

SPIRIT OF CHARITY FOUNDATION

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2022 AND 2021



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Spirit of Charity Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. 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 Spirit of Charity Foundation and to meet our other 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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 Spirit of Charity Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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

Auditors' 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, the *Louisiana Governmental Audit Guide*, and *Government 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 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 the *Louisiana Governmental Audit Guide*, and *Government 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 Spirit of Charity 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 Spirit of Charity 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 internal control related matters that we identified during the audit.



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

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 December 20, 2022, 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 solely 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.

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
December 20, 2022

Ericksen Krentel, LLP
Certified Public Accountants

SPIRIT OF CHARITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 260,109	\$ 379,768
Cash held for agencies	31,215	29,866
Other receivable	11	5,842
Interest receivable	2,128	2,841
Prepaid expenses	6,054	9,767
Investments	<u>1,071,960</u>	<u>1,375,117</u>
 Total assets	 <u>\$ 1,371,477</u>	 <u>\$ 1,803,201</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 19,137	\$ 4,796
Accrued payroll liabilities	91,827	187,156
Deferred revenues	29,250	-
Funds held for agencies	<u>31,214</u>	<u>29,866</u>
 Total liabilities	 <u>171,428</u>	 <u>221,818</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	440,543	850,285
With donor restrictions	<u>759,506</u>	<u>731,098</u>
 Total net assets	 <u>1,200,049</u>	 <u>1,581,383</u>
 Total liabilities and net assets	 <u>\$ 1,371,477</u>	 <u>\$ 1,803,201</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Contributions	\$ 197,774	\$ 21,630	\$ 219,404
Grant revenue	-	55,000	55,000
Registration income	8,955	-	8,955
Fundraising income	71,928	-	71,928
Interest and dividend income	47,458	-	47,458
Net realized and unrealized gains (losses) on investments	(175,642)	-	(175,642)
Other income	<u>1,571</u>	<u>-</u>	<u>1,571</u>
 Total revenue	 152,044	 76,630	 228,674
 Net assets released from restrictions	 <u>48,222</u>	 <u>(48,222)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>200,266</u>	 <u>28,408</u>	 <u>228,674</u>
<u>EXPENSES:</u>			
Program services	349,072	-	349,072
Supporting services:			
Fundraising	160,310	-	160,310
Management and general	<u>100,626</u>	<u>-</u>	<u>100,626</u>
 Total expenses	 <u>610,008</u>	 <u>-</u>	 <u>610,008</u>
 Change in net assets	 (409,742)	 28,408	 (381,334)
 Net assets, beginning of year	 <u>850,285</u>	 <u>731,098</u>	 <u>1,581,383</u>
 Net assets, end of year	 <u>\$ 440,543</u>	 <u>\$ 759,506</u>	 <u>\$ 1,200,049</u>

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Contributions	\$ 228,247	\$ 41,500	\$ 269,747
Grant revenue	21,057	-	21,057
Registration income	1,900	-	1,900
Fundraising income	49,805	-	49,805
Interest and dividend income	16,628	-	16,628
Net realized and unrealized gains (losses) on investments	59,699	-	59,699
Other income	2,808	-	2,808
Total revenue	380,144	41,500	421,644
Net assets released from restrictions	134,266	(134,266)	-
Total revenues, gains and other support	514,410	(92,766)	421,644
<u>EXPENSES:</u>			
Program services	433,859	-	433,859
Supporting services:			
Fundraising	119,903	-	119,903
Management and general	100,304	-	100,304
Total expenses	654,066	-	654,066
Change in net assets	(139,656)	(92,766)	(232,422)
Net assets, beginning of year	989,941	823,864	1,813,805
Net assets, end of year	\$ 850,285	\$ 731,098	\$ 1,581,383

