

**MEDICAL CENTER OF LOUISIANA FOUNDATION**

**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED**

**JUNE 30, 2012 AND 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 DEC 12 2012

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## **CONTENTS**

### **INDEPENDENT AUDITORS' REPORT**

#### **FINANCIAL STATEMENTS:**

Exhibit "A" Statements of Financial Position

Exhibit "B" Statements of Activities

Exhibit "C" Statements of Cash Flows

Exhibit "D" Statements of Functional Expenses

Notes to Financial Statements

#### **SUPPLEMENTAL INFORMATION:**

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*

Schedule of Findings and Responses

Schedule of Prior Year Findings and Responses

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J.V. LECLERE KRENTEL - DECEASED

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana

We have audited the accompanying statements of financial position of Medical Center of Louisiana Foundation (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide 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 Medical Center of Louisiana Foundation as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the Foundation'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

November 21, 2012

*Ericksen, Krentel & LaPorte LLP*

Certified Public Accountants

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**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,486,375	\$ 1,511,588
Cash held for agencies	164,434	373,099
Grants receivable	-	1,877
Other receivable	26,324	8,172
Prepaid expenses	1,070	4,000
Equipment, net of accumulated depreciation	<u>670</u>	<u>1,051</u>
 Total assets	 <u>\$ 1,678,873</u>	 <u>\$ 1,899,787</u>
 <b><u>LIABILITIES:</u></b>		
Accounts payable	\$ 1,475	\$ 1,839
Funds held for agencies	<u>164,434</u>	<u>373,099</u>
 Total liabilities	 <u>165,909</u>	 <u>374,938</u>
 <b><u>NET ASSETS:</u></b>		
Unrestricted	1,312,017	1,346,711
Temporarily restricted	<u>200,947</u>	<u>178,138</u>
 Total net assets	 <u>1,512,964</u>	 <u>1,524,849</u>
 Total liabilities and net assets	 <u>\$ 1,678,873</u>	 <u>\$ 1,899,787</u>

**See accompanying NOTES TO FINANCIAL STATEMENTS**

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES, GAINS AND OTHER SUPPORT:</u></b>			
Contributions	\$ 6,695	\$ 557	\$ 7,252
Grant revenue	21,529	62,500	84,029
Registration income	45,900	-	45,900
Fund-raising income	85,743	-	85,743
Interest income	15,754	-	15,754
Other income	942	-	942
	<u>176,563</u>	<u>63,057</u>	<u>239,620</u>
Total revenue			
Net assets released from restrictions	<u>40,248</u>	<u>(40,248)</u>	<u>-</u>
Total revenues, gains and other support	<u>216,811</u>	<u>22,809</u>	<u>239,620</u>
<b><u>EXPENSES:</u></b>			
Program services	154,808	-	154,808
Supporting services:			
Fund-raising	26,280	-	26,280
Management and general	70,417	-	70,417
	<u>251,505</u>	<u>-</u>	<u>251,505</u>
Total expenses			
Change in net assets	(34,694)	22,809	(11,885)
Net assets, beginning of year	<u>1,346,711</u>	<u>178,138</u>	<u>1,524,849</u>
Net assets, end of year	<u>\$ 1,312,017</u>	<u>\$ 200,947</u>	<u>\$ 1,512,964</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES, GAINS AND OTHER SUPPORT:</u></b>			
Contributions	\$ 15,972	\$ 250	\$ 16,222
Grant revenue	2,522	226,225	228,747
Registration income	38,791	-	38,791
Fund-raising income	69,920	-	69,920
Interest income	7,249	-	7,249
Other income	<u>12,675</u>	<u>-</u>	<u>12,675</u>
 Total revenue	 <u>147,129</u>	 <u>226,475</u>	 <u>373,604</u>
 Net assets released from restrictions	 <u>246,180</u>	 <u>(246,180)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>393,309</u>	 <u>(19,705)</u>	 <u>373,604</u>
<b><u>EXPENSES:</u></b>			
Program services	489,542	-	489,542
Supporting services:			
Fund-raising	21,087	-	21,087
Management and general	<u>69,595</u>	<u>-</u>	<u>69,595</u>
 Total expenses	 <u>580,224</u>	 <u>-</u>	 <u>580,224</u>
 Change in net assets	 (186,915)	 (19,705)	 (206,620)
 Net assets, beginning of year	 <u>1,533,626</u>	 <u>197,843</u>	 <u>1,731,469</u>
 Net assets, end of year	 <u>\$ 1,346,711</u>	 <u>\$ 178,138</u>	 <u>\$ 1,524,849</u>

