

July 15, 2020

Glenda Klass
Greater Louisville Medical Society Foundation, Inc.
328 E Main St.
Louisville, KY 40202

Attention: Board of Trustees

This letter is to inform the Board of Trustees of Greater Louisville Medical Society, Inc. (the Foundation) about significant matters related to the conduct of our audit as of and for the year ended March 31, 2020, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated April 9, 2020. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 9, 2020 regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

In our meeting with you, we will discuss our views about the qualitative aspects of the Foundation's significant accounting practices, including accounting policies, accounting estimates and the financial statement disclosures. The following is a list of the matters, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Adoption of new accounting standard regarding revenue from contracts with customers
- Allocation of functional expenses
- Fair value of investments and related disclosures
- Estimated useful lives of property and equipment

We further draw your attention to the section of Note 2 to the financial statements that describes recently issued accounting pronouncements but are not yet effective. The accounting for leases is changing and will be effective for the year ending March 31, 2023 for the Foundation. This standard will require significant analysis of contracts, data and transaction processes. The Foundation should commence, as soon as possible, the analysis required to determine the impacts on the financial statements and the Foundation's internal control environment.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Supplemental Schedule

With respect to the supplemental schedule accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the method of preparing it had not changed from the prior period and the information is appropriate and complete in relation to the financial statements as a whole. The information was 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.

Internal Control Matters

Certain deficiencies in internal control that were not deemed material weaknesses or significant deficiencies and that we identified during the planning or performance of our audit of the financial statements have been communicated to management.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed or Subject to Correspondence with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Management Representations

A copy of the management representation letter has been attached.

Greater Louisville Medical Society Foundation, Inc.

July 15, 2020

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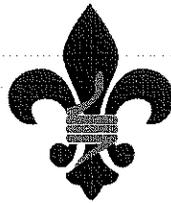
Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Foundation.

This report is intended solely for the information and use of Board of Trustees and is not intended to be, and should not be, used by anyone other than these specified parties.

Dean Dorton Allen Ford, PLLC

Dean Dorton Allen Ford, PLLC



**Greater Louisville
MEDICAL SOCIETY
FOUNDATION**

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July 15, 2020

Dean Dorton Allen Ford, PLLC
500 West Jefferson Street, Suite 1400
Louisville, KY 40202

This representation letter is provided in connection with your audits of the financial statements of Greater Louisville Medical Society Foundation (the Foundation), which comprise the statement of financial position as of March 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 9, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard:
 - a. Adequate provisions have been made to reduce receivables, including pledges receivable, to their estimated net collectible amounts.
 - b. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. The methods and significant assumptions used to determine fair values of the financial instruments are as follows:
 - i. Mutual funds: Valued at net asset value (NAV) of shares held by the Foundation at year end. The NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

- ii. Corporate bonds and stocks: Valued at unadjusted quoted prices for similar assets in active markets or valued at unadjusted quoted prices for identical assets in inactive markets.
- iii. Annuity investment: Valued using the net asset value of the underlying funds as determined by the annuity's custodian.

Our valuation methodologies have been consistently applied from period to period. The methods and assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

- 5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed. Specifically, as of March 31, 2020 and as of the date the financial statements were issued, the Foundation has not experienced significant disruptions in its operations, however, the fair value of investments held by the Foundation have fluctuated greatly. The continued spread of the disease represents a significant risk that the Foundation's operations could be disrupted in the near future. The extent to which COVID-19 impacts the Foundation will depend on future developments, which are highly uncertain and cannot be predicted.
- 7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- 8. The following have been properly recorded and/or disclosed in the financial statements, if applicable:
 - a. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
 - b. Investments in debt and equity securities, including their classification.
 - c. All leases and material amounts of rental obligations under long-term leases.
 - d. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the ASC, including split interest agreements.
 - e. All recordable contributions, by appropriate net asset class.
 - f. Reclassifications between net asset classes.
 - g. Allocations of functional expenses based on a reasonable basis.
 - h. Composition of assets in amounts needed to comply with all donor restrictions.

