

SPIRIT OF CHARITY FOUNDATION

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2020 AND 2019



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CONTENTS

<u>INDEPENDENT AUDITORS' REPORT</u>	1 3
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FINANCIAL STATEMENTS:

Exhibit "A" Statements of Financial Position.....	4
Exhibit "B" Statements of Activities	5 – 6
Exhibit "C" Statements of Cash Flows	7
Exhibit "D" Statements of Functional Expenses	8 – 9
Notes to Financial Statements.....	10 – 17

SUPPLEMENTAL INFORMATION:

Schedule "1" Schedule of Compensation, Benefits, and Other Payments to Agency Head.....	18
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OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 20
Schedule of Findings and Responses.....	21
Summary Schedule of Prior Year Findings and Responses.....	22

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Spirit of Charity Foundation
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Spirit of Charity Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' 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, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.



To the Board of Trustees of
Spirit of Charity Foundation
New Orleans, Louisiana

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spirit of Charity Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, Spirit of Charity Foundation adopted the Financial Accounting Standards Board's ASU 2018-08 "*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" for the year ended June 30, 2020. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of Spirit of Charity Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Spirit of Charity Foundation's internal control over financial reporting or on compliance.



To the Board of Trustees of
Spirit of Charity Foundation
New Orleans, Louisiana

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spirit of Charity Foundation's internal control over financial reporting and compliance.

New Orleans, Louisiana
November 30, 2020

Erickson Krentel, LLP
Certified Public Accountants

SPIRIT OF CHARITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 816,759	\$ 226,798
Cash held for agencies	29,866	32,862
Interest receivable	2,463	2,865
Prepaid expenses	5,834	1,703
Investments	<u>1,075,563</u>	<u>799,507</u>
 Total assets	 <u>\$ 1,930,485</u>	 <u>\$ 1,063,735</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 622	\$ 364
Accrued payroll liabilities	76,393	62,093
Deferred revenue	-	25,201
Small Business Administration loan	9,800	-
Funds held for agencies	<u>29,865</u>	<u>32,862</u>
 Total liabilities	 <u>116,680</u>	 <u>120,520</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	989,941	603,856
With donor restrictions	<u>823,864</u>	<u>339,359</u>
 Total net assets	 <u>1,813,805</u>	 <u>943,215</u>
 Total liabilities and net assets	 <u>\$ 1,930,485</u>	 <u>\$ 1,063,735</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Contributions	\$ 527,352	\$ 523,140	\$ 1,050,492
Grant revenue	16,327	41,000	57,327
Registration income	14,775	-	14,775
Fundraising income	151,550	-	151,550
Interest and dividend income	19,691	-	19,691
Net realized and unrealized gains (losses) on investments	17,856	31,185	49,041
Other income	5,864	-	5,864
	753,415	595,325	1,348,740
Total revenue			
Net assets released from restrictions	110,820	(110,820)	-
	864,235	484,505	1,348,740
Total revenues, gains and other support			
<u>EXPENSES:</u>			
Program services	213,743	-	213,743
Supporting services:			
Fundraising	165,956	-	165,956
Management and general	98,451	-	98,451
	478,150	-	478,150
Total expenses			
Change in net assets	386,085	484,505	870,590
Net assets, beginning of year	603,856	339,359	943,215
Net assets, end of year	\$ 989,941	\$ 823,864	\$ 1,813,805

