

2020
Financial Statements
With
Auditor's Letters

NASHVILLE GENERAL HOSPITAL FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2020

(With Independent Auditor's Report Thereon)

NASHVILLE GENERAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2020

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nashville General Hospital Foundation

We have audited the accompanying financial statements of Nashville General Hospital Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Nashville General Hospital Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

February 10, 2021

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:

Cash	\$ 241,535	
Restricted cash	426,641	
Total current assets		<u>\$ 668,176</u>

Total assets		<u>668,176</u>
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Total Assets		<u><u>\$ 668,176</u></u>
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LIABILITIES AND NET ASSETS

Net Assets:

Without donor restrictions	241,535	
With donor restrictions	426,641	
Total net assets		<u>668,176</u>

Total Liabilities and Net Assets		<u><u>\$ 668,176</u></u>
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See accompanying notes to the financial statements.

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Contributions	\$ 105,352	280,848	\$ 386,200
In-kind donations	274,054	-	274,054
Interest income	2,267	-	2,267
Net assets released from restrictions	<u>101,959</u>	<u>(101,959)</u>	<u>-</u>
Total Revenue	483,632	178,889	662,521
Expenses:			
Program services	295,567	-	295,567
Management and general	39,829	-	39,829
Fundraising expenses	<u>55,215</u>	<u>-</u>	<u>55,215</u>
Total Expenses	<u>390,611</u>	<u>-</u>	<u>390,611</u>
Change in net assets	<u>93,021</u>	<u>178,889</u>	<u>271,910</u>
Net assets, beginning of year	<u>148,514</u>	<u>247,752</u>	<u>396,266</u>
Net assets, end of year	<u><u>\$ 241,535</u></u>	<u><u>\$ 426,641</u></u>	<u><u>\$ 668,176</u></u>

See accompanying notes to the financial statements.

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program	Supporting Services		Total
	<u>Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Expenses</u>
		<u>and General</u>	<u>Expenses</u>	
Salaries (all in-kind)	\$ 66,381	\$ 30,158	\$ 51,030	\$ 147,569
Labor and delivery	-	-	-	-
In-kind (other)	126,485	-	-	126,485
Mammogram screenings	27,007	-	-	27,007
Oncology patient care fund	54,980	-	-	54,980
Food pantry	-	-	-	-
Second Harvest	-	-	-	-
Professional fees	-	6,423	-	6,423
Jazz brunch	-	-	-	-
Employee care	13,399	-	-	13,399
Prostate screening	5,594	-	-	5,594
Miscellaneous	1,189	36	663	1,888
Insurance	-	1,683	-	1,683
Dues and subscriptions	-	789	2,448	3,237
Recognitions and celebrations	532	-	1,074	1,606
Marketing	-	-	-	-
Licenses and permits	-	295	-	295
Supplies	-	445	-	445
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Total expenses by function	\$ 295,567	\$ 39,829	\$ 55,215	\$ 390,611
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:		
Change in net assets		\$ 271,910
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in:		
Contributions receivable	4,339	
Prepaid expenses	209	
Accounts payable	(5,689)	
Total adjustments		<u>(1,141)</u>
Net cash provided by operating activities		<u>270,769</u>
Net change in cash and restricted cash		270,769
Cash and restricted cash - beginning of year		<u>397,407</u>
Cash and restricted cash - end of year		<u><u>\$ 668,176</u></u>

See accompanying notes to the financial statements.

NASHVILLE GENERAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

Description of Business and Program Services - Nashville General Hospital Foundation (the "Foundation") was established in 1977 as a Tennessee nonprofit corporation to provide resources to support various programs of Metropolitan Nashville General Hospital ("MNGH").

Financial Statement Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions, and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no perpetually restricted net assets at June 30, 2020.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at June 30, 2020.

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net asset without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Goods and Services - Contributed services are recognized if the services received, (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation receives executive director and other administrative services from employees of MNGH. The value of such services is recorded as an in-kind donation. Additionally, the Foundation receives a significant amount of contributed time from unpaid members and volunteers who assist in fundraising and special projects that does not meet the recognition criteria described above. Accordingly, the value of the contributed time has not been determined and is not reflected in the accompanying financial statements.

Income Taxes - No provision for federal income taxes is made in the accompanying financial statements, as the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management 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.

NASHVILLE GENERAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments - The carrying values of current assets, current liabilities, and restricted cash approximate fair values due to the short maturities of these instruments. All are considered Level 1 in the fair value hierarchy.

Functional Allocation of Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred and spent.

Change in Accounting Principle – In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU has been applied retrospectively to all periods presented.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at September 30, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NOTE 2 - Availability and Liquidity

Financial assets for the year ended

Cash	<u>\$ 284,192</u>
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In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is readily available with the exception of the restricted amounts referenced in Note 5. We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 – Grants

The Foundation's primary function is to provide funds to MNGH. MNGH is a publicly supported, academically affiliated, community based hospital committed to providing excellent healthcare regardless of age, race, creed, gender, sexual preference, or ability to pay. Contributions are primarily made to support MNGH's programs which have included free mammograms to low-income women as well as other healthcare related services such as special machines from which patients can get certain prescriptions filled.

