

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

g) Donated Services

The value of donated services is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

h) Income Taxes

The Complex is exempt from federal income tax under section 501(c) of the Internal Revenue Code as a publicly supported organization described in Section 501(c)(3).

i) Cash Equivalents

The Complex considers all highly liquid investments in money market accounts to be cash equivalents.

j) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
New Orleans Medical Complex, Inc.
New Orleans, Louisiana

We have audited the financial statements of the New Orleans Medical Complex, Inc. (the Complex), as of and for the year ended December 31, 1986, and have issued our report thereon dated April 3, 1987.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of the Complex is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**Schedule B
(Continued)**

Temporarily Restricted Support	Budget	Actual	Variance Favorable (Unfavorable)
Grants:			
Medical marketing campaign	\$ 97,822	\$ 117,826	\$ 20,004
Project Clean Up	-	35,000	35,000
DDO - police security	-	1,800	1,800
Total support	97,822	179,626	81,804
Net Assets Released From Restrictions			
Ad campaign	58,088	58,800	0
Employee benefit	793	2,800	(1,217)
Direct mail marketing	-	3,886	(3,886)
Market survey consultant	9,394	9,721	437
Meetings/conferences	-	3,928	(3,928)
Police security	2,086	1,427	879
Project Clean Up	-	35,000	(35,000)
Salaries	5,184	39,210	(34,026)
Signage design/administrative	2,780	2,300	480
Site database/computer	12,580	30,650	18,070
Indirect cost allocation - medical marketing campaign	28,080	33,758	(5,678)
Total net assets released from restrictions	183,791	173,352	(10,439)
Changes in Net Assets	(5,000)	(5,328)	210
Net Assets			
Beginning of year	4,891	4,891	-
End of year	\$ (1,868)	\$ (1,182)	\$ 2,520

SUPPLEMENTAL INFORMATION SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
New Orleans Medical Complex, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of New Orleans Medical Complex, Inc. (a nonprofit organization) as of December 31, 1996, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Complex's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Medical Complex, Inc. as of December 31, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1996 the Complex changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

Note 2 - MAJOR FUNDING SOURCES

The Complex receives all of its dues from member agencies (seven in 1996, six in 1995) which comprise the majority of its unrestricted revenue.

In 1995, the City of New Orleans awarded a grant to the New Orleans Medical Complex, Inc., in the amount of \$150,000 for a medical marketing campaign. Funds in the amounts of \$57,757 and \$92,243, were received in 1996 and 1995, respectively, of which \$1,998 is recorded as refundable advances at December 31, 1996. In 1994, the City of New Orleans awarded \$60,000 for Phase II of the medical marketing campaign. Funds totaling \$11,500 were received in 1996 and a receivable of \$6,259 has been recorded at December 31, 1996.

The balance will be received in 1997 as expenses are incurred. Indirect costs of \$25,750 were allocated from the unrestricted fund to the medical marketing campaign for the year ended December 31, 1996. The City of New Orleans requires that these grant funds be maintained in a separate bank checking account.

Note 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by grantors during 1996.

Purpose restrictions accomplished:	
Medical Marketing - Phase I	\$ 95,810
Medical Marketing - Phase II	17,795
Project Clean Up	15,000
Signage Design/Construction	3,300
Police Security	<u>1,427</u>
Total	\$133,332



Comptroller General

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
New Orleans Medical Complex, Inc.
New Orleans, Louisiana

We have audited the financial statements of the New Orleans Medical Complex, Inc., (the Complex) as of and for the year ended December 31, 1996, and have issued our report thereon dated April 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws and regulations, contracts and grants applicable to the Complex is the responsibility of the Complex's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Complex's compliance with certain provisions of laws and regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The result of our tests disclosed no instances of non-compliance that are required to be reported herein under Government Auditing Standards.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Statement Presentation (Continued)

As permitted by this new statement, the Complex has discontinued its use of fund reporting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for year ended December 31, 1996.

The Complex also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or status of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption. In addition, the Complex has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

d) Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed on an accelerated basis over the estimated useful lives of the assets (5 to 7 years).

e) Membership Dues

Membership dues of \$90,000 collected in advance have been deferred at December 31, 1996, and will be recognized within one year. Dues of \$91,000 deferred at December 31, 1995, were recognized as revenue in 1996.

NOTES TO FINANCIAL STATEMENTS**New Orleans Medical Complex, Inc.**

December 31, 1996

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of New Orleans Medical Complex, Inc. (the Complex) are prepared on the accrual basis of accounting. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The significant accounting policies followed are described below:

a) Organization

The Complex was organized in Louisiana in 1991 under the name of New Orleans Regional Medical Center, Inc. as a nonprofit corporation for the purpose of the enhancement of the image of, and the development of a regional medical center located for the most part in downtown New Orleans, Louisiana. The objectives of the Complex will be achieved through internal means, resources raised from the community at large and attending periodic public hearings, City Council readings, State Legislative Committee Meetings, and other meetings to gain approval of requested funding.

b) Financial Statement Presentation

As of December 31, 1996, the Complex elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Complex is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Complex is required to present a statement of cash flows.

