

SPIRIT OF CHARITY FOUNDATION

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2021 AND 2020



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

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, 2021 and 2020, 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.



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

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 Spirit of Charity Foundation as of June 30, 2021 and 2020, 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.

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 December 1, 2021, 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.



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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
December 1, 2021

Ericksen Krentel, LLP
Certified Public Accountants

SPIRIT OF CHARITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 379,768	\$ 816,759
Cash held for agencies	29,866	29,866
Other receivable	5,842	-
Interest receivable	2,841	2,464
Prepaid expenses	9,767	5,834
Investments	<u>1,375,117</u>	<u>1,075,563</u>
 Total assets	 <u>\$ 1,803,201</u>	 <u>\$ 1,930,486</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 4,796	\$ 622
Accrued payroll liabilities	187,156	76,393
Small Business Administration loan	-	9,800
Funds held for agencies	<u>29,866</u>	<u>29,866</u>
 Total liabilities	 <u>221,818</u>	 <u>116,681</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	850,285	989,941
With donor restrictions	<u>731,098</u>	<u>823,864</u>
 Total net assets	 <u>1,581,383</u>	 <u>1,813,805</u>
 Total liabilities and net assets	 <u>\$ 1,803,201</u>	 <u>\$ 1,930,486</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

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

	<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	\$ 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	<u>2,808</u>	<u>-</u>	<u>2,808</u>
 Total revenue	 380,144	 41,500	 421,644
 Net assets released from restrictions	 <u>134,266</u>	 <u>(134,266)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>514,410</u>	 <u>(92,766)</u>	 <u>421,644</u>
<u>EXPENSES:</u>			
Program services	433,859	-	433,859
Supporting services:			
Fundraising	119,903	-	119,903
Management and general	<u>100,304</u>	<u>-</u>	<u>100,304</u>
 Total expenses	 <u>654,066</u>	 <u>-</u>	 <u>654,066</u>
 Change in net assets	 (139,656)	 (92,766)	 (232,422)
 Net assets, beginning of year	 <u>989,941</u>	 <u>823,864</u>	 <u>1,813,805</u>
 Net assets, end of year	 <u>\$ 850,285</u>	 <u>\$ 731,098</u>	 <u>\$ 1,581,383</u>

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

	<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	\$ 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	<u>5,864</u>	<u>-</u>	<u>5,864</u>
 Total revenue	 753,415	 595,325	 1,348,740
 Net assets released from restrictions	 <u>110,820</u>	 <u>(110,820)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>864,235</u>	 <u>484,505</u>	 <u>1,348,740</u>
<u>EXPENSES:</u>			
Program services	213,743	-	213,743
Supporting services:			
Fundraising	165,956	-	165,956
Management and general	<u>98,451</u>	<u>-</u>	<u>98,451</u>
 Total expenses	 <u>478,150</u>	 <u>-</u>	 <u>478,150</u>
 Change in net assets	 386,085	 484,505	 870,590
 Net assets, beginning of year	 <u>603,856</u>	 <u>339,359</u>	 <u>943,215</u>
 Net assets, end of year	 <u>\$ 989,941</u>	 <u>\$ 823,864</u>	 <u>\$ 1,813,805</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SPIRIT OF CHARITY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (232,422)	\$ 870,590
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on investments	(12,537)	13,609
Unrealized (gain) loss on investments	(47,162)	(62,650)
(Increase) decrease in:		
Other receivable	(5,842)	-
Interest receivable	(377)	402
Prepaid expenses	(3,933)	(4,131)
Increase (decrease) in:		
Accounts payable	4,174	258
Accrued payroll liabilities	110,763	14,300
Deferred revenue	-	(25,201)
Funds held for agencies	-	(2,997)
	<u>(187,336)</u>	<u>804,180</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	1,470,735	527,906
Purchase of investments	<u>(1,710,590)</u>	<u>(754,921)</u>
	<u>(239,855)</u>	<u>(227,015)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u>		
Proceeds from long-term borrowings	-	9,800
Repayment of loans	<u>(9,800)</u>	<u>-</u>
	<u>(9,800)</u>	<u>9,800</u>
Net increase (decrease) in cash and cash equivalents	(436,991)	586,965
Cash and cash equivalents and cash held for agencies, beginning of year	<u>846,625</u>	<u>259,660</u>
Cash and cash equivalents and cash held for agencies, end of year	<u>\$ 409,634</u>	<u>\$ 846,625</u>
Cash and cash equivalents and cash held for agencies consist of the following:		
Cash and cash equivalents	\$ 379,768	\$ 816,759
Cash held for agencies	<u>29,866</u>	<u>29,866</u>
Cash and cash equivalents and cash held for agencies, end of year	<u>\$ 409,634</u>	<u>\$ 846,625</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

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

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
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
Grants	-	-	-	-
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
Postage	-	-	-	-
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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(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, 2021 AND 2020

(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.

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.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(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, 2021 and 2020, 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, 2021 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2017 through 2020 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, 2021 AND 2020

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

Subsequent Events

Subsequent events have been evaluated through December 1, 2021, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606)*.” The ASU and all subsequently issued clarifying ASUs superseded the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customer. The Foundation adopted this standard. This adoption did not have a material effect on the financial statements.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation’s financial assets as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets, at year end	\$ 1,788,434	\$ 1,924,652
Less those unavailable for general expenditure within one year due to:		
Cash held for other agencies	(29,866)	(29,866)
Net assets with donor restrictions	<u>(731,098)</u>	<u>(823,864)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,027,470</u>	<u>\$ 1,070,922</u>

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.

