

**METROPOLITAN HOSPITAL COUNCIL
OF NEW ORLEANS, INC. AND SUBSIDIARY**

Audits of Consolidated Financial Statements

December 31, 2018 and 2017



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Independent Auditor's Report

To the Board of Directors of
Metropolitan Hospital Council of
New Orleans, Inc. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary (collectively, the Council), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary as of December 31, 2018 and 2017, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2019, on our consideration of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary'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 solely 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 effectiveness of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary's 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 Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
May 10, 2019

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,491,696	\$ 1,358,772
Due from Affiliates	60	429
Accounts Receivable	185,938	95,859
Prepaid Expenses	34,132	30,018
Total Current Assets	1,711,826	1,485,078
Noncurrent Assets		
Investment in Affiliate	493,617	661,012
Property and Equipment (Net of Accumulated Depreciation of \$118,349 in 2018 and \$114,365 in 2017)	6,524	10,508
	500,141	671,520
Total Assets	\$ 2,211,967	\$ 2,156,598
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 126,228	\$ 41,425
Unearned HHS Grant Revenue	270,481	260,895
Due to Affiliates	-	1,890
Total Liabilities	396,709	304,210
Net Assets Without Donor Restrictions	1,815,258	1,852,388
Total Liabilities and Net Assets	\$ 2,211,967	\$ 2,156,598

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues, Gains, and Other Support		
Membership Dues	\$ 273,000	\$ 292,500
HHS Grant Revenue	320,215	294,791
Equity in (Loss) Income of Affiliate	(42,394)	303,747
Management Fees	25,000	25,000
Sponsorship Revenue	25,000	25,000
Investment Return, Net	4,557	3,052
Education Program	2,000	2,420
Other Revenue	18,775	9,227
	<hr/>	<hr/>
Total Revenues, Gains, and Other Support	626,153	955,737
Expenses		
Program Expenses		
HHS Grants	324,360	289,743
Contributions	1,000	59,500
Education Fees	1,940	1,990
Management Fees	250,635	252,123
Supporting Expenses		
Professional Fees and Advocacy Expenses	32,288	29,710
Office and Other Expenses	18,687	47,727
Rent	27,173	27,096
Travel and Meetings	3,216	7,828
Federal/State Taxes	-	33,319
Depreciation	3,984	4,025
Bad Debt Expense	-	19,500
	<hr/>	<hr/>
Total Expenses	663,283	772,561
Change in Net Assets	(37,130)	183,176
Net Assets, Beginning of Year	1,852,388	1,669,212
	<hr/>	<hr/>
Net Assets, End of Year	\$ 1,815,258	\$ 1,852,388
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The accompanying notes are an integral part of these consolidated financial statements.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (37,130)	\$ 183,176
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Equity in Loss (Income) of Affiliate	42,394	(303,747)
Depreciation	3,984	4,025
Provision for Bad Debt Expense	-	19,500
(Increase) Decrease in Assets		
Accounts Receivable	(90,079)	296,574
Prepaid Expenses	(4,114)	6,111
Due from Affiliates	369	(429)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	84,803	(7,095)
Due to Affiliates	(1,890)	1,890
Unearned HHS Grant Revenue	9,586	44,592
	<u>7,923</u>	<u>244,597</u>
Net Cash Provided by Operating Activities	7,923	244,597
Cash Flows from Investing Activities		
Proceeds from Distribution of Earnings in Affiliate	125,001	155,940
Proceeds from Maturities of Certificates of Deposit	-	306,999
Purchase of Property and Equipment	-	(1,841)
	<u>125,001</u>	<u>461,098</u>
Net Cash Provided by Investing Activities	125,001	461,098
Increase in Cash and Cash Equivalents	132,924	705,695
Cash and Cash Equivalents, Beginning of Year	1,358,772	653,077
Cash and Cash Equivalents, End of Year	\$ 1,491,696	\$ 1,358,772
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	<u>\$ -</u>	<u>\$ 31,000</u>

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Metropolitan Hospital Council of New Orleans, Inc. (MHCNO) was established and formally incorporated as a non-profit corporation in 1977. MHCNO was formed to strengthen its member hospitals in the New Orleans metropolitan area by providing a forum for attaining common goals, by supporting the provision of efficient, quality healthcare, and by serving as the recognized source of information for the hospital industry and its various publics. MHCNO represents member hospitals before health organizations, regulatory agencies, business groups, and the media. MHCNO sponsors educational seminars on current healthcare issues and collects operational data on participating hospitals.

