683
Net Assets		
Unrestricted	**196,126**	191,209
Temporarily Restricted	**5,669**	6,419
Permanently Restricted	**7,651**	7,651
Total Net Assets	**209,446**	205,279
Total Liabilities and Net Assets	**$ 334,986**	$ 336,647

TOURO INFIRMARY AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Unrestricted Revenues, Gains and Other Support		
Net Patient Service Revenues	$ 281,831	$ 341,754
Provision for Doubtful Accounts	9,921	7,261
Net Patient Service Revenues Less Provision for Doubtful Accounts	271,910	334,493
Other Operating Revenues	19,360	14,465
Total Operating Revenues	291,270	348,958
Operating Expenses		
Employee Compensation and Benefits	142,046	136,459
Purchased Services	51,727	46,419
Professional Fees	16,117	15,871
Supplies and Other Expenses	54,286	53,246
Depreciation and Amortization	19,601	17,796
Interest	2,053	2,028
Total Operating Expenses	285,830	271,819
Income from Operations	5,440	77,139
Investment Income	3,202	3,752
Other Nonoperating Income	811	535
Community Support, Net	-	(4,859)
Excess of Revenues over Expenses	$ 9,453	$ 76,567

See independent auditor’s report.

TOURO INFIRMARY AND SUBSIDIARIES
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Unrestricted Net Assets		
Excess of Revenues over Expenses	$ 9,453	$ 76,567
Noncontrolling Interest in Income of Consolidated Subsidiaries	(120)	(49)
Adjustment to Additional Minimum Pension Liability	(4,416)	5,385
Ownership Revisions	-	(2)
Increase in Unrestricted Net Assets	4,917	81,900
Temporarily Restricted Net Assets		
Contributions	339	275
Investment Income	707	1,526
Net Assets Released from Restrictions	(1,796)	(775)
(Decrease) Increase in Temporarily Restricted Net Assets	(750)	1,026
Change in Permanently Restricted Net Assets	-	-
Increase in Net Assets	4,167	82,926
Net Assets, Beginning of Year, as Previously Reported for 2013	205,279	123,466
Prior-Period Adjustment - See Note 22	-	(1,114)
Net Assets, Beginning of Year, as Restated for 2013	-	122,352
Net Assets, End of Year	$ 209,446	$ 205,279

TOURO INFIRMARY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Cash Flows from Operating Activities		
Increase in Net Assets	$ 4,167	$ 82,926
Adjustments to Reconcile Increase in Net Assets		
to Net Cash (Used in) Provided by Operating Activities		
Adjustment to Additional Mimimum Pension Liability	4,416	(5,386)
Ownership Revisions	-	2
Noncontrolling Interest in Income of		
Consolidated Subsidiaries	120	49
Depreciation and Amortization	19,601	17,796
Impairment Losses	-	-
Provision for Doubtful Accounts	9,921	7,261
Change in Operating Assets and Liabilities:		
Increase in Patient Accounts Receivable	(21,607)	(8,099)
Increase in Other Receivables	(7,305)	(113)
Increase in Inventories	(502)	(143)
(Increase) Decrease in Prepaid Expenses	(591)	330
Decrease in Other Assets	24	718
(Decrease) Increase in Trade Accounts Payable	(3,047)	3,327
Increase in Accrued Salaries and Benefits	339	1,048
Decrease in Third-Party Payor Settlements	(4,355)	(1,151)
Decrease in Other Current Liabilities	(2,322)	(30,600)
Net Cash (Used in) Provided by Operating Activities	(1,141)	67,966
Cash Flows from Investing Activities		
Capital Expenditures	(20,359)	(26,594)
Change in Assets Limited as to Use	(1,406)	167
Net Cash Used in Investing Activities	(21,765)	(26,427)
Cash Flows from Financing Activities		
Repayments of Bonds Payable	(2,110)	(1,985)
Distributions Paid to Noncontrolling Interests	(120)	(117)
Net Cash Used in Financing Activities	(2,230)	(2,102)
Net (Decrease) Increase in Cash and Cash Equivalents	(25,136)	39,437
Cash and Cash Equivalents, Beginning of Year	77,469	38,032
Cash and Cash Equivalents, End of Year	$ 52,333	$ 77,469
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	$ 4,260	$ 4,382
Property, Plant and Equipment Purchases in Accounts Payable	$ 1,952	$ 4,163

