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Financial Report
New Orleans Medical Complex, Inc. 5372

December 31, 1997

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

Release Date Jul 15 1998

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New Orleans Medical Center, Inc.

December 31, 1997

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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, 1997, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 28, 1998 on our consideration of the New Orleans Medical Complex, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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, 1996, is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which an unqualified opinion dated April 3, 1997, was expressed.

Bouvier Bennett, LLC.

Certified Public Accountants

New Orleans, L.A.,
April 28, 1998.

STATEMENTS OF FINANCIAL POSITION

New Orleans Medical Center, Inc.

December 31, 1997 and 1996

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				1997	1996
Current					
Cash and cash equivalents:					
Cash in bank	\$ 48,063	\$ 815	\$ -	\$ 48,878	\$ 84,491
Money market account	63,533	34,779	3,486	101,808	144,590
Debt receivable	-	-	-	-	30,800
Grants receivable	-	10,877	-	10,877	6,295
Miscellaneous receivables	2,651	-	-	2,651	-
Advances - land acquisition	-	-	-	-	33,334
Prepaid expenses	3,970	-	-	3,970	3,811
Total current assets	119,197	35,891	3,486	158,574	319,321
Property and Equipment					
Land	-	-	930,261	930,261	-
Furniture and fixtures	16,811	-	-	16,811	11,388
Less accumulated depreciation	(11,234)	-	-	(11,234)	(9,882)
Net book value	5,577	-	930,261	935,838	2,506
Other					
Deposits	329	-	-	329	329
Total assets	\$ 131,823	\$ 35,891	\$ 933,747	\$ 1,064,763	\$ 1,111,657
LIABILITIES					
Current					
Accounts payable and accrued expenses	\$ 8,300	\$ -	\$ -	\$ 8,300	\$ 5,389
Lease liability due City of New Orleans	-	24,000	-	24,000	24,800
Unfunded pensions	-	1,991	3,486	5,477	90,800
Refundable advances	-	-	-	-	912,653
Total current liabilities	8,300	25,991	3,486	37,777	1,813,642
NET ASSETS					
Unrestricted	106,512	-	-	106,512	78,454
Temporarily Restricted	-	-	-	-	1,100
Permanently Restricted	-	-	930,261	930,261	-
Total net assets	106,512	-	930,261	1,036,773	79,554
Total liabilities and net assets	\$ 131,823	\$ 35,891	\$ 933,747	\$ 1,064,763	\$ 1,111,657

See notes to financial statements.

STATEMENTS OF ACTIVITIES

New Orleans Medical Complex, Inc.

For the years ended December 31, 1997 and 1996

	Memberized	Temporarily Reinstated	Permanently Reinstated	Total	
				1997	1996
Support and Revenue					
Support:					
Gross:					
Gross	\$ -	\$ 31,276	\$ 487,660	\$ 518,939	\$ 129,616
Private contributions	9,861	-	-	9,861	4,725
Contributions for legal services	-	-	-	-	4,711
	9,861	31,276	487,660	528,800	139,052
Revenue:					
Membership dues	216,600	-	-	216,600	216,000
Annual meeting	-	-	-	-	9,839
Rental income	20,635	-	-	20,635	-
Interest	4,077	-	20,579	24,656	3,346
	245,312	-	20,579	275,894	229,185
Net assets released from restrictions	35,414	(10,411)	(3,977)	-	-
Total support and revenue	280,726	(8,135)	503,261	1,204,824	363,236
Expenses					
Salaries and wages	45,624	-	-	45,624	103,580
Employee benefit including profit sharing contributions	7,628	-	-	7,628	32,846
Bad debt expense	26,080	-	-	26,080	-
Depreciation	3,143	-	-	3,143	1,424
Meetings and conventions	887	-	-	887	3,288
Police security	13,207	-	-	13,207	1,427
Professional fees	-	-	-	-	-
Advertising campaign	-	-	-	-	50,800
Direct mail marketing	18,120	-	-	18,120	3,884
Management services	33,689	-	-	33,689	-
Market survey consultant	-	-	-	-	8,921
Project Clean-Up	-	-	-	-	15,800
Signage design / construction	-	-	-	-	3,700
Site database / computer	-	-	-	-	18,630
Other	31,527	-	-	31,527	12,879
Office operating expenses	49,284	-	-	49,284	58,733
Total expenses	237,260	-	-	237,260	322,744
Change in Net Assets	28,466	(1,065)	509,261	967,564	35,654
Net Assets					
Beginning of year	79,434	1,363	-	79,639	40,965
End of year	\$ 108,900	\$ -	\$ 509,261	\$ 1,812,083	\$ 79,619

See notes to financial statements.

STATEMENTS OF CASH FLOWS

New Orleans Medical Complex, Inc.