Metropolitan Management Corporation (MMC) was formed on July 1, 2003, as a wholly-owned for-profit subsidiary of MHCNO and is subject to both Federal and state income taxes. MMC's principal business activity is the sponsorship of educational programs. Revenue and expenses related to continuing education programs are recognized in the period the programs are presented.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHCNO and those of MMC, collectively, the Council. All significant inter-organizational accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Accounting

The Council prepares its consolidated financial statements in accordance with generally accepted accounting principles, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are short-term (maturities of 90 days or less), highly liquid investments, both readily convertible to known amounts of cash and not subject to significant changes in value because of changes in interest rates.

Investments in Affiliates

Investments in affiliated companies are accounted for by the equity method of accounting under which the Council's share of the net income of the affiliated companies is recognized as income in the Council's consolidated statements of activities and added to the investment account. Dividends and distributions received from the affiliated companies are treated as a reduction of the investment account.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments in Affiliates (Continued)

MHCNO directly owns 30% of the units of membership of ShareCor, LLC (ShareCor). MHCNO's wholly-owned subsidiary, MMC, directly owns 20% of the units of membership of ShareCor. Accordingly, these consolidated financial statements reflect a total investment in 50% of the equity of ShareCor. The remaining 50% ownership interest in ShareCor is held by the Louisiana Hospital Association (LHA) and its subsidiary.

Accounts Receivable

The Council considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made. The use of this method does not differ materially from the allowance method required by accounting principles generally accepted in the United States of America.

Property and Equipment

Property and equipment are presented in the consolidated financial statements on the basis of cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and Fixtures	10 Years
Office Equipment	3 to 8 Years
Leasehold Improvements	Life of the Lease

Additions, improvements, renewals, and expenditures for maintenance that add materially to the productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance and repairs are charged against income. Upon retirement or disposal of an asset, the asset cost and related accumulated depreciation is removed and any gain or loss on such a transaction is recorded in other revenues.

Income Taxes

As mentioned above, the consolidated financial statements include the for-profit corporation MMC. Income taxes are calculated based on the tax effects of MMC transactions reported in the consolidated financial statements. The provision on the consolidated statements of activities consists of taxes currently due plus any provision for deferred taxes, which could result from different reporting methods for the consolidated financial statements versus the tax returns, when applicable. Such differences were insignificant as of December 31, 2018 and 2017, and, accordingly, no deferred tax provision has been recorded to date.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Council believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Council reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are those net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2018 and 2017, all net assets were without donor restrictions.

Functional Expenses

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Not-for-Profit Entities*, the Council is required to provide information about expenses reported by their functional classification. For classification purposes, the Council considers management fees, HHS grant expenses, contributions, and professional and education expenses as program expenses. Salaries and benefits of any and all employees are included in the financial statements as a component of management fees and HHS grant expenses. For the years ended December 31, 2018 and 2017, program expenses were approximately 87% and 78%, respectively, of the total expenses of the Council.

Fair Values of Financial Instruments

The carrying values of the Council's financial instruments including current assets and current liabilities approximate fair value. Under the FASB ASC Topic, *Fair Value Measurement*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The FASB ASC Topic, *Fair Value Measurement*, establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 11).

The Council's measurements of fair value are made on a recurring basis, and its valuation technique for assets and liabilities recorded at fair value are as follows:

Certificates of Deposit. The fair value is determined using the rates currently offered for deposits of similar remaining maturities.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* to supersede nearly all existing revenue recognition under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. ASU 2014-09 is effective for the Council's annual reporting period beginning January 1, 2019, and for its interim reporting periods beginning January 1, 2020. The Council may use one of two methods for applying ASU 2014-09: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the scope of ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. The Council currently anticipates adopting the standard using the retrospective method with the cumulative effect of initially applying ASU 2014-09 recognized as a change in beginning net assets at the date of initial application.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

The Council is utilizing a comprehensive approach to assess the impact of the guidance on each of its operating segments' revenue streams, including assessment of the performance obligations, principal versus agent considerations, and variable considerations. Additionally, the Council is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, the Council does not currently anticipate this standard having a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. During the year ended December 31, 2018, the Council implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which did not have a material effect on the consolidated financial statement balances for the years ended December 31, 2018 and 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for the Council beginning in the year ending December 31, 2020. Management is currently evaluating the impact ASU 2016-02 will have on the consolidated financial statements.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Property and Equipment

A summary of property and equipment is as follows as of December 31:

	2018	2017
Furniture and Fixtures	\$ 15,457	\$ 15,457
Office Equipment	90,754	90,754
Leasehold Improvements	18,662	18,662
	<u>124,873</u>	<u>124,873</u>
Less: Accumulated Depreciation	118,349	114,365
Total	<u>\$ 6,524</u>	<u>\$ 10,508</u>

Depreciation expense was \$3,984 and \$4,025, for the years ended December 31, 2018 and 2017, respectively.