CHILDREN'S HOSPITAL
Consolidated Balance Sheets
December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 134,339**	$ 206,127
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of $8,420 and $8,120 in 2014 and 2013, Respectively	**28,867**	31,894
Other Receivables	**7,784**	4,124
Inventories	**7,164**	7,080
Prepaid Expenses and Other Assets	**3,192**	2,824
Due from Related Parties	**63,064**	1,394
Total Current Assets	**244,412**	253,443
Assets Limited as to Use		
Designated for Capital Projects and Specific Programs	**783,200**	756,016
Restricted Other	**25,300**	-
Donor-Restricted Long-Term Investments	**1,862**	2,174
Total Assets Limited as to Use	**810,362**	758,190
Property, Plant and Equipment, Net	**123,936**	125,719
Total Assets	**$ 1,178,710**	$ 1,137,352

CHILDREN’S HOSPITAL
Consolidated Balance Sheets (Continued)
December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 14,021**	$ 15,791
Accrued Salaries and Benefits	**13,032**	12,691
Current Portion of Estimated Employee Health and Workers’ Compensation Claims	**1,574**	1,638
Current Portion of Estimated Professional Liabilities Claims	**1,296**	1,273
Estimated Third Party Payor Settlements, Net	**10,206**	20,943
Other Current Liabilities	**1,174**	3,355
Total Current Liabilities	**41,303**	55,691
Estimated Employee Health and Workers' Compensation Claims, Net of Current Portion	**744**	582
Estimated Professional Liabilities Claims, Net of Current Portion	**2,031**	1,992
Employee Benefits	**3,677**	3,801
Total Liabilities	**47,755**	62,066
Net Assets		
Unrestricted	**1,129,092**	1,073,112
Temporarily Restricted	**1,676**	1,988
Permanently Restricted	**186**	186
Total Net Assets	**1,130,955**	1,075,286
Total Liabilities and Net Assets	**$ 1,178,710**	$ 1,137,352

CHILDREN'S HOSPITAL
Consolidated Statements of Operations
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Unrestricted Revenues, Gains and Other Support		
Net Patient Service Revenues	$ 258,504	$ 394,502
Provision for Doubtful Accounts	5,465	3,743
Net Patient Service Revenues Less Provision for Doubtful Accounts	253,039	390,759
Other Operating Revenues	11,644	16,159
Total Operating Revenues	264,683	406,918
Operating Expenses		
Employee Compensation and Benefits	120,984	117,814
Purchased Services	24,648	23,217
Professional Fees	19,964	18,924
Supplies and Other Expenses	54,995	52,428
Depreciation and Amortization	11,596	11,797
Total Operating Expenses	232,187	224,180
Income from Operations	32,496	182,738
Investment Income	36,636	73,446
Other Nonoperating Loss	-	-
Community Support, Net	(13,152)	(21,834)
Excess of Revenues over Expenses	$ 55,980	$ 234,350

CHILDREN'S HOSPITAL
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Unrestricted Net Assets		
Excess of Revenues over Expenses	$ 55,980	$ 234,350
Temporarily Restricted Net Assets		
Contributions	1,574	2,716
Net Assets Released from Restrictions	(1,886)	(3,515)
Decrease in Temporarily Restricted Net Assets	(312)	(799)
Change in Permanently Restricted Net Assets	-	-
Increase in Net Assets	55,668	233,551
Net Assets, Beginning of Year, as Previously Reported for 2013	1,075,286	842,254
Prior Period Adjustment - See Note 22	-	(519)
Net Assets, Beginning of the Year, as Restated for 2013	-	841,735
Net Assets, End of Year	$ 1,130,955	$ 1,075,286