- i. Board designated unrestricted net assets.
 - j. Concentrations of credit risk.
9. We have analyzed our various revenue streams in accordance with the requirements of FASB ASC Topic 606 *Revenue from Contracts with Customers* (Topic 606) and confirm the following:
- a. We applied the modified retrospective with cumulative effect transition method, and there was no transition adjustment required as of April 1, 2019.
 - b. As of and for the year ended March 31, 2020, there was no difference between the amounts reported in the financial statements in accordance with Topic 606 and what would have been reported without the adoption of Topic 606.
 - c. We have considered all of the disclosure requirements of Topic 606 and believe all relevant disclosures have been made.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
- a. The Foundation has no significant amounts of idle property and equipment.
 - b. The Foundation has no plans or intentions to discontinue the operations of any division or to discontinue any significant product lines.
 - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
 - d. There are no long-lived assets, including intangibles, which are impaired or will be disposed of, at amounts lower than their carrying value.
11. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contaminations.
 - b. Guarantees, whether written or oral, under which the Foundation is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Lines of credits or similar arrangements.
 - e. Security agreements in effect under the Uniform Commercial Code.

- f. Other material liabilities or gain and loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the ASC.
 - g. Agreements to repurchase assets previously sold.
 - h. Encumbrances on assets or other pledges of assets.
 - i. Contractual obligations for plant construction or purchase of real property, equipment, assets, or intangibles.
 - j. Liabilities that are subordinated to any other actual or possible liabilities of the Foundation.
 - k. Deferred revenues from exchange transactions.
 - l. Refundable advances.
 - m. Derivative financial instruments.
 - n. Uninsured losses or loss retentions (deductibles) attributable to events occurring through March 31, 2020 or for expected retroactive insurance premium adjustments applicable to periods through March 31, 2020.
 - o. Pension obligations, postretirement benefits other than pensions and deferred compensation agreement attributable to employee services rendered through year end.
 - p. Material losses to be sustained in the fulfillment of or from the inability to fulfill any sales commitments, including promises to give.
 - q. Material losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at a price in excess of the prevailing market prices.
 - r. Environmental clean-up obligations.
12. We have no knowledge of any uncorrected misstatements in the financial statements.
13. Management designated an individual with sufficient skills, knowledge, and experience to oversee the financial statement preparation process and to take responsibility for the results of the financial statement preparation services. This individual performed a detailed review of the financial statements consisting of the following procedures:
- a. Reconciliation of the trial balance to the financial statements.
 - b. Review and approval of all journal entries proposed by you, including review of supporting documentation and explanations.
 - c. Review the adequacy of disclosures in the financial statement.

- d. Review and approval of schedules and calculations supporting the amounts included in the financial statements and the notes to the financial statements.
- e. Applying analytical procedures to financial statements.

Information Provided

14. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information that you have requested from us for the purpose of the audit;
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

15. All transactions have been recorded in the accounting records and are reflected in the financial statements.

16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

17. We have no knowledge of allegations of fraud or suspected fraud affecting the Foundation's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation's financial statements received in communications from employees, former employees, regulators or others.

19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

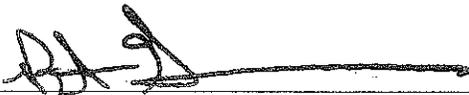
20. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.

21. We have disclosed to you the identity of the Foundation's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Foundation's ability to record, process, summarize and report financial data.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We have received determination from the Internal Revenue Service (IRS) that we are exempt from federal income taxes as a Section 501 (c)(3) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.
25. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

26. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Greater Louisville Medical Society Foundation, Inc.



Bert Guinn, CEO



Glenda Klass, CFO



Financial Statements and Supplementary Information

for

**GREATER LOUISVILLE MEDICAL
SOCIETY FOUNDATION, INC.**

Years Ended March 31, 2020 and 2019
with Report of Independent Auditors

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Report of Independent Auditors

Board of Trustees
Greater Louisville Medical Society Foundation, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Louisville Medical Society Foundation, Inc. (the Foundation) which comprise the statements of financial position as of March 31, 2020 and 2019, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
July 15, 2020

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Statements of Financial Position

March 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 71,048 | \$ 87,163 |
| Investments | 6,029,753 | 6,712,844 |
| Pledges receivable | 21,700 | - |
| Accounts receivable, related party | 967 | 700 |
| Prepaid expenses and other assets | 2,500 | 2,925 |
| Property and equipment, net | <u>31,273</u> | <u>34,389</u> |
| Total assets | <u>\$ 6,157,241</u> | <u>\$ 6,838,021</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable, related parties | \$ 8,045 | \$ 11,126 |
| Accounts payable and accrued expenses | 11,027 | 11,238 |
| Unearned revenue | <u>13,750</u> | <u>3,000</u> |
| Total liabilities | 32,822 | 25,364 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 5,882,954 | 6,587,645 |
| Board designated | <u>207,531</u> | <u>217,058</u> |
| Total without donor restrictions | 6,090,485 | 6,804,703 |
| With donor restrictions - purpose restrictions | <u>33,934</u> | <u>7,954</u> |
| Total net assets | <u>6,124,419</u> | <u>6,812,657</u> |
| Total liabilities and net assets | <u>\$ 6,157,241</u> | <u>\$ 6,838,021</u> |

