UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION

Audit of Financial Statements

For the Year Ended December 31, 2013

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

To the Board of Directors of
University Medical Center Management Corporation
New Orleans, Louisiana

Report on the Financial Statements
We have audited the accompanying financial statements of University Medical Center Management Corporation (the Corporation), which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2013, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-33, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 22, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 22, 2014

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Balance Sheet
December 31, 2013 (in Thousands)

Assets		
Current Assets		
Cash	$	46,448
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts of $19,741		43,071
Estimated Third-Party Payor Settlements		8,512
Inventories		7,138
Prepaid Expenses		5,095
Total Current Assets		110,264
Assets Limited as to Use		
Restricted Other		2,750
Property, Plant and Equipment, Net		4,164
Other Assets		254,560
Total Assets	$	371,738
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	$	38,885
Accrued Salaries and Benefits		7,773
Deferred Revenue		91,593
Due to Related Party		1,980
Current Portion of Estimated Employee Health and Workers' Compensation Claims		2,628
Other Current Liabilities		4,969
Total Current Liabilities		147,828
Notes Payable		253,000
Estimated Professional Liabilities Claims, Net of Current Portion		1,619
Total Liabilities		402,447
Net Assets		
Unrestricted		(30,709)
Total Liabilities and Net Assets	$	371,738

The accompanying notes are an integral part of these financial statements.

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Statement of Operations
For the Year Ended December 31, 2013 (in Thousands)

Unrestricted Revenues, Gains and Other Support		
Net Patient Service Revenues	$	187,236
Provision for Doubtful Accounts		19,961
Net Patient Service Revenues less Provision for Doubtful Accounts		167,275
Other Revenues		8,907
Total Operating Revenues		176,182
Operating Expenses		
Employee Compensation and Benefits		67,487
Purchased Services		26,479
Professional Fees		53,610
Supplies and Other Expenses		59,042
Depreciation and Amortization		274
Total Operating Expenses		206,892
Loss from Operations		(30,710)
Excess Revenues over Expenses	$	(30,710)

The accompanying notes are an integral part of these financial statements.

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Statement of Changes in Net Assets
For the Year Ended December 31, 2013 (in Thousands)

Unrestricted Net Assets	
Excess Revenues over Expenses	$ (30,710)
Decrease in Net Assets	(30,710)
Net Assets, Beginning of Year	1
Net Assets, End of Year	$ (30,709)

The accompanying notes are an integral part of these financial statements.

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 2013 (in Thousands)

Cash Flows from Operating Activities		
Decrease in Net Assets	$	(30,710)
Adjustments to Reconcile Decrease in Net Assets		
to Net Cash Used in Operating Activities		
Depreciation		274
Provision for Doubtful Accounts		19,961
Changes in Operating Assets and Liabilities		
Increase in Patients Accounts Receivable		(63,032)
Increase in Inventories		(7,138)
Increase in Estimated Third-Party Payor Settlements		(8,512)
Increase in Prepaid Expenses		(5,095)
Increase in Other Assets		(254,560)
Increase in Accounts Payable		38,885
Increase in Accrued Expenses		7,772
Increase in Due to Related Party		1,980
Increase in Deferred Revenue		91,593
Increase in Other Current Liability		4,969
Increase in Estimated Insurance Claims		4,247
Net Cash Used in Operating Activities		(199,366)
Cash Flows from Investing Activities		
Change in Assets Limited as to Use		(2,750)
Purchases of Property, Plant and Equipment		(4,437)
Net Cash Used in Investing Activities		(7,187)
Cash Flows from Financing Activities		
Proceeds from Issuance of Debt		253,000
Net Cash Provided by Financing Activities		253,000
Net Change in Cash		46,447
Cash, Beginning of Year		1
Cash, End of Year	$	46,448
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest on the Series 2013 Notes	$	1,560

The accompanying notes are an integral part of these financial statements.

Note 1. Organization

In 2013, the Articles of Incorporation of a corporation originally incorporated as Earl K. Long Medical Foundation, Inc. were restated, elements of which included changing the corporate name to University Medical Center Management Corporation (the Corporation), stipulating that the sole corporate member of the Corporation is Louisiana Children's Medical Center (LCMC), a Louisiana nonprofit corporation.

The restatement also modified the purpose of the Corporation, which is to operate as a corporation affiliated with Louisiana State University (LSU) as defined in LA R.S. 17:3390, with a principal purpose of supporting the programs, facilities and research and educational opportunities offered by LSU, and supporting research and educational opportunities, including, without limitation, medical training programs offered by the Administrators of the Tulane Educational Fund (Tulane), including, without limitation, the following: (i) operating the hospital currently known as Interim Louisiana Hospital in New Orleans (ILH) and upon its completion the new University Medical Center in New Orleans (UMC); (ii) operating in a manner consistent with the best practices of private, nonprofit institutions; (iii) being a provider of charity care for the uninsured and playing a pivotal role as a statewide referral center for patients in need of higher levels of care; (iv) providing medical and allied health training; and, (v) being recognized nationally as a leader in research, training, and excellence in transparent clinical and financial outcomes.

On May 29, 2013, the Corporation and LCMC, entered into a Cooperative Endeavor Agreement (CEA) with the Board of Supervisors of LSU, the Louisiana Division of Administration, the State of Louisiana (State), through its Division of Administration (DOA), and the State of Louisiana Department of Health and Hospitals (DHH), collectively referred to as the Parties, to address the provisions of healthcare in and through ILH and UMC and to address the stability and preservation of academic medicine in Louisiana, especially New Orleans.

The Parties entered into the CEA for the public purpose of creating an academic medical center in which the parties continuously work in collaboration and are committed and aligned in their actions and activities, in a manner consistent with a sustainable business model and adequate funding levels, to serve the State and its citizens: (i) as a premier site for graduate medical education, capable of competing in the health care marketplace, comparable among its peers, with the goal of attracting the best faculty, residents and students, to enrich the State's health care workforce and their training experience; (ii) in fulfilling the State's historical mission of assuring access to Safety Net Services to all citizens of the State, including its medically indigent, high risk Medicaid and State inmate populations, and (iii) by focusing on and supporting the Core Services and Key Service Lines, as defined and agreed by the Parties, necessary to assure high quality Graduate Medical Education (GME) programs and access to Safety Net Services.

Note 1. Organization (Continued)

The CEA provides that the Corporation will enter into academic affiliation agreements with LSU, Tulane, Xavier University, Dillard University, University of New Orleans, Delgado Community College and other academic institutions to strengthen and enhance medical education in the collaborative academic medical centers (the AMC) and the health care workforce in Louisiana.

The CEA also provides: (i) the terms and conditions with which the Corporation will assume responsibility for operating ILH; (ii) that LSU will lease ILH and UMC and certain furniture, fixtures and equipment used in connection with operating ILH to the Corporation; (iii) the Corporation will purchase certain consumable inventory and minor equipment; (iv) that LSU and the State will grant to the Corporation a right of use of the land upon which UMC is being constructed and will be operated and certain land improvements surrounding UMC pursuant to a Right of Use agreement; (v) that LSU will assist in transitioning ILH operations from LSU to the Corporation; and, (vi) that the Corporation and LCMC will commit to supporting the academic, clinical and research of the AMC, as defined within the CEA. Terms of the leases that result from the CEA are discussed further in Note 11.