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ (11,885)	\$ (206,620)
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:		
Depreciation	381	91
(Increase) decrease in:		
Grants receivable	1,877	97,288
Other receivable	(18,152)	(8,072)
Prepaid expenses	2,930	(2,500)
Increase (decrease) in:		
Accounts payable	<u>(364)</u>	<u>(50,193)</u>
Net cash (used in) operating activities	<u>(25,213)</u>	<u>(170,006)</u>
<b><u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u></b>		
Acquisition of computer equipment	<u>-</u>	<u>(1,142)</u>
Net cash (used in) investing activities	<u>-</u>	<u>(1,142)</u>
Net (decrease) in cash and cash equivalents	(25,213)	(171,148)
Cash and cash equivalents, beginning of year	<u>1,511,588</u>	<u>1,682,736</u>
Cash and cash equivalents, end of year	<u>\$ 1,486,375</u>	<u>\$ 1,511,588</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**MEDICAL CENTER OF LOUISIANA FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services	Supporting Services		Total
		Fund-raising	Management and General	
Gifts and awards	\$ 2,817	\$ -	\$ 915	\$ 3,732
Books expense	7,159	-	-	7,159
Contract labor	455	-	-	455
Depreciaton	-	-	381	381
Donations made	24,041	-	-	24,041
Dues and subscriptions	65	-	-	65
Equipment contributions	817	-	-	817
Event expenses	-	26,280	-	26,280
Insurance	-	-	2,405	2,405
Meals	23,341	-	2,050	25,391
Medical supplies	4,365	-	-	4,365
Miscellaneous expense	1,362	-	1,128	2,490
Office expenses	7,045	-	925	7,970
Postage	500	-	335	835
Professional fees	26,495	-	10,531	37,026
Rent	1,200	-	-	1,200
Training and seminars	41,003	-	269	41,272
Travel	12,389	-	-	12,389
Utilities	1,754	-	-	1,754
Wages and related expenses	-	-	51,478	51,478
<b>Total expenses</b>	<b>\$ 154,808</b>	<b>\$ 26,280</b>	<b>\$ 70,417</b>	<b>\$ 251,505</b>



**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Program Services	Supporting Services		Total
		Fund-raising	Management and General	
Gifts and awards	\$ 1,031	\$ -	\$ -	\$ 1,031
Books expense	15,274	-	-	15,274
Contract labor	1,149	-	-	1,149
Depreciation	-	-	91	91
Donations made	44,794	-	-	44,794
Dues and subscriptions	228	-	-	228
Equipment contributions	140,841	-	-	140,841
Event expenses	-	21,087	-	21,087
Insurance	-	-	2,380	2,380
Meals	13,614	-	1,820	15,434
Medical supplies	3,680	-	-	3,680
Miscellaneous expense	11,133	-	496	11,629
Office expenses	7,202	-	496	7,698
Postage	870	-	5	875
Professional fees	211,234	-	12,460	223,694
Rent	5,408	-	-	5,408
Training and seminars	20,041	-	988	21,029
Travel	9,884	-	-	9,884
Utilities	3,039	-	-	3,039
Wages and related expenses	120	-	50,859	50,979
<b>Total expenses</b>	<b>\$ 489,542</b>	<b>\$ 21,087</b>	<b>\$ 69,595</b>	<b>\$ 580,224</b>

See accompanying NOTES TO FINANCIAL STATEMENTS

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

(1) **NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Medical Center of Louisiana Foundation (the Foundation) was incorporated in November 1993. The Foundation was originally known as The University Hospital Foundation, and has its purpose to support and improve patient care within the Medical Center of Louisiana New Orleans (MCLNO) hospitals and clinics including the Interim LSU Public Hospital and the Spirit of Charity Trauma Center. This includes assisting the family's comfort while visiting with their love one, promoting education of the members of the MCLNO provider team, facilitating medical center committees, and enhancing fund-raising efforts and research.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. In-kind contributions are recognized at the fair market value when received.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Foundations are required 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.

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. The Foundation has no permanently restricted net assets.