See accompanying notes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Statement of Activities

Year ended March 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Operating activities: | | | |
| Revenue and support: | | | |
| Contributions | \$ 29,763 | \$ 2,414 | \$ 32,177 |
| Medical education income | - | 33,000 | 33,000 |
| Annual event | - | 60,880 | 60,880 |
| Net assets released from restrictions | <u>70,314</u> | <u>(70,314)</u> | <u>-</u> |
| Total revenue and support | 100,077 | 25,980 | 126,057 |
| Expenses: | | | |
| Program services | 75,459 | - | 75,459 |
| General and administrative | 92,378 | - | 92,378 |
| Fundraising and development | <u>175,620</u> | <u>-</u> | <u>175,620</u> |
| Total expenses | <u>343,457</u> | <u>-</u> | <u>343,457</u> |
| Change in net assets from operations | (243,380) | 25,980 | (217,400) |
| Nonoperating activities: | | | |
| Net investment loss | <u>(470,838)</u> | <u>-</u> | <u>(470,838)</u> |
| Change in net assets | (714,218) | 25,980 | (688,238) |
| Net assets, beginning of year | <u>6,804,703</u> | <u>7,954</u> | <u>6,812,657</u> |
| Net assets, end of year | <u>\$ 6,090,485</u> | <u>\$ 33,934</u> | <u>\$ 6,124,419</u> |

See accompanying notes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Statement of Activities, continued

Year ended March 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|--------------|
| Operating activities: | | | |
| Revenue and support: | | | |
| Contributions | \$ 24,361 | \$ 1,125 | \$ 25,486 |
| Annual event | - | 70,880 | 70,880 |
| Gala | 52,656 | - | 52,656 |
| Net assets released from restrictions | 115,879 | (115,879) | - |
| Total revenue and support | 192,896 | (43,874) | 149,022 |
| Expenses: | | | |
| Program services | 95,321 | - | 95,321 |
| General and administrative | 110,116 | - | 110,116 |
| Fundraising and development | 222,791 | - | 222,791 |
| Total expenses | 428,228 | - | 428,228 |
| Change in net assets from operations | (235,332) | (43,874) | (279,206) |
| Nonoperating activities: | | | |
| Net investment return | 305,116 | - | 305,116 |
| Change in net assets | 69,784 | (43,874) | 25,910 |
| Net assets, beginning of year | 6,734,919 | 51,828 | 6,786,747 |
| Net assets, end of year | \$ 6,804,703 | \$ 7,954 | \$ 6,812,657 |

See accompanying notes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Statement of Functional Expenses

Year ended March 31, 2020

| | Program Services | General and Administrative | Fundraising and Development | Total |
|--------------------------------------|---------------------|-------------------------------|--------------------------------|-------------------|
| Bank fees | \$ - | \$ 827 | \$ 361 | \$ 1,188 |
| Computer | - | 4,691 | - | 4,691 |
| Depreciation | - | 3,116 | - | 3,116 |
| Development and promotions | - | 518 | 16,492 | 17,010 |
| General insurance | - | 6,033 | - | 6,033 |
| Golf scramble | - | - | 26,489 | 26,489 |
| Grants | 46,787 | - | - | 46,787 |
| Health insurance | 158 | 1,357 | 4,797 | 6,312 |
| Other | - | 1,558 | - | 1,558 |
| Parking | 40 | 348 | 1,229 | 1,617 |
| Payroll taxes | 187 | 1,605 | 5,672 | 7,464 |
| Pension | 95 | 814 | 2,877 | 3,786 |
| Professional fees | - | 9,500 | 1,229 | 10,729 |
| Related party administration expense | - | 34,560 | 19,440 | 54,000 |
| Rent | 753 | 6,472 | 22,876 | 30,101 |
| Salaries | 2,439 | 20,979 | 74,158 | 97,576 |
| Scholarships | 25,000 | - | - | 25,000 |
| | \$ 75,459 | \$ 92,378 | \$ 175,620 | \$ 343,457 |
| Total expenses by function | \$ 75,459 | \$ 92,378 | \$ 175,620 | \$ 343,457 |