CHILDREN'S HOSPITAL
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	Restated 2013
Cash Flows from Operating Activities		
Increase in Net Assets	**$ 55,668**	$ 233,551
Adjustments to Reconcile Increase in Net Assets		
to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**12,935**	13,367
Net Loss on Disposal/Sale of Assets	**237**	139
Provision for Doubtful Accounts	**5,465**	3,743
Unrealized Gain on Investments	**-**	-
Change in Operating Assets and Liabilities		
(Increase) Decrease in Patient Accounts Receivable	**(2,438)**	72
(Increase) Decrease in Other Receivables	**(3,661)**	27,142
Increase in Inventory	**(84)**	(148)
(Increase) Decrease in Other Current Assets	**(368)**	325
(Increase) Decrease in Trade Accounts Payable	**(1,770)**	2,227
Increase in Accrued Salaries and Benefits	**341**	1,356
(Increase) Decrease in Third-Party Payor Settlements	**(10,736)**	7,656
(Increase) Decrease in Other Current Liabilities	**(2,145)**	628
Net Cash Provided by Operating Activities	**53,445**	290,058
Cash Flows from Investing Activities		
Capital Expenditures	**(11,390)**	(38,595)
Change in Due from Related Parties	**(61,671)**	1,394
Change in Assets Limited as to Use	**(52,172)**	(55,799)
Net Cash Used in Investing Activities	**(125,233)**	(93,000)
Net (Decrease) Increase in Cash and Cash Equivalents	**(71,788)**	197,058
Cash and Cash Equivalents, Beginning of Year	**206,127**	9,069
Cash and Cash Equivalents, End of Year	**$ 134,339**	$ 206,127
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	**$ -**	$ -
Property, Plant and Equipment Purchases in Accounts Payable	**$ -**	$ 583

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Balance Sheets
December 31, 2014 and 2013 (in Thousands)

		2014		2013
Assets				
Current Assets				
Cash and Cash Equivalents	$	26,815	$	46,448
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of $78,867 and $19,961 in 2014 and 2013, Respectively		40,283		43,071
Estimated Third-Party Payor Settlements, Net		-		8,512
Inventories		8,017		7,138
Prepaid Expenses		24,842		5,095
Total Current Assets		99,957		110,264
Assets Limited as to Use				
Restricted Other		2,753		2,750
Property, Plant and Equipment, Net		10,812		4,164
Other Assets		262,795		254,560
Total Assets	$	376,317	$	371,738
Liabilities and Net Assets				
Current Liabilities				
Trade Accounts Payable	$	34,939	$	38,885
Accrued Salaries and Benefits		10,653		7,773
Current Portion of Estimated Employee Health and Workers' Compensation Claims		400		2,628
Estimated Third-Party Payor Settlements, Net		19,485		-
Deferred Revenue		63,232		91,593
Due to Related Party		55,532		1,980
Other Current Liabilities		2,521		4,969
Total Current Liabilities		186,762		147,828
Notes Payable		253,000		253,000
Estimated Professional Liabilities Claims, Net of Current Portion		3,746		1,619
Total Liabilities		443,508		402,447
Net Assets				
Unrestricted		(67,191)		(30,709)
Total Liabilities and Net Assets	$	376,317	$	371,738

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Statements of Operations
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	2013
Unrestricted Revenues, Gains and Other Support		
Net Patient Service Revenues	**$ 372,681**	$ 187,236
Provision for Doubtful Accounts	**37,323**	19,961
Net Patient Service Revenues Less Provision for Doubtful Accounts	**335,358**	167,275
Other Operating Revenues	**19,519**	8,907
Total Operating Revenues	**354,877**	176,182
Operating Expenses		
Employee Compensation and Benefits	**127,280**	67,487
Purchased Services	**41,532**	26,479
Professional Fees	**106,462**	53,610
Supplies and Other Expenses	**114,975**	59,042
Depreciation and Amortization	**1,110**	274
Total Operating Expenses	**391,359**	206,892
Loss from Operations	**(36,482)**	(30,710)
Excess of Revenues over Expenses	**$ (36,482)**	$ (30,710)

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Statements of Changes in Net Assets
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	2013
Unrestricted Net Assets		
Excess of Expenses over Revenues	**$ (36,482)**	$ (30,710)
Decrease in Net Assets	**(36,482)**	(30,710)
Net Assets, Beginning of Year	**(30,709)**	1
Net Assets, End of Year	**$ (67,191)**	$ (30,709)

See independent auditor's report.

