

**NEW ORLEANS MEDICAL COMPLEX, INC.**

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

**December 31, 2011**

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

NEW ORLEANS MEDICAL COMPLEX, INC.

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 8
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	10 - 11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12

# 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.

We have audited the accompanying statement of financial position of New Orleans Medical Complex, Inc. (a non-profit corporation) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Medical Complex, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year 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 August 7, 2012, 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 the internal control over financial reporting or on compliance. This 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.

*Cascio & Schmidt, LLC*

Metairie, Louisiana  
August 7, 2012

NEW ORLEANS MEDICAL COMPLEX, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

**ASSETS**

Cash	\$ 67,112
Property and equipment - At cost (Notes A4 and C)	
Building	16,036,441
Less accumulated depreciation	<u>5,880,029</u>
	10,156,412
Deposits and prepaid expenses	<u>5,118</u>
Total assets	\$ <u>10,228,642</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 1,250
Deferred revenue (Note B)	<u>10,199,990</u>
Total liabilities	10,201,240

**COMMITMENTS** (Note D)

-

**NET ASSETS** (Notes A2 and A3)

Unrestricted	<u>27,402</u>
Total net assets	<u>27,402</u>
Total liabilities and net assets	\$ <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, 2011**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Rental income			
Thermal Project	\$ 536,368	\$ -	\$ 536,368
Parking and office space	22,151	-	22,151
Other	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Revenue	<u>568,519</u>	<u>-</u>	<u>568,519</u>
<b>EXPENSES</b>			
Insurance	9,343	-	9,343
Management services	9,000	-	9,000
Professional services	8,292	-	8,292
Miscellaneous expenses	3,218	-	3,218
Depreciation	<u>534,548</u>	<u>-</u>	<u>534,548</u>
Total Expenses	<u>564,401</u>	<u>-</u>	<u>564,401</u>
<b>INCREASE IN NET ASSETS</b>	4,118	-	4,118
Net assets, beginning of year	23,284	920,261	943,545
Land reverted back to the State (Note C)	<u>-</u>	<u>(920,261)</u>	<u>(920,261)</u>
Net assets, end of year	\$ <u>27,402</u>	\$ <u>-</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, 2011

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

The accompanying notes are an integral part of this statement.

NEW ORLEANS MEDICAL COMPLEX, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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, 2011.

**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, 2011**

**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 2011.

**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 (August 7, 2012).

**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, 2011:

Prepayment of base rent obligations of Entergy Thermal related to the leases with the Complex. (See Note D)	\$ 10,190,990
Prepayment of the office space lease	9,000
	<u>\$ 10,199,990</u>



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

**December 31, 2011**

**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, 2011**

**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, 2011.

NEW ORLEANS MEDICAL COMPLEX, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued  
December 31, 2011

**NOTE F - FUNCTIONAL EXPENSES**

Functional expenses for the year ended December 31, 2011 are as follows:

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Management services	\$ -	\$ 9,000	\$ 9,000
Professional fees	-	8,292	8,292
Insurance	-	9,343	9,343
Other expenses	-	3,218	3,218
Depreciation	<u>534,548</u>	<u>-</u>	<u>534,548</u>
Total functional expenses	<u>\$ 534,548</u>	<u>\$ 29,853</u>	<u>\$ 564,401</u>

**SUPPLEMENTAL INFORMATION**

# 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 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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of New Orleans Medical Complex, Inc. (a non-profit corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated August 7, 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 New Orleans Medical Complex, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we considered New Orleans Medical Complex, Inc.'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 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 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented and corrected on a timely basis.

Our consideration of the 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.

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

This report is intended solely for the information of the audit committee, management, Louisiana Legislative Auditor and others within the organization, 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.

*Cassio & Schmidt, R.L.C.*

Metairie, Louisiana  
August 7, 2012

**NEW ORLEANS MEDICAL COMPLEX, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended December 31, 2011**

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion 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 or the prior year.

**C. Management Letter**

A management letter was not issued for the current year or the prior year.

**D. Questioned Costs**

There were no questioned costs for the year ended December 31, 2011.