Lastly, the CEA promulgates reimbursement rules providing total funding obligations that will be paid to UMCMC or LCMC Affiliates, defined in the CEA as Required Program Funding. Failure to pay, or a reduction in the amount of funding, could constitute a Potential Elective Withdrawal Event, as defined, providing LCMC an option to initiate a Pre-Withdrawal Process, as defined, and, if applicable, effect a Member Withdrawal, as defined.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation
Financial statement presentation follows generally accepted accounting principles (GAAP), which requires the Corporation to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation did not have any temporarily or permanently restricted net assets at December 31, 2013.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)
The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient revenue, which includes contractual allowances, discounts, provisions for bad debts and charity care; losses and expenses related to the self-insured workers' compensation, professional liabilities and employee health claims. Management bases it estimates on historical experience and various assumptions that it believes are reasonable under the particular facts and circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased, excluding restricted assets.

Inventories
The Corporation states its inventories at market value at the date of its balance sheet.

Assets Limited as to Use
Restricted assets consist of certificates of deposit held by the Workers' Compensation Fund and by the General and Professional Liability Fund as collateral against the self-insured portion of claims on policies more fully detailed in Note 7.

Property, Plant and Equipment
Property, plant, and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives, as follows:

Major Moveable Equipment	3 - 10 Years

Prepaid Rent, Long-Term
In accordance with the CEA described above and in Note 10, the Corporation made advance rent payments on its lease of UMC. These advance payments were funded by the Series 2013 Notes mentioned in Note 5. Of these payments, $110,000,000 represents a prepayment of a portion of the future UMC facility, with the exception of its Ambulatory Care Center and its Garage, while $143,000,000 represents all future rent payments for the Ambulatory Care Building and Garage. These payments are included within other assets on the balance sheet and are classified as non-current. Due to the debt service being associated with these advance rent payments, the Corporation has deferred the recognition of $1,560,388 of interest payments made through December 31, 2013. These interest payments are added to the advance lease payments classified as other assets on the balance sheet. These advance payments, together with the deferral of interest payments, will be applied to the annual rental requirements of UMC as further described in Note 11.

Note 2. Summary of Significant Accounting Policies (Continued)

Estimated Workers' Compensation, Professional Liability, and Employee Health Claims
The Corporation records the provisions for estimated medical, professional and general liability and workers' compensation claims based upon actual claims reported, combined with an estimate of claims incurred but not reported based upon past experience and industry and related party trends. Claims expense is reduced by amounts recoverable through stop-loss insurance purchased by the Corporation. Estimates recorded for these self-insured liabilities incorporate the Corporation's past experience, as well as other considerations including the nature of claims, industry data, relevant trends and the use of actuarial information.

The Hospital follows ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability.

Deferred Revenue
In accordance with the CEA described in Note 1, the Corporation received Required Program Funding in advance of the Corporation providing services associated with the Required Program Funding. The Corporation will recognize revenue ratably in its 2014 fiscal year-end as the required services are provided.

Net Patient Service Revenues and Related Receivables
The Corporation follows the provisions of Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires the presentation of the provision for doubtful accounts related to patient service revenue as a deduction from patient service revenue and enhancing the disclosures of the Corporation's policies related to uncollectible accounts.

Net patient service revenues and receivables are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. The Corporation provides care to patients even if they lack adequate insurance coverage or are covered by contractual payment arrangements that do not pay full charges.

Patient accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenues and Related Receivables (Continued)

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes patients without insurance who are not covered by the Corporation's charity care programs and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation's records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted are charged off against the allowance for doubtful accounts.

The Corporation's provision for bad debts for the year ended December 31, 2013, totals approximately $19,961,000 of which approximately $19,741,000 is wholly related to self pay accounts.

Advertising Expenses

The Corporation expenses advertising costs as incurred. Advertising expense was approximately $18,000 for the year ended December 31, 2013.

Grants and Contributions

From time to time, the Corporation receives grants and contributions from individuals or private and public entities. Revenues from grants and contributions (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements, are met, and when there is reasonable assurance that the grants or contributions will be received. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts are recorded as either operating revenue or non-operating revenue dependent upon how the transaction is classified on the consolidated statement of cash flows. Cash flows that do not meet the reporting criteria for investing, capital financing or non capital financing would be reported as operating activities, with their associated revenue reported as operating revenue within the consolidated statement of operations.

