

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

Audits of Consolidated Financial Statements

December 31, 2017 and 2016



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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, 2017 and 2016, 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.

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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, 2017 and 2016, 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, 2018, 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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, 2018

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,358,772	\$ 653,077
Due from Affiliates	429	-
Accounts Receivable	95,859	411,933
Prepaid Expenses	30,018	36,129
Certificates of Deposit	-	306,981
Total Current Assets	1,485,078	1,408,120
Noncurrent Assets		
Investment in ShareCor, LLC	661,012	513,201
Property and Equipment (Net of Accumulated Depreciation of \$114,365 in 2017 and \$110,340 in 2016)	10,508	12,714
	671,520	525,915
Total Assets	\$ 2,156,598	\$ 1,934,035
Liabilities and Unrestricted Net Assets		
Accounts Payable and Accrued Expenses	\$ 41,425	\$ 48,496
Due to Affiliates	1,890	24
Unearned HHS Grant Revenue	260,895	216,303
Total Liabilities	304,210	264,823
Unrestricted Net Assets	1,852,388	1,669,212
Total Liabilities and Unrestricted Net Assets	\$ 2,156,598	\$ 1,934,035

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, 2017 and 2016

	2017	2016
Revenues, Gains, and Other Support		
Membership Dues	\$ 292,500	\$ 292,500
HHS Grant Revenue	294,791	276,014
Equity Earnings of ShareCor, LLC	303,747	177,189
Management Fees	25,000	25,000
Sponsorship Revenue	25,000	25,000
Investment Income	3,052	975
Education Program	2,420	-
Other	9,227	18,797
	<hr/>	<hr/>
Total Revenues, Gains, and Other Support	955,737	815,475
	<hr/>	<hr/>
Expenses		
Program Expenses		
HHS Grant Expenses	289,743	277,949
Contributions	59,500	36,000
Education Expenses	1,990	-
Management Fees	252,123	298,319
Supporting Expenses		
Professional Fees and Advocacy Expenses	29,710	39,110
Office and Other Expenses	47,727	41,274
Rent	27,096	26,873
Travel and Meetings	7,828	5,697
Federal/State Taxes	33,319	15,123
Depreciation	4,025	5,631
Bad Debt Expense	19,500	-
	<hr/>	<hr/>
Total Expenses	772,561	745,976
	<hr/>	<hr/>
Change in Unrestricted Net Assets	183,176	69,499
	<hr/>	<hr/>
Unrestricted Net Assets, Beginning of Year	1,669,212	1,599,713
	<hr/>	<hr/>
Unrestricted Net Assets, End of Year	\$ 1,852,388	\$ 1,669,212
	<hr/> <hr/>	<hr/> <hr/>

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ 183,176	\$ 69,499
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Equity in Income of ShareCor, LLC	(303,747)	(177,189)
Depreciation	4,025	5,631
Provision for Bad Debt Expense	19,500	-
(Increase) Decrease in Assets		
Accounts Receivable	296,574	(14,156)
Prepaid Expenses	6,111	15,921
Due from Affiliates	(429)	1,733
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(7,095)	7,987
Due to Affiliates	1,890	-
Unearned HHS Grant Revenue	44,592	712
Net Cash Provided by (Used in) in Operating Activities	244,597	(89,862)
Cash Flows from Investing Activities		
Proceeds from Distribution of Earnings in ShareCor, LLC	155,940	143,309
Purchases of Certificates of Deposit	-	(306,981)
Proceeds from Maturities of Certificates of Deposit	306,999	306,673
Purchase of Property and Equipment	(1,841)	(10,394)
Net Cash Provided by Investing Activities	461,098	132,607
Increase in Cash and Cash Equivalents	705,695	42,745
Cash and Cash Equivalents, Beginning of Year	653,077	610,332
Cash and Cash Equivalents, End of Year	\$ 1,358,772	\$ 653,077
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ 31,000	\$ -

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.

In accordance with the provisions of the *Financial Statements of Not-for-Profit Organizations* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017 and 2016, the entire balance of net assets was unrestricted.