For the years ended December 31, 1997 and 1996

	1997	1996
Cash Flows From Operating Activities		
Changes in net assets	\$ 947,584	\$ 35,634
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,143	1,424
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Receivables	28,367	(42,283)
Prepaid expenses	851	(877)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,718	(3,751)
Accrued profit sharing contributions	-	16,985
Deferred revenues	(84,325)	(1,085)
Refundable advances	(932,653)	872,584
Grants restricted for land acquisition	-	(887,683)
Interest on funds restricted for land acquisition	(18,027)	(23,899)
Total adjustments	(978,646)	(411,538)
Net cash used in operating activities	(34,898)	(40,876)
Cash Flows From Investing Activities		
Advances for land acquisition	-	(31,334)
Purchase of land	(886,827)	-
Purchase of equipment	(5,223)	-
Net cash used by investing activities	(992,458)	(31,334)
Cash Flows From Financing Activities		
Grants restricted for land acquisition	-	887,683
Interest on funds restricted for land acquisition	16,027	23,080
Net cash provided by financing operations	16,027	910,663
Net (Decrease) Increase in Cash	(900,483)	811,453
Cash and Cash Equivalents		
Beginning of year	1,825,461	218,628
End of year	\$ 924,978	\$ 1,029,481
Cash and Cash Equivalents Consist Of		
Cash in bank	\$ 41,808	\$ 84,491
Money market account	883,170	944,990
Total	\$ 924,978	\$ 1,029,481

See notes to financial statements.

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

December 31, 1997

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 meetings, State Legislative Committee Meetings, and other meetings to gain approval of required funding.

b) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, in its Statement of Financial Accounting Standards 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) based upon the existence or absence of donor restrictions.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 those estimates.

d) Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is accounted on an accelerated basis over the estimated useful lives of the assets (3 to 7 years).

e) Membership Dues

Membership dues of \$90,000 deferred at December 31, 1996, were recognized as revenue in 1997.

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).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Cash Equivalents

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

ii) 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.

Note 2 - MAJOR FUNDING SOURCES

The Complex receives all of its dues from its seven member agencies 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 \$57,357 and \$93,243, were received in 1996 and 1995, respectively, of which \$1,991 is recorded as refundable advances at December 31, 1997. In 1996, the City of New Orleans awarded \$60,000 for Phase II of the medical marketing campaign. Funds in the amounts of \$26,694 and \$11,580 were received in 1997 and 1996, respectively, and a receivable of \$10,877 has been recorded at December 31, 1997.

Indirect costs of \$7,500 were allocated from the unrestricted fund to the medical marketing campaign for the year ended December 31, 1997. The City of New Orleans requires that these grant funds be maintained in a separate bank checking account.

Funding in the amount of \$1,200,000, for research park land acquisition and site development is provided for through a cooperative endeavor agreement dated March 14, 1995, between the State of Louisiana, the City of New Orleans and New Orleans Medical Complex, Inc. Funds in the amount of \$887,660 were received in 1996. Interest earned on these funds in the amounts of \$16,067 and \$23,000 was earned in 1997 and 1996, respectively. The purchase was finalized May 1, 1997. Land, including legal fees and title in the amount of \$920,261 have been capitalized. Unexpended interest revenue in the amount of \$3,486 has been recorded as a refundable advance at December 31, 1997.

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 1997.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Purpose restrictions accomplished:		
Medical Marketing - Phase II	\$31,276	\$ -
Police Security	1,165	-
Property tax on land acquisition	-	2,923
Totals	\$32,441	\$2,923

Note 4 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of land and capitalized costs for legal fees and title in the amount of \$501,281. The land was purchased through a cooperative endeavor agreement (Note 2) whereby the State of Louisiana provided the funding through the sale of general obligation bonds. The Complex may not transfer, convey, sell or assign its ownership rights in the land while any of the bonds are outstanding. In the event the property is no longer used for the purposes for which the project was authorized, full ownership of the property shall revert to the State.

Note 5 - PROFIT-SHARING PLAN

The Complex's profit-sharing plan which covered its employees was terminated effective December 15, 1997. The Complex's contribution to the profit-sharing trust fund was based solely on the Board's discretion; no annual contributions were required under the plan. Profit-sharing expense for 1996 was \$6,250. No contribution was made for 1997.

Note 6 - OPERATING LEASE

The Complex leases a portion of its land for parking spaces under a memorandum of understanding. The terms of the lease are for a period of twelve months effective September 1, 1997 with a monthly rental of \$2,000. The agreement contains two one-year renewal options.

Note 7 - COMMITMENTS

The Complex leases office space under a noncancelable agreement accounted for as an operating lease. Future minimum lease payments as of December 31, 1997 are \$3,353. Rental expense incurred under this lease was \$8,044 for each of the years ended December 31, 1997 and 1996.

Effective April 1993, the Complex entered into an agreement with Metropolitan Hospital Council of New Orleans for management services on a temporary basis. As of November 1997, a three-year contract was entered into with monthly payments of \$8,500 and a \$5,000 per year increase. The contract contains two one-year options and may be terminated with 90 days written notice.

SUPPLEMENTAL INFORMATION SECTION

**SCHEDULE OF ACTIVITIES -
BUDGET AND ACTUAL**

New Orleans Medical Complex, Inc.

For the year ended December 31, 1997

Unrestricted Support and Revenue	Budget	Actual	Variance Favorable (Unfavorable)
Support:			
NCMHC Neighbor program	\$ 3,500	\$ 3,571	\$ (71)
Research America program	-	6,624	6,624
Private contributions - other	-	180	180
	<u>3,500</u>	<u>9,375</u>	<u>5,693</u>
Revenue:			
Membership dues	210,000	210,000	-
Annual meeting	6,000	-	6,000
Rental income	-	30,636	30,636
Interest	10,000	4,371	(11,433)
Other	13,000	-	(13,000)
	<u>249,000</u>	<u>245,037</u>	<u>(3,963)</u>
Total support and revenue	<u>252,500</u>	<u>250,414</u>	<u>(2,086)</u>
Expenses:			
Accounting and audit	6,000	6,000	(000)
Annual meeting	6,000	804	5,196
Bad debt expense	-	10,000	(10,000)
Contract services	-	19,311	(19,311)
Dues and subscriptions	1,350	1,691	341
Depreciation	-	2,043	(2,043)
Employee benefits	15,264	6,370	8,894
Employment	2,000	1,814	186
Entertaining and entertainment	2,400	1,278	1,122
Insurance	4,200	2,888	1,312
Legal	-	2,811	(2,811)
Management services	-	53,000	(53,000)
Miscellaneous	10,000	3,899	6,101
Neighbor program	3,500	1,119	2,381
Office supplies and expense	4,000	3,355	645
Printing	3,800	2,647	1,153
Police security	-	11,000	(11,000)
Printing	5,000	4,804	196
Postage and motor rental	2,500	2,079	421
Professional fees, other	-	1,170	(1,170)
Rent	8,000	8,044	44
Research America	-	52	(52)
Salaries	170,110	88,674	81,436
Telephone	2,000	3,834	(1,834)
Travel	4,000	1,379	2,621
Unrestricted cost allocation - medical marketing campaign	<u>(3,150)</u>	<u>(3,150)</u>	<u>-</u>
Total expenses	<u>281,000</u>	<u>281,066</u>	<u>66</u>

**Schedule 1
(Continued)**

	Budget	Actual	Variance Favorable (Unfavorable)
Changes in Net Assets	48,400	38,468	(10,932)
Net Assets			
Beginning of year	78,454	78,454	-
End of year	\$ 118,264	\$ 109,932	\$ (10,932)
Temporarily Restricted Support Grants			
Medical marketing campaign	\$ 68,000	\$ 31,276	\$ (36,724)
Total support	68,000	31,276	(36,724)
Net Assets Released From Restrictions			
Employee benefits	3,500	3,758	3,758
Direct mail marketing	12,000	18,120	(6,120)
Market survey consultant	2,000	-	2,000
Meetings / conferences	13,000	-	13,000
Miscellaneous	18,000	3,156	6,844
Public assembly	-	3,160	(3,160)
Salaries	18,000	3,000	3,000
Indirect cost allocation - medical marketing campaign	3,500	3,758	3,758
Total net assets released from restrictions	68,000	70,442	2,442
Changes in Net Assets	-	(5,160)	(5,160)
Net Assets			
Beginning of year	3,160	3,160	-
End of year	\$ 3,160	\$ -	\$ (3,160)
Permanently Restricted Support and Revenues			
Grants			
Research park land acquisition	\$ -	\$ 887,660	\$ 887,660
Interest	-	38,170	38,170
Total support and revenue	-	925,830	925,830
Expenses			
Taxes and licenses	-	3,970	3,970
Changes in net assets	-	928,360	928,360
Net assets			
Beginning of year	-	-	-
End of year	\$ -	\$ 928,360	\$ 928,360

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Ernst & Young

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF 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. as of and for the year ended December 31, 1997, and have issued our report thereon dated April 28, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Orleans Medical Complex, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans Medical Complex, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation

of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
April 28, 1998.

SCHEDULE OF FINDINGS

New Orleans Medical Complex, Inc.

For the year ended December 31, 1997

Section I Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are
not considered to be material weakness? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

For the year ended December 31, 1997 the New Orleans Medical Complex, Inc. was not subject to OMB Circular A-133, *Audit of States, Local Government and Non-Profit Organizations*.

Section II Financial Statement Findings

There were no financial statement findings required to be reported for the year ended December 31, 1997.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

New Orleans Medical Complex, Inc.

For the year ended December 31, 1997

Section I Internal Control and Compliance Material to the General Purpose Financial Statements

For the year ended December 31, 1996 there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material To Federal Awards

For the year ended December 31, 1996 there were no internal control or compliance issues material to federal awards reported.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 1996.

MANAGEMENT'S CORRECTIVE ACTION PLAN

New Orleans Medical Complex, Inc.

For the year ended December 31, 1997

Section I Internal Control and Compliance Material to the General Purpose Financial Statements

For the year ended December 31, 1997 there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material To Federal Awards

For the year ended December 31, 1997 the New Orleans Medical Complex, Inc. was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 1997.