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013 (in Thousands)

	2014	2013
Cash Flows from Operating Activities		
Decrease in Net Assets	**$ (36,482)**	$ (30,710)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used in Operating Activities		
Depreciation	**1,110**	274
Provision for Doubtful Accounts	**37,323**	19,961
Changes in Operating Assets and Liabilities		
Decrease in Patients Accounts Receivable	**(34,535)**	(63,032)
Increase in Inventories	**(879)**	(7,138)
Decrease (Increase) in Estimated Third-Party Payor Settlements	**27,997**	(8,512)
Increase in Prepaid Expenses	**(19,747)**	(5,095)
Increase in Other Assets	**(8,235)**	(254,560)
(Decrease) Increase in Accounts Payable	**(3,946)**	38,885
Increase in Accrued Salaries and Benefits	**2,880**	7,772
Increase in Due to Related Party	**53,552**	1,980
(Decrease) Increase in Deferred Revenue	**(28,361)**	91,593
(Decrease) Increase in Other Current Liabilities	**(2,448)**	4,969
(Decrease) Increase Estimated Insurance Claims	**(101)**	4,247
Net Cash Used in Operating Activities	**(11,872)**	(199,366)
Cash Flows from Investing Activities		
Purchas of Property, Plant and Equipment	**(7,758)**	(4,437)
Change in Assets Limited as to Use	**(3)**	(2,750)
Net Cash Used in Investing Activities	**(7,761)**	(7,187)
Cash Flows from Financing Activities		
Proceeds from Issuance of Debt	**-**	253,000
Net Cash Provided by Investing Activities	**-**	253,000
Net (Decrease) Increase in Cash and Cash Equivalents	**(19,633)**	46,447
Cash and Cash Equivalents, Beginning of Year	**46,448**	1
Cash and Cash Equivalents, End of Year	**$ 26,815**	$ 46,448
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest on Notes Payable	**$ 10,322**	$ 1,560

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheets
December 31, 2014 (in Thousands)

	LCMC	Touro	Children's	UMCMC	Eliminations	Consolidated
Assets						
Current Assets						
Cash and Cash Equivalents	$ 12,135	$ 52,333	$ 134,339	$ 26,815	$ -	$ 225,622
Assets Limited as to Use	-	1,627	-	-	-	1,627
Patient Accounts Receivable, Net of Allowance	-	43,292	28,867	40,283	-	112,442
Other Receivables	374	10,369	7,784	-	-	18,527
Inventories	-	5,969	7,164	8,017	-	21,150
Estimated Third Party Payor Settlements, Net	-	1,208	-	-	(1,208)	-
Prepaid Expenses	130	2,410	3,192	24,842	-	30,574
Due from Related Party	312	-	63,064	-	(63,376)	-
Total Current Assets	12,951	117,209	244,412	99,957	(64,584)	409,942
Assets Limited as to Use						
Designated for Capital Projects and Specific Programs	-	47,921	783,200	-	-	831,121
Restricted by Bond Indenture, Debt Service Reserve	-	9,571	-	-	-	9,571
Donor-Restricted Long-Term Investments	-	11,890	1,862	-	-	13,752
Restricted Other	-	607	25,300	2,753	-	28,660
Less: Investments Whose Use is Limited Required for Current Obligations	-	(1,627)	-	-	-	(1,627)
Assets Limited as to Use, Net	-	68,362	810,362	2,753	-	881,477
Property, Plant, and Equipment, Net	1,254	146,737	123,936	10,812	-	282,738
Other Assets	-	2,679	-	262,795	-	265,474
Investments in Subsidiaries	1,273,209	-	-	-	(1,273,209)	-
Total Assets	$ 1,287,414	$ 334,986	$ 1,178,710	$ 376,317	$ (1,337,793)	$ 1,839,633

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheets (Continued)
December 31, 2014 (in Thousands)

	LCMC	Touro	Children's	UMCMC	Eliminations	Consolidated
Liabilities and Net Assets						
Current Liabilities						
Trade Accounts Payable	$ 2,705	$ 14,493	$ 14,021	$ 34,939	$ -	$ 66,158
Accrued Salaries and Benefits	3,308	10,844	13,032	10,653	-	37,837
Current Maturities of Bonds Payable	-	2,240	-	-	-	2,240
Current Portion of Estimated Employee Health and Workers' Compensation Claims	-	2,123	1,574	400	-	4,097
Current Portion of Estimated Professional Liabilities Claims	-	2,787	1,296	-	-	4,083
Estimated Third-Party Payor Settlements, Net	-	-	10,206	19,485	(1,208)	28,483
Due to Related Party	6,928	916	-	55,532	(63,376)	-
Deferred Revenue	-	-	-	63,232	-	63,232
Other Current Liabilities	-	3,678	1,174	2,521	-	7,373
Total Current Liabilities	12,941	37,081	41,303	186,762	(64,584)	213,503
Bonds Payable, Net of Current Portion	-	68,320	-	-	-	68,320
Notes Payable	-	-	-	253,000	-	253,000
Estimated Employee Health Workers' Compensation Claims, Net of Current Portion	-	1,241	744	-	-	1,985
Estimated Professional Liability Claims, Net of Current Portion	-	4,855	2,031	3,746	-	10,632
Employee Benefits, Net of Current Portion	1,264	13,360	3,677	-	-	18,301
Total Liabilities	14,205	124,857	47,755	443,508	(64,584)	565,741
Noncontrolling Interest	-	683	-	-	-	683
Net Assets						
Unrestricted	1,273,209	196,126	1,129,092	(67,191)	(1,273,209)	1,258,027
Temporarily Restricted	-	5,669	1,676	-	-	7,345
Permanently Restricted	-	7,651	186	-	-	7,837
Total Net Assets	1,273,209	209,446	1,130,955	(67,191)	(1,273,209)	1,273,209
Total Liabilities and Net Assets	$ 1,287,414	$ 334,986	$ 1,178,710	$ 376,317	$ (1,337,793)	$ 1,839,633