Accounting Estimates

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2017 and 2016, and, accordingly, no deferred tax provision has been recorded to date.

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 management has determined that there are no uncertain tax positions that are material to the consolidated financial statements.

Functional Expenses

In accordance with the provisions of the FASB 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, 2017 and 2016, program expenses were approximately 78% and 82%, 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. 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.

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)

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.

Note 2. Property and Equipment

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

	2017	2016
Furniture and Fixtures	\$ 15,457	\$ 15,457
Office Equipment	90,754	88,935
Leasehold Improvements	18,662	18,662
	<u>124,873</u>	<u>123,054</u>
Less: Accumulated Depreciation	114,365	110,340
Total	\$ 10,508	\$ 12,714

Depreciation expense was \$4,025 and \$5,631, for the years ended December 31, 2017 and 2016, respectively.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 3. Investment in Affiliate

The pertinent financial information for ShareCor, LLC as of December 31, 2017 and 2016, is as follows:

	2017	2016
Balance Sheet		
Assets	\$ 1,662,862	\$ 1,348,101
Liabilities	\$ 340,840	\$ 321,692
Equity	1,322,022	1,026,409
	\$ 1,662,862	\$ 1,348,101
Income Statement		
Revenues	\$ 1,554,681	\$ 1,387,434
Expenses	947,187	1,033,056
	607,494	354,378
Net Income (Loss)	50%	50%
Council's Share of Net Income	\$ 303,747	\$ 177,188

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, 2017 and 2016. The Council made contributions of \$1,631 and \$1,983 to the 401(k) retirement plan during the years ended December 31, 2017 and 2016, 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 2016 and 2017, 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 \$4,927 and \$4,284, as of December 31, 2017 and 2016, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of accounts payable and accrued expenses.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 5. Compensated Absences and Post Employment Benefits (Continued)

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, 2017 and 2016. 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 \$45,000 in management revenue from ShareCor which was included as management fees on the consolidated statements of activities for the years ended December 31, 2017 and 2016. ShareCor pays the Council for its use of shared office space, equipment, and supplies of the Council. For the years ended December 31, 2017 and 2016, ShareCor reimbursed the Council for these expenses in the amounts of \$26,635 and \$27,011, respectively. Certain other operating costs incurred by the Council are directly reimbursed by ShareCor and are recorded as receivables until received.

LHA provides management and administrative support to the Council. The Council incurred management fees to LHA of \$252,123 and \$298,319, for the years ended December 31, 2017 and 2016, respectively. The Council also incurred fees for accounting services. For the years ended December 31, 2017 and 2016, accounting fees were \$20,000 and 29,000, respectively. 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, 2017 and 2016, the net amount due to LHA totaled \$1,461 and \$24, respectively.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 7. Leases

The Council leases office space under an operating lease. Rental expense under the operating lease for the years ended December 31, 2017 and 2016, totaled \$50,278 and \$50,278, respectively; however, ShareCor reimbursed the Council \$23,182 and \$23,405, respectively, for the use of office space. The amount received from ShareCor was netted against the expense for a net total of \$27,096 and \$26,873, which is reflected as rent expense on the consolidated statements of activities for the years ended December 31, 2017 and 2016, respectively. The Council's lease of its office space is scheduled to terminate in December 2018.

Minimum future rentals expected to be paid on the lease as of December 31, 2017, are as follows:

December 31,	Amount
2018	\$ 51,489
Total	\$ 51,489

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 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, 2017 and 2016:

	2017	2016
Current		
Federal	\$ 28,790	\$ 12,291
State	4,529	2,832
Total	\$ 33,319	\$ 15,123

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 9. Income Tax Expense (Continued)

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 made tax payments in excess of amounts owed totaling \$21,741 and \$24,061, at December 31, 2017 and 2016, respectively. These amounts are included in prepaid expenses.

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, 2017 and 2016, the Council has deferred revenue of \$260,895 and \$216,303, respectively.

Note 11. Fair Value Measurements

The Council's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the FASB ASC Topic, *Fair Value Measurement*. See Note 1 for a description of the Council's policies.

