

SPIRIT OF CHARITY FOUNDATION  
NEW ORLEANS, LOUISIANA  
FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

**CONTENTS**

**INDEPENDENT AUDITORS' REPORT** ..... 1 – 3

**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 – 16

**SUPPLEMENTAL INFORMATION:**

Schedule "1" Schedule of Compensation, Benefits, and Other Payments  
to Agency Head ..... 17

**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 *Government Auditing Standards* ..... 18 – 19

Schedule of Findings and Responses ..... 20

Summary Schedule of Prior Year Findings and Responses ..... 21



## **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, 2019 and 2018, 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  
Page 2

### **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, 2019 and 2018, 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.

### **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 2016-14, "Not-for-Profit Entities" for the year ended June 30, 2019. Our opinion is not modified with respect to that matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, 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<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Trustees of  
Spirit of Charity Foundation  
New Orleans, Louisiana  
Page 3

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 12, 2019

*Erickson Krentel, LLP*

Certified Public Accountants

**SPIRIT OF CHARITY FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 226,798	\$ 203,397
Cash held for agencies	32,862	45,689
Interest receivable	2,865	3,346
Prepaid expenses	1,703	1,620
Investments	<u>799,507</u>	<u>730,022</u>
 Total assets	 <u>\$ 1,063,735</u>	 <u>\$ 984,074</u>
 <b><u>LIABILITIES:</u></b>		
Accounts payable	\$ 364	\$ 8,894
Accrued payroll liabilities	62,093	1,879
Deferred revenue	25,200	4,000
Funds held for agencies	<u>32,863</u>	<u>45,689</u>
 Total liabilities	 <u>120,520</u>	 <u>60,462</u>
 <b><u>NET ASSETS:</u></b>		
Without donor restrictions	603,856	571,148
With donor restrictions	<u>339,359</u>	<u>352,464</u>
 Total net assets	 <u>943,215</u>	 <u>923,612</u>
 Total liabilities and net assets	 <u>\$ 1,063,735</u>	 <u>\$ 984,074</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>REVENUES, GAINS AND OTHER SUPPORT:</u></b>			
Contributions	\$ 192,019	\$ 15,000	\$ 207,019
Grant revenue	-	-	-
Registration income	31,588	-	31,588
Fundraising income	81,500	-	81,500
Interest income	22,552	-	22,552
Net realized and unrealized gains (losses) on investments	24,734	-	24,734
Returned grants awarded in prior years	-	-	-
Other income	9,684	-	9,684
	<u>362,077</u>	<u>15,000</u>	<u>377,077</u>
Total revenue			
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>
<b><u>EXPENSES:</u></b>			
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>
Total expenses			
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**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>REVENUES, GAINS AND OTHER SUPPORT:</u></b>			
Contributions	\$ 18,584	\$ 4,000	\$ 22,584
Grant revenue	-	30,624	30,624
Registration income	375	-	375
Fundraising income	98,255	-	98,255
Interest income	20,503	-	20,503
Net realized and unrealized gains (losses) on investments	614	-	614
Returned grants awarded in prior years	15,520	-	15,520
Other income	<u>11,136</u>	<u>-</u>	<u>11,136</u>
 Total revenue	 164,987	 34,624	 199,611
 Net assets released from restrictions	 <u>23,517</u>	 <u>(23,517)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>188,504</u>	 <u>11,107</u>	 <u>199,611</u>
<b><u>EXPENSES:</u></b>			
Program services	103,660	-	103,660
Supporting services:			
Fundraising	100,077	-	100,077
Management and general	<u>96,971</u>	<u>-</u>	<u>96,971</u>
 Total expenses	 <u>300,708</u>	 <u>-</u>	 <u>300,708</u>
 Change in net assets	 (112,204)	 11,107	 (101,097)
 Net assets, beginning of year	 <u>683,352</u>	 <u>341,357</u>	 <u>1,024,709</u>
 Net assets, end of year	 <u>\$ 571,148</u>	 <u>\$ 352,464</u>	 <u>\$ 923,612</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**SPIRIT OF CHARITY FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 19,603	\$ (101,097)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on investments	(6,210)	(5,224)
Unrealized (gain) loss on investments	(18,524)	4,610
(Increase) decrease in:		
Interest receivable	481	177
Other receivable	1	-
Prepaid expenses	(83)	70
Increase (decrease) in:		
Accounts payable	(8,530)	840
Accrued payroll liabilities	60,214	(9,153)
Deferred revenue	21,200	(3,800)
	<u>68,152</u>	<u>(113,577)</u>
Net cash from (used in) operating activities		
<b><u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u></b>		
Proceeds from sale of investments	444,367	653,711
Purchase of investments	<u>(489,118)</u>	<u>(598,474)</u>
	<u>(44,751)</u>	<u>55,237</u>
Net cash from (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	23,401	(58,340)
Cash and cash equivalents, beginning of year	<u>203,397</u>	<u>261,737</u>
Cash and cash equivalents, end of year	<u>\$ 226,798</u>	<u>\$ 203,397</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
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
<b>Total expenses</b>	<b>\$ 164,142</b>	<b>\$ 94,743</b>	<b>\$ 98,589</b>	<b>\$ 357,474</b>