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheets
December 31, 2013 (in Thousands)

	LCMC	Restated Touro	Restated Children's	UMCMC	Eliminations	Restated Consolidated
Assets						
Current Assets						
Cash and Cash Equivalents	$ -	$ 77,469	$ 206,127	$ 46,448	$ -	$ 330,044
Assets Limited as to Use	-	1,617	-	-	-	1,617
Patient Accounts Receivable, Net of Allowance	-	31,606	31,894	43,071	-	106,571
Other Receivables	-	3,064	4,124	-	(6,939)	249
Inventories	-	5,467	7,080	7,138	-	19,685
Prepaid Expenses	-	1,820	2,824	5,095	-	9,739
Due from Related Party	1,211	-	1,394	-	(2,605)	-
Total Current Assets	1,211	121,043	253,443	101,752	(9,544)	467,905
Assets Limited as to Use						
Designated for Capital Projects and Specific Programs	-	46,254	756,016	-	-	802,270
Restricted by Bond Indenture, Debt Service Reserve	-	9,571	-	-	-	9,571
Donor-Restricted Long-Term Investments	-	11,560	2,174	-	-	13,734
Restricted Other	-	1,198	-	2,750	-	3,948
Less: Investments Whose Use is Limited Required for Current Obligations	-	(1,617)	-	-	-	(1,617)
Assets Limited as to Use, Net	-	66,966	758,190	2,750	-	827,906
Property, Plant, and Equipment, Net	-	145,903	125,719	4,164	-	275,786
Other Assets	-	2,735	-	254,560	-	257,295
Investment in Subsidiaries	1,249,856	-	-	-	(1,249,856)	-
Total Assets	$ 1,251,067	$ 336,647	$ 1,137,352	$ 363,226	$ (1,259,400)	$ 1,828,892

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheets
December 31, 2013 (in Thousands)

	LCMC	Restated Touro	Restated Children's	UMCMC	Eliminations	Restated Consolidated
Liabilities and Net Assets						
Current Liabilities						
Trade Accounts Payable	$ 110	$ 17,541	$ 15,791	$ 38,885	$ -	$ 72,327
Accrued Salaries and Benefits	211	10,505	12,691	7,773	-	31,180
Current Maturities of Bonds Payable	-	2,110	-	-	-	2,110
Current Portion of Estimated Employee Health and Workers' Compensation Claims	-	2,448	1,638	2,628	-	6,714
Current Portion of Estimated Professional Liabilities Claims	-	2,661	1,273	-	-	3,934
Estimated Third-Party Payor Settlements, Net	-	3,147	20,943	(8,512)	-	15,578
Due To Related Parties	770	-	-	1,980	(2,750)	-
Deferred Revenue	-	-	-	91,593	-	91,593
Other Current Liabilities	-	5,248	3,355	4,969	(6,794)	6,778
Total Current Liabilities	1,091	43,660	55,691	139,316	(9,544)	230,214
Bonds Payable, Net of Current Portion	-	70,514	-	-	-	70,514
Notes Payable	-	-	-	253,000	-	253,000
Estimated Employee Health Workers' Compensation Claims, Net of Current Portion	-	1,143	582	-	-	1,725
Estimated Professional Liability Claims, Net of Current Portion	-	4,700	1,992	1,619	-	8,311
Employee Benefits, Net of Current Portion	120	10,668	3,801	-	-	14,589
Total Liabilities	1,211	130,685	62,066	393,935	(9,544)	578,353
Noncontrolling Interest	-	683	-	-	-	683
Net Assets						
Unrestricted	1,249,856	191,209	1,073,112	(30,709)	(1,249,856)	1,233,612
Temporarily Restricted	-	6,419	1,988	-	-	8,407
Permanently Restricted	-	7,651	186	-	-	7,837
Total Net Assets	1,249,856	205,279	1,075,286	(30,709)	(1,249,856)	1,249,856
Total Liabilities and Net Assets	$ 1,251,067	$ 336,647	$ 1,137,352	$ 363,226	$ (1,259,400)	$ 1,828,892

