

NEW ORLEANS MEDICAL COMPLEX, INC.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2012

**CASCIO & SCHMIDT, LLC
Certified Public Accountants**

NEW ORLEANS MEDICAL COMPLEX, INC.

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CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans Medical Complex, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities 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 controls 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 of 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 New Orleans Medical Complex, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on summarized Comparative Information

We have previously audited New Orleans Medical Complex, Inc.'s 2011 financial statements, and our report dated August 7, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of New Orleans Medical Complex, Inc.'s internal control over financial reporting and 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 New Orleans Medical Complex, Inc.'s internal control over financial reporting and compliance.

Cassio & Schmidt, L.P.C.

Metairie, Louisiana
June 21, 2013

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

		<u>Summarized Comparative Information December 31, 2011</u>
ASSETS		
Cash	\$ 63,930	\$ 67,112
Property and equipment - At cost (Notes A4 and C)		
Building	16,036,441	16,036,441
Less accumulated depreciation	<u>6,414,576</u>	<u>5,880,029</u>
	9,621,865	10,156,412
Deposits and prepaid expenses	<u>5,999</u>	<u>5,118</u>
Total assets	\$ <u>9,691,794</u>	\$ <u>10,228,642</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 10,008	\$ 1,250
Deferred revenue (Note B)	<u>9,663,622</u>	<u>10,199,990</u>
Total liabilities	9,673,630	10,201,240
COMMITMENTS (Note D)	-	-
NET ASSETS (Notes A2 and A3)		
Unrestricted	<u>18,164</u>	<u>27,402</u>
Total net assets	<u>18,164</u>	<u>27,402</u>
Total liabilities and net assets	\$ <u>9,691,794</u>	\$ <u>10,228,642</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Summarized Comparative Information Year ended December 31, 2011</u>
REVENUE				
Rental income				
Thermal Project	\$ 536,368	\$ -	\$ 536,368	\$ 536,368
Parking and office space	-	-	-	22,151
Other	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>10,000</u>
Total Revenue	<u>548,368</u>	<u>-</u>	<u>548,368</u>	<u>568,519</u>
EXPENSES				
Insurance	8,810	-	8,810	9,343
Management services	3,333	-	3,333	9,000
Professional services	10,812	-	10,812	8,292
Miscellaneous expenses	103	-	103	3,218
Depreciation	<u>534,548</u>	<u>-</u>	<u>534,548</u>	<u>534,548</u>
Total Expenses	<u>557,606</u>	<u>-</u>	<u>557,606</u>	<u>564,401</u>
INCREASE (DECREASE) IN NET ASSETS	(9,238)	-	(9,238)	4,118
Net assets, beginning of year	27,402	-	27,402	943,545
Land reverted back to the State (Note C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(920,261)</u>
Net assets, end of year	\$ <u>18,164</u>	\$ <u>-</u>	\$ <u>18,164</u>	\$ <u>27,402</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

Summarized
Comparative Information
Year ended
December 31, 2011

Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (9,238)	\$ 4,118
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	534,548	534,548
Changes in assets and liabilities:		
(Increase) decrease in receivables	-	13,535
Increase (decrease) in accounts payable	8,758	1,070
(Increase) in prepaid expenses	(882)	(252)
Increase (decrease) in deferred revenue	<u>(536,368)</u>	<u>(536,368)</u>
Net cash provided (used) by operating activities	<u>(3,182)</u>	<u>16,651</u>
Cash flows from investing activities:	-	-
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(3,182)	16,651
Cash and cash equivalents, beginning of year	<u>67,112</u>	<u>50,461</u>
Cash and cash equivalents, end of year	\$ <u>63,930</u>	\$ <u>67,112</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

The New Orleans Medical Complex, Inc. (the "Complex") was organized as a nonprofit organization for the purpose of contributing to the development of a regional medical center located in New Orleans, Louisiana. Through reciprocal leases, a thermal facility was constructed and provides chilled water, hot water and steam to the medical buildings located in the Complex area.

New Orleans Medical Complex, Inc. is a nonprofit corporation exempt from income taxation under, and in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana. Therefore, no provision for income taxes have been made in the accompanying financial statements.

2. Financial Statement Presentation

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no temporarily or permanently restricted net assets at December 31, 2012.

3. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Grant and contract revenue are recognized as they are earned in accordance with approved contracts.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that add materially to productive capacity or extend the life of an asset are capitalized. Expenditures for maintenance and repairs which do not extend the life of the applicable assets are charged to expense as incurred.

Upon retirement or disposal of an asset, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss is included in the statement of activities.

Depreciation of the property and equipment is provided over the estimated useful lives of the assets (three to thirty years) on a straight-line basis. Depreciation expense amounted to \$534,548 for the year 2012.

5. 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.

6. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (June 21, 2013).

7. Statement of Cash Flows

For the purpose of the statement of cash flows, the Complex considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

NOTE B - DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2012:

Prepayment of base rent obligations of Entergy Thermal related to the leases with the Complex. (See Note D)	\$ 9,654,622
Prepayment of the office space lease	<u>9,000</u>
	\$ <u>9,663,622</u>

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2012

NOTE C - LAND REVERSION

In 1995, the State of Louisiana (the State), the City of New Orleans and the Complex entered into a Cooperative Endeavor Agreement (the CEA) to set forth the terms of administering a State of Louisiana funded project that was limited to capital improvements for the Complex, Research Park Land Acquisition and City Development Phase I. The CEA further provided that in the event the property comprising the project is no longer used for the purposes for which the project was authorized, full ownership of the property acquired with project grant funds shall revert to the State at no cost to the State.