See accompanying notes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Statement of Functional Expenses, continued

Year ended March 31, 2019

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising and Development</u> | <u>Total</u> |
|--------------------------------------|-----------------------------|---------------------------------------|--|-------------------|
| Bad debt expense | \$ - | \$ 4,400 | \$ - | \$ 4,400 |
| Bank fees | - | 651 | 2,192 | 2,843 |
| Computer | - | 6,440 | - | 6,440 |
| Depreciation | - | 4,834 | - | 4,834 |
| Development and promotions | - | 244 | 17,853 | 18,097 |
| Gala event | - | - | 45,459 | 45,459 |
| General insurance | - | 5,213 | - | 5,213 |
| Golf scramble | - | - | 31,445 | 31,445 |
| Grants | 61,687 | - | - | 61,687 |
| Health insurance | 362 | 3,111 | 10,999 | 14,472 |
| Office supplies | - | 1,534 | - | 1,534 |
| Other | - | 1,846 | - | 1,846 |
| Parking | 47 | 400 | 1,415 | 1,862 |
| Payroll taxes | 194 | 1,672 | 5,907 | 7,773 |
| Pension | 43 | 372 | 1,314 | 1,729 |
| Professional fees | - | 10,500 | - | 10,500 |
| Related party administration expense | - | 43,200 | 10,800 | 54,000 |
| Rent | 595 | 5,117 | 18,090 | 23,802 |
| Salaries | 2,393 | 20,582 | 72,755 | 95,730 |
| Sales tax | - | - | 4,562 | 4,562 |
| Scholarships | <u>30,000</u> | <u>-</u> | <u>-</u> | <u>30,000</u> |
| Total expenses by function | <u>\$ 95,321</u> | <u>\$ 110,116</u> | <u>\$ 222,791</u> | <u>\$ 428,228</u> |

See accompanying notes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Statements of Cash Flows

Years ended March 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (688,238) | \$ 25,910 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 3,116 | 4,834 |
| Net realized gains on investments | (69,092) | (61,041) |
| Net unrealized loss (gain) on investment | 723,554 | (64,316) |
| Increase (decrease) in cash due to changes in: | | |
| Pledge receivables | (21,700) | 4,900 |
| Accounts receivable, related party | (267) | 800 |
| Prepaid expenses and other assets | 425 | 2,463 |
| Accounts payable, related party | (3,081) | 2,815 |
| Accounts payable and accrued expenses | (211) | (3,577) |
| Unearned revenue | <u>10,750</u> | <u>(12,500)</u> |
| Net cash used in by operating activities | (44,744) | (99,712) |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments - reinvested | 2,343,268 | 2,098,131 |
| Proceeds from sale of investments - used in operations | 225,250 | 223,000 |
| Purchase of investments | <u>(2,539,889)</u> | <u>(2,277,873)</u> |
| Net cash provided by investing activities | <u>28,629</u> | <u>43,258</u> |
| Decrease in cash and cash equivalents | (16,115) | (56,454) |
| Cash and cash equivalents, beginning of year | <u>87,163</u> | <u>143,617</u> |
| Cash and cash equivalents, end of year | \$ <u>71,048</u> | \$ <u>87,163</u> |

See accompanying notes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements

1. Description of the Organization

Greater Louisville Medical Society Foundation, Inc. (the Foundation) is an association consisting of active and non-active members of the Greater Louisville Medical Society (the Society) who express an interest in the Foundation and make a financial contribution. The bylaws also provide for honorary membership. As of March 31, 2020 and 2019, there were 255 and 326 honorary donors, respectively.

The mission of the Foundation is to promote the betterment of public health and increase awareness of preventive health care practices, as well as to support projects of the Society. This is achieved through fund raising and prudent management of the Foundation that generate revenues to support the Foundation's causes.

2. Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year.

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*, which addresses questions stemming from ASU No. 2014-09 regarding its implication on the grants and contracts of not-for-profit organizations. The ASU primarily addresses whether or not the transaction is reciprocal (i.e., an exchange) and therefore accounted for under ASU No. 2014-09 or nonreciprocal (i.e., a contribution) and therefore accounted for under contribution guidance.