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 626,386	\$ 630,208	\$ 200,499	\$ 209,615
Government and other agency backed securities	412,245	414,305	402,030	403,791
Mutual funds and exchange-traded funds	<u>231,579</u>	<u>330,604</u>	<u>420,986</u>	<u>462,157</u>
Total investments	<u>\$ 1,270,210</u>	<u>\$ 1,375,117</u>	<u>\$ 1,023,515</u>	<u>\$ 1,075,563</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends on investments	\$ 24,214	\$ 24,807
Management fees	(8,822)	(6,503)
Net gain (loss) on sale of investments	12,537	(13,609)
Net unrealized gain (loss) in value of investments	<u>47,162</u>	<u>62,650</u>
Total return on investments	<u>\$ 75,091</u>	<u>\$ 67,345</u>

(4) FUNDS HELD FOR AGENCIES

At June 30, 2021 and 2020, the Foundation held \$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:

	<u>2021</u>	<u>2020</u>
Agency funds received	\$ -	\$ 212
Distributions to agencies	<u>-</u>	<u>(3,209)</u>
Change in balance	-	(2,997)
Beginning balance	<u>29,866</u>	<u>32,863</u>
Ending balance	<u>\$ 29,866</u>	<u>\$ 29,866</u>

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(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.

(6) RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2021 and 2020 include:

	<u>2021</u>	<u>2020</u>
Telemedicine and Health Management Program	\$ 154,676	\$ 154,676
Patient Education Units	-	-
Charles Wetmore Foundation	30,007	43,732
Almar Foundation	40,759	43,757
Wynn and Bill Seemann Barrett's Esophagus Research Fund	19,214	19,579
Mauna Kea Technologies Research	6,495	8,295
Tulane Bleeding and Clotting Research Fund	19,948	20,000
Josh's Promise - Salt & Light	25,000	-
Personal Protective Equipment Fund	<u>434,999</u>	<u>533,825</u>
Total net assets with donor restrictions	<u>\$ 731,098</u>	<u>\$ 823,864</u>

During the years ended June 30, 2021 and 2020, restricted net assets of \$134,266 and \$110,820 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Patient Education Units	\$ -	\$ 86,550
Charles Wetmore Foundation	29,225	17,170
Almar Foundation	3,997	3,850
Esophagus Research Fund	365	1,045
Mauna Key Technologies Research	1,800	1,705
Tulane Bleeding and Clotting Research	52	-
Personal Protective Equipment Fund	<u>98,827</u>	<u>500</u>
Total	<u>\$ 134,266</u>	<u>\$ 110,820</u>

SPIRIT OF CHARITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

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

Concentration of Revenue

Approximately 11% of the Foundation's funding is provided from the Spirit of Charity fundraisers for the years ended June 30, 2021 and 2020. During the year ended June 30, 2021 and 2020, the Foundation received 12% and 37% of its revenues from one donor, respectively.

(8) RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021 and 2020, Board of Directors' members contributed \$11,628 and \$15,792 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(9) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In September 2020, FASB issued ASU 2020-07, “*Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.” The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the NFP. It is important to note that the ASU 2020-07 will not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements. The ASU 2020-07 should be applied on a retrospective basis and effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022, with early adoption permitted. 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 DECEMBER 31, 2021

	<u>Dr. Peter DeBlieux*</u>
Time served	07/01/20 through 06/30/21
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, 2021, 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 1, 2021.

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. However, material weaknesses may exist that have not been identified.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Trustees of
Spirit of Charity Foundation
December 1, 2021

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*.

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 1, 2021

Certified Public Accountants

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

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Spirit of Charity Foundation
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are 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, 2021.

SECTION II FINANCIAL STATEMENT FINDINGS

None Noted

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

SECTION I FINANCIAL STATEMENT FINDINGS

2020-001 RECONCILIATION OF 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.

Current Status: The finding has been resolved through the adjustment of reconciliation procedures related to the Foundation's investments.

SECTION II MANAGEMENT LETTER

There was no management letter issued for the year ended June 30, 2020.



MANAGEMENT LETTER

December 1, 2021

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, 2021, 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 1, 2021, 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:

2021 – 001 Bank Reconciliation Procedures

During the audit, 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. In order to ensure the accuracy, reliability, and comparability of interim financial statements, bank reconciliations should be performed in the monthly closing process. Additionally, late reconciliations of financial accounts increases the risk that fraud or errors could occur and not be detected timely. 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.

Also, 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.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Trustees of
Spir of Charity Foundation
New Orleans, Louisiana
Page 2

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,

Ericksen Krentel, LLP
Certified Public Accountants



SPIRIT OF CHARITY FOUNDATION
MANAGEMENT'S CORRECTIVE ACTION PLAN – MANAGEMENT LETTER
ITEMS
JUNE 30, 2021

Frank Incaprera, MD
President

December 1, 2021

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, 2021.

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, 2020 – June 30, 2021

Joseph Biundo, Jr., MD

Bennett deBoisblanc, MD

The comment from the June 30, 2021 management letter and responses is discussed below. The comment is numbered consistently with the number assigned in management letter.

Sally Duplantier

Paul Friedlander, MD

D. Luke Glancy, MD

L. Lee Hamm, III, MD

Edward Helm, MD

Larry Hollier, MD
Ex Officio

Myra Kleinpeter, MD

Neal Kling

Sally Knight, DrPH

Steve Nelson, MD
Ex Officio

Donna Richardson

Raoul Rodriguez, MD

Gene Sausse, Jr.

Malcolm Schwarzenbach, III

Jessica Waguespack

Harold Weis

SECTION III – MANAGEMENT LETTER ITEMS

2021-001 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. We recommend that management investigate old outstanding checks and determine the proper treatment. We recommend that the Foundation consider using the accounting software to perform reconciliations.

Response: The Foundation agrees with the recommendation and will review procedures and controls related to the bank reconciliations.

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

Sincerely,

Signature

Title