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statements of Operations
For the Year Ended December 31, 2014 (in Thousands)

	LCMC	Touro	Children's	UMCMC	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support						
Net Patient Service Revenues	$ -	$ 281,831	$ 258,504	$ 372,681	$ (7,042)	$ 905,974
Provisions for Doubtful Accounts	-	9,921	5,465	37,323	-	52,709
Net Patient Service Revenues Less Provision for Doubtful Accounts	-	271,910	253,039	335,358	(7,042)	853,265
Other Operating Revenues	-	19,360	11,644	19,519	(407)	50,116
Management Fee Revenue	21,353	-	-	-	(21,353)	-
Total Operating Revenues	21,353	291,270	264,683	354,877	(28,802)	903,381
Operating Expenses						
Employee Compensation and Benefits	6,776	142,046	120,984	127,280	(5,122)	391,964
Purchased Services	628	51,727	24,648	41,532	(1,900)	116,635
Professional Fees	13,488	16,117	19,964	106,462	(21,353)	134,678
Supplies and Other Expenses	407	54,286	54,995	114,975	(427)	224,236
Depreciation and Amortization	54	19,601	11,596	1,110	-	32,361
Interest	-	2,053	-	-	-	2,053
Total Operating Expenses	21,353	285,830	232,187	391,359	(28,802)	901,927
Income (Loss) from Operations	-	5,440	32,496	(36,482)	-	1,454
Investment Income	-	3,202	36,636	-	-	39,838
Other Nonoperating Income	-	811	-	-	-	811
Equity in Earnings of Subsidiaries	23,353				(23,353)	-
Community Support, Net	-	-	(13,152)	-	-	(13,152)
Excess of Revenues over Expenses	$ 23,353	$ 9,453	$ 55,980	$ (36,482)	$ (23,353)	$ 28,951

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statements of Operations
For the Year Ended December 31, 2013 (in Thousands)

	LCMC	Restated Touro	Restated Children's	UMCMC	Eliminations	Restated Consolidated
Unrestricted Revenues, Gains and Other Support						
Net Patient Service Revenues	$ -	$ 341,754	$ 394,502	$ 187,236	$ (5,073)	$ 918,419
Provision for Doubtful Accounts	-	7,261	3,743	19,961	-	30,965
Net Patient Service Revenues Less Provision for Doubtful Accounts	-	334,493	390,759	167,275	(5,073)	887,454
Other Operating Revenues	-	14,465	16,159	8,907	(531)	39,000
Management Fee Revenue	13,737	-	-	-	(13,737)	-
Total Operating Revenues	13,737	348,958	406,918	176,182	(19,341)	926,454
Operating Expenses						
Employee Compensation and Benefits	2,272	136,459	117,814	67,487	(4,329)	319,703
Purchased Services	10,830	46,419	23,217	26,479	(7,432)	99,513
Professional Fees	569	15,871	18,924	53,610	(1,466)	87,508
Supplies and Other Expenses	66	53,246	52,428	59,042	(6,114)	158,668
Depreciation and Amortization	-	17,796	11,797	274	-	29,867
Interest	-	2,028	-	-	-	2,028
Total Operating Expenses	13,737	271,819	224,180	206,892	(19,341)	697,287
Income from Operations	-	77,139	182,738	(30,710)	-	229,167
Investment Income (Loss)	-	3,752	73,446	-	-	77,198
Other Nonoperating Income (Loss)	-	535	-	-	-	535
Equity in Earnings of Subsidiaries	285,768	-	-	-	(285,768)	-
Community Support, Net	-	(4,859)	(21,834)	-	-	(26,693)
Excess of Revenues over Expenses	$ 285,768	$ 76,567	$ 234,350	$ (30,710)	$ (285,768)	$ 280,207