SPIRIT OF CHARITY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (381,334)	\$ (232,422)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on investments	(15,141)	(12,537)
Unrealized (gain) loss on investments	190,783	(47,162)
(Increase) decrease in:		
Other receivable	5,831	(5,842)
Interest receivable	713	(377)
Prepaid expenses	3,713	(3,933)
Increase (decrease) in:		
Accounts payable	14,341	4,174
Accrued payroll liabilities	(95,329)	110,763
Deferred revenue	29,250	-
Funds held for agencies	1,348	-
	<u>(245,825)</u>	<u>(187,336)</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	658,513	1,470,735
Purchase of investments	<u>(530,998)</u>	<u>(1,710,590)</u>
	<u>127,515</u>	<u>(239,855)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u>		
Repayment of loans	<u>-</u>	<u>(9,800)</u>
	<u>-</u>	<u>(9,800)</u>
Net increase (decrease) in cash and cash equivalents	(118,310)	(436,991)
Cash and cash equivalents and cash held for agencies, beginning of year	<u>409,634</u>	<u>846,625</u>
Cash and cash equivalents and cash held for agencies, end of year	<u>\$ 291,324</u>	<u>\$ 409,634</u>
Cash and cash equivalents and cash held for agencies consist of the following:		
Cash and cash equivalents	\$ 260,109	\$ 379,768
Cash held for agencies	<u>31,215</u>	<u>29,866</u>
Cash and cash equivalents and cash held for agencies, end of year	<u>\$ 291,324</u>	<u>\$ 409,634</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Awards and gifts	\$ 18,543	\$ -	\$ -	\$ 18,543
Contract labor	16,010	-	-	16,010
Donations made	150	-	-	150
Dues and subscriptions	1,793	-	-	1,793
Equipment contributions	37,863	-	-	37,863
Event expenses	-	44,092	-	44,092
Grants	5,500	-	-	5,500
Insurance	-	-	8,658	8,658
Meals	55,327	-	2,043	57,370
Medical supplies	57,829	-	-	57,829
Miscellaneous expense	10,712	-	1,698	12,410
Office expenses	8,291	-	1,155	9,446
Professional fees	51,653	-	12,461	64,114
Training and seminars	32,597	-	-	32,597
Travel	52,804	-	-	52,804
Wages and related expenses	-	116,218	74,611	190,829
Total expenses	<u>\$ 349,072</u>	<u>\$ 160,310</u>	<u>\$ 100,626</u>	<u>\$ 610,008</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	
Awards and gifts	\$ 18,096	\$ -	\$ 1,235	\$ 19,331
Contract labor	4,465	-	-	4,465
Donations made	781	-	-	781
Dues and subscriptions	3,986	-	-	3,986
Equipment contributions	243,789	-	-	243,789
Event expenses	-	10,064	-	10,064
Insurance	-	-	8,203	8,203
Meals	20,808	-	676	21,484
Medical supplies	82,234	-	-	82,234
Miscellaneous expense	18,634	-	1,703	20,337
Office expenses	1,928	-	756	2,684
Professional fees	1,831	-	12,458	14,289
Training and seminars	23,549	-	-	23,549
Travel	13,758	-	-	13,758
Wages and related expenses	-	109,839	75,273	185,112
Total expenses	<u>\$ 433,859</u>	<u>\$ 119,903</u>	<u>\$ 100,304</u>	<u>\$ 654,066</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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.

Basis of Accounting and Financial Reporting Framework

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with accounting principles generally accepted in the United States of America promulgated by the Financial Accounting Standards Board (FASB).

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. 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 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 the board of directors. The revenues received in conducting the mission of the Foundation are included in this category.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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

Basis of Accounting and Financial Reporting Framework (continued)

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

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.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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

Revenue Recognition

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Support from contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Unconditional contributions are reported as unrestricted support which increases net assets without donor restrictions. The Foundation reports contributions of cash and other assets as donor 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as net assets without donor restriction.

Return of previously granted funds are recognized as other income when received and are classified as with or without donor restrictions based on the original donor intent.

The Foundation reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire or improve long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions in accordance with ASC 958 if the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The members of the Board of Directors serve without compensation. Volunteers also provide animal care and fundraising services throughout the year. These services are not recognized as contributions in the financial statements since recognition criteria under ASC 958 were not met.

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.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

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

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, 2022 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2018 through 2021 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.

Date of Management's Review

Subsequent events have been evaluated through December 20, 2022, which is the date the financial statements were available to be issued.

New Accounting Pronouncements Adopted

During the year ended June 30, 2022, the Foundation adopted FASB ASU No. 2020-07, *Not For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The adoption of this Update did not have a material impact on the Foundation's financial statements.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of June 30, 2022 and 2021, 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.

	2022	2021
Financial assets, at year end	\$ 1,365,423	\$ 1,793,434
Less those unavailable for general expenditure within one year due to:		
Cash held for other agencies	(31,215)	(29,866)
Net assets with donor restrictions	(759,506)	(731,098)
Financial assets available to meet cash needs for general expenditures within one year	\$ 574,702	\$ 1,032,470

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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds	\$ 472,880	\$ 431,341	\$ 626,386	\$ 630,208
Government and other agency backed securities	371,212	350,484	412,245	414,305
Mutual funds and exchange-traded funds	315,228	290,135	231,579	330,604
Total investments	\$ 1,159,320	\$ 1,071,960	\$ 1,270,210	\$ 1,375,117