Note 2. Summary of Significant Accounting Policies (Continued)

Excess Revenues over Expenses

Management considers excess of revenues over expenses to be the Corporation's performance indicator. Excess of revenues over expenses includes all changes in unrestricted net assets except for the effect of changes in accounting principles, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension obligations, change in the non-controlling interest in health-related activities, change in accumulated unrealized derivative gains and losses, and funds donated from unconsolidated sources for purchases of property and equipment.

Community Benefit

In the furtherance of its charitable purpose, the Corporation provides a wide variety of benefits to the community which it serves. Such benefits include health seminars on a variety of health topics that are relevant to the health needs of the community. The Corporation has a robust trauma prevention program including but not limited to, Tourniquet training, Sudden Impact (targeting high school sophomores), safety belt programs and baby carrier programs. The Corporation works closely with multiple federally qualified health centers to provide specialty care for their patients. The Corporation has several employees engaged in community programs such as sexual abuse awareness, and Children's Bureau Board of Directors; as well as, support for several community function fundraisers such as Diabetes, American Heart Association, United Way, etc. The Corporation also participated in providing dental care for the indigent during the National Dental Association meeting held in New Orleans. The Corporation offers counseling for patients and families, pastoral care, and health enhancement and wellness programs, including smoking cessation. The Corporation staff support area nonprofits and community groups to offer health information and health screenings at community events. The Corporation partners with other healthcare nonprofits to provide healthcare information and education resources to the community. The Corporation provides clinical training to students annually in a variety of training programs and specialties, including medical student and post graduate medical training in various specialties. The Corporation is also a clinical training site for allied health programs for various metropolitan colleges and provides rehabilitation therapy training to students from colleges across the country. The Corporation also provides a broad range of clinical services to economically disadvantaged patients, both inpatient and outpatient, through outpatient clinics. In addition, the Corporation's Governing Board and management work closely with local civic leaders to address the health care needs of the community.

The Corporation follows ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*, which requires that costs be used as the measurement basis of charity care disclosures and that cost be identified as the direct and indirect cost of providing the charity care. During the year ended December 31, 2013, estimated costs associated with charity care services provided by the Corporation was approximately $50,320,000 Estimated costs of charity care services provided are determined based on the Corporation's average cost to charge ratio and total charges for provided services determined to qualify as charity care.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes
The Corporation is recognized as a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxation.

Subsequent Events
The Corporation has evaluated subsequent events occurring between December 31, 2013 and April 22, 2014, the date the financial statements were available to be issued. See Note 13.

Note 3. Net Patient Service Revenues

The Corporation has arrangements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid
The Corporation's participates primarily in the Medicaid and Medicare programs as a provider of medical services to program beneficiaries. Approximately 53% of the Corporation's gross patient service revenues were derived from program beneficiaries for the year ended December 31, 2013.

The Corporation is reimbursed under the Medicare Prospective Payment System (PPS) for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. In addition, the Corporation is paid prospectively for Medicare inpatient capital costs based on the federal specific rate.

Inpatient services rendered to Medicaid patients are paid based on a prospective per diem system. Outpatient services rendered to Medicaid patients are reimbursed under a cost reimbursement methodology subject to certain limitations. Final settlement of the Corporation's reimbursement is determined after submission of its annual cost reports and audits thereof performed by the Medicaid fiscal intermediary.

The Corporation is reimbursed for both inpatient and outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation's and audits thereof performed by the Medicaid fiscal intermediary.

The Corporation qualifies as a disproportionate share provider in accordance with the State's Medicaid regulations and, as such, is entitled to additional payments.

The Medicaid disproportionate share regulations are established by the Louisiana Department of Health and Hospitals and are subject to review and approval by the Centers for Medicare and Medicaid Services. The Corporation has included $72,443,000 for Medicaid disproportionate share revenues in net patient service revenues for the year ended December 31, 2013.