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statements of Changes in Net Assets
For the Year Ended December 31, 2014 (in Thousands)

	LCMC	Touro	Children's	UMCMC	Eliminations	Consolidated
Unrestricted Net Assets						
Excess of Revenues over Expenses	$ 23,353	$ 9,453	$ 55,980	$ (36,482)	$ (23,353)	$ 28,951
Noncontrolling Interests in Income of Consolidated Subsidiaries	-	(120)	-	-	-	(120)
Adjustment to Additional Minimum Pension Liability	-	(4,416)	-	-	-	(4,416)
Ownership Revisions	-	-	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	23,353	4,917	55,980	(36,482)	(23,353)	24,415
Temporarily Restricted Net Assets						
Contributions and Grants	-	339	1,574	-	-	1,913
Investment Income	-	707	-	-	-	707
Net Assets Released from Restriction	-	(1,796)	(1,886)	-	-	(3,682)
Increase (Decrease) in Temporarily Restricted Net Assets	-	(750)	(312)	-	-	(1,062)
Change in Permanently Restricted Net Assets	-	-	-	-	-	-
Increase (Decrease) in Net Assets	23,353	4,167	55,668	(36,482)	(23,353)	23,353
Net Assets, Beginning of Year, as Restated for 2013	1,249,856	205,279	1,075,286	(30,709)	(1,249,856)	1,249,856
Net Assets, End of Year	$ 1,273,209	$ 209,446	$ 1,130,955	$ (67,191)	$ (1,273,209)	$ 1,273,209

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statements of Changes in Net Assets
For the Year Ended December 31, 2013 (in Thousands)

	LCMC	Restated Touro	Restated Children's	UMCMC	Eliminations	Restated Consolidated
Unrestricted Net Assets						
Excess of Revenues over Expenses	$ 285,768	$ 76,567	$ 234,350	$ (30,710)	$ (285,768)	$ 280,207
Noncontrolling Interests in Income of Consolidated Subsidiaries	-	(49)	-	-	-	(49)
Adjustment to Additional Minimum Pension Liability	-	5,385	-	-	-	5,385
Ownership Revisions	-	(2)	-	-	-	(2)
Increase in Unrestricted Net Assets	285,768	81,901	234,350	(30,710)	(285,768)	285,541
Temporarily Restricted Net Assets						
Contributions and Grants	-	275	2,716	-	-	2,991
Investment Income	-	1,526	-	-	-	1,526
Net Assets Released from Restriction	-	(775)	(3,515)	-	-	(4,290)
Increase (Decrease) in Temporarily Restricted Net Assets	-	1,026	(799)	-	-	227
Change in Permanently Restricted Net Assets	-	-	-	-	-	-
Increase (Decrease) in Net Assets	285,768	82,927	233,551	(30,710)	(285,768)	285,768
Net Assets, Beginning of Year, as Previously Reported for 2013	964,088	123,466	842,254	1	(964,088)	965,721
Prior-Period Adjustment - See Note 22	-	(1,114)	(519)	-	-	(1,633)
Net Assets, Beginning of Year, as Restated for 2013	964,088	122,352	841,735	1	(964,088)	964,088
Net Assets, End of Year	$ 1,249,856	$ 205,279	$ 1,075,286	$ (30,709)	$ (1,249,856)	$ 1,249,856

See independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board of Trustees
Louisiana Children's Medical Center
New Orleans, Louisiana

We have audited, 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, the consolidated financial statements of Louisiana Children's Medical Center (LCMC) (the System) as of and for the year ended December 31, 2014, and have issued our report thereon dated April 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 System's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 and 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 20, 2015

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Governing Board of Trustees
Louisiana Children's Medical Center
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Louisiana Children's Medical Center (LCMC) (the System) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the LCMC's major federal programs for the year ended December 31, 2014. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 20, 2015