STATEMENTS OF CASH FLOWS

New Orleans Medical Center, Inc.

For the years ended December 31, 1986 and 1985

	1986	1985
Cash Flows From Operating Activities		
Changes in net assets	\$ 35,624	\$ (9,211)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,424	1,424
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Receivables	(42,295)	-
Prepaid expenses	(837)	(834)
Increase (decrease) in liabilities:		
Accounts payable and account expense	(12,251)	17,423
Accrued profit sharing contribution	(8,598)	2,274
Deferred revenues	(1,808)	37,808
Refundable advances	872,248	40,643
Credits restricted for land acquisition	(857,693)	-
Interest on bonds restricted for land acquisition	(23,088)	-
Total adjustments	(181,535)	97,220
Net cash provided (used) by operating activities	(145,911)	88,009
Cash Flows From Investing Activities		
Advances for land acquisition	(13,334)	-
Purchase of equipment	-	(3,579)
Net cash used by investing activities	(13,334)	(3,579)
Cash Flows From Financing Activities		
Credits restricted for land acquisition	887,652	-
Interest on bonds restricted for land acquisition	23,808	-
Net cash provided by financing operations	911,460	-
Net Increase in Cash	72,215	84,430
Cash and Cash Equivalents		
Beginning of year	218,028	133,598
End of year	\$ 290,243	\$ 218,028
Cash and Cash Equivalents Consist Of		
Cash in bank	\$ 84,481	\$ 158,876
Money market account	205,762	59,152
Total	\$ 290,243	\$ 218,028

See notes to financial statements.

This report is intended for the information of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Comptroller, is a matter of public record.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, La.
April 3, 1997.

STATEMENTS OF FINANCIAL POSITION

New Orleans Medical Complex, Inc.

December 31, 1996 and 1995

ASSETS	Unrestricted	Temporarily Restricted	Totals	
			1996	1995
Current				
Cash and cash equivalents				
Cash in bank	\$ 83,894	\$ 597	\$ 84,491	\$ 138,876
Money market account	47,398	893,392	944,890	38,152
Debt receivable	34,600	-	34,600	-
Grants receivable	-	4,395	4,395	-
Advances - land acquisition	-	13,334	13,334	-
Prepaid expenses	3,621	-	3,621	3,694
Total current assets	179,513	911,818	1,108,801	223,312
Furniture and Equipment				
Cost, less accumulated depreciation of \$9,882 at 12/31/96 and \$7,658 at 12/31/95	3,385	-	3,385	3,330
Other				
Deposits	320	-	320	320
Totals	\$ 173,839	\$ 911,818	\$ 1,111,657	\$ 223,962
LIABILITIES				
Current				
Accounts payable and accrued expenses	\$ 3,385	\$ -	\$ 3,385	\$ 18,136
Accrued profit sharing contributions	-	-	-	8,590
Local match due City of New Orleans	-	34,600	34,600	34,600
Deferred revenues	90,680	-	90,680	91,680
Refundable advances	-	912,653	912,653	48,685
Total current liabilities	94,065	947,253	1,032,658	181,191
NET ASSETS				
Unrestricted	78,454	-	78,454	39,034
Temporarily Restricted	-	1,365	1,365	4,891
Total net assets	78,454	1,365	78,619	43,925
Total liabilities and net assets	\$ 173,839	\$ 913,818	\$ 1,111,657	\$ 223,962

See notes to financial statements.

**SCHEDULE OF ACTIVITIES -
BUDGET AND ACTUAL**

New Orleans Medical Center, Inc.

For the year ended December 31, 1996

Unclassified	Budget	Actual	Variance Favorable (Unfavorable)
Support and Revenue			
Support:			
Private contributions	\$ 3,308	\$ 4,231	\$ 923
Contributions for legal services	-	4,231	4,231
	<u>3,308</u>	<u>8,462</u>	<u>5,154</u>
Revenue:			
Membership dues	198,000	216,880	18,880
Annual meeting	5,500	5,850	350
Interest	3,000	3,386	386
Other	18,000	-	(18,000)
	<u>216,500</u>	<u>226,216</u>	<u>9,716</u>
Total support and revenue	<u>219,808</u>	<u>234,712</u>	<u>14,912</u>
Expenses			
Accounting and audit	6,500	6,890	(390)
Annual meeting	5,500	6,218	(718)
Dues and subscriptions	1,750	1,585	165
Depreciation	-	1,438	(1,438)
Employee benefits	36,580	36,846	266
Meetings and entertainment	3,080	3,234	154
Insurance	4,380	5,234	(854)
Legal & professional	-	5,428	(5,428)
Miscellaneous	4,000	8,825	(4,825)
Neighbor program	2,580	1,828	752
Office supplies and expense	2,580	2,254	326
Printing	4,000	2,974	1,026
Printing	3,080	9,265	(6,185)
Postage and courier costs	2,580	1,832	688
Post	8,000	8,844	844
Salaries	142,820	148,878	27,058
Telephone	4,580	4,854	(274)
Travel	4,880	1,568	3,312
Indirect cost allocation - medical marketing campaign	(20,880)	(15,738)	5,142
Total expenses	<u>214,230</u>	<u>194,892</u>	<u>19,338</u>
Change in Net Assets	<u>5,578</u>	<u>39,820</u>	<u>34,242</u>
Net Assets			
Beginning of year	<u>39,820</u>	<u>39,820</u>	<u>-</u>
End of year	<u>\$ 45,398</u>	<u>\$ 79,640</u>	<u>\$ 34,242</u>

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of activities - budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Information for the year ended December 31, 1995, is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which an unqualified opinion dated February 23, 1996, was expressed.

