

VISITATION HOSPITAL FOUNDATION

Financial Statements - Cash Basis

For the Year Ended December 31, 2005

(With Independent Auditor's Report Thereon)

MAGGART & ASSOCIATES, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS
NASHVILLE, TENNESSEE**

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, 2005 and the related statement of revenue, 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, 2005, and its support, revenue and expenses for the year then ended, on the basis of accounting described in note 1.

October 27, 2006

Maggart & Associates, P.C.

VISITATION HOSPITAL FOUNDATION

Statement of Assets, Liabilities and Net Assets - Cash Basis

December 31, 2005

Assets

Current assets:	
Cash	\$ 239,027
Investments	<u>4,067</u>
Total current assets	<u>243,094</u>
Furniture and fixtures	2,450
Computer and software	<u>4,683</u>
	7,133
Less accumulated depreciation	<u>(6,199)</u>
Net fixed assets	<u>934</u>
Total assets	<u>\$ 244,028</u>

Liabilities and Net Assets

Current liabilities:	
Payroll taxes	\$ <u>2,255</u>
Total liabilities	<u>2,255</u>
Net assets:	
Unrestricted	8,829
Unrestricted board designated	<u>223,148</u>
Total unrestricted	231,977
Temporarily restricted	<u>9,796</u>
Total net assets	<u>241,773</u>

COMMITMENTS AND CONTINGENCIES

Total liabilities and net assets	<u>\$ 244,028</u>
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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, 2005

Unrestricted revenues:	
Contributions	\$ 375,387
Interest and dividends	876
Other income	1,900
Net assets released from restrictions	-
Total unrestricted revenues	<u>378,163</u>
Expenses:	
Program	128,879
Administration	9,945
Fundraising	<u>62,820</u>
Total expenses	<u>201,644</u>
Increase in unrestricted net assets	<u>176,519</u>
Temporarily restricted revenues:	
Contributions	3,220
Net assets released from restrictions	-
Increase in temporarily restricted net assets	<u>3,220</u>
Increase in net assets	179,739
Net assets at beginning of year	<u>62,034</u>
Net assets at end of year	<u>\$ 241,773</u>

See accompanying notes to financial statements.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis

For the Year Ended December 31, 2005

(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 benefits to the people of Haiti through the construction of a medical facility and providing medical supplies. As of December 31, 2005, the Organization was still in the process of receiving the necessary approvals to construct the medical facility. It is the intent of the Organization to begin utilizing funds to construct the facility once receiving the necessary approvals.

(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.

The Organization follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires 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. 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, 2005

(1) Summary of Significant Accounting Policies, Continued

(c) Contributions

The Organization adheres to the provisions of SFAS No. 116, "Accounting for Contributions Received and Made". SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and 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 (a) 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 activities 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 services.

(e) Furniture and Fixtures

Furniture and fixtures are stated at cost at date of acquisition or estimated fair market value at date of donation in case of gifts. Depreciation of equipment 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.

(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.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2005

(1) Summary of Significant Accounting Policies, Continued

(h) 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.

(i) 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.

(2) Expenses

Expenses incurred were for:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 72,878	4,555	13,665	91,098
Payroll taxes	5,575	348	1,045	6,968
Hope and Healing	6,240	-	-	6,240
Construction and design	1,549	-	-	1,549
Water purification	5,698	-	-	5,698
Consulting	-	-	18,000	18,000
Accounting	2,433	1,086	826	4,345
Events	-	-	15,366	15,366
Health insurance	4,546	284	852	5,682
Postage	-	-	5,885	5,885
Office supplies	3,542	221	664	4,427
Photography and video	-	-	2,566	2,566
Printing and copying	7,166	448	1,344	8,958
Rent	6,096	381	1,143	7,620
Telephone	3,466	217	650	4,333
Other	9,690	2,405	814	12,909
	<u>\$ 128,879</u>	<u>9,915</u>	<u>62,820</u>	<u>201,614</u>

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2005

(3) *Commitments and Contingencies*

The Organization currently does not maintain insurance. Management is not aware of any pending or threatened claims against the Organization as of the date of this report.

The Organization currently rents space on a month-to-month basis in the amount of approximately \$900 per month.

(4) *Board Designated Net Assets*

Certain funds have been designated as restricted by the Organization's Board of Directors. Since these funds do not have donor restrictions and could be used for other purposes of the Organization they have not been classified as temporarily restricted funds. However, funds totaling \$223,148 have been designated by the Board for construction of a medical facility in Haiti.

(5) *Concentration of Credit Risk*

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2005, the Organization's uninsured cash balances totaled \$138,000.