	The Johns Hopkins Health System Policy & Procedure	Policy Number	FIN127
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POLICY

This policy applies to The Johns Hopkins Health System Corp. (JHHS) and the following affiliated entities: The Johns Hopkins Hospital (JHH), Johns Hopkins Bayview Medical Center (JHBMC), Howard County General Hospital (HCGH), Johns Hopkins Community Physicians (JHCP), Johns Hopkins Medical Services Corporation (JHMSC), Johns Hopkins Medicine International (JHMI), Ophthalmology Associates (OA), Johns Hopkins Employer Health Programs (EHP), Johns Hopkins Medical Management Corporation (JHMMC), Priority Partners (PP), Johns Hopkins Pharmaquip, Inc. (JHPQ), Johns Hopkins Home Health Services, Inc. (JHHHS), Johns Hopkins Pediatrics Home, Inc. (JHPAHI), Johns Hopkins HealthCare (JHHC), Johns Hopkins Home Care Group (JHHCG), Suburban Health Center (SHC), Broadway Acquisition and Development, and HCGH OB/GYN Associates Series, LLC (HCGH OBGYN).

Purpose

The purpose of this policy is to establish methods and responsibilities for the resolution of intercompany differences in connection with the consolidated financial statements.

JHHS and its affiliates routinely transact business between and among themselves. There are two main types of intercompany transactions: a) those transactions between affiliates where one affiliate is providing a service (ex: linen services) to other affiliates, and b) those transactions where expenses are paid for by one affiliate on behalf of another (ex: JHHS pays A/P and P/R for certain affiliates). Both of these types of transactions create an intercompany due to/due from in SAP and cash is ultimately transferred between affiliates to settle the intercompany. The difference between the two comes in to play with eliminations. The first type needs to have both the balance sheet and income statement components eliminated because typically a revenue account is recorded for the services performed, and an expense account is charged to the affiliate receiving the services. These revenue and expense accounts need to be eliminated as well as the intercompany balance sheet accounts. The second type is simple a convenience item, and only the balance sheet component requires elimination. In general, the creation of intercompany revenues, charges, or advances and the corresponding intercompany receivable or liability are automatically created by the SAP system. However, the settlement of, or payment of, the balances is a manual process.

There are a variety of additional tools in SAP that can be used to assist in the resolution of any intercompany out of balance. Those include the BCS Consolidation Monitor error listings, BW Intercompany Reconciliation report, and the R3 due to/due from settlement report. The due to/due from settlement report lists by transaction, amounts owed by one business area to other business areas.


Each month, the accountants are required to record all intercompany activity. However, due to the tight time frame for closing the books each month, this reconciliation is done one month in arrears if necessary, except at year end. This includes both balance sheet accounts and income statement accounts. The income statement accounts require a 'partner business area' which identifies which business area the transaction being recorded is identified to.

During consolidation in the BCS system, all balanced intercompany transactions eliminate automatically. Those that do not balance, are recorded by the BCS system as an other payable if balance sheet related, and purchased services if income statement related. The Director of Accounting, JHHS Consolidations has the responsibility of ensuring that all intercompany balances are reconciled.

RESPONSIBILITIES

Director of Accounting, JHHS
Consolidations

Ensure all intercompany activity is reconciled.

 JOHNS HOPKINS MEDICINE JOHNS HOPKINS HEALTH SYSTEM	The Johns Hopkins Health System Policy & Procedure	<i>Policy Number</i>	FIN127
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Coordinate and track unreconciled intercompany transactions.

Affiliate Accountants

Reconcile all intercompany balance sheet and income statement accounts monthly (one month in arrears if necessary due to tight close).

SPONSOR

Vice President of Finance/CFO and Treasurer, JHHS

REVIEW CYCLE

Three (3) years

APPROVAL

 Vice President of Finance/CFO and Treasurer, JHHS

 Date