Note 3. Net Patient Service Revenues (Continued)

Medicare and Medicaid (Continued)

The Medicaid cost report for the year 2013 has not been final audited by the Medicaid fiscal intermediary. Management regularly evaluates the adequacy of the recorded settlements and does not anticipate significant adverse adjustments to the recorded settlements for these cost report years. Any changes in the estimated settlements are reported as adjustments to net patient service revenues in the year the final settlements are determined.

Managed Care

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 4. Property, Plant and Equipment

At December 31st, property, plant and equipment consisted of the following (in thousands):

Major Moveable Equipment	$ 4,438
	4,438
Less: Accumulated Depreciation	(274)
Property, Plant and Equipment, Net	$ 4,164

Depreciation expense on depreciable assets was approximately $274 thousand for the year ended December 31, 2013.

Note 5. Notes Payable

On June 3, 2013, the Corporation entered into a trust indenture with the Bank of New York Mellon Trust Company relating to the issuance of the Series 2013 Notes $253,000,000 with a variable interest rate per annum equal to the index rate. Interest on the Notes is payable in arrears on the first business day of each month, commencing July 1, 2013. See Note 2 and its section titled Prepaid Rent, Long-Term for further details on the interest payments. In order to induce the purchase of these notes, a Guaranty Agreement was established with Children's Hospital named as the Guarantor of the Series 2013 Notes. The Series 2013 Notes were scheduled to mature April 1, 2014, but were converted into long-term notes that mature April 1, 2024, and are, therefore, classified as non-current on the consolidated balance sheets. See Note 13.

Note 6. Employee Retirement Plans

Defined Contribution Plans

The Corporation sponsors a Section 403(b) defined contribution employee benefit plan, which covers substantially all employees who meet age and length of service requirements. The plan allows for participating employees to make contributions up to the applicable IRS limitations. The Corporation makes matching contributions equal to 100% of an employee's annual contribution up to 3% of the employee's eligible earnings. In addition, the Corporation will also make a matching contribution of 50% of the next 2% of employee annual earnings. The Corporation makes a core contribution equal to 2% of the participant's annual compensation. Contributions by the Corporation to this plan during the year ended December 31, 2013, were approximately $2,009,000.

Note 7. Insurance Programs

Medical Professional Liability

The State enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers.

The Corporation participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim (exclusive of future medical care awards and litigation expenses). The Corporation is self-insured with respect to the first $100,000 and any claims in excess of the State Insurance Fund up to the Umbrella limit for hospital claims. All physician claims in excess of the State Insurance Fund are self-insured. The State Insurance Fund does not provide coverage for litigation and expense costs.

Workers' Compensation

The Corporation is self-insured for workers' compensation claims up to $1,500,000 for the period beginning August 31, 2013. The Corporation's per occurrence retention was unlimited for claims occurring June 24, 2013 to August 30, 2013. In addition, for the period beginning August 31, 2013, the Corporation maintains excess workers' compensation coverage on an occurrence basis for statutory limits through an insurance carrier.

As mentioned in Note 2, certificates of deposit secure the self-insured portion.

Health Insurance

The Corporation offers subsidized health insurance to its employees through an employer-sponsored health plan. The self-insured plan obligates the Corporation to pay the first $300,000 per claim. Insurance coverage exceeding these amounts is provided by a commercial carrier for claims up to $2,000,000 per occurrence. The health insurance reserve was approximately $2,628,343 at December 31, 2013. The estimated reserve for employee health care claims is based on actual claims history and includes estimates for administrative costs. These costs are accrued on the balance sheet in the accrued salaries and benefits.

Note 7. Insurance Programs (Continued)

In General

Through LCMC, the Corporation has purchased additional umbrella coverage for professional liability on a claims-made basis of $25,000,000 from an insurance carrier. The Corporation's management believes all asserted claims are covered and will be settled within the limits of its coverage. The estimated liability included in the balance sheet, which was discounted at 6%, totaled $1,619,000 at December 31, 2013, for known claims and possible losses attributable to any workers' compensation, general, or professional liability incidents that may have occurred but that have not been identified under the Corporation's incident reporting system.