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(3) INVESTMENTS (CONTINUED)

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

	2022	2021
Interest and dividends on investments	\$ 57,075	\$ 24,214
Management fees	(10,042)	(8,822)
Net gain (loss) on sale of investments	15,141	12,537
Net unrealized gain (loss) in value of investments	(190,783)	47,162
Total return on investments	\$ (128,609)	\$ 75,091

(4) FUNDS HELD FOR AGENCIES

At June 30, 2022 and 2021, the Foundation held \$31,215 and \$29,866 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:

	2022	2021
Agency funds received	\$ 5,566	\$ -
Distributions to agencies	(4,217)	-
Change in balance	1,349	-
Beginning balance	29,866	29,866
Ending balance	\$ 31,215	\$ 29,866

(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 carried an interest rate of 2.75% and was scheduled to mature on June 23, 2050. The loan required payments of \$42 monthly, commencing on June 23, 2020. During the year ended June 30, 2021, the Foundation repaid the loan in full. There was no penalty for early repayment.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(6) RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2022 and 2021 include:

	<u>2022</u>	<u>2021</u>
Telemedicine and Health Management Program	\$ 141,288	\$ 154,676
Charles Wetmore Foundation	71,605	30,007
Almar Foundation	31,862	40,759
Wynn and Bill Seemann Barrett's Esophagus Research Fund	12,829	19,214
Mauna Kea Technologies Research	6,495	6,495
Tulane Bleeding and Clotting Research Fund	19,892	19,948
Josh's Promise - Salt & Light	40,537	25,000
Personal Protective Equipment Fund	<u>434,998</u>	<u>434,999</u>
 Total net assets with donor restrictions	 <u>\$ 759,506</u>	 <u>\$ 731,098</u>

During the years ended June 30, 2022 and 2021, net assets with donor restrictions of \$48,222 and \$134,266 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Telemedicine and Health Management Program	\$ 13,388	\$ -
Charles Wetmore Foundation	13,402	29,225
Almar Foundation	8,898	3,997
Esophagus Research Fund	6,385	365
Mauna Key Technologies Research	-	1,800
Tulane Bleeding and Clotting Research	56	52
Josh's Promise – Salt & Light	6,093	-
Personal Protective Equipment Fund	<u>-</u>	<u>98,827</u>
 Total	 <u>\$ 48,222</u>	 <u>\$ 134,266</u>

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(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, 2022 and 2021, the Foundation had no cash held at financial institutions in excess of FDIC limits.

Concentration of Revenue

Approximately 37% and 12% of the Foundation's funding is provided from the Spirit of Charity fundraisers for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022 and 2021, the Foundation received 20% and 12% of its revenues from one donor, respectively.

(8) RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022 and 2021, Board of Directors' members contributed \$9,203 and \$11,628 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.

(9) NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued Update No. 2016-02, "*Leases*." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. The Foundation plans to adopt this Update as applicable by the effective date.

SPIRIT OF CHARITY FOUNDATION
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Dr. Peter DeBlieux*</u>
Time served	07/01/21 through 06/30/22
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, 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, the financial statements of the Spirit of Charity Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 December 20, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as 2022-001, that we consider to be a significant deficiency.



To the Board of Trustees of
Spirit of Charity Foundation
December 20, 2022

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

Government Auditing Standards requires the auditor to perform limited procedures on Spirit of Charity Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings. Spirit of Charity Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 20, 2022

Ericksen Krentel, LLP
Certified Public Accountants

SPIRIT OF CHARITY FOUNDATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

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 significant deficiency 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 Performed 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. A management letter was issued for the year ended June 30, 2022.

SECTION II FINANCIAL STATEMENT FINDINGS

2022-001 BANK RECONCILIATION PROCEDURES

Criteria: Per the best practices established by the Louisiana Legislative Auditor in the Statewide Agreed-Upon Procedures, bank reconciliations should include evidence that they were prepared within 2-months of the related statement closing date.

Condition: When the audit began in October 2022, we noted that bank reconciliations after November 2021 had not been prepared.

Effect: Late reconciliations of financial accounts increases the risk that fraud or errors could occur and not be detected timely

Cause: Bank reconciliations were not performed monthly as a part of the month-end closing process.

Recommendation: We recommend that management communicate the importance of timely bank reconciliations to employees and that a member of management outside of the accounting function receive and review bank reconciliations monthly.

Views of Responsible Officials: Management agrees with the finding and will implement procedures to ensure timeliness of bank reconciliations. See Management's Corrective Action Plan for further information.

SPIRIT OF CHARITY FOUNDATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I FINANCIAL STATEMENT FINDINGS

There were no findings noted for the year ended June 30, 2021.