**Equipment**

Items capitalized as part of equipment are valued at cost. Normal repairs and maintenance are charged to expense when incurred. Expenditures which materially extend the useful lives of capital assets are capitalized.

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Depreciation**

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Computer equipment	3-5 years
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Depreciation expense for the years ended June 30, 2012 and 2011 were \$381 and \$91, respectively.

**Restricted and Unrestricted Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundations considers all highly liquid debt instruments purchased with an original maturity of three months or less and all certificates of deposit to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted of short term United States Government securities.

**Contributed Services**

During the years ended June 30, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**Concentration of Credit Risk**

The Foundation maintains its cash and cash equivalents in various financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits. The FDIC's temporary transaction account guarantee program provides depositors with unlimited coverage for non-interest bearing checking accounts through December 31, 2012. At June 30, 2012 and 2011, the Foundation had no uninsured cash.

**MEDICAL CENTER OF LOUISIANA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)**

**Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes. Based upon the amount of its investment income and the comparison of its public support, the Foundation qualifies for non-private foundation status under Section 509(a)(2) of the Internal Revenue Code; therefore, the Foundation's tax-exempt status extends to its net investment income.

FASB ASC 740-10-et al prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FASB ASC 740-10-et al requires the affirmative evaluation that is more likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. FASB ASC 740-10-et al also requires the Foundation to disclose additional quantitative and qualitative information in their financial statements about uncertain tax positions.

The Foundation's evaluation as of June 30, 2012 revealed no tax positions that would have a material impact on the financial statements. The 2009 through 2012 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**Functional Expenses**

Expenses are charged to each program based on direct expenditures incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**MEDICAL CENTER OF LOUISIANA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Subsequent events have been evaluated through November 21, 2012, which is the date the financial statements were available to be issued.

**Concentration of Grant Revenue**

Approximately 22% of the Foundation's funding is provided from the Charles & Elizabeth Wetmore Foundation grant for the year ended June 30, 2012.

Approximately 49% of the Foundation's funding is provided from the Robert Wood Johnson grant for the year ended June 30, 2011.

**(2) FUNDS HELD FOR AGENCIES**

At June 30, 2012 and 2011, the Foundation held \$164,434 and \$373,099, of funds for the Trauma department and for the Charity Hospital Medical Staff. The financial effects of transactions related to agency funds are recorded as changes in funds held for agencies and are not included in the statements of activities. The changes in the funds held for agencies are summarized as follows:

	<u>2012</u>	<u>2011</u>
Agency funds received	\$ 29,170	\$ 52,334
Distributions to agencies	<u>(237,835)</u>	<u>(27,573)</u>
Change in balance	(208,665)	24,761
Beginning balance	<u>373,099</u>	<u>348,338</u>
Ending balance	<u>\$ 164,434</u>	<u>\$ 373,099</u>

**(3) RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at June 30, 2012 and 2011 include:

	<u>2012</u>	<u>2011</u>
MCMD/MOTT/ELD Clinic Program	\$ 52,000	\$ -
Reach Out and Read	62,397	91,588
Patient Education Units	<u>86,550</u>	<u>86,550</u>
Total temporarily restricted net assets	<u>\$ 200,947</u>	<u>\$ 178,138</u>

**MEDICAL CENTER OF LOUISIANA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**(4) RELATED PARTY TRANSACTIONS**

The Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, an affiliate, provides office space to the Foundation. Rent expense for the year ended June 30, 2012 and 2011 was \$0 and \$608, respectively.

**(5) THEFT LOSS**

During the years ended June 30, 2008 and 2009, a theft occurred resulting in a loss to the Foundation of \$219,556. The Foundation hired forensic accountants and legal experts to reclaim these losses and has provided the FBI with documentation to seek federal prosecution. The Foundation has been reimbursed \$67,246 of these funds.

On March 24, 2011, the statutory employee was sentenced in a federal court to 24 months in prison; the accomplice was sentenced to 18 months in prison to be followed by six months of home confinement. Both defendants were ordered to serve three years supervised release following imprisonment during which time they will be under federal supervision and risk additional imprisonment should the terms of the supervision be violated. In addition, both defendants were ordered to pay restitution to the Foundation in the amount of \$256,240. On October 15, 2012, a restitution payment of \$50 was received. Due to the collectability issues surrounding the restitution, the Foundation has not recorded a receivable or revenue on the financial statements.