See accompanying NOTES TO FINANCIAL STATEMENTS

**SPIRIT OF CHARITY FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Awards and gifts	\$ 5,008	\$ -	\$ -	\$ 5,008
Donations made	6,000	-	-	6,000
Dues and subscriptions	595	-	-	595
Equipment contributions	23,784	-	-	23,784
Event expenses	-	37,194	-	37,194
Grants, net of returns	19,079	-	-	19,079
Insurance	-	-	7,540	7,540
Meals	4,345	-	1,426	5,771
Medical supplies	28,725	-	-	28,725
Miscellaneous expense	2,482	-	7,340	9,822
Office expenses	-	-	758	758
Postage	73	-	169	242
Professional fees	2,114	-	11,165	13,279
Training and seminars	4,052	-	-	4,052
Travel	7,403	-	-	7,403
Wages and related expenses	-	62,883	68,573	131,456
<b>Total expenses</b>	<b>\$ 103,660</b>	<b>\$ 100,077</b>	<b>\$ 96,971</b>	<b>\$ 300,708</b>

See accompanying NOTES TO FINANCIAL STATEMENTS

**SPIRIT OF CHARITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

(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)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

(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)  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(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, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has 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 740-10-et al 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 740-10-et al 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 740-10-et al 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, 2019 revealed no tax positions that would have a material impact on the financial statements. The 2015 through 2018 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)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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

**New Accounting Pronouncement**

On August 18, 2016 FASB issued ASU 2016-14, "Not-for-Profit Entities." The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Spirit of Charity Foundation has adjusted the presentation of these statements accordingly.

**Subsequent Events**

Subsequent events have been evaluated through December 12, 2019, 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, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial assets, at year end	\$ 1,063,735	\$ 984,074
Less those unavailable for general expenditure within one year due to:		
Net assets with donor restrictions	<u>(339,359)</u>	<u>(352,464)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 724,376</u>	<u>\$ 631,610</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)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**(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:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Unrestricted:				
Corporate bonds	\$ 159,125	\$ 161,363	\$ 167,122	\$ 163,303
Government securities and other agencies	217,016	202,081	255,877	234,478
Mutual funds and exchange-traded funds	<u>421,928</u>	<u>436,063</u>	<u>323,787</u>	<u>332,241</u>
Total unrestricted investments	<u>\$ 798,069</u>	<u>\$ 799,507</u>	<u>\$ 746,786</u>	<u>\$ 730,022</u>

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

	2019	2018
Dividends and interest	\$ 21,663	\$ 19,892
Net gain (loss) on sale of investments	6,532	5,224
Management fees	(5,903)	(6,151)
Net unrealized gain (loss) in value of investment	<u>\$ 18,202</u>	<u>\$ (4,610)</u>
Total return on investments	<u>\$ 40,494</u>	<u>\$ 14,355</u>

**(4) FUNDS HELD FOR AGENCIES**

At June 30, 2019 and 2018, the Foundation held \$32,863 and \$45,689, 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:

	2019	2018
Agency funds received	\$ 7,652	\$ 32,841
Distributions to agencies	<u>(20,478)</u>	<u>(24,337)</u>
Change in balance	(12,827)	8,504
Beginning balance	<u>45,689</u>	<u>37,185</u>
Ending balance	<u>\$ 32,863</u>	<u>\$ 45,689</u>

**SPIRIT OF CHARITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**(5) RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions at June 30, 2019 and 2018 include:

	<u>2019</u>	<u>2018</u>
Telemedicine and Health Management Program	\$ 154,676	\$ 154,676
Patient Education Units	86,550	86,550
Charles Wetmore Foundation	20,902	41,315
Almar Foundation	46,607	39,299
Wynn and Bill Seemann Barrett's Esophagus Research Fund	20,624	20,624
Mauna Kea Technologies Research	<u>10,000</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 339,359</u>	<u>\$ 352,464</u>

During the years ended June 30, 2019 and 2018, restricted net assets of \$28,105 and \$23,517 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Almar Foundation	\$ 7,692	\$ 5,748
Charles Wetmore Foundation	<u>20,413</u>	<u>17,769</u>
Total net assets with donor restrictions	<u>\$ 28,105</u>	<u>\$ 23,517</u>

**(6) 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, 2019 and 2018, the Foundation had no uninsured cash.

**Concentration of Revenue**

Approximately 54% and 26% of the Foundation's funding is provided from the Spirit of Charity fundraiser for the years ended June 30, 2019 and 2018, respectively.

**SPIRIT OF CHARITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**(7) RELATED PARTY TRANSACTIONS**

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

During the year ended June 30, 2018, the Foundation provided a Board Member with a \$20,000 grant for medical research through LSUHSC, an affiliated Foundation, as intermediary.

The University Medical Center of New Orleans, an affiliate, provides office space to the Foundation at no charge.