Note 8. Concentrations of Credit Risk

Patient accounts receivable are stated at estimated net realizable value. The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at December 31st, was as follows:

Medicare	37%
Medicaid	30%
Managed Care	32%
Self-Pay Patients	1%
	100%

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the only concentrated group of credit risk for the Corporation, and management does not believe that there are any credit risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated credit risks to the Corporation.

The Corporation maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payments on accounts. The Corporation uses a balance sheet approach to value the allowance account based on historical write-offs and the aging of the accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

The Corporation periodically maintains cash in bank accounts in excess of insured limits. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 9. Functional Expenses

The Corporation provides general health care services, both inpatient and outpatient, to patients in the Gulf South region. For the year ended December 31, 2013, expenses related to providing these services are as follows (in thousands):

Health Care Services	$	161,277
Fiscal and Administrative Services		45,615
Total	$	206,892

Note 10. Related Party Transactions

LCMC is the sole member of the Corporation, and its affiliates Touro Infirmary and its subsidiaries (Touro) and Children's Hospital (Children's).

Below is the summary of related party activity for the year ended December 31, 2013:

The Corporation is assessed a management fee by LCMC for management services provided directly to the Corporation. The amount of these services for the year ended December 31, 2013 was $1,466,000 and is included within professional fees on the statement of operations. There is a corresponding liability of $888,000, which is still outstanding to LCMC at December 31, 2013, and is included within due to related party on the balance sheet.

Children's has advanced funds and processed payments on behalf of the Corporation to help the Corporation meet its disbursement obligations before the Corporation's systems were functional. These transactions are recognized in the Corporation's financial statements. Included on the balance sheet, within due to related party, at December 31, 2013 is $622,000 due to Children's for these disbursements.

Children's provides patient care to individuals covered by the Corporation's employee health insurance plan. The Corporation has paid $84,000 to Children's for the year ended December 31, 2013 and this amount is included within employee compensation and benefits expense on the statement of operations.

Touro also provides patient care to individuals covered by the Corporation's employee health insurance plan, together with nursing services provided by Touro employees to patients of the Corporation. The total paid by the Corporation for these services was approximately $309,000 for the year ended December 31, 2013.

The Corporation has a contract with Touro, whereby Touro will provide services, not offered at the ILH, to the Corporation's patients, at cost. The total paid to Touro for these services was $445,000 during the year ended December 31, 2013. Included on the balance sheet, within due to related party, at December 31, 2013 is $445,000 due to Touro for these services.

Note 10. Related Party Transactions (Continued)

Touro performs certain IT services on infrastructure shared with the Corporation, has purchased IT equipment on behalf of the Corporation, has processed various disbursements on behalf of the Corporation, and provides Help Desk Support to the Corporation for both the financial system and the remote connectivity to the financial system. These transactions are recognized in the Corporation's financial statements. Included on the balance sheet, within due to related party, at December 31, 2013 is $25,000 due to Touro for these transactions.

As mentioned in Note 5, Children's is the Guarantor on the Corporation's outstanding Series 2013 Notes. As mentioned in Note 13, LCMC and Children's are named as members of the Obligated Group that, through a First Supplemental Indenture with Ancillary Obligations, obligates LCMC and Children's for the debt service of the Corporation's Series 2014-A Notes.

Note 11. Commitments and Contingencies

The Corporation has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the Corporation's recorded reserves or insurance coverage, and will not materially affect the consolidated financial position, results of operations, changes in net assets, or cash flows of the Corporation.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 11. Commitments and Contingencies (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis. The programs use RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC or MIC identifies a claim it believes to be improper, it notifies the Hospital to formally begin an assessment process. Upon completion of the assessment and appeal process, it makes a deduction from the provider's Medicare and Medicaid reimbursement in an amount estimated to equal the overpayment.