SPIRIT OF CLARITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Contributions	\$ 192,019	\$ 15,000	\$ 207,019
Grant revenue	-	-	-
Registration income	31,588	-	31,588
Fundraising income	81,500	-	81,500
Interest and dividend income	22,552	-	22,552
Net realized and unrealized gains (losses) on investments	24,734	-	24,734
Other income	9,684	-	9,684
	<u>362,077</u>	<u>15,000</u>	<u>377,077</u>
Net assets released from restrictions	<u>28,105</u>	<u>(28,105)</u>	<u>-</u>
Total revenues, gains and other support	<u>390,182</u>	<u>(13,105)</u>	<u>377,077</u>
<u>EXPENSES:</u>			
Program services	164,142	-	164,142
Supporting services:			
Fundraising	94,743	-	94,743
Management and general	98,589	-	98,589
	<u>357,474</u>	<u>-</u>	<u>357,474</u>
Change in net assets	32,708	(13,105)	19,603
Net assets, beginning of year	<u>571,148</u>	<u>352,464</u>	<u>923,612</u>
Net assets, end of year	<u>\$ 603,856</u>	<u>\$ 339,359</u>	<u>\$ 943,215</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 870,590	\$ 19,603
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on investments	13,609	(6,210)
Unrealized (gain) loss on investments	(62,650)	(18,524)
(Increase) decrease in:		
Interest receivable	402	481
Prepaid expenses	(4,131)	(83)
Increase (decrease) in:		
Accounts payable	258	(8,530)
Accrued payroll liabilities	14,300	60,214
Deferred revenue	(25,201)	21,200
Funds held for agencies	(2,997)	(12,827)
Net cash from (used in) operating activities	<u>804,180</u>	<u>55,324</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	527,906	444,367
Purchase of investments	<u>(754,921)</u>	<u>(489,118)</u>
Net cash from (used in) investing activities	<u>(227,015)</u>	<u>(44,751)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u>		
Proceeds from long-term borrowings	<u>9,800</u>	<u>-</u>
Net cash from (used in) financing activities	<u>9,800</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	586,965	10,573
Cash and cash equivalents and cash held for agencies, beginning of year	<u>259,660</u>	<u>249,087</u>
Cash and cash equivalents and cash held for agencies, end of year	<u>\$ 846,625</u>	<u>\$ 259,660</u>
Cash and cash equivalents and cash held for agencies consist of the following:		
Cash and cash equivalents	\$ 816,759	\$ 226,798
Cash held for agencies	<u>29,866</u>	<u>32,862</u>
Cash and cash equivalents and cash held for agencies, end of year	<u>\$ 846,625</u>	<u>\$ 259,660</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Awards and gifts	\$ 4,158	\$ -	\$ -	\$ 4,158
Contract labor	4,750	-	-	4,750
Donations made	21,794	-	-	21,794
Dues and subscriptions	389	-	-	389
Equipment contributions	19,419	-	-	19,419
Event expenses	-	49,327	-	49,327
Grants	14,872	-	-	14,872
Insurance	-	-	7,924	7,924
Meals	39,965	-	845	40,810
Medical supplies	58,226	-	-	58,226
Miscellaneous expense	9,289	-	1,393	10,682
Office expenses	1,095	-	1,583	2,678
Postage	-	-	24	24
Professional fees	1,431	-	11,966	13,397
Training and seminars	14,380	-	288	14,668
Travel	23,975	-	-	23,975
Wages and related expenses	-	116,629	74,428	191,057
Total expenses	<u>\$ 213,743</u>	<u>\$ 165,956</u>	<u>\$ 98,451</u>	<u>\$ 478,150</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Awards and gifts	\$ 23,930	\$ -	\$ -	\$ 23,930
Contract labor	2,750	-	-	2,750
Donations made	-	-	-	-
Dues and subscriptions	-	-	-	-
Equipment contributions	17,619	-	-	17,619
Event expenses	-	34,345	-	34,345
Grants	5,646	-	-	5,646
Insurance	-	-	8,241	8,241
Meals	23,192	-	2,182	25,374
Medical supplies	45,956	-	-	45,956
Miscellaneous expense	1,683	-	6,650	8,333
Office expenses	2,894	-	1,221	4,115
Postage	-	-	202	202
Professional fees	10,081	-	11,520	21,601
Training and seminars	8,494	-	-	8,494
Travel	21,897	-	-	21,897
Wages and related expenses	-	60,398	68,573	128,971
Total expenses	<u>\$ 164,142</u>	<u>\$ 94,743</u>	<u>\$ 98,589</u>	<u>\$ 357,474</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Spirit of Charity Foundation (the Foundation) was incorporated in November 1993. The Foundation was originally known as The University Hospital Foundation and then the Medical Center of Louisiana Foundation, and has its purpose to support and facilitate patient-centered care within the University Medical Center New Orleans (UMCNO). This includes actively promoting health and wellness and to advance medical research and education through fundraising efforts for the benefit of the UMCNO, its patients and friends.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. In-kind contributions are recognized at the fair market value when received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Foundations*. Under FASB ASC 958-210-50-3, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets With Donor Restrictions – The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets Without Donor Restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments, consisting of government and agency securities and corporate bonds, are recorded at fair value. Unrealized gains and losses on investments with readily available market values are recorded in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Dividend, interest, and other investment income is recorded as increases in net assets without donor restrictions unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy, where inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data are adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and generated by the entity itself.

No Level 2 or Level 3 inputs were used by the Foundation.

Equipment

Items capitalized as part of equipment are valued at cost. Normal repairs and maintenance are charged to expense when incurred. Expenditures which materially extend the useful lives of capital assets are capitalized.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less and all certificates of deposit to be cash equivalents.

Contributed Services

During the years ended June 30, 2020 and 2019, the values of contributed services meeting the requirements for recognition in the financial statements were not significant and have not been recorded.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes. Based upon the amount of its investment income and the comparison of its public support, the Foundation qualifies for non-private foundation status under Section 509(a)(2) of the Internal Revenue Code; therefore, the Foundation's tax-exempt status extends to its net investment income.

FASB ASC Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FASB ASC Topic 740 requires the affirmative evaluation that is more likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. FASB ASC Topic 740 also requires the Foundation to disclose additional quantitative and qualitative information in their financial statements about uncertain tax positions.

The Foundation's evaluation as of June 30, 2020 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2016 through 2019 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

In 2019, the Foundation retrospectively adopted FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Foundation adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019 or entered into after that date.

Subsequent Events

Subsequent events have been evaluated through November 30, 2020, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. However, amounts already appropriated for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 1,924,651	\$ 1,062,032
Less those unavailable for general expenditure within one year due to:		
Cash held for other agencies	(29,865)	(32,862)
Net assets with donor restrictions	<u>(820,374)</u>	<u>(339,359)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,074,412</u>	<u>\$ 689,811</u>

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The Foundation is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(3) INVESTMENTS

The fair value of investments are determined by reference to quoted prices in active markets for identical assets (Level 1).

The fair value of investments are summarized as follows at June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 200,499	\$ 209,615	\$ 159,125	\$ 161,363
Government and other agency backed securities	402,030	403,791	217,016	202,081
Mutual funds and exchange-traded funds	<u>420,986</u>	<u>462,157</u>	<u>421,928</u>	<u>436,063</u>
Total investments	<u>\$ 1,023,515</u>	<u>\$ 1,075,563</u>	<u>\$ 798,069</u>	<u>\$ 799,507</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends on investments	\$ 24,807	\$ 21,663
Management fees	(6,503)	(5,903)
Net gain (loss) on sale of investments	(13,609)	6,532
Net unrealized gain (loss) in value of investment	<u>62,650</u>	<u>18,202</u>
Total return on investments	<u>\$ 67,345</u>	<u>\$ 40,494</u>

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(4) FUNDS HELD FOR AGENCIES

At June 30, 2020 and 2019, the Foundation held \$29,865 and \$32,863, of funds for the Trauma department. The financial effects of transactions related to agency funds are recorded as changes in funds held for agencies and are not included in the statements of activities. The changes in the funds held for agencies are summarized as follows:

	2020	2019
Agency funds received	\$ 212	\$ 7,652
Distributions to agencies	(3,209)	(20,479)
Change in balance	(2,997)	(12,827)
Beginning balance	32,863	45,690
Ending balance	\$ 29,866	\$ 32,863

(5) SMALL BUSINESS ADMINISTRATION LOAN

During the year ended June 30, 2020, the Small Business Administration offered loans to certain organizations and businesses as relief for the economic restrictions caused by the COVID-19 pandemic. The Foundation obtained an Economic Injury Disaster Loan (EIDL) of \$9,800. The EIDL loan carries an interest rate of 2.75% and matures on June 23, 2050. The loan requires payments of \$42 monthly, commencing on June 23, 2020. There is no penalty for early repayment. The future minimum principal payments under the EIDL loan as of June 30, 2020 for next five fiscal years and thereafter is as follows:

2021	\$	42
2022		504
2023		504
2024		504
2025		504
Thereafter		7,742
	\$	9,800

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(6) RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2020 and 2019 include:

	<u>2020</u>	<u>2019</u>
Telemedicine and Health Management Program	\$ 154,676	\$ 154,676
Patient Education Units	-	86,550
Charles Wetmore Foundation	43,732	20,902
Almar Foundation	43,757	46,607
Wym and Bill Seemann Barrett's Esophagus Research Fund	19,579	20,624
Mauna Kea Technologies Research	8,295	10,000
Tulane Bleeding and Clotting Research Fund	20,000	-
Personal Protective Equipment Fund	<u>533,825</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 823,864</u>	<u>\$ 339,359</u>

During the years ended June 30, 2020 and 2019, restricted net assets of \$110,820 and \$28,105 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Patient Education Units	\$ 86,550	\$ -
Charles Wetmore Foundation	17,170	20,413
Almar Foundation	3,850	7,692
Esophagus Research Fund	1,045	-
Mauna Key Technologies Research	1,705	-
Personal Protective Equipment Fund	<u>500</u>	<u>-</u>
Total	<u>\$ 110,820</u>	<u>\$ 28,105</u>

(7) CONCENTRATIONS

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents in various financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits. At June 30, 2020, the Foundation had \$19,531 of cash held at financial institutions in excess of FDIC limits. At June 30, 2019, the Foundation had no cash held at financial institutions in excess of FDIC limits.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(7) CONCENTRATIONS (CONTINUED)

Concentration of Revenue

Approximately 11% and 54% of the Foundation's funding is provided from the Spirit of Charity fundraiser for the years ended June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the Foundation received 37% of its revenues from one donor.

(8) RELATED PARTY TRANSACTIONS

During the year ended June 30, 2020 and 2019, Board of Directors' members contributed \$15,792 and \$12,462 to various Foundation's fund-raising activities, respectively.

The University Medical Center of New Orleans, an affiliate, provides office space to the Foundation at no charge. No revenue has been recognized in these financial statements related to this contribution, as the amount cannot be reasonably estimated.

SPIRIT OF CHARITY FOUNDATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Dr. Peter DeBlieux*</u>
Time served	07/01/19 through 06/30/20
No compensation, benefits, or other payments	<u>\$ -</u>

*Note: Dr. Peter DeBlieux serves in the capacity as a volunteer and as such does not receive a salary or related benefits for his time.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Spirit of Charity Foundation
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Spirit of Charity 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, and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Spirit of Charity 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 Spirit of Charity Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings as item 2020-01 that we consider to be a material weakness.

To the Board of Trustees of
Spirit of Charity Foundation
November 30, 2020

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spirit of Charity Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Spirit of Charity Foundation's Response to Findings

Spirit of Charity Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings. Spirit of Charity Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as public document.

New Orleans, Louisiana
November 30, 2020


Certified Public Accountants

SPIRIT OF CHARITY FOUNDATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Spirit of Charity Foundation
2. One material weakness disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Spirit of Charity Foundation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No management letter was issued for the year ended June 30, 2020.

SECTION II FINANCIAL STATEMENT FINDINGS

2020-001 RECONCILIATION OF INVESTMENTS

Criteria: In order to conform to generally accepted accounting principles, contribution revenue should be accounted for and disclosed separately from income on investments.

Condition: During our audit procedures over investments, we became aware of a contribution in investments that was being included in the Foundation's trial balance as a realized gain on investments.

Effect: A material adjustment was made to appropriately classify the contribution in the Foundation's financial statements.

Cause: The contribution income was not recorded as a contribution when received, and the Foundation's reconciliations over investment income did not discover and appropriately classify the contribution.

Recommendation: Management should adjust its reconciliation procedures to ensure that contributions of stock are appropriately separated from investment income. The Foundation can avoid reconciliation discrepancies of this manner by recording contributions at fair value on the date received.

Views of responsible officials: The Foundation agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

SPIRIT OF CLARITY FOUNDATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 2019.

SECTION II MANAGEMENT LETTER

2019-001 Develop a Record Retention Policy

Condition – In view of the Foundation’s limited storage space and significant amount of documentation retained for business purposes, we recommend that the Foundation develop a record retention policy that accommodates legal requirements, anticipated needs for historical information, and available storage space. In some cases, it may be worthwhile to consider transferring data from paper to electronic media for long-term storage.

Current Status

This management letter item has been resolved through the implementation of a document retention policy.



SPIRIT OF CHARITY FOUNDATION
MANAGEMENT'S CORRECTIVE ACTION PLAN - FINDING
JUNE 30, 2020

November 30, 2020

Frank Incaprerera, MD
President

Louisiana Legislative Auditor

Damon Dietrich, MD
Secretary/Treasurer

Spirit of Charity Foundation (the Foundation) respectfully submits the following corrective action plan for the year ended June 30, 2020.

Peter DeBlieux, MD
Executive Director

Name and address of independent public accounting firm:

Dean Howard
Director of Philanthropy

Ericksen Krentel, L.L.P.
4227 Canal Street
New Orleans, LA 70119

Stacy Gerhold-Marvin
Foundation Coordinator

Juzar Ali, MD

Audit Period: July 01, 2019 – June 30, 2020

Jack Andonie, MD

The finding from the June 30, 2020 schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Warren Bell, Jr.

Joseph Biundo, Jr., MD

Bennett deBoisblanc, MD

Sally Duplantier

Paul Friedlanader, MD

D. Luke Glancy, MD

L. Lee Hamm, III, MD

Edward Helm, MD

Larry Hollier, MD
Ex Officio

Marc Kahn, MD

Myra Kleinpeter, MD

Neal Kling

Dr. Sally Knight

Steve Nelson, MD
Ex Officio

Donna Richardson

Raoul Rodriguez, MD

Gene Sausse, Jr.

Malcolm Schwarzenbach, III

Jack Strong, MD
Emeritus

Eve Vavrick

Jessica Waguespack

Harold Weis

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Material Weaknesses

2020-001 Reconciliation of Investments

Recommendation: Management should adjust its reconciliation procedures to ensure that contributions of stock are appropriately separated from investment income. The Foundation can avoid reconciliation discrepancies of this manner by recording contributions at fair value on the date received.

Response: The Foundation agrees with the recommendation and will implement procedures and controls related to the recording of stock contributions.

If there are any questions regarding this plan, please contact Stacy Gerhold-Marvin at Stacy.Gerhold-Marvin@lcmchealth.org.

Sincerely,

Signature

Executive Director

Title