**(8) RECLASSIFICATIONS**

Certain items on the 2018 financial statements have been reclassified to conform to the current year's presentation. Net assets and increase in net assets are unchanged due to these reclassifications.

**(9) NEW ACCOUNTING PRONOUNCEMENTS**

In June 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, to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundation for the fiscal year ending June 30, 2020. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

**SPIRIT OF CHARITY FOUNDATION**  
 SCHEDULE OF COMPENSATION, BENEFITS , AND OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Dr. Peter DeBlieux*</u>
Time served	07/01/18 through 06/30/19
Reimbursements	\$ _____ -
Total compensation, benefits, and other payments	\$ _____ -

\*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.

(See Independent Auditors' Report)



**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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2019.

**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) to determine the 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. 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.



To the Board of Trustees of  
Spirit of Charity Foundation  
December 12, 2019  
Page 2

### **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 determination of financial statement amounts. 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 12, 2019

Certified Public Accountants

**SPIRIT OF CHARITY FOUNDATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 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 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. A management letter was issued for the year ended June 30, 2019.

**SECTION II FINANCIAL STATEMENT FINDINGS**

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

**SPIRIT OF CHARITY FOUNDATION**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

**SECTION I FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements for the year ended June 30, 2018.

**SECTION II MANAGEMENT LETTER**

**2018-001 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** – The Foundation continues to assess and evaluate their needs, soliciting best practice recommendations from trusted advisors to develop and finalize a policy during the next fiscal year.

This management letter item has not been resolved as documented by Management Letter Item 2019-001.

**2018-002 Review for Elements of Deferred Revenue**

**Condition** – Our review of revenue revealed that advance collections for the next year’s fundraiser, were recorded in revenue for year ended June 30, 2019. Such revenue should be included in income in the period in which it is earned, not in the period it is collected. This can be done by recording advance collections in a deferred revenue account supported by a subsidiary ledger and transferring the amounts to revenue in the period in which they are earned. We recommend that the Foundation develop a policy and procedure for reviewing fundraiser collections for amounts which should be reported as deferred revenues.

**Current Status** – The Foundation has developed a policy for reviewing fundraiser collections for amounts which should be reported as deferred revenues.

This management letter item has been resolved through completion of the above steps.



**ERICKSEN KRENTEL** LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

## MANAGEMENT LETTER

To the Board of Trustees of  
Spirit of Charity Foundation

In planning and performing our audit of the financial statements of Spirit of Charity Foundation as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Spirit of Charity 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spirit of Charity Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Spirit of Charity Foundation's internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning these matters. This letter does not affect our report dated December 12, 2019, on the financial statements of Spirit of Charity Foundation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Spirit of Charity Foundation personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **2019-001 Develop a Record Retention Policy**

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.

This letter is intended solely for the information and use of Spirit of Charity Foundation and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2019  
New Orleans, Louisiana

Certified Public Accountants



**SPIRIT OF CHARITY FOUNDATION**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
JUNE 30, 2019

Frank Incaprera, MD  
*President*

Louisiana Legislative Auditor

Damon Dietrich, MD  
*Secretary/Treasurer*

The Spirit of Charity Foundation, respectfully submits the following corrective action plan for the year ended June 30, 2019.

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 St.  
New Orleans, Louisiana 70119  
Contact: Eric Powers

Stacy Gerhold-Marvin  
*Foundation Coordinator*

Juzar Ali, MD

Jack Andonie, MD

Warren Bell, Jr.

Audit Period: 07/01/2018 to 06/30/2019

Joseph Biundo, Jr., MD

Bennett deBoisblanc, MD

The comments from the June 30, 2019 management letter are discussed below. The comments are numbered consistently with the number assigned in the Management Letter.

Sally Duplantier

Paul Friedlanader, MD

D. Luke Glancy, MD

### **SECTION III MANAGEMENT LETTER ITEMS**

L. Lee Hamm, III, MD

#### **2018-001 Develop a Record Retention Policy**

Edward Helm, MD

Larry Hollier, MD  
*Ex Officio*

Recommendation: We recommend that the Foundation develop a record retention policy that accommodates legal requirements, anticipated needs for historical information, and available storage space.

Marc Kahn, MD

Myra Kleinpeter, MD

Neal Kling

Response: The Foundation is in the process of reviewing its legal requirements and anticipated needs for historical information and is working to develop a record retention policy that meets those needs using available resources and storage space. The Foundation seeks to finalize and institute a policy within the foreseeable future.

Dr. Sally Knight

Steve Nelson, MD  
*Ex Officio*

Donna Richardson

Raoul Rodriguez, MD

Gene Sausse, Jr.

If there are any questions regarding this plan, please contact Stacy Gerhold-Marvin at [Stacy.Gerhold-Marvin@lcmhealth.org](mailto:Stacy.Gerhold-Marvin@lcmhealth.org).

Malcolm Schwarzenbach, III

Jack Strong, MD  
*Emeritus*

Eve Vavrick

Jessica Waguespack

Harold Weis

Sincerely,

Signature

*Executive Director*

Title