The Hospital will deduct from revenue amounts assessed under the RAC and MIC audits after the assessment and appeals process is complete until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments against the Hospital are anticipated; however, the results of such assessments are unknown and cannot be reasonably estimated. Management has determined RAC and MIC assessments to be insignificant to date.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA is creating sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the Corporation is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other consultants to optimize available reimbursement.

Leases with ILH and UMC

As mentioned in Note 1, the Corporation entered into a CEA, from which multiple lease agreements were agreed to.

Effective May 29, 2013, the Corporation entered into a Master Hospital Lease Agreement with LSU for the leasing of ILH and UMC. For the term of leasing ILH, the Corporation shall pay an annual rent of $24,101,208, payable in quarterly installments of $6,025,302. Upon the completion of the construction of UMC and the Corporation taking occupancy of UMC, the Corporation is obligated to minimum annual rental payments of $69,409,750, payable in quarterly installments of $17,352,437.

Note 11. Commitments and Contingencies (Continued)

Leases with ILH and UMC (Continued)

The term of the ILH lease is not expected to exceed two years. The term of the UMC lease will be forty years with options to extend for three fifteen-year periods. The quarterly rent payments for leasing both ILH and UMC are subject to increase annually; however, that increase is limited to no more than 5% than the rent in the previous year. The quarterly lease payments for UMC will be reviewed and adjusted to the Fair Market Rental Value, as defined, every twenty years.

The Master Lease Agreement required the Corporation to make advance lease payments towards it facility rental. Of this total, $110,000,000 is a prepayment of a portion of the future UMC rent payments, excluding the UMC's Ambulatory Care building and its Garage. The Corporation will receive an annual credit of approximately $5,500,000 against its quarterly rent obligation for UMC, for each of the first twenty years of the UMC lease term. The remaining $143,000,000 represents all future rent payments for UMC's Ambulatory Care building and its Garage. This will be amortized over the forty year term of the UMC lease.

These advance payments are included within other assets on the balance sheet and are classified as non-current. These payments were funded by the Series 2013 Notes mentioned in Note 5.

LCMC is guaranteeing the future rent payments prescribed by the Master Lease agreement.

In relation to the Master Lease agreement, the Corporation entered into a Right of Use, Possession and Occupancy agreement whereby the Corporation is granted the right to use and occupy the land and surface improvements for allowing the leased buildings and future buildings and other improvements to be located on the land, together with vehicular and pedestrian access to and from the leased buildings and future improvements, parking and related uses. This agreement commences on the date that the UMC facility lease commences and shall only terminate and expire when the UMC facility lease expires.

Effective May 29, 2013, the Corporation also entered into an Equipment Lease for an initial term of ten years with two separate and successive options to renew for a period of five years. The annual consideration for this lease shall be $9,878,000 and shall be paid quarterly. The Corporation is responsible for lost and stolen equipment that is being leased and the cost associated with either replacing that equipment or reimbursing the lessor for the fair market value of that equipment. The Corporation has substantial reporting requirements to the Louisiana Property Assistance Agency and the State's Legislative Auditor under this equipment lease.

Rent expense under the above Master Lease and Equipment Lease totaled approximately $17,460,000 for the year ended December 31, 2013.

Note 11. Commitments and Contingencies (Continued)

Leases with ILH and UMC (Continued)

In projecting minimum annual lease payments, the Corporation included a growth factor of 3% to its annual rents, calculated rent for UMC lease for only the first twenty years of its lease due to the provision of that rent being reviewed and adjusted to the Fair Market Rental Value, and included the application of the advance lease payment mentioned above. Minimum annual rental payments, as of December 31, 2013 for the above mentioned leases, are as follows (in thousands):

2014	$ 35,148
2015	54,885
2016	74,743
2017	76,343
2018	78,337
Thereafter	1,521,495
Total	$ 1,840,951

Note 12. Accounting for Uncertainty in Taxes

The Corporation follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. The Corporation recognizes a threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Corporation's tax filings are subject to audit by various taxing authorities. There are currently no returns under examination. Management evaluated the Corporation's tax positions and considered that the Corporation had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

Note 13. Subsequent Events

On April 1, 2014, LCMC and Children's entered into a Master Trust Indenture in which they are named as the members of the Obligated Group. Under this Master Trust Indenture, the obligations and all other payment obligations under this Indenture are the joint and several obligations of the Obligated Group. These obligations shall be secured by the general credit of the Obligated Group together with a lien on the Pledged revenues, as defined, of the Obligated Group.

Note 13. Subsequent Events (Continued)

Pursuant to a Trust Indenture dated April 2, 2014, the Corporation authorized the issuance of $253,000,000 aggregate principal amount of notes. The notes are being issued in two series: (i) Series 2014-A1 Notes in the principal amount of $125,000,000 and (ii) Series 2014-A2 Notes in the principal amount of $128,000,000. These notes are the general obligations of the Corporation and shall be secured by the Trust Estate, as defined below.

The issuance of these notes, together with the payment of interest accrued on its Series 2013 Notes, cancels any and all obligations of the Series 2013 Notes.

The Series 2014-A Notes mature on April 1, 2024 and bear interest at a rate of 7.25%. Interest only is payable on these Notes on April 1 and October 1, beginning October 1, 2014. The Corporation will establish a Debt Service Fund (the Indenture Funds) for holding funds sufficient to support the Debt Service on the Notes.

As security for payment of these Notes, the Corporation pledges and assigns: (i) a security interest in their Indenture Funds mentioned above, (ii) Pledged Revenues that includes all receipts, income, rents, royalties, benefits and other revenue from the operation of the Corporation's facilities, exclusive of revenue from donors that have a restriction as to the use of the revenue and exclusive of revenues where applicable law precludes the granting of a security interest in those revenues, and (iii) any and all property of every kind that may be subjected to the lien of the Indenture. Collectively, these three elements define the Trust Estate.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
University Medical Center Management Corporation
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University Medical Center Management Corporation (the Corporation) which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 22, 2014

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Directors of
University Medical Center Management Corporation
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited University Medical Center Management Corporation's (the Corporation) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2013. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 22, 2014

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity No.	Federal Revenue/ Expenditures Recognized
U.S. Department of Transportation			
Passed through from Louisiana Highway Safety Commission:			
Highway Planning and Construction	20.205	726640	$ 30,500
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	721404	23,234
Occupation Protection Incentive Grants	20.602	722673	44,789
Alcohol Open Container Requirements	20.607	726664	5,509
Total U.S. Department of Transportation			104,032
U.S. Department of Health and Human Services			
Health Resources and Services Administration direct programs:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		322,859
Pass-through programs from:			
City of New Orleans:			
HIV Emergency Relief Project	93.914	K13-894	696,410
Total U.S. Department of Health and Human Services			1,019,269
Total Expenditures of Federal Awards			$ 1,123,301

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control Over Major Programs:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Type of Auditor's Report on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with OMB Circular A-133 (Section 510(a))?	No

Identification of Major Programs:

Title	CFDA Number
HIV Emergency Relief Project	93.914
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918

Dollar Threshold Used to Determine Type A Programs:	$300,000
Auditee Qualified as Low-Risk Auditee?	No

Part II - Financial Statement Findings Section

None noted.

Part III - Federal Awards Findings and Questioned Costs

None noted.

Findings - Financial Statements and Segregation of Duties

2012-1 - Drafting of Financial Statements and Related Notes

Criteria:	The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Corporation, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Internal control over financial reporting should also include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance.
Condition:	As part of the audit process, we assisted management in drafting the financial statements and related note disclosures required for the year-end financial reporting. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Corporation personnel is not sufficient. We also noted that one person was responsible for issuing the checks and compiling the financial information. This is a repeat finding from the prior year.
Current Status:	Resolved