The Foundation has implemented strict management policies and procedures to safeguard against similar incidents.

**(6) RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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## 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 Trustees of  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana

We have audited the financial statements of the Medical Center of Louisiana Foundation (the Foundation) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. 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.

### Internal Control over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
November 21, 2012  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated November 21, 2012.

This report is intended for the information and use of the Board of Trustees, management of the Foundation, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

November 21, 2012

*Erickson, Krentel & LaPorte LLP*

Certified Public Accountants



**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

We have audited the financial statements of Medical Center of Louisiana Foundation as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. 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. Our audit of the financial statements as of June 30, 2012 resulted in an unqualified opinion.

**SECTION I SUMMARY OF AUDITORS' REPORTS**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weaknesses \_\_\_ Yes  X  No

Significant Deficiencies \_\_\_ Yes  X  No

**Compliance**

Non-Compliance Material to Financial Statements \_\_\_ Yes  X  No

**SECTION II FINANCIAL STATEMENT FINDINGS**

NONE

**MEDICAL CENTER OF LOUISIANA FOUNDATION  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION II FINANCIAL STATEMENT FINDINGS**

None

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CLAUDE M. SILVERMAN\*  
W. ERIC POWERS  
DENNIS J. TIZZARD†  
JAMES E. TONBLEY†

\*PROFESSIONAL CORPORATION  
†LIMITED LIABILITY COMPANY  
BENJAMIN J. ERICKSEN - DECEASED  
J.V. LECLERE KRENTEL - DECEASED

November 21, 2012

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of the Medical Center of Louisiana Foundation (the Foundation) for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. We previously reported on the Foundation's internal control in our letter dated November 21, 2012. This letter does not affect our report dated November 21, 2012, on the financial statements of the Medical Center of Louisiana Foundation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Foundation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

## Loans to Employee

During the year, the Foundation loaned \$1,000 to an employee. The check request form was not approved by the CFO of the LSU Health Care Services Division (an affiliate) as is normal policy but approved and signed by the Executive Director. The money was subsequently repaid to the Foundation. Pursuant to IRS regulations, a 501(c)3 organization may not benefit the private interest of any individual. Non-profit organizations are permitted to operate efficiently and duly compensate employees; however, providing excessive salaries and benefits above and beyond the prevailing amount may result in fines or jeopardize 501(c)3 status. Although the amount of the loan was immaterial and it was subsequently repaid, we recommend the Foundation avoid this activity in the future. We also recommend that all check requests are brought to the CFO for proper approval prior to being provided to the Executive Director for check signature.

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
November 21, 2012  
Page 2

**Close Restricted Cash Account**

The Foundation still maintains a bank account for a Robert Wood Johnson Grant. The grant term has ended and the bank account is no longer required. Since this grant has ended, we recommend closing the restricted cash account and transferring the remaining balance of \$15,413 to the general checking account.

We wish to thank the Foundation Coordinator/Accountant and her department for their support and assistance during our audit.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2012

*Erickson, Krentel & LaPorte LLP*

Certified Public Accountants



# Medical Center of Louisiana Foundation

-Supporting the mission of Charity Hospital through Interim LSU Public Hospital and the new University Medical Center-

## CORRECTIVE ACTION PLAN RELATIVE TO MANAGEMENT LETTER ITEMS

Edward Williams, PhD  
President

November 21, 2012

Evangeline Vivick, MD  
Secretary/Treasurer

Louisiana Legislative Auditor

Eric DeBlieux, MD  
Executive Director

Medical Center of Louisiana Foundation (Foundation) respectfully submits the following corrective action plan for the year ended June 30, 2012.

Juzar Ali, MD  
Ex Officio

Name and address of independent public accounting firm:

Roxann Townsend, MD  
Ex Officio

Ericksen, Krentel & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: W. Eric Powers, CPA

Warren Bell, Jr.  
Genard Bellacq

Audit Period: 07/01/11 to 6/30/12

Garold Beninson, MD  
Ann Cary, PhD

The finding from the June 30, 2012 management letter is discussed below.

Damon Dietrich, MD

### Loans to Employee

Paul Erdlander, MD

Recommendation: To avoid jeopardizing the Foundation's 501(c)3 status, we recommend the Foundation avoid loaning money to employees and that all check request forms are brought to the CFO for formal approval prior to providing to the Executive Director for check signing.