Effective April 1, 2019, the Foundation adopted the requirements of ASU 2014-09 and ASU 2018-08 and all related amendments (the new revenue standard) to all contracts using the modified retrospective method. There was no adjustment necessary to the opening balance of net assets as a result of adopting the new revenue standard. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the comparative period (Topic 605). For the year ended March 31, 2020, the Foundation has determined that there are no significant differences between the amounts reported for revenue and contract assets and liabilities using Topic 605 and the accounting treatment used in accordance with the new revenue standard.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation

Under GAAP, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions include the portion of expendable funds that are not subject to donor-imposed stipulations and include the following:

Undesignated: Net assets without donor restrictions available in operation of the Foundation.

Board designated: Net assets whose use by the Foundation has been limited by the Board of Trustees for scholarship purposes. The Board of Trustees could release or revise the designation in the future.

Net Assets With Donor Restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation treats donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less that are not designated for a specific purpose. The Foundation has a concentration of credit risk in that it periodically maintains cash deposits in financial institutions in excess of federally insured limits. Management considers it very unlikely that any loss will result from the cash balance in excess of federal insurance limits.

Investment Valuation and Income Recognition

Investments are carried at fair value, generally determined by quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net realized and unrealized gains and losses are reflected in the statements of activities.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Investment Valuation and Income Recognition, continued

The Foundation invests in cash equivalent funds, publicly-traded common stocks, fixed-income securities and mutual funds. These investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gain (loss) on investments includes the Foundation's gains and losses on investments bought and sold as well as held during the year.

The Foundation has elected not to further disaggregate the investments as displayed in Note 4 as additional risk information is not deemed material to the financial statements.

Pledges and Accounts Receivable

Receivables consists primarily of donations. Delinquent receivables are written off based on individual and specific circumstances of the donor. No provision for doubtful accounts has been made at March 31, 2020 and 2019, as management considers all amounts to be fully collectible.

Property and Equipment

Property and equipment in excess of \$1,000 are stated at cost, or if donated, at the approximate fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

| | |
|-------------------------|--------------|
| Furniture and equipment | 3 to 5 years |
| Donates | 40 years |

Repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed as incurred.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition

The Foundation derives its revenues primarily from contributions, medical education income, and the annual event and gala. The Foundation recognizes contributions and medical education income when cash, securities, an unconditional promise to give, or donated goods or services are received. The value of donated goods or services are based on management's estimate of the fair value of the contribution at the time of the donation. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation recognizes annual event and gala revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Foundation recognizes revenue from ticket sales at the time of admission.

In instances where the timing of revenue recognition differs from the timing of invoicing and/or payment, the contracts generally do not include a significant financing component as the period between when the Foundation transfers a promised good or service to the person and when the person pays for that good or service is one year or less. Unearned revenue as of March 31, 2020 and 2019 consist primarily of contributions for the annual event, sponsorships for the golf scramble and other income received but not yet earned.

Grants and Scholarships

Grants and scholarships are recorded as expenses when they are approved by the Board of Trustees for payment. Amounts not paid as of year-end are included in the financial statements as accounts payable and accrued expenses and are expected to be paid within 12 months.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses based on estimated time spent on that function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimate of time and effort. The expenses that are allocated include bank fees, development and promotions, health insurance, parking, payroll taxes, pension, related party administration, rent and salaries.

Income Taxes

The Foundation is a non-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Although the Foundation is exempt from income taxes, any income generated from activities unrelated to its exempt purpose is subject to tax under IRC Section 511. There was no unrelated business income for the years ended March 31, 2020 and 2019. Accordingly, the financial statements include no provision for income taxes.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported total net assets and change in net assets.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through July 15, 2020, which was the date at which the financial statements were available to be issued.

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. As of March 31, 2020 and as of the date of the financial statements were issued, the Foundation has not experienced significant disruption in its operations, however, the fair value of investments held by the Foundation have fluctuated greatly. The continued spread of the disease also represents a significant risk that the Foundation's operations could be disrupted in the near future. The extent to which COVID-19 impacts the Foundation will depend on future developments, which are highly uncertain and cannot be predicted.