NASHVILLE GENERAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – Concentrations and Contingencies

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash deposits. All cash accounts held by the Foundation are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2020, the Foundation had \$150,933 in excess of the FDIC insured limit.

As of December 7, 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Foundation expects this matter to negatively impact its operating results due to families not wanting services due to the uncertainty of the virus; however, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 5 - Net assets with donor restrictions

Team Chad Foundation	\$ 98,461
Men's Clinic	45,825
Patient Care (Food Pantry)	231,848
Oncology Patient Fund	25,980
Seniors Project	15,175
Employee Care Fund	3,435
Chaplain Fund	3,050
Scholarships	2,000
General (Restricted)	665
Labor and Delivery Fund	202
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	\$ 426,641

NOTE 6 – Related party transactions

The Foundation exists to support the programs of MNGH. The amounts paid to MNGH for these programs amounted to \$82,205 for the year ended June 30, 2020. These amounts do not reflect all other program support payments from the Foundation in support of patients and staff.

MNGH provides executive and administrative services at no cost to the Foundation. Such services are valued at \$147,569 for the year ended June 30, 2020.

NOTE 7 – Upcoming Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 8 - Subsequent Events

We have evaluated events subsequent to the years ending June 30, 2020, as of February 10, 2021, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

February 10, 2021

To the Board of Directors
Nashville General Hospital Foundation

We have audited the financial statements of Nashville General Hospital Foundation (the "Foundation") for the year ended June 30, 2020, and we will issue our report thereon dated February 10, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nashville General Hospital Foundation are described in Note 1 to the financial statements. As described in Note 1, the Foundation changed accounting policies related to the method of accounting related to contributions by adopting FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in 2020. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates that affected the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the allocation method for functional expenses in Note 1 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, the following material misstatements detected as a result of audit procedures were corrected by management: cash, contributions, in-kind salaries.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial

statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors and management of Nashville General Hospital Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Handler & Ballentine



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

February 10, 2021

To the Board of Directors
Nashville General Hospital Foundation

In planning and performing our audit of the financial statements of Nashville General Hospital Foundation (the "Foundation") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Nashville General Hospital Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

Improve Segregation of Duties over Cash

During our audit, we noted the Foundation has a very small office, which limits the segregation of duties. The Foundation consists of two employees and a part-time bookkeeper. The tables below demonstrate a segregation of controls in scenarios of both a two-person and three-person office:

Improve Segregation of Duties over Cash—Two-person Office

Bookkeeper	Executive Director or Board Member
<ul style="list-style-type: none">• Record accounts receivable entries• Mail checks• Write checks• Record general ledger entries• Reconcile bank statements• Record credits/debits in accounting records• Receive cash• Disburse petty cash• Authorize purchase orders• Authorize check requests• Authorize invoices for payment	<ul style="list-style-type: none">• Sign checks• Complete deposit slips• Perform interbank transfers• Reconcile petty cash• Process vendor invoices• Review bank reconciliations

Improve Segregation of Duties over Cash—Three-person Office

Bookkeeper	Office Manager	Executive Director or Board Member
<ul style="list-style-type: none">• Record accounts receivable entries• Reconcile petty cash• Write checks• Record general ledger entries• Reconcile bank statements• Record credits/debits in accounting records	<ul style="list-style-type: none">• Process vendor invoices• Receive cash• Mail checks• Approve invoices for payment• Authorize purchase orders• Disburse petty cash	<ul style="list-style-type: none">• Sign checks• Complete deposit slips• Perform interbank transfers• Review bank reconciliations

FlipCause Transfers

The Foundation utilizes an online funding platform, FlipCause. Contributions that are received through FlipCause are held in a separate account and have to be manually transferred to the Foundation's operating bank account. During the audit, we noted that these transfers are recorded as revenue upon the transfer to the operating account, as opposed to when the funds are received via the platform. Untimely recording of these transfers results in misstating revenue at the time of receipt. We recommend a process be put in place to ensure transfers are made prior to financial reporting dates (ie. month-end) to ensure the proper cut-off and reporting of revenue received.

In-Kind Items

While the Foundation does maintain a listing of in-kind items and records the majority of these received items, there were some instances noted during the audit of a failure to record all in-kind items. These amounts included items received for a silent auction and the time for the services provided/paid for by Metro Nashville General Hospital. We recommend that all of these items be tracked on a spreadsheet, or other method, and then recorded at the end of each year.

Preparation for New Accounting Standards

Leases

We recommend that management begin reviewing all leases engaged in by the Foundation (as a lessor or lessee) to start preparing for reporting changes and disclosure requirements included in ASU 2016-02 *Leases (Topic 842)*, that will be effective for annual periods beginning after December 15, 2021. Under this new accounting standard, most leases will need to be recorded as a liability on your financial statements. You will also record an asset for the right to use the leased property.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Patterson Harder & Ballentine