D. Luke Clancy, MD

L. Lee Harris, III, MD

Frank Ingersoll, MD

Nest Kling

Sally Knight, DPH

Response: The Foundation agrees with the recommendation and will implement this recommendation immediately.

Norman McGowan, MD

Kristine Muntari

### Close Restricted Cash Account

Perry Rigby, MD

Elton Robem

Gene Sause, Jr.

Recommendation: Since the Robert Wood Johnson grant has ended. We recommend closing the restricted Robert Wood Johnson cash account and transferring the remaining balance to the general checking account.

Malcolm Schwitzenbach

Jack Spring, MD

Response: The Foundation agrees with the recommendation and will implement this recommendation immediately.

Jessica Waquespack

Harold West

If there are any questions regarding this plan, please call Stacy Gerhold-Marvin at (504) 903-1823.

Stacy Gerhold-Marvin  
Foundation Coordinator

Sincerely,

Signature

Eric DeBlieux

Title

MCL Foundation • 2021 Perdido Street • Hutchinson Bldg., Room 207 • New Orleans, LA 70112  
Office 504.903.1823 • Fax 504.680.0207

# ERICKSEN KRENTEL & LA PORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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BENJAMIN J. ERICKSEN - DECEASED  
J.V. LECLERE KRENTEL - DECEASED

November 21, 2012

To the Board of Trustees of the  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana

We have audited the financial statements of the Medical Center of Louisiana Foundation for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 27, 2012. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Medical Center of Louisiana Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended June 30, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the functional allocation of expenses is based on specific identification. We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that it is reasonable in relation to the consolidated financial statements as a whole.

Management's estimate of the allowance for theft losses is based an analysis of the collectability of the individual receivables. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Trustees of the  
Medical Center of Louisiana Foundation  
November 21, 2012  
Page 2

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 21, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We issued a separate letter in accordance with *Government Auditing Standards* dated November 21, 2012 in which we identified no significant deficiencies in internal controls.

**ERICKSEN KRENTEL & LA PORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

To the Board of Trustees of the  
Medical Center of Louisiana Foundation  
November 21, 2012  
Page 3

We issued a separate letter dated November 21, 2012 in which we identified opportunities for strengthening internal controls and operating efficiency.

In addition, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Trustees and the management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Ericksen Krentel & La Porte LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants



Client: 13261 - Medical Center of Louisiana Foundation  
 Engagement: 2012 Audit - Medical Center of Louisiana Foundation  
 Trial Balance: TB  
 Workpaper: S700.10 - Passed Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Passed Journal Entries JE # 8</b>				
To record earned interest on Eureka agency fund CD				
1004	C.H.Medical Staff Investments:Eureka Homestead C.D.-300382		1,157.00	
2020	C.H.Medical Staff Liabilities:Eureka C.D. #300382			1,157.00
<b>Total</b>			<b>1,157.00</b>	<b>1,157.00</b>

Client: 13261 - Medical Center of Louisiana Foundation  
 Engagement: 2012 Audit - Medical Center of Louisiana Foundation  
 Trial Balance: TB  
 Workpaper: 3700.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 6</b>				
To record credit received subsequently for overpayment of grant expenses				
1202	Accounts Receivable		26,099.00	
5018	Donations Made			26,099.00
<b>Total</b>			<u>26,099.00</u>	<u>26,099.00</u>
<b>Adjusting Journal Entries JE # 7</b>				
Entry PBC: To record interest income from NBC CD				
1316	First NBC CDar - from Regions		1,025.00	
4000	Interest			1,025.00
<b>Total</b>			<u>1,025.00</u>	<u>1,025.00</u>
<b>Adjusting Journal Entries JE # 9</b>				
To adjust temp. restricted net assets for CY activity.				
3205	Temp. Restricted - Reach Out and Read		29,748.00	
3300	Retained Earnings		22,252.00	
3225	Temp. Restricted - Charles Wetmore Fdn.			52,000.00
<b>Total</b>			<u>52,000.00</u>	<u>52,000.00</u>
<b>Adjusting Journal Entries JE # 10</b>				
To record depreciation expense for the CY				
5507	G&A: Depreciation		381.00	
1505	Accumulated Depreciation			381.00
<b>Total</b>			<u>381.00</u>	<u>381.00</u>