Note 3. Investment in Affiliate

The pertinent financial information for ShareCor, LLC as of December 31, 2018 and 2017, is as follows:

	2018	2017
Balance Sheet		
Assets	<u>\$ 1,388,595</u>	<u>\$ 1,662,862</u>
Liabilities	\$ 401,359	\$ 340,840
Equity	<u>987,236</u>	<u>1,322,022</u>
	<u>\$ 1,388,595</u>	<u>\$ 1,662,862</u>
Income Statement		
Revenues	\$ 912,903	\$ 1,554,681
Expenses	<u>997,691</u>	<u>947,187</u>
Net Income (Loss)	(84,788)	607,494
	50%	50%
Council's Share of Net Income	<u>\$ (42,394)</u>	<u>\$ 303,747</u>

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 4. Employee Benefit Plan

The Council participates in a multiple-employer 401(k) retirement plan with LHA. The Council contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2018 and 2017. The Council made contributions of \$1,358 and \$1,631 to the 401(k) retirement plan during the years ended December 31, 2018 and 2017, respectively.

Note 5. Compensated Absences and Post-Employment Benefits

In addition to salaries and wages accrued in the normal course of operations, the Council adopted a Paid Time Off (PTO) policy effective January 1, 2003. The policy provides PTO benefits based on classification and length of service. During 2017 and 2018, employees were allowed to carry over a maximum of seventy-five percent of their total current annual PTO earnings. Upon termination of employment or retirement, their unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. The Council has accrued \$5,056 and \$4,927, as of December 31, 2018 and 2017, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of accounts payable and accrued expenses.

The Council provides extended illness benefits to employees based on a predetermined accrued hourly amount per payroll period. An extended illness is defined as an absence in excess of five (5) consecutive days for medical reasons. Employees were allowed a maximum accumulation of 120 days of extended illness benefits for the years ended December 31, 2018 and 2017. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

Note 6. Related Party Transactions

The Council performs services, conducts educational programs, and administers grants and contracts. Substantially all of the revenue, related expenses, accounts receivable, and accounts payable from these activities results from transactions with its members.

As stated in Note 1, MHCNO and MMC have a combined 50% ownership in ShareCor, LLC. The Louisiana Hospital Association owns the remaining 50%.

The Council provides management and support services to ShareCor. The Council received \$25,000 in management fee revenue from ShareCor which was included as management fees for each of the years ended December 31, 2018 and 2017. ShareCor pays the Council for its use of shared office space, equipment, and supplies of the Council. For the years ended December 31, 2018 and 2017, ShareCor reimbursed the Council for these expenses in the amounts of \$27,192 and \$26,635, respectively. Certain other operating costs incurred by the Council are directly reimbursed by ShareCor and are recorded as receivables until received.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 6. Related Party Transactions (Continued)

ShareCor is a contributor to the Council's activities, by way of a \$25,000 annual sponsorship fee, as reflected on the consolidated statements of activities for each of the years ended December 31, 2018 and 2017.

LHA provides management and administrative support to the Council. The Council incurred management fees to LHA of \$250,635 and \$252,123, for the years ended December 31, 2018 and 2017, respectively. The Council also incurred fees for accounting services. For each the years ended December 31, 2018 and 2017, accounting fees were \$20,000. These expenses are categorized within professional fees and advocacy expenses on the consolidated statements of activities.

In addition to the services provided by LHA to the Council, the Council serves as a regional coordinator under a federal grant program administered by LHA. Payments are passed through LHA to the Council for these services.

As of December 31, 2018 and 2017, the net amount due to LHA totaled \$-0- and \$1,461, respectively.

Note 7. Leases

The Council leases office space under an operating lease. Rental expense under the operating lease for each of the years ended December 31, 2018 and 2017, totaled \$50,278; however, ShareCor reimbursed the Council \$23,182 each year for the use of office space. The amount received from ShareCor was netted against the expense for a net total of \$27,173 and \$27,096, which is reflected as rent expense on the consolidated statements of activities for the years ended December 31, 2018 and 2017, respectively. The Council's lease of its office space is scheduled to terminate in December 2019.

Minimum future rentals expected to be paid on the lease as of December 31, 2018, are as follows:

December 31,	Amount
2019	\$ 51,023
Total	\$ 51,023

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 8. Credit Risks and Other Concentrations

Concentration of Income

The Council owns 50% of ShareCor as mentioned in Note 1. A significant source of cash flows for the Council is the equity distributions received from ShareCor. ShareCor's primary source of income is from an ongoing participation in a group-purchasing program. Even though management feels the revenue stream will continue for the foreseeable future, ShareCor has no control of any contract or participants in the group-repurchasing program.