In 1995, the Complex purchased land along with incurring land acquisition costs totaling \$920,261. The land acquisition cost was reimbursed to the Complex by the State for allowable grant expenses related to the above described project.

In April 2010, the State of Louisiana and Louisiana State University (LSU) requested that the Complex convey to them the project property, currently being used by the Complex as a leased parking lot, without compensation to the Complex. The State's and LSU's request asserted that the project property was not being used in the furtherance of the intent and purposes of the 1995 CEA, as previously mentioned above. After further discussions among the Complex, the State and LSU in connection with the conveyance of the project property, the State agreed to cover a portion of the Complex's legal costs relating to the transfer, and the Complex agreed to transfer the property to the State and LSU.

On May 19, 2011, the Complex's Board of Directors executed an Act of Conveyance, in which the Complex transferred to the State of Louisiana, the Board of Supervisors of Louisiana State University A&M College and the Division of Administration, Office of the Governor, all of the Complex's rights, title and interest to the property acquired with the State of Louisiana project grant funds, as described above.

Accordingly, in May 2011, the land acquisition costs of \$920,261, was removed from Property and Equipment, and from Permanently Restricted Net Assets in the Statement of Financial Position.

NOTE D - COMMITMENTS

Thermal Facility

The Complex constructed a building that is a parking facility, which includes space for the thermal services facility. The building's land is leased from the Board of Supervisors of Louisiana State University and Agricultural and Medical College (Board of Supervisors). The Complex leases a portion of the building facility to Louisiana State University Medical Center (LSUMC) and subleases space to Entergy Thermal for the operation and production of centralized thermal services.

Entergy Thermal, a division of Entergy Business Solutions, Inc., has constructed, developed, operates and provides a district energy system of thermal services. The district energy system is a system that produces and distributes centralized chilled water, hot water, and steam to buildings or other facilities located in the Complex area.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2012

NOTE D - COMMITMENTS - Continued

Ground Lease

Effective as of November 1, 1998, the Complex entered into an agreement to lease land from the Board of Supervisors for an initial term ending September 30, 2020, with two (2) options for additional periods of five (5) years each. On this land, the Complex completed the construction of a building containing a parking garage. During the term of the ground lease, title for the building will vest with the Complex. Beginning in 2003 and throughout the term of this lease, Entergy Thermal will pay the required lease payments as agreed to with the Board of Supervisors.

Reciprocal Lease

The Complex leases to the Board of Supervisors that portion of the building containing the parking garage for an initial term ending September 30, 2020, with two (2) options for additional periods of five (5) years each. The Complex leases from the Board of Supervisors the Central Plants of LSU and Charity for a term ending September 30, 2020, with two (2) five (5) year options. Rent will not be received by, or paid on, these reciprocal lease agreements. Instead, consideration to be received by the parties will be the right of occupancy, in and to the property of the other party, and obligations of each party to the other for the maintenance and rehabilitation of the occupied premises.

Thermal Facility Lease

The Complex leases the thermal facility to Entergy Thermal for a term ending September 30, 2020, with two (2) five (5) year options.

Central Plants Sublease

The Complex leases to Entergy Thermal for a term ending September 30, 2020, with two (2) five (5) year options.

Addendums to the central plant and the thermal facility leases permit Entergy Thermal to prepay certain base rent obligations under the leases. Rental income is reported in the financial statements of the Complex on a straight-line basis of the total prepayment amount over the estimated thirty (30) year term of the related lease.

NOTE E - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended December 31, 2012.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2012

NOTE F - FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2012 are as follows:

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Management services	\$ -	\$ 3,333	\$ 3,333
Professional fees	-	10,812	10,812
Insurance	-	8,810	8,810
Other expenses	-	103	103
Depreciation	<u>534,548</u>	<u>-</u>	<u>534,548</u>
Total functional expenses	<u>\$ 534,548</u>	<u>\$ 23,058</u>	<u>\$ 557,606</u>

SUPPLEMENTAL INFORMATION

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
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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
New Orleans Medical Complex, Inc.

We have audited, in accordance with the 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 New Orleans Medical Complex, Inc. (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, and cash flows and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered New Orleans Medical Complex, Inc.'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 New Orleans Medical Complex, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Orleans Medical Complex, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the internal control 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 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 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*.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Standards Auditing* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for an other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carcio & Schmitt, LLC.

Metairie, Louisiana
June 21, 2013

NEW ORLEANS MEDICAL COMPLEX, INC.
SCHEDULE OF FINDINGS AND RESPONSES

Year ended December 31, 2012

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified on the financial statements.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements were noted.

B. Findings - Financial Statement Audit

There were no findings for the current year.

C. Management Letter

A management letter was not issued for the current year.

D. Questioned Costs

There were no questioned costs for the year ended December 31, 2012.

E. Status of Prior Year Audit Findings

There were no prior year audit findings.