

NASHVILLE GENERAL HOSPITAL FOUNDATION

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

NASHVILLE GENERAL HOSPITAL FOUNDATION
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Report of Independent Auditor

To the Board of Directors
Nashville General Hospital Foundation
Nashville, Tennessee

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, 2019, 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, 2019, 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.

Emphasis of Matters

Prior Period Restatement

As discussed in Note 7 to the financial statements, Nashville General Hospital Foundation restated net assets to properly account for payables to Nashville General Hospital at Meharry at June 30, 2018. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, for the year ended June 30, 2019, Nashville General Hospital Foundation adopted Accounting Standards Update ("ASU") 2016-14 *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Chung Bekant LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
November 16, 2019

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 397,407
Contributions receivable	4,339
Prepaid expenses	<u>209</u>
Total Assets	<u>\$ 401,955</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	<u>\$ 5,689</u>
Total Liabilities	<u>5,689</u>

Net Assets:

Without donor restrictions	148,514
With donor restrictions	<u>247,752</u>
Total Net Assets	<u>396,266</u>
Total Liabilities and Net Assets	<u>\$ 401,955</u>

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions and other	\$ 73,315	\$ 63,236	\$ 136,551
In-kind donations	215,255	-	215,255
Interest Income	1,559	-	1,559
Net assets released from time restrictions	76,866	(76,866)	-
Total Revenue	366,995	(13,630)	353,365
Expenses:			
Program services	263,781	-	263,781
Management and general	32,410	-	32,410
Fundraising costs	19,654	-	19,654
Total Expenses	315,845	-	315,845
Change in net assets	51,150	(13,630)	37,520
Net assets, beginning of year (as previously reported)	97,364	297,184	394,548
Restatement (Note 7)	-	(35,802)	(35,802)
Net assets, beginning of year (as restated)	97,364	261,382	358,746
Net assets, end of year	\$ 148,514	\$ 247,752	\$ 396,266

The accompanying notes to the financial statements are an integral part of this statement.

NASHVILLE GENERAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising Costs	Total
Salaries (includes \$191,521 in-kind)	\$ 158,430	\$ 23,731	\$ 9,360	\$ 191,521
Labor and delivery	30,065	-	-	30,065
In-kind	20,190	-	3,544	23,734
Mammograms in May	21,978	-	-	21,978
Oncology patient fund	9,063	-	-	9,063
Food pantry	8,189	-	-	8,189
Second harvest	6,214	-	-	6,214
Professional fees	-	6,000	-	6,000
Jazz brunch	-	-	5,265	5,265
Employee care	3,802	-	-	3,802
Prostate screening	2,190	-	-	2,190
Other programs	2,098	-	-	2,098
Insurance	-	1,662	-	1,662
Dues and subscriptions	-	653	976	1,629
Recognition and celebrations	1,562	-	-	1,562
Marketing	-	-	509	509
Licenses and permits	-	266	-	266
Supplies	-	91	-	91
Postage	-	7	-	7
	<u>\$ 263,781</u>	<u>\$ 32,410</u>	<u>\$ 19,654</u>	<u>\$ 315,845</u>

The accompanying notes to the financial statements are an integral part of this statement.

NASHVILLE GENERAL HOSPITAL FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:

Change in net assets	\$ 37,520
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Change in operating assets and liabilities:	
Contributions receivable	12,536
Prepaid expense	775
Accounts payable	<u>(89,409)</u>
Net cash used in operating activities	<u>(38,578)</u>
Net decrease in cash and cash equivalents	(38,578)
Cash and cash equivalents, beginning of year	<u>435,985</u>
Cash and cash equivalents, end of year	<u><u>\$ 397,407</u></u>

NASHVILLE GENERAL HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Nature of activities and significant accounting policies

General – Nashville General Hospital Foundation was established in 1977 as a Tennessee nonprofit corporation to provide resources to support various programs of Nashville General Hospital at Meharry (“NGHM”).

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.

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, 2019.

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

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.

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 NGHM. 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.

NASHVILLE GENERAL HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Nature of activities and significant accounting policies (continued)

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.

The Foundation follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification guidance clarifying the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Foundation has no tax penalties or interest reported in the accompanying financial statements.

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.

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 August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Accounting Policies for Future Pronouncements – 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 standard will be effective for the fiscal year ending June 30, 2020. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Foundation evaluated subsequent events through November 16, 2019 when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

NASHVILLE GENERAL HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2—Liquidity and availability

The Foundation regularly monitors liquidity available to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following at June 30:

Financial assets at June 30, 2019

Cash and cash equivalents	\$ 397,407
Contributions receivable	<u>4,339</u>
Total financial assets	401,746

Less amounts not available to be used for general expenditures
within one year

250,412

Financial assets available to meet cash needs for
general expenditures within one year

\$ 151,334

Note 3—Grants

The Foundation's primary function is to provide funds to NGHM. NGHM 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 NGHM'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.

Note 4—Concentrations

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, 2019, the Foundation had \$1,559 in excess of the FDIC insured limit.

NASHVILLE GENERAL HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5—Net assets with donor restrictions

Total net assets with donor restrictions consist of the following at June 30, 2019:

Team Chad Foundation	\$	81,860
Men's Clinic		51,419
Patient Care (Food Pantry)		43,483
Mammograms in May		27,007
Oncology Patient Fund		25,980
Seniors Project		7,672
Employee Care Fund		3,435
Chaplain Fund		3,050
Scholarships		2,000
General (Restricted)		1,644
Labor and Delivery Fund		202
	\$	<u>247,752</u>

Note 6—Related party transactions

The Foundation exists to support the programs of NGHM. The Foundation pays for a portion of the Mammograms in May program at NGHM. The amounts paid to NGHM for the Mammograms in May program amounted to \$21,978 for the year ended June 30, 2019. In addition, the Foundation pays for various other programs operated by NGHM.

NGHM provides executive and administrative services at no cost to the Foundation. Such services are valued at \$191,521 for the year ended June 30, 2019.

Note 7—Restatement

During the year ended June 30, 2019, it was discovered that accounts payable at June 30, 2018 was understated by \$35,802. The error occurred because the Foundation was not aware of outstanding payables to NGHM to pay for prostrate exam screenings performed in previous years. The financial statements at June 30, 2018 have been restated as follows:

	Amount Reported at June 30, 2018	Restatement	Amount Restated at June 30, 2018
Net assets with donor restrictions	\$ 297,184	\$ (35,802)	\$ 261,382
Program services	\$ 280,731	\$ 35,802	\$ 316,533
Accounts payable	\$ 59,296	\$ 35,802	\$ 95,098