Concentration of Credit Risk

The Council periodically maintains cash deposits in an insured cash sweep accounts with a major financial institution in excess of federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At December 31, 2018, the Council had approximately \$378,000 on deposit in excess of the FDIC insured limit. There were no amounts in excess at December 31, 2017. The Council has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 9. Income Tax Expense

Income tax expense, principally associated with the operations of MMC, consisted of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Current		
Federal	\$ -	\$ 28,790
State	-	4,529
Total	\$ -	\$ 33,319

Deferred taxes arising from temporary differences in the basis of assets and liabilities for financial reporting and income tax purposes were not significant and, accordingly, no provision for deferred tax expense or benefit has been included in the preparation of these consolidated financial statements.

MMC's effective tax rate is different than what would be expected if the statutory rates were applied to net income before income taxes, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

MMC's tax payments in excess of amounts owed totaled approximately \$26,000 and \$22,000 at December 31, 2018 and 2017, respectively. These amounts are included in prepaid expenses.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 10. Health & Human Services (HHS) Hospital Preparedness Program

The Council is currently engaged in three separate agreements with LHA to provide services for the Hospital Preparedness Program. Each agreement covers a 12-month period, expiring in various months based on the respective effective date of the agreement. The Council recognizes the revenues associated with these contracts as they are earned and the expenses as they are incurred. Funds received in excess of revenue earned are recorded as unearned revenue in the consolidated statements of financial position. At December 31, 2018 and 2017, the Council has deferred revenue of \$270,481 and \$260,895, respectively.

Note 11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2018	2017
Cash and Cash Equivalents	\$ 1,491,696	\$ 1,358,772
Due from Affiliates	60	429
Accounts Receivable	185,938	95,859
Total	\$ 1,677,694	\$ 1,455,060

As part of the Council's liquidity management plan, the Council maintains balances in excess of daily requirements in sweep accounts.

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, May 10, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

**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 of
Metropolitan Hospital Council of
New Orleans, Inc. and Subsidiary

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 consolidated financial statements of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary (the Council), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Council'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 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 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 the Council's consolidated financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:573, this report is distributed by the legislative auditor as public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
May 10, 2019

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

**Schedule of Findings and Responses
For the Year Ended December 31, 2018**

No findings noted in current year or prior year.

SUPPLEMENTARY INFORMATION

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Financial Position
December 31, 2018

	MHCNO	MMC	Eliminating Entries	Consolidated
Assets				
Cash and Cash Equivalents	\$ 1,201,674	\$ 290,022	\$ -	\$ 1,491,696
Due from Affiliates	-	60	-	60
Accounts Receivable	185,938	-	-	185,938
Prepaid Expenses	7,995	26,137	-	34,132
Investment in Affiliate	316,170	177,447	-	493,617
Investment in Metropolitan Management Corporation	493,666	-	(493,666)	-
Property and Equipment, Net	6,524	-	-	6,524
Total Assets	\$ 2,211,967	\$ 493,666	\$ (493,666)	\$ 2,211,967
Liabilities				
Accounts Payable and Accrued Expenses	\$ 126,228	\$ -	\$ -	\$ 126,228
Unearned HHS Grant Revenue	270,481	-	-	270,481
Total Liabilities	396,709	-	-	396,709
Net Assets Without Donor Restrictions	1,815,258	493,666	(493,666)	1,815,258
Total Liabilities and Unrestricted Net Assets	\$ 2,211,967	\$ 493,666	\$ (493,666)	\$ 2,211,967

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Financial Position
December 31, 2017

	MHCNO	MMC	Eliminating Entries	Consolidated
Assets				
Cash and Cash Equivalents	\$ 1,318,143	\$ 40,629	\$ -	\$ 1,358,772
Due from Affiliates	-	429	-	429
Accounts Receivable	95,859	-	-	95,859
Prepaid Expenses	8,276	21,742	-	30,018
Investment in Affiliate	416,607	244,405	-	661,012
Investment in Metropolitan Management Corporation	307,205	-	(307,205)	-
Property and Equipment, Net	10,508	-	-	10,508
Total Assets	\$ 2,156,598	\$ 307,205	\$ (307,205)	\$ 2,156,598
Liabilities				
Accounts Payable and Accrued Expenses	\$ 41,425	\$ -	\$ -	\$ 41,425
Due to Affiliates	1,890	-	-	1,890
Unearned HHS Grant Revenue	260,895	-	-	260,895
Total Liabilities	304,210	-	-	304,210
Net Assets Without Donor Restrictions	1,852,388	307,205	(307,205)	1,852,388
Total Liabilities and Unrestricted Net Assets	\$ 2,156,598	\$ 307,205	\$ (307,205)	\$ 2,156,598

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Activities
For the Year Ended December 31, 2018

	MHCNO	MMC	Eliminating Entries	Consolidated
Revenues, Gains, and Other Support				
Membership Dues	\$ 273,000	\$ -	\$ -	\$ 273,000
HHS Grant Revenue	320,215	-	-	320,215
Equity in Loss of Metropolitan Management Corporation	(13,539)	-	13,539	-
Equity in Loss of Affiliate	(25,437)	(16,957)	-	(42,394)
Management Fees	25,000	-	-	25,000
Sponsorship Revenue	25,000	-	-	25,000
Investment Return, Net	4,557	-	-	4,557
Education Program	-	2,000	-	2,000
Other	14,379	4,396	-	18,775
Total Revenues, Gains (Losses), and Other Support	623,175	(10,561)	13,539	626,153
Expenses				
Program Expenses				
HHS Grants	324,360	-	-	324,360
Contributions	-	1,000	-	1,000
Education Fees	-	1,940	-	1,940
Management Fees	250,635	-	-	250,635
Supporting Expenses				
Professional Fees and Advocacy Expenses	32,288	-	-	32,288
Office and Other Expenses	18,649	38	-	18,687
Rent	27,173	-	-	27,173
Travel and Meetings	3,216	-	-	3,216
Federal/State Taxes	-	-	-	-
Depreciation	3,984	-	-	3,984
Bad Debt Expense	-	-	-	-
Total Expenses	660,305	2,978	-	663,283
Change in Net Assets	(37,130)	(13,539)	13,539	(37,130)
Net Assets, Beginning of Year	1,852,388	307,205	(307,205)	1,852,388
Plus: Capital Contributions	-	200,000	(200,000)	-
Net Assets, End of Year	\$ 1,815,258	\$ 493,666	\$ (493,666)	\$ 1,815,258

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Activities
For the Year Ended December 31, 2017

	MHCNO	MMC	Eliminating Entries	Consolidated
Revenues, Gains, and Other Support				
Membership Dues	\$ 292,500	\$ -	\$ -	\$ 292,500
HHS Grant Revenue	294,791	-	-	294,791
Equity in Income of Metropolitan Management Corporation	29,081	-	(29,081)	-
Equity in Income of Affiliate	182,247	121,500	-	303,747
Management Fees	25,000	-	-	25,000
Sponsorship Revenue	25,000	-	-	25,000
Investment Return, Net	3,052	-	-	3,052
Education Program	-	2,420	-	2,420
Other	9,227	-	-	9,227
Total Revenues, Gains (Losses), and Other Support	860,898	123,920	(29,081)	955,737
Expenses				
Program Expenses				
HHS Grants	289,743	-	-	289,743
Contributions	-	59,500	-	59,500
Education Fees	-	1,990	-	1,990
Management Fees	252,123	-	-	252,123
Supporting Expenses				
Professional Fees and Advocacy Expenses	29,710	-	-	29,710
Office and Other Expenses	47,697	30	-	47,727
Rent	27,096	-	-	27,096
Travel and Meetings	7,828	-	-	7,828
Federal/State Taxes	-	33,319	-	33,319
Depreciation	4,025	-	-	4,025
Bad Debt Expense	19,500	-	-	19,500
Total Expenses	677,722	94,839	-	772,561
Change in Net Assets	183,176	29,081	(29,081)	183,176
Net Assets, Beginning of Year	1,669,212	278,124	(278,124)	1,669,212
Net Assets, End of Year	\$ 1,852,388	\$ 307,205	\$ (307,205)	\$ 1,852,388

See independent auditor's report.

Independent Auditor's Report on the Supplementary Information

To the Board of Directors of
Metropolitan Hospital Council of
New Orleans and Subsidiary

We have audited the consolidated financial statements of Metropolitan Hospital Council of New Orleans and Subsidiary as of and for the years ended December 31, 2018 and 2017, and our report thereon dated May 10, 2019, which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to May 10, 2019.

The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis, as required by Louisiana Revised Statute 24:513 A(3), 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 audits 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 and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



A Professional Accounting Corporation

Metairie, LA
May 10, 2019

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended December 31, 2018

Agency Head

Jennifer McMahon, Executive Director

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

* No compensation, reimbursements nor benefits were paid to the agency head from public funds.