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NEW ORLEANS MEDICAL COMPLEX, INC.

FINANCIAL STATEMENTS

December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, 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 ¹⁶ ~~JUN 09 1999~~

NEW ORLEANS MEDICAL COMPLEX, INC.

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Wegmann-Dazet & Co.
A Professional Corporation
Certified Public Accountants

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AICPA Private Companies Practice Section
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INDEPENDENT AUDITORS' 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, 1998, 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 the 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. 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 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, 1998, 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 14, 1999, 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, 1997, is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which an unqualified opinion dated April 28, 1998, was expressed by other auditors.

April 14, 1999

Wegmann - Dazet & Co.

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 1998 and 1997

	<u>ASSETS</u>			<u>Totals</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>1998</u>	<u>1997</u>
Current Assets					
Cash and cash equivalents:					
Cash	\$ 100	\$ -	\$ -	\$ 100	\$ 41,000
Money market	66,465	15,114	3,486	85,065	80,998
Accounts receivable	69,045	-	-	69,045	2,651
Grants receivable	-	10,877	-	10,877	10,877
Prepaid expenses	3,988	-	-	3,988	2,970
Total Current Assets	<u>139,598</u>	<u>25,991</u>	<u>3,486</u>	<u>169,075</u>	<u>138,496</u>
Land	-	-	920,261	920,261	920,261
Furniture and fixtures	33,933	-	-	33,933	16,911
Less accumulated depreciation	<u>(17,122)</u>	<u>-</u>	<u>-</u>	<u>(17,122)</u>	<u>(11,225)</u>
Net Book Value	<u>16,811</u>	<u>-</u>	<u>920,261</u>	<u>937,072</u>	<u>925,947</u>
Deposit	<u>320</u>	<u>-</u>	<u>-</u>	<u>320</u>	<u>320</u>
Total Assets	<u>\$156,729</u>	<u>\$25,991</u>	<u>\$923,747</u>	<u>\$1,106,467</u>	<u>\$1,064,763</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	\$ 2,489	\$ -	\$ -	\$ 2,489	\$ 8,103
Local match due City of New Orleans	-	24,000	-	24,000	24,000
Deferred revenues	-	1,991	3,486	5,477	5,477
Total Current Liabilities	<u>2,489</u>	<u>25,991</u>	<u>3,486</u>	<u>31,966</u>	<u>37,580</u>
NET ASSETS					
Unrestricted	154,240	-	-	154,240	106,922
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	920,261	920,261	920,261
Total Net Assets	<u>154,240</u>	<u>-</u>	<u>920,261</u>	<u>1,074,501</u>	<u>1,027,183</u>
Total Liabilities and Net Assets	<u>\$156,729</u>	<u>\$25,991</u>	<u>\$923,747</u>	<u>\$1,106,467</u>	<u>\$1,064,763</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>1998</u>	<u>1997</u>
Support and Revenue					
Support:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ 918,939
Private contributions	100	-	-	100	9,101
	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>928,040</u>
Revenue:					
Membership dues	234,000	-	-	234,000	216,000
Rental income	37,800	-	-	37,800	20,636
Miscellaneous income	211	-	-	211	-
Interest	4,225	-	-	4,225	40,148
	<u>276,236</u>	<u>-</u>	<u>-</u>	<u>276,236</u>	<u>276,784</u>
Net Assets Released From Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>276,336</u>	<u>-</u>	<u>-</u>	<u>276,336</u>	<u>1,204,824</u>
Expenses:					
Salaries and wages	-	-	-	-	45,634
Employee benefits including profit sharing contributions	-	-	-	-	7,420
Bad debt expense	-	-	-	-	36,000
Depreciation	5,897	-	-	5,897	2,143
Meetings and conventions	3,824	-	-	3,824	887
Police security	5,000	-	-	5,000	12,217
Professional fees:					
Direct mail marketing	-	-	-	-	18,120
Management services	146,048	-	-	146,048	53,608
Site database/computer	239	-	-	239	-
Other	16,177	-	-	16,177	31,527
Other operating expenses	51,833	-	-	51,833	49,704
Total Expenses	<u>229,018</u>	<u>-</u>	<u>-</u>	<u>229,018</u>	<u>257,260</u>
Change in Net Assets	47,318	-	-	47,318	947,564
Net Assets					
Beginning of year	106,922	-	920,261	1,027,183	79,619
End of year	<u>\$154,240</u>	<u>\$ -</u>	<u>\$920,261</u>	<u>\$1,074,501</u>	<u>\$1,027,183</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 47,318	\$ 947,564
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,897	2,143
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Receivables	(66,394)	28,767
Prepaid expenses	(1,018)	951
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(5,614)	2,718
Deferred revenues	-	(84,523)
Refundable advances	-	(912,653)
Interest on funds restricted for land acquisition	<u>-</u>	<u>(16,057)</u>
Total adjustments	<u>(67,129)</u>	<u>(978,654)</u>
Net Cash Used in Operating Activities	<u>(19,811)</u>	<u>(31,090)</u>
Cash Flows from Investing Activities		
Purchase of land	-	(886,927)
Purchase of equipment	<u>(17,022)</u>	<u>(5,523)</u>
Net Cash Used by Investing Activities	<u>(17,022)</u>	<u>(892,450)</u>
Cash Flows from Financing Activities		
Interest on funds restricted for land acquisition	<u>-</u>	<u>16,057</u>
Net Cash Provided by Financing Operations	<u>-</u>	<u>16,057</u>
Net (Decrease) Increase in Cash	(36,833)	(907,483)
Cash and Cash Equivalents		
Beginning of year	<u>121,998</u>	<u>1,029,481</u>
End of year	<u>\$ 85,165</u>	<u>\$ 121,998</u>
Cash and Cash Equivalents Consist of		
Cash	\$ 100	\$ 41,000
Money market account	<u>85,065</u>	<u>80,998</u>
Total	<u>\$ 85,165</u>	<u>\$ 121,998</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1998

1) The Organization

The New Orleans Medical Center, Inc. was organized in Louisiana in 1991 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 requested funding.

2) Summary of significant accounting policies

The significant accounting policies followed by the Organization are summarized as follows:

(a) Basis of accounting

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.

(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 regardless of 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.

(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 computed on an accelerated basis over the estimated useful lives of the assets (5 to 7 years). Depreciation expense was \$5,897 for the year ended December 31, 1998 and \$2,143 for the year ended December 31, 1997.

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1998

2) Summary of significant accounting policies (continued)

(e) 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 deferred revenues until expended for the purposes of the grants since they are conditional promises to give.

(f) 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.

(g) Income taxes

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

(h) Cash equivalents

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

(i) Total column

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.

3) Concentration of credit risk

A financial instrument that potentially subjects the Complex to concentrations of credit risk is cash deposits. The Complex at times has cash on deposit at financial institutions that is in excess of federally insured limits.

4) Major funding sources

The Complex receives all of its dues from member agencies which comprise the majority of its unrestricted revenue.

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 of which \$1,991 is recorded as deferred revenues at December 31, 1998. The City of New Orleans awarded New Orleans Medical Complex, Inc. \$60,000 for Phase II of the medical marketing campaign. A receivable of \$10,877 is recorded at December 31, 1998 for reimbursable campaign expenses.

Indirect costs of \$0 and \$7,500 were allocated from the unrestricted fund to the medical marketing campaign for the years ended December 31, 1998 and 1997. The City of New Orleans requires that these grant funds be maintained in a separate bank checking account.

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1998

4) Major funding sources (continued)

Funding in the amount of \$1,200,000 for research park land acquisition and site development is provided 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 \$887,663 were received in 1996. Interest earned on these funds in the amounts of \$16,057 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 deferred revenues at December 31, 1998.

5) Permanently restricted net assets

Permanently restricted net assets consist of land and capitalized costs for legal fees and title in the amount of \$920,261. The land was purchased through a cooperative endeavor agreement (Note 2) whereby the State of Louisiana provided the funding through the sale of general obligations 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.

6) Profit-sharing plan

The Complex's profit-sharing plan which covered its employees was terminated effective December 19, 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. No contribution was made for 1997.

7) Operating lease

The Complex leases a portion of it's 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.

8) Related party transactions

Included in the balance of accounts receivable is \$22,489, due from Clinical Research Organization of New Orleans, a related organization, as of December 31, 1998.

9) Commitments

The Complex leases office space under a noncancellable agreement accounted for as an operating lease. Future minimum lease payments as of December 31, 1997 are \$3,352. Rental expense incurred under this lease was \$8,044 for each of the years ended December 31, 1997 and 1996.

Effective April 1997, 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.

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1998

10) Entergy Thermal Facility

The Entergy thermal facility is being developed by Entergy Thermal, a division of Entergy Holdings, Inc. (Entergy), the Louisiana State University Medical Center (LSU) and New Orleans Medical Complex, Inc.

The development will consist of a centralized chilled water and steam distribution system within a multilevel parking garage located in the New Orleans Regional Medical Center area.

