

VISITATION HOSPITAL FOUNDATION

Financial Statements - Cash Basis

For the Year Ended December 31, 2011

(With Independent Auditor's Report Thereon)

VISITATION HOSPITAL FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Visitation Hospital Foundation:

We have audited the accompanying statement of assets, liabilities and net assets - cash basis of Visitation Hospital Foundation (a Tennessee nonprofit corporate organization) as of December 31, 2011 and the related statement of revenues, expenses and other changes in net assets - cash basis for the year then ended. These financial statements are the responsibility of the Organization'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. 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.

As described in note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Visitation Hospital Foundation as of December 31, 2011, and its support, revenue and expenses for the year then ended, on the basis of accounting described in note 1.

Maggart & Associates, P.C.

July 20, 2012

VISITATION HOSPITAL FOUNDATION

Statement of Assets, Liabilities and Net Assets - Cash Basis

December 31, 2011

Assets

Current assets:	
Cash	\$ 705,103
Investments	<u>1,002</u>
Total current assets	<u>706,105</u>
Land	10,000
Buildings	696,691
Equipment	170,697
Furniture and fixtures	60,824
Computer equipment and software	29,132
Automobiles	<u>27,382</u>
	994,726
Less accumulated depreciation	<u>278,576</u>
Net fixed assets	<u>716,150</u>
Other assets	<u>1,324</u>
Total assets	<u>\$ 1,423,579</u>

Liabilities

Payroll taxes withholdings payable	<u>\$ 1,332</u>
Total liabilities	<u>1,332</u>

Net Assets

Net assets:	
Unrestricted	1,252,769
Temporarily restricted	<u>169,478</u>
Total net assets	<u>1,422,247</u>
Total liabilities and net assets	<u>\$ 1,423,579</u>

See accompanying notes to financial statements.

VISITATION HOSPITAL FOUNDATION

Statement of Revenues, Expenses and Other Changes in Net Assets - Cash Basis

For the Year Ended December 31, 2011

Unrestricted revenues:	
Contributions (including non-cash contributions of \$57,434)	\$ 523,673
Grant income	8,000
Other income (including patient income of \$17,289)	18,217
Net assets released from restrictions	<u>26,947</u>
Total unrestricted revenues	<u>576,837</u>
Expenses:	
Program	412,209
Management and general	27,501
Fundraising	<u>62,269</u>
Total expenses	<u>501,979</u>
Increase in unrestricted net assets	<u>74,858</u>
Temporarily restricted revenues:	
Contributions	75,151
Net assets released from restrictions	<u>(26,947)</u>
Increase in temporarily restricted net assets	<u>48,204</u>
Increase in net assets	123,062
Net assets at beginning of year	<u>1,299,185</u>
Net assets at end of year	<u>\$ 1,422,247</u>

See accompanying notes to financial statements.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis

For the Year Ended December 31, 2011

(1) Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Organization

Visitation Hospital Foundation was founded in 1999 to provide health care to the people of Haiti through the construction and operation of a medical facility and through providing critical aid such as medical supplies.

(b) Financial Statement Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. As such, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when obligations are incurred.

Standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

- Unrestricted net assets represent those net assets that are not subject to donor imposed stipulations.
- Temporarily restricted net assets include net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets are those net assets subject to donor-imposed stipulations that require the net assets to be maintained permanently by the Organization. Currently, the Organization does not maintain any permanently restricted net assets.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2011

(1) Summary of Significant Accounting Policies, Continued

(c) Contributions

Accounting standards require that unconditional promises to give (pledges) be recorded as receivables and as revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. However, under the modified cash basis of accounting the Organization records contribution revenue upon receipt as described in (b) above instead of recognizing unconditional promises to give in the period the promise is received. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 revenues, expenses, and other changes in net assets - cash basis as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated current value.

(d) Contributed Services

Various members of the Board of Directors volunteer their time and effort to provide administrative services to the Organization through its various programs throughout the year on an as-needed basis. In addition, the Organization actively promotes recruitment of volunteers to facilitate the programs undertaken in the Haiti locale. No amounts have been recognized in the accompanying financial statements for those contributed services.

(e) Fixed Assets

Fixed assets are stated at cost at date of acquisition or estimated fair market value at date of donation in the case of gifts. Depreciation of buildings, equipment, furniture and fixtures, and computer equipment and software is provided over the estimated useful lives of the respective assets on an accelerated basis.

(f) Cash and Cash Equivalents

The Organization considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains balances in financial institutions that management considers to be financially sound. The balances held at the various financial institutions may at times exceed Federally insured limits.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2011

(1) Summary of Significant Accounting Policies, Continued

(g) Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization is classified by the Internal Revenue Service as other than a private foundation.

(h) Foreign Currency Adjustments

The Organization will occasionally enter into transactions requiring currency exchange that may result in a gain or loss in exchange. Such transactions are minimal and any foreign current exchange gains or losses resulting from such transactions are recognized in the Statement of Revenues, Expenses and Other Changes in Net Assets as they occur.

(i) Estimates

The preparation of financial statements in conformity with the modified cash basis method of accounting requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and other changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Nature of Net Assets

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Contributions of assets other than cash are recorded at their estimated current value.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2011

(1) *Summary of Significant Accounting Policies, Continued*

(k) *Nature of Net Assets, Continued*

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and equipment is recorded at cost or at the fair market value at the date of donation. Depreciation on property and equipment is calculated using an accelerated method over the estimated useful life of the asset.

Temporarily restricted net assets are available for the following purposes:

Program activities:

Amounts restricted for specified gift purposes	\$ <u>169,478</u>
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Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Donations used for intended purpose	\$ <u>26,947</u>
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(2) *Non-Cash Contributions*

The Organization receives various non-cash contributions throughout the year such as medical supplies and equipment and postage for mailings. These non-cash contributions are recorded at fair value and are included in unrestricted revenues as contributions. The following is a summary of current year non-cash contributions:

Medical supplies	\$ <u>57,434</u>
	\$ <u>57,434</u>

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2011

(3) Expenses

Expenses incurred were for:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ 12,729	7,637	5,092	25,458
Advertising	-	-	1,104	1,104
Depreciation	48,885	2,716	2,716	54,317
Fundraising	-	-	4,161	4,161
Hospital expenses	321,178	-	-	321,178
Administrative, office and supplies expense	5,557	3,429	12,532	21,518
Rent	4,187	646	4,044	8,877
Salaries and wages	<u>19,673</u>	<u>13,073</u>	<u>32,620</u>	<u>65,366</u>
	<u>\$ 412,209</u>	<u>27,501</u>	<u>62,269</u>	<u>501,979</u>

(4) Commitments and Contingencies

The Organization currently does not maintain insurance. However, management is considering the idea of procuring general and liability insurance for the future. Management is not aware of any pending or threatened claims against the Organization as of the date of this report.

During 2011, the Organization entered into a one year lease for office space at a net cost of \$600 per month. The lease was renewed at a monthly rate of \$450 subsequent to year end and expires in June, 2013.

Over Haiti's history there has been occasional political turmoil, which may under certain circumstances affect the Organization's program services.

(5) Medical Facility Construction

During 2006, a religious organization deeded a parcel of land to the Organization for the purpose of providing a site for construction of a medical facility. The deed is conditional and requires the land to be reconveyed to the religious organization in the event the Organization ceases operations.

In addition, the Organization has constructed a storage facility on the site and has completed construction on a medical facility and a separate staff housing building with total facility expenditures of \$696,691. All facility costs are included in buildings and are being depreciated over their estimated useful life of 39 years.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2011

(6) Concentration of Credit Risk

The Organization maintains cash balances at an institution which are insured at varying amounts by the Federal Deposit Insurance Corporation. At December 31, 2011, the Organization had cash balances in excess of FDIC limits in the amount of \$116,696.

The Organization maintains accounts with a Haitian bank for hospital operations. At December 31, 2011, the Organization had \$11,026 in these accounts. These accounts are not insured by the Federal Deposit Insurance Corporation.

(7) Major Contributors

During the year ended December 31, 2011, the Organization received unrestricted cash contributions totaling \$205,000 from one donor.

The Organization received a non-cash contribution of medical supplies from one donor totaling \$48,637.

(8) Subsequent Events

Management has evaluated subsequent events through July 20, 2012, the date which the financial statements were available to be issued.