New Accounting Pronouncement Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Foundation's statement of financial position as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Foundation will recognize: 1) a lease liability for Foundation's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Foundation's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The FASB has issued additional guidance (ASU 2019-10 and ASU 2020-05) which have deferred the effective date of ASU 2016-02. The updated standard will be effective for the Foundation for the year ending March 31, 2023. The Foundation has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

3. Liquidity and Availability

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 6-10% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) meets six times a year (every other month) to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus grants approved by the Committee.

The following table reflects the Foundation's financial assets available as of March 31, 2020 and 2019 to meet general expenditures within one year of the financial statements date, reduced by amounts that are not available because of Board or donor designations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial statement date, comprise the following:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 71,048 | \$ 87,163 |
| Investments | 6,029,753 | 6,712,844 |
| Pledges receivable | <u>21,700</u> | <u>-</u> |
| Financial assets | 6,122,501 | 6,800,007 |
| Less: Board designated funds | (207,531) | (217,058) |
| Less: net assets with donor restrictions | <u>(33,934)</u> | <u>(7,954)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,881,036</u> | <u>\$ 6,574,995</u> |

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

4. Fair Value Measurement

The Foundation classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments. There were no changes in the methodologies used to measure fair value during the years ended March 31, 2020 and 2019.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate stocks: Valued at unadjusted quoted prices for identical assets in active markets.

Corporate bonds and government securities: Valued at unadjusted quoted prices for similar assets in active markets or valued at unadjusted quoted prices for identical assets in inactive markets.

Mutual funds: Valued at net asset value (NAV) of shares held by the Foundation at year end. The NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value:

| <u>March 31, 2020</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------|---------------------|---------------------|-------------------|----------------|
| Money market funds | \$ 276,882 | \$ 276,882 | \$ - | \$ - |
| Corporate bonds | 671,160 | - | 671,160 | - |
| Mutual funds | 3,276,603 | 3,276,603 | - | - |
| Government securities | 248,028 | 248,028 | - | - |
| Corporate stocks | <u>1,557,080</u> | <u>1,557,080</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 6,029,753</u> | <u>\$ 5,358,593</u> | <u>\$ 671,160</u> | <u>\$ -</u> |

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

4. Fair Value Measurement, continued

| <u>March 31, 2019</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------|---------------------|---------------------|-------------------|----------------|
| Money market funds | \$ 201,488 | \$ 201,488 | \$ - | \$ - |
| Corporate bonds | 540,239 | - | 540,239 | - |
| Mutual funds | 3,843,507 | 3,843,507 | - | - |
| Government securities | 252,113 | 252,113 | - | - |
| Corporate stocks | <u>1,875,497</u> | <u>1,875,497</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 6,712,844</u> | <u>\$ 6,172,605</u> | <u>\$ 540,239</u> | <u>\$ -</u> |

5. Net Investment (Loss) Return

Net investment (loss) return for the years ended March 31, 2020 and 2019 consists of the following components:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|---------------------|-------------------|
| Interest and dividend income | \$ 183,624 | \$ 179,759 |
| Unrealized (loss) gain | (723,554) | 64,316 |
| Realized gain | 101,197 | 98,652 |
| Investment fees | <u>(32,105)</u> | <u>(37,611)</u> |
| Net investment (loss) return | <u>\$ (470,838)</u> | <u>\$ 305,116</u> |

6. Property and Equipment

Property and equipment consists of the following at March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|------------------|
| Furniture and equipment | \$ 55,521 | \$ 55,521 |
| Donated art | <u>54,893</u> | <u>54,893</u> |
| | 110,414 | 110,414 |
| Less accumulated depreciation | <u>(79,141)</u> | <u>(76,025)</u> |
| Property and equipment, net | <u>\$ 31,273</u> | <u>\$ 34,389</u> |

7. Net Assets with Donor Restrictions

As of March 31, 2020 and 2019, net assets with donor restrictions were for medical missions, medical scholarships, medical education, and COVID-19 and totaled \$33,935 and \$7,954, respectively.

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Notes to the Financial Statements, continued

7. Net Assets with Donor Restrictions, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|------------------|-------------------|
| Satisfaction of purpose restrictions: | | |
| Annual event | \$ 60,880 | \$ 70,880 |
| Medical missions | 46 | 558 |
| Medical scholarships | <u>9,388</u> | <u>44,441</u> |
| | <u>\$ 70,314</u> | <u>\$ 115,879</u> |

8. Related Party Transactions

The Foundation is associated with the Society and the Medical Society Professional Services, Inc. (MSPS), by common membