

DRAFT
For Discussion Purposes Only

VISITATION HOSPITAL FOUNDATION

Financial Statements - Cash Basis

For the Year Ended December 31, 2020

(With Independent Auditor's Report Thereon)

VISITATION HOSPITAL FOUNDATION

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For Discussion Purposes Only

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Visitation Hospital Foundation:

We have audited the accompanying financial statements of Visitation Hospital Foundation (a nonprofit organization) which comprise the statement of assets, liabilities, and net assets - cash basis as of December 31, 2020 and the related statement of revenues, expenses and other changes in net assets - cash basis for the year then ended and the related notes to the financial statements.

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, 2020, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Visitation Hospital Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1 and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Responsibilities of Management for the Financial Statements, Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Visitation Hospital Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Visitation Hospital Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Visitation Hospital Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain control related matters that we identified during the audit.

VISITATION HOSPITAL FOUNDATION

Statement of Assets, Liabilities and Net Assets - Cash Basis

December 31, 2020

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Assets

Current assets:

Cash	\$ 254,666
Accounts receivable	175
Total current assets	<u>254,841</u>

Land	10,000
Buildings	699,210
Equipment	198,220
Furniture and fixtures	28,208
Computer equipment and software	16,431
Automobiles	<u>35,898</u>
	987,967
Less accumulated depreciation	<u>(479,737)</u>
Net fixed assets	<u>508,230</u>

Other assets	<u>600</u>
Total assets	<u>\$ 763,671</u>

Net Assets

Net assets:

Without donor restrictions	\$ 618,643
With donor restrictions	<u>145,028</u>
Total net assets	<u>\$ 763,671</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, 2020

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Revenue without donor restrictions:	
Contributions	\$ 225,098
Patient income	37,273
Other income	3,880
Net assets released from restrictions	<u>15,484</u>
Total revenues without donor restrictions	<u>281,735</u>
Expenses:	
Program	277,406
Management and general	36,639
Fundraising	<u>48,617</u>
Total expenses	<u>362,662</u>
Decrease in net assets without donor restrictions	<u>(80,927)</u>
Revenue with donor restrictions:	
Contributions	26,000
Net assets released from restrictions	<u>(15,484)</u>
Increase in net assets with donor restrictions	<u>10,516</u>
Decrease in net assets	(70,411)
Net assets at beginning of year	<u>834,082</u>
Net assets at end of year	<u>\$ 763,671</u>

See accompanying notes to financial statements.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis

For the Year Ended December 31, 2020

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(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 two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

- Net assets without donor restrictions represent those net assets that are not subject to donor imposed stipulations.
- Net assets with donor restrictions 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.

(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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2020

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(1) Summary of Significant Accounting Policies, Continued

(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 these contributed services.

(e) Fixed Assets

The Organization capitalizes all expenditures for fixed assets in excess of \$500. 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 management considers to be financially sound. All deposits as of December 31, 2020 were within 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.

(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 currency 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.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2020

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(1) Summary of Significant Accounting Policies, Continued

(j) Non-Cash Contributions

Non-cash contributions are recorded as contributions at their fair values at the date of donation.

(k) Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

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.

(l) Nature of Net Assets

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. Contributions of assets other than cash are recorded at their estimated current value.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions. 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.

During 2012, the Organization began a Capital Campaign to raise funds for the construction of a hospital in Haiti. The goal of the Capital Campaign is to raise \$2,000,000 in funds. At December 31, 2020, the Organization had \$122,787 in net assets with donor restrictions related to the Capital Campaign.

VISITATION HOSPITAL FOUNDATION

Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2020

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(1) Summary of Significant Accounting Policies, Continued

(l) Nature of Net Assets, Continued, Continued

Net assets with donor restrictions are available for the following purposes:

Program activities:	
Hospital addition	\$ 122,787
Dental clinic	13,343
Infant warmers	2,800
Belle Riviere Clinic	6,098
	<u>\$ 145,028</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, by occurrence of other events specified by donors or a release of restriction by the donor.

Purpose restrictions accomplished:	
Dental clinic	\$ 15,405
Belle Riviere Clinic	79
	<u>15,484</u>

(m) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year-end	\$ 254,666
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for dental clinic	13,344
Donor-restricted for hospital addition	122,787
Donor-restricted for infant warmers	2,800
Donor-restricted for Belle Riviere Clinic	<u>6,098</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 109,637</u>

As part of the Organization's liquidity management, it maintains its cash balances in financial institutions it considers to be financially sound.

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Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2020

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(2) Non-Cash Contributions

The Organization periodically receives various non-cash contributions such as medical supplies, equipment and items for special events. These non-cash contributions are recorded at fair value and are included in revenues without donor restrictions as contributions when received

(3) Expenses

Expenses incurred were for:

	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Salaries and wages	\$ 169,892	142,803	2,709	24,380
Travel	1,349	1,349	-	-
Communication	7,498	2,249	3,749	1,500
Guest house	52	52	-	-
Power and gas	17,732	16,642	545	545
Postage and shipping	2,772	-	277	2,495
Medicine and medical supplies	53,832	53,832	-	-
Repairs and maintenance	5,658	4,960	698	-
Supplies	3,183	2,865	159	159
Vehicle maintenance	1,962	1,962	-	-
Food and nutrition	8,666	8,666	-	-
Water purification	505	505	-	-
Miscellaneous	18,727	13,807	2,447	2,473
Accounting and consulting	25,531	-	20,425	5,106
Depreciation	28,073	26,669	702	702
Fundraising events	2,353	-	-	2,353
Advertising	3,976	-	-	3,976
Office, printing and copying	4,601	1,045	1,778	1,778
Rent, occupancy	6,300	-	3,150	3,150
	<u>\$ 362,662</u>	<u>277,406</u>	<u>36,639</u>	<u>48,617</u>

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Notes to Financial Statements - Cash Basis, Continued

For the Year Ended December 31, 2020

(4) Commitments and Contingencies

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The Organization currently does not maintain insurance.

In January 2021, the Organization entered into a one year operating lease for office space at a monthly rate of \$525. The lease has renewal options beginning January 1, 2022.

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

(5) Medical Facility

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.

(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 ("FDIC"). At December 31, 2020, the Organization did not have any cash balances in excess of FDIC limits.

The Organization maintains accounts with a Haitian bank for hospital operations. At December 31, 2020, the Organization had approximately \$29,887 in these accounts. These accounts are not insured by the Federal Deposit Insurance Corporation.

(7) Major Contributor

During the year ended December 31, 2020, the Organization received cash contributions from a donor totaling \$50,000. This contributed amount represents 17 percent of the total contributions for the year.

(8) Uncertainties

In March, 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

(9) Subsequent Events

Management has evaluated subsequent events through November ____, 2021, the date which the financial statements were available to be issued.

November ____, 2021

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The Board of Directors
Visitation Hospital Foundation
Nashville, Tennessee

In planning and performing our audit of the financial statements of Visitation Hospital Foundation as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Visitation Hospital Foundation's internal control over financial reporting (internal control) as a basis for designing audit 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Visitation Hospital Foundation's internal control to be significant deficiencies:

Management Override

In any organization the potential for management override of internal controls exists. Accordingly, there may be cases or instances in which management has overridden internal controls and where such instances of management override have not been detected by our procedures. There can be no assurances that management may not override internal controls in the future.

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Cash Management

Due to the limitations on staffing and financial resources, the Organization is unable to fully segregate duties.

To the extent possible and under the current administrative framework, additional reviews of bank account activity should be undertaken by designated individuals and documented by initialing and dating. This suggestion is based on the overall lack of segregation of duties.

Non-Cash Contributions

Currently the Organization does not have procedures in place for valuing non-cash contributions. We recommend formalized procedures be put in place to accurately value non-cash contributions for financial reporting purposes.

Administration

Crosstraining within administrative functions related to stateside positions should be considered in order to provide protection against any interruption of administrative activities due to unforeseen illness, leave of absence, etc.

Insurance

The Organization currently does not maintain insurance. We suggest management continue its efforts toward obtaining general and liability insurance.

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the administrative staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

Due to clinic operations being out of country, the risk of misappropriation of transferred money to fund clinic operations is higher than if operations were stateside. We recommend that controls over access to cash and bank accounts be monitored to the best of the Organization's ability. We also recommend that accounting procedures for clinic operations be established and monitored to accurately reflect clinic expenditures.

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Expenses

Observation:

Several instances were noted where supporting documentation for expenses (receipts, authorizations, etc.) was not located.

Recommendation:

Documentation supporting disbursements should be maintained in order to provide detail and approval of expenses paid on behalf of the Organization.

Observation:

Several instances were noted where expenses were misclassified.

Recommendation:

General ledger postings should be periodically reviewed in order to check proper classification of expenses.

We will review the status of these comments during our next audit engagement. 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 the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MAGGART & ASSOCIATES, P.C.
Nashville, Tennessee



Stephen M. Maggart, CPA, ABV, CFF
J. Mark Allen, CPA
Joshua K. Cundiff, CPA
Michael T. Holland, CPA, ABV, CFF
M. Todd Maggart, CPA, ABV, CFF
P. Jason Ricciardi, CPA, CGMA
David B. von Dahlen, CPA
T. Keith Wilson, CPA, CITP

November ____, 2021

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For Discussion Purposes Only

To the Board of Directors
Visitation Hospital Foundation
237 Old Hickory Blvd.
Suite 100
Nashville, TN 37221

We have audited the financial statements of Visitation Hospital Foundation for the year ended December 31, 2020, and have issued our report thereon dated November ____, 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 July 19, 2021. 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 Visitation Hospital Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Organization 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. The most sensitive estimate affecting the financial statements was:

- The proper relief of temporarily restricted net assets.

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

- Allocation of program, management and general, and fundraising expenses.
- Classification of net assets as either with donor restrictions or without donor restrictions.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 November ____, 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 Organization'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.

To the Board of Directors
Visitation Hospital Foundation
November ____, 2021
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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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

MAGGART & ASSOCIATES, P.C.
Nashville, Tennessee