

*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, 2007 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, 2007, and its support, revenue and expenses for the year then ended, on the basis of accounting described in note 1.

November 12, 2008

*Maggart & Associates, P.C.*

***VISITATION HOSPITAL FOUNDATION***

***Statement of Assets, Liabilities and Net Assets - Cash Basis***

***December 31, 2007***

**Assets**

**Current assets:**

Cash	\$ 186,157
Investments, at cost	987
Advances	<u>2,400</u>

Total current assets 189,544

Land	10,000
Equipment	115,587
Furniture and fixtures	54,850
Computer equipment and software	26,879
Construction in process	<u>431,822</u>
	639,138

Less accumulated depreciation (6,559)

Net fixed assets 632,579

Total assets \$ 822,123

**Liabilities and Net Assets**

**Net assets:**

Unrestricted	\$ 772,133
Temporarily restricted	<u>49,990</u>
Total net assets	<u>822,123</u>

**COMMITMENTS AND CONTINGENCIES**

Total liabilities and net assets \$ 822,123

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, 2007*

Unrestricted revenues:	
Contributions	\$ 534,727
Interest and dividends	270
Other income	750
Net assets released from restrictions	<u>89,225</u>
Total unrestricted revenues	<u>624,972</u>
Expenses:	
Program	236,095
Management and general	11,679
Fundraising	<u>24,477</u>
Total expenses	<u>272,251</u>
Increase in unrestricted net assets	<u>352,721</u>
Temporarily restricted revenues:	
Contributions	132,125
Net assets released from restrictions	<u>(89,225)</u>
Increase in temporarily restricted net assets	<u>42,900</u>
Increase in net assets	395,621
Net assets at beginning of year	<u>426,502</u>
Net assets at end of year	<u>\$ 822,123</u>

See accompanying notes to financial statements.

# ***VISITATION HOSPITAL FOUNDATION***

## ***Notes to Financial Statements - Cash Basis***

***For the Year Ended December 31, 2007***

### ***(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.

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. 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, 2007***

***(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 (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) 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.

**VISITATION HOSPITAL FOUNDATION**

**Notes to Financial Statements - Cash Basis, Continued**

**For the Year Ended December 31, 2007**

**(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) 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>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages - U.S.	\$ 78,004	4,589	9,177	91,770
Accounting & auditing	2,700	1,350	450	4,500
Bank fees	-	1,123	-	1,123
Board meetings	325	19	38	382
Books, publications & subscriptions	329	21	62	412
Check order fees	-	64	-	64
Computer	1,461	730	243	2,434
Depreciation	786	44	44	874
E-mail & internet	447	30	119	596
Gifts & flowers	-	(3)	-	(3)
Hospital - Construction (Paid U.S.)*	2,668	-	-	2,668
Hospital - Food & nutrition (Paid U.S.)	5,000	-	-	5,000
Hospital - Freight/shipping (Paid U.S.)	634	-	-	634
Hospital - Freight/shipping one-time (Paid U.S.)	16,791	-	-	16,791
Hospital - General (Paid U.S.)	3,277	-	-	3,277
Hospital - Medicines/medical supplies (Paid U.S.)	54,327	-	-	54,327
Hospital - Satellite (Paid U.S.)*	2,519	-	-	2,519

**VISITATION HOSPITAL FOUNDATION**

**Notes to Financial Statements - Cash Basis, Continued**

**For the Year Ended December 31, 2007**

**(2) Expenses, Continued**

Expenses incurred were for:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Hospital - Storage in U.S. (Paid U.S.)	\$ 4,598	-	-	4,598
Hospital - Supplies/furnishings one-time (Paid U.S.)*	14,067	-	-	14,067
Hospital - Supplies/furnishings (Paid U.S.)*	621	-	-	621
Hospital - Travel (Paid U.S.)	5,797	-	-	5,797
Insurance - Health - U.S.	7,388	435	869	8,692
License, permits & filings	-	20	-	20
Location event expenses	-	-	4,599	4,599
Mailing, postage & stamps	-	-	4,467	4,467
Meals	-	95	-	95
Merchant fees - charge processing	-	1,075	-	1,075
Office expenses & supplies	2,193	137	411	2,741
Payroll processing fees	898	53	106	1,057
Photography & video	6	6	20	32
Printing & copying	9,949	585	1,170	11,704
Promotion & public relations	-	-	259	259
Rent for office	10,110	595	1,189	11,894
Taxes - Personality	60	4	11	75
Taxes - FICA - Employer	5,967	351	702	7,020
Taxes - FUTA	(39)	(2)	(5)	(46)
Taxes - SUTA	668	39	79	786
Telephone	3,412	201	401	4,014
Travel	1,132	118	66	1,316
	<u>\$ 236,095</u>	<u>11,679</u>	<u>24,477</u>	<u>272,251</u>

\* Does not include expenditures for items capitalized.

**(3) Commitments and Contingencies**

The Organization currently does not maintain insurance. However, management is endeavoring to procure 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.

The Organization currently rents space on a month-to-month basis in the amount of \$943 per month.

The Organization currently rents extra storage space on a month-to-month basis in the amount of \$227 per month.

Beginning November, 2007 the Organization entered into a 36 month agreement with a company to provide a data server for clinic operations at a cost of approximately \$500 a month.



***VISITATION HOSPITAL FOUNDATION***

***Notes to Financial Statements - Cash Basis, Continued***

***For the Year Ended December 31, 2007***

**(3) Commitments and Contingencies, Continued**

During 2006, the Organization entered into a construction contract with a Haitian company for the construction of a medical clinic in Petite Riviere de Nippes, Haiti. The total estimated contract amount is for \$345,640. As of December 31, 2007, the Organization had made payments on this contract totaling \$243,119.

In addition, the Organization engaged in the construction of a staff housing. Total payments made in 2007 were \$55,000. Total estimated payments will approximate \$127,000.

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

**(4) 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 at a cost of \$33,081 and has began construction on a medical facility and separate staff housing building previously discussed with total facility expenditures of \$398,741 to date. The storage facility and initial construction costs are included in construction in process in the accompanying financial statements.

**(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, 2007, the Organization's uninsured cash balances approximated \$77,054.