SECTION II MANAGEMENT LETTER

2021-001 BANK RECONCILIATION PROCEDURES

Condition: We noted that the bank reconciliations had not been performed timely throughout the year, and month ends dating back to November 2020 were performed after year-end.

Current Status: The management letter item has not been resolved and has been repeated as a significant deficiency for the year ended June 30, 2022.



**SPIRIT OF CHARITY FOUNDATION
MANAGEMENT'S CORRECTIVE ACTION PLAN
MANAGEMENT LETTER ITEM
JUNE 30, 2022**

Frank Incaprera, MD
President

December 20, 2022

Damon Dietrich, MD
Secretary/Treasurer

Louisiana Legislative Auditor

Peter DeBlieux, MD
Executive Director

Spirit of Charity Foundation (the Foundation) respectfully submits the following corrective action plan for the year ended June 30, 2022.

Dean Howard
Director of Philanthropy

Name and address of independent public accounting firm:

Stacy Gerhold-Marvin
Foundation Coordinator

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

Juzar Ali, MD

Jack Andonie, MD

Warren Bell, Jr.

Audit Period: July 01, 2021 – June 30, 2022

Joseph Biundo, Jr., MD

Bennett deBoisblanc, MD

The comment from the June 30, 2022 management letter and response is discussed below. The comment is numbered consistently with the number assigned in management letter.

Paul Friedlanader, MD

L. Lee Hamm, III, MD

Edward Helm, MD

SECTION III – MANAGEMENT LETTER ITEMS

Myra Kleinpeter, MD

2021-001 Old Outstanding checks

Neal Kling

Sally Knight, DrPH

Recommendation: We recommend that management investigate old outstanding checks and determine the proper treatment.

Rachel Nickel

Steve Nelson, MD
Ex Officio

Response: The Foundation agrees with the recommendation and will review procedures and controls related to old outstanding checks.

Donna Richardson

Raoul Rodriguez, MD

Gene Sausse, Jr.

Malcolm Schwarzenbach, III

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

Sarah Caskey Smith

Jessica Waguespack

Harold Weis

Sincerely,

Signature

Title

MANAGEMENT LETTER

December 20, 2022

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

In planning and performing our audit of the financial statements of Spirit of Charity Foundation (the Foundation) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comment and suggestion concerning this matter. This letter does not affect our report dated December 20, 2022, on the financial statements of Spirit of Charity Foundation.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Foundation personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment is summarized as follows:

2022 – 002 Old Outstanding Checks

Through our review of bank reconciliations, we noted there are several outstanding checks in excess of 6 months old, with the oldest check dated in November 2019. We recommend that management investigate old outstanding checks and determine the proper treatment.

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

Very truly yours,


Certified Public Accountants



SPIRIT OF CHARITY FOUNDATION
MANAGEMENT'S CORRECTIVE ACTION PLAN – FINDINGS
JUNE 30, 2022

December 20, 2022

Frank Incaprera, 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, 2022.

Peter DeBlieux, MD
Executive Director

Dean Howard
Director of Philanthropy

Name and address of independent public accounting firm:

Stacy Gerhold-Marvin
Foundation Coordinator

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

Juzar Ali, MD

Audit Period: July 01, 2021 – June 30, 2022

Jack Andonie, MD

Warren Bell, Jr.

Joseph Biundo, Jr., MD

The finding from the June 30, 2022 Schedule of Findings and Responses is discussed below. The finding is numbered consistently with the numbers assigned in the Schedule of Findings and Responses.

Bennett deBoisblanc, MD

Paul Friedlanader, MD

L. Lee Hamm, III, MD

Edward Helm, MD

Myra Kleinpeter, MD

Neal Kling

Sally Knight, DrPH

Rachel Nickel

Steve Nelson, MD
Ex Officio

Donna Richardson

Raoul Rodriguez, MD

Gene Sausse, Jr.

Malcolm Schwarzenbach, III

Sarah Caskey Smith

Jessica Waguespack

Harold Weis

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-002 BANK RECONCILIATION PROCEDURES

Recommendation: We recommend that management communicate the importance of timely bank reconciliations to employees and that a member of management outside of the accounting function receive and review bank reconciliations monthly.

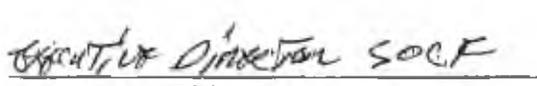
Response: The Foundation agrees with the finding and will implement procedures to ensure timeliness of bank reconciliations.

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

Sincerely,



Signature



Title