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity No.	Federal Revenue/Expenditures Recognized			
			Children's Hospital	Touro Infirmary	UMCMC	Total
U.S. Department of Justice						
Through: Louisiana Commission on Law Enforcement						
Crime Victim Assistance	16.575	C12-9-006	$ 62,265	$ -	$ -	$ 62,265
Total U.S. Department of Justice			$ 62,265	$ -	$ -	$ 62,265
U.S. Department of Transportation						
Through: Louisiana Highway Safety Commission						
Highway Planning and Construction	20.205	2014-20-5	$ -	$ -	$ 199,936	$ 199,936
Highway Planning and Construction	20.205	2015-20-11	-	-	41,040	41,040
Highway Planning and Construction	20.205	2015-55-10	-	-	46,314	46,314
Alcohol Open Container Requirements	20.607	726640	-	-	189,864	189,864
Total U.S. Department of Transportation			$ -	$ -	$ 477,154	$ 477,154
U.S. Department of Education						
Through: Louisiana Department of Education						
Special Education Grants to States	84.027A	714496	$ 177,758	$ -	$ -	$ 177,758
Total U.S. Department of Education			$ 177,758	$ -	$ -	$ 177,758
U.S. Department of Health and Human Services						
Through: State of Louisiana						
Community Based Family Resources Support Grant	93.590	705945	$ 11,620	$ -	$ -	$ 11,620
National Bioterrorism Hospital Preparedness Program	93.889		3,527	-	-	3,527
Through: Louisiana Hospital Association						
National Bioterrorism Hospital Preparedness Program	93.889		-	26,062	29,260	55,322
Through: City of New Orleans						
HIV Emergency Relief Project	93.914	K13-894	-	-	1,739,398	1,739,398
Direct Award						
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		-	-	776,290	776,290

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity No.	Federal Revenue/Expenditures Recognized Children's Hospital	Touro Infirmary	UMCMC	Total
Research and Development Cluster						
Through: The University of Texas Health Science Center at Houston						
Maternal and Child Health Federal Consolidated Programs	93.110	5H30MC24051-03-00	1,062	-	-	1,062
Disabilities Prevention	93.184	5U27DD000862-03	12,733	-	-	12,733
Research and Training in Complementary and Alternative Medicine	93.213	5R34AT006727-03	25,199	-	-	25,199
Through: Louisiana State University Health Science Center						
Minority Health and Health Disparities Research	93.307	U54MD008176	6,977	-	-	6,977
Cancer Treatment Research	93.395	1UG1CA189854-01	37,939	-	-	37,939
Lung Diseases Research	93.838	2P01HL076100-07A1	19,333	-	-	19,333
Allergy, Immunology and Transplantation Research	93.855	5R01AI079071	74,379	-	-	74,379
Through: Louisiana State University Agricultural and Mechanical College						
Cancer Treatment Research	93.395	5U10CA063845	13,693	-	-	13,693
Biomedical Research and Research Training	93.859	1U54GM104940	101,871	-	-	101,871
Through: The Administrator of the Tulane Education Funds d/b/a Tulane University Health Sciences Center						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R21DK094006-02	12,010	-	-	12,010
Through: University of Kansas Medical Center						
Child Health and Human Development Extramural Research	93.865	5R21HD066629	316	-	-	316
Direct Awards						
Allergy, Immunology and Transplantation Research	93.855		85,477	-	-	85,477
Total Research and Development Cluster			390,989	-	-	390,989
Total U.S. Department of Health and Human Services			$ 406,136	$ 26,062	$ 2,544,948	$ 2,977,146
U.S. Department of Homeland Security:						
Through: State of Louisiana						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		$ -	$331,213	$ -	$ 331,213
Hazard Mitigation Grant	97.039		-	52,723	-	52,723
Direct Awards						
Hazard Mitigation Grant	97.039		119,950	-	-	119,950
Total U.S. Department of Homeland Security			$ 119,950	$ 383,936	$ -	$ 503,886
Total Expenditures of Federal Awards			$ 766,109	$ 409,998	$ 3,022,102	$ 4,198,209

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Children's Hospital, Touro Infirmary and its Subsidiaries (Touro Infirmary) and University Medical Center Medical Corporation (UMCMC) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency (ies) Identified not Considered to be Material Weakness?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material weakness (es) identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	No
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with Circular A-133 (section .510(a))?	No

Identification of Major Programs:

Title	CFDA Number
HIV Emergency Relief Project	93.914
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918
Research and Development Cluster	Multiple
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

Dollar Threshold used to Determine Type A Programs:	$300,000
Auditee Qualified as Low-Risk Auditee?	No

Part II - Schedule of Financial Statement Findings Section

No findings were noted.

Part III - Federal Awards Findings and Questioned Costs Section

No findings were noted.

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None