The facility is being constructed on land which is being leased from LSU for an initial term of 20 - 30 years. After construction, the thermal plant will be leased to Entergy and the parking garage will be leased to LSU. During the term of the lease, the facility will be owned by New Orleans Medical Complex, Inc. with ownership reverting to LSU at the expiration of the lease.

The funds to construct the facility will be provided by Entergy in the form of a prepayment of its lease obligations.

11) Clinical Research Organization of New Orleans (CRONO)

CRONO is a separate independent entity which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of New Orleans Medical Complex, Inc. will serve as the Board of Directors for CRONO.

The purpose of CRONO is to provide a vehicle for enhancing the amount of "pharmaceutical industry and bio-technology firm" sponsored clinical trials activity undertaken by LSU, Tulane and Xavier.

NEW ORLEANS MEDICAL COMPLEX, INC.

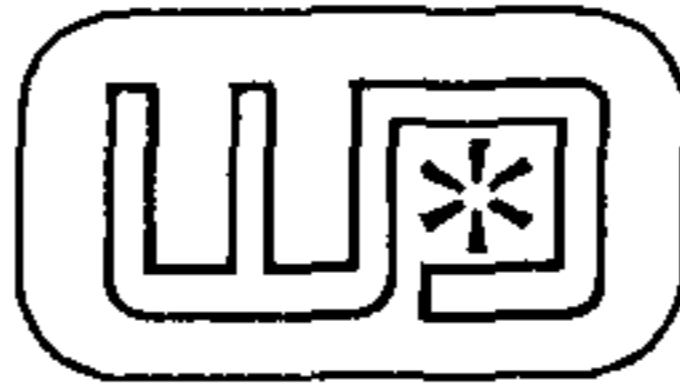
SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL

 Year Ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Unrestricted			
Support and Revenue			
Support:			
NORMC Neighbor program	<u>3,500</u>	<u>100</u>	<u>(3,400)</u>
Revenue:			
Membership dues	252,000	234,000	(18,000)
Annual meeting	6,000		(6,000)
Rental income	37,800	37,800	-
Interest	-	211	211
Other	<u>4,000</u>	<u>4,225</u>	<u>225</u>
Total Revenue	299,800	276,236	(23,564)
Total Support and Revenue	<u>303,300</u>	<u>276,336</u>	<u>(26,964)</u>
Expenses			
Accounting and audit	5,000	11,800	(6,800)
Annual meeting	6,000	-	6,000
Dues and subscriptions	2,400	1,235	1,165
Depreciation	-	5,897	(5,897)
Employee benefits			
Equipment			
Meetings and entertainment	5,000	3,824	1,176
Insurance	3,000	3,867	(867)
Interest	-	14	(14)
Legal	6,000	2,663	3,337
Management services	151,430	146,048	5,382
Miscellaneous	7,000	7,011	(11)
Neighbor program	3,500	-	3,500
Office supplies and expense	14,200	15,375	(1,175)
Parking	2,400	2,576	(176)
Police security			
Printing	5,000	5,959	(959)
Postage and meter rental	2,500	1,262	1,238
Professional fees, other		1,714	(1,714)
Rent	8,050	7,722	328
Telephone	3,400	6,499	(3,099)
Training/education	8,000	3,210	4,790
Travel	4,000	2,343	1,657
Indirect cost allocation - medical marketing campaign	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>236,880</u>	<u>229,019</u>	<u>7,861</u>

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

John X. Wegmann, III
Ralph A. Dazet
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Clifton W. Newlin
Robert D. Watkins
Edward G. Berbuesse, Jr.



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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, 1998, and have issued our report thereon dated April 14, 1999. 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 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 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 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 do not 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 risk that misstatements in amounts that would be material in relation to the financial statements being issued may occur and not be detected within a timely period by employees in the normal course of performing their assisted 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 Audit of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

April 14, 1999

Wegmann - Dazet & Co.

NEW ORLEANS MEDICAL COMPLEX, INC.

SCHEDULE OF FINDINGS

December 31, 1998

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 No
- Reportable condition(s) identified that are not considered to be material weakness Yes None
- Noncompliance material to financial statements noted? Yes No

B) Federal Awards

For the year ended December 31, 1998 the New Orleans Medical Complex, Inc. was not subject to OMB Circular A-133 Audits 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, 1998.

Section III Federal Award Findings and Questioned Costs

Not applicable

REPORTS BY MANAGEMENT

NEW ORLEANS MEDICAL COMPLEX, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

December 31, 1998

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 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 of the year ended December 31, 1997.

NEW ORLEANS MEDICAL COMPLEX, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN

December 31, 1998

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

For the year ended December 31, 1998 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, 1998 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 of the year ended December 31, 1998.