CFO REPORT FOR JANUARY, 2014

I. FINANCIAL STATEMENTS FOR JANUARY, 2014

Net patient revenue was under budget for January by $38,013 (7%) while gross revenue was under budget by $82,303(7%) (See box below). Deductions from revenue were under budget in January by $44,290(8%). Contractual allowances were under budget in January by $84,139(23%) and provision for bad debt was over budget by $34,673(31%) in January. Charity care was under budget in January by $5,799 (13%). Furthermore, gross inpatient revenue was over budget by $6,892(16%) in January despite having 8 swing and acute days vs. a budget of 18. Gross outpatient revenue was under budget by $35,260(12%) in January. Gross Emergency Room revenue was under budget in January by $53,935 (11%) due to E/R visits being under budget by 14(10.4%). On a YTD basis, gross inpatient revenue is under budget by 6%, gross outpatient revenue is under budget by 15% and gross emergency room revenue is under budget by .5%.
Overall, net patient revenue was 50.4% of gross revenue compared to budget of 50% in January. YTD, net patient revenue is 52.9% of gross revenue vs. budget of 50.8%.

JANUARY 2014			
DESCRIPTION	Actual	Budget	Variance
Inpatient revenue			
Medical	$ 10,264	$ 56,601	$ (46,337)
SNF	$ 83,700	$ 81,558	$ 2,142
CT Scan revenue	$ 20,358	$ 17,835	$ 2,523
Laboratory revenue	$ 52,657	$ 68,949	$ (16,292)
Ultrasound revenue	$ 43,241	$ 9,636	$ 33,605
Pharmacy revenue	$ 27,731	$ 21,214	$ 6,517
Physical therapy revenue	$ 38,198	$ 12,096	$ 26,102
Other revenue	$ 21,051	$ 22,419	$ (1,368)
Total I/P revenue	$ 297,200	$ 290,308	$ 6,892
Outpatient revenue			
CT Scan revenue	$ 7,885	$ 5,527	$ 2,358
Physical therapy revenue	$ 38,577	$ 75,329	$ (36,752)
Lab revenue	$ 73,651	$ 68,621	$ 5,030
Radiology revenue	$ 25,333	$ 18,305	$ 7,028
Clinic revenue	$ 109,184	$ 102,611	$ 6,573
Other revenue	$ 3,222	$ 22,719	$ (19,497)
Total O/P revenue	$ 257,852	$ 293,112	$ (35,260)
Emergency Room revenue			
Emergency room revenue	$ 179,268	$ 237,872	$ (58,604)
CT Scan revenue	$ 99,895	$ 81,324	$ 18,571
Laboratory revenue	$ 84,141	$ 87,101	$ (2,960)
Radiology revenue	$ 28,596	$ 36,909	$ (8,313)
Other revenue	$ 39,701	$ 42,331	$ (2,630)
Total E/R revenue	$ 431,601	$ 485,537	$ (53,935)
Total Gross Revenue	$ 986,654	$ 1,068,957	$ (82,303)

JANUARY 2014	Deductions from Revenue and Misc Stats		
DESCRIPTION	Actual	Budget	Variance
Provision for Bad debts	145,385	110,711	(34,674)
Contractual Allowances	275,841	359,890	84,049
Charity and Admin Allowances	36,932	42,732	5,800
Acute and Swing Bed days	8	18	(10)
Medicare Utilization	100%	100%	0%
Clinic Visits	490	507	(17)
ER Visits	121	135	(14)
Net Rev as a % of Gross Revenue	50.40%	50.00%	0.40%
Expenses as a % of Gross Revenue	64.30%	54.70%	-9.60%

Other operating revenue was under budget for the month by $4,030. We are amortizing
Operating expenses were over budget by $50,653(8%) in January and over by $241,250(5%) YTD. Operating expenses represented 64.3% of gross revenue compared to the budgeted amount of 54.7% in January. Gross patient revenue is 6% under budget while operating expenses are 5% over budget with the significant variances (unfavorable) being:

DESCRIPTION	MONTH OF January	Year -to-date
SALARIES	$ 8,293	$ 31,987
EMPLOYEE BENEFITS and HOUSING	$ (2,314)	$ 48,459
PRO FEES	$ (26,261)	$ (145,932)
SUPPLIES-General	$ (4,807)	$ 28,661
SUPPLIES-Pharmacy	$ (655)	$ (5,755)
SUPPLIES-Food	$ (231)	$ 3,840
PURCHASED SERVICES-Repairs	$ (8,091)	$ (4,225)
LICENSES/TAXES	$ 32	$ (4,077)
Depreciation	$ 844	$ 5,173
TRAVEL	$ 2,218	$ 6,104
UTILITIES	$ (708)	$ (4,750)
PURCHASED SERVICES-Other	$ (8,848)	$ (55,547)
Dues and subs	$ (488)	$ (5,031)
OTHER EXPENSES	$ (11,213)	$ (119,669)
TOTAL	$ (52,229)	$ (220,762)

Salaries-Lab ($4K,$26K YTD), Rad($1K, $6K YTD) Hospital Admin($9K YTD)
Professional fees-Physicians ($9K, $41K YTD) Nursing Registry ($5K, $32K YTD), MGO ($9K,$47K YTD)
Purchased Services-Other-Lab($1K, $8K YTD) IT ($16K, $52K YTD), Gen Acct ($11K YTD)

Other expenses- Hospital Admin($2K, $12K YTD) PT ($4K, $89K YTD), Dietary ($5K YTD)

Net Operating Income was $92,696 under budget for January and under by $344,701 YTD due to reasons discussed above.

Non-operating revenue and expense was under budget by $20,185 for January.

The financial position remains strong although working capital decreased by $72,944 with net days in accounts receivable increasing to 77 days while gross days increased to 91 days. Cash and LAIF funds decreased by $508,789 from December. Net patient accounts receivable increased by $101,187 from December. Medicare settlement accounts increased by $155,974 from December. Accounts payable decreased by $60,000 and current liabilities decreased by $154,527 from December.

DESCRIPTION	AS OF January 31, 2014	AS OF December 31, 2013	CHANGE IN WORKING CAPITAL
CURRENT ASSETS	$ 2,884,435	$ 3,111,906	$ (227,471)
CURRENT LIABILITIES	$ (682,705)	$ (837,232)	$ 154,527
WORKING CAPITAL	$ 2,201,730	$ 2,274,674	$ (72,944)

II. New developments (Not reflected in the financial statements)

- **Electronic Medical Records (EMR)-** The EMR project continues to be addressed. We will be reimbursed for most costs associated with the EMR project by the government for expenses incurred after February 17, 2009. We have invested $1,616,071 in this project as of January 31, 2014. CPSI is certified by the government for its EMR product. We have filed an appeal through the cost report process and it will be reviewed during the Medicare audit. . We believe that we are due between $250,000 and $300,000 in additional reimbursement. We have received payment from the state for our four providers for this year ($85K in total). We have also attested to meaningful use for FY 2012.

- **Contract with Blue Shield**- We will enter into a contract with Blue Shield for a Medicare Advantage senior product. We already have a commercial contract with Blue Shield.
- **Covered California**- We have begun to receive our first patients covered by insurance purchased through Covered California. We have entered into contracts with Blue Shield, Anthem Blue Cross and Healthnet to be a part of their network that services the new enrollees.
- **ICD -10 Conversion**- We have entered into a contract with HFS consulting firm to provide the training for Physicians and other employees to meet the new ICD-10 requirements that begin October 1, 2013. CPSI will be testing their system readiness for this conversion in March. We will be ready for the conversion before the deadline.
- **Additional Line of Credit**-US Bank has increased our line of credit by $250,000 to a total of $500,000. It requires Board approval to draw down on this line. As of today, we have not used any of the funds.