The valuation of the Council's certificates of deposit (all Level 2) measured at fair value on a recurring basis were \$0 and \$306,981, at December 31, 2017 and 2016, respectively.

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, May 10, 2018, 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, 2017, 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, 2018.

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, 2018

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

**Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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, 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 ShareCor, LLC	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
Unrestricted Net Assets	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 Financial Position
December 31, 2016

	MHCNO	MMC	Eliminating Entries	Consolidated
Assets				
Cash and Cash Equivalents	\$ 584,294	\$ 68,783	\$ -	\$ 653,077
Accounts Receivable	411,933	-	-	411,933
Prepaid Expenses	12,069	24,060	-	36,129
Certificates of Deposit	306,981	-	-	306,981
Investment in ShareCor, LLC	327,920	185,281	-	513,201
Investment in Metropolitan Management Corporation	278,124	-	(278,124)	-
Property and Equipment, Net	12,714	-	-	12,714
Total Assets	\$ 1,934,035	\$ 278,124	\$ (278,124)	\$ 1,934,035
Liabilities				
Accounts Payable and Accrued Expenses	\$ 48,496	\$ -	\$ -	\$ 48,496
Due to Affiliates	24	-	-	24
Unearned HHS Grant Revenue	216,303	-	-	216,303
Total Liabilities	264,823	-	-	264,823
Unrestricted Net Assets	1,669,212	278,124	(278,124)	1,669,212
Total Liabilities and Unrestricted Net Assets	\$ 1,934,035	\$ 278,124	\$ (278,124)	\$ 1,934,035

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 Earnings of Metropolitan Management Corporation	29,081	-	(29,081)	-
Equity Earnings of ShareCor, LLC	182,247	121,500	-	303,747
Management Fees	25,000	-	-	25,000
Sponsorship Revenue	25,000	-	-	25,000
Investment Return	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 Grant Expenses	289,743	-	-	289,743
Contributions	-	59,500	-	59,500
Education Expenses	-	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 Unrestricted Net Assets	183,176	29,081	(29,081)	183,176
Unrestricted Net Assets, Beginning of Year	1,669,212	278,124	(278,124)	1,669,212
Unrestricted Net Assets, End of Year	\$ 1,852,388	\$ 307,205	\$ (307,205)	\$ 1,852,388

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Activities
For the Year Ended December 31, 2016

	MHCNO	MMC	Eliminating Entries	Consolidated
Revenues, Gains, and Other Support				
Membership Dues	\$ 292,500	\$ -	\$ -	\$ 292,500
HHS Grant Revenue	276,014	-	-	276,014
Equity Earnings of Metropolitan Management Corporation	29,723	-	(29,723)	-
Equity Earnings of ShareCor, LLC	106,315	70,874	-	177,189
Management Fees	25,000	-	-	25,000
Sponsorship Revenue	25,000	-	-	25,000
Investment Return	975	-	-	975
Education Program	-	-	-	-
Other	18,797	-	-	18,797
Total Revenues, Gains (Losses), and Other Support	774,324	70,874	(29,723)	815,475
Expenses				
Program Expenses				
HHS Grant Expenses	277,949	-	-	277,949
Contributions	10,000	26,000	-	36,000
Education Expenses	-	-	-	-
Management Fees	298,319	-	-	298,319
Supporting Expenses				
Professional Fees and Advocacy Expenses	39,110	-	-	39,110
Office and Other Expenses	41,246	28	-	41,274
Rent	26,873	-	-	26,873
Travel and Meetings	5,697	-	-	5,697
Federal/State Taxes	-	15,123	-	15,123
Depreciation	5,631	-	-	5,631
Total Expenses	704,825	41,151	-	745,976
Change in Unrestricted Net Assets	69,499	29,723	(29,723)	69,499
Unrestricted Net Assets, Beginning of Year	1,599,713	248,401	(248,401)	1,599,713
Unrestricted Net Assets, End of Year	\$ 1,669,212	\$ 278,124	\$ (278,124)	\$ 1,669,212

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, 2017 and 2016, and our report thereon dated May 10, 2018, 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, 2018.

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, 2018

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, 2017

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.