In accordance with Government Auditing Standards, we have also issued a report dated April 3, 1997 on our consideration of the New Orleans Medical Complex, Inc.'s internal control structure and a report dated April 3, 1997 on its compliance with laws and regulations.

Bougeois Bennett, LLC.

Certified Public Accountants

New Orleans, La.,
April 3, 1997.

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Financial Report

New Orleans Medical Complex, Inc.

December 31, 1996

Under provisions of state law, this report is a public document. A copy of the report shall be furnished to the auditor, or comptroller, entity and other appropriate public officials. The report is available for public inspection at the State Budget Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/26/97

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December 31, 1996

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STATEMENTS OF ACTIVITIES

New Orleans Medical Complex, Inc.

For the years ended December 31, 1996 and 1995

	Unrestricted	Temporarily Restricted	Totals	
			1996	1995
Support and Revenue				
Support:				
Grants	\$ -	\$ 129,626	\$ 129,626	\$ 52,178
Private contributions	4,225	-	4,225	3,129
Contributions for legal services	4,211	-	4,211	-
	<u>8,436</u>	<u>129,626</u>	<u>138,067</u>	<u>55,307</u>
Revenue:				
Membership dues	216,000	-	216,000	188,000
Annual meeting	2,850	-	2,850	-
Interest	3,386	-	3,386	5,625
	<u>222,236</u>	<u>-</u>	<u>222,236</u>	<u>193,625</u>
Net assets released from restrictions	<u>133,152</u>	<u>(133,152)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>347,124</u>	<u>(3,756)</u>	<u>343,368</u>	<u>258,929</u>
Expenses				
Salaries and wages	123,380	-	123,380	143,380
Employee benefits including profit sharing contribution	22,046	-	22,046	29,775
Depreciation	1,424	-	1,424	1,438
Meetings & conventions	3,988	-	3,988	-
Police security	1,427	-	1,427	1,195
Professional fees:				
Advertising campaign	50,000	-	50,000	-
Campaign theme consultant	-	-	-	39,760
Direct mail marketing	3,886	-	3,886	-
Market survey consultant	8,921	-	8,921	15,646
Project Clean Up	15,000	-	15,000	-
Signage design/construction	3,369	-	3,369	16,292
Site alterations/computer	18,638	-	18,638	-
Other	12,079	-	12,079	5,625
Other operating expenses	58,223	-	58,223	44,619
Total expenses	<u>323,944</u>	<u>-</u>	<u>323,944</u>	<u>268,169</u>
Changes in Net Assets	<u>39,388</u>	<u>(3,728)</u>	<u>35,664</u>	<u>(9,241)</u>
Net Assets				
Beginning of year	<u>38,074</u>	<u>4,891</u>	<u>42,965</u>	<u>53,198</u>
End of year	<u>\$ 78,454</u>	<u>\$ 1,163</u>	<u>\$ 79,619</u>	<u>\$ 43,958</u>

See notes to financial statements.

Note 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at December 31, 1996:

Police security	\$1,143
Flooring	<u>20</u>
Total	<u>\$1,163</u>

Note 5 - PROFIT-SHARING PLAN

The Complex has a profit-sharing plan which covers its employees. The Complex's contribution to its profit-sharing trust fund is based solely on the Board's discretion; no annual contributions are required under the plan. Profit-sharing expense for 1996 and 1995 was \$6,250 and \$6,995, respectively.

Note 6 - COMMITMENTS

The Complex leases office space under a noncancelable agreement accounted for as an operating lease. Future minimum lease payments as of December 31, 1996 are \$11,396. Rental expense incurred under this lease was \$8,044 and \$8,684 for the years ended December 31, 1996 and 1995, respectively.

The Complex entered into an agreement, dated December 28, 1995, to purchase land for the amount of \$885,000. A \$3,000 deposit was paid January 12, 1996. The deposit, along with \$28,354 of legal costs, has been recorded as advances - land acquisition. Funding in the amount of \$1,200,000, to pay for the land acquisition and development is provided for through a cooperative endowment agreement between the State of Louisiana, the City of New Orleans and New Orleans Medical Complex, Inc. Pleds in the amount of \$887,643 have been received and recorded as refundable advances. Interest earned on these funds in the amount of \$23,000 has also been recorded as refundable advances at December 31, 1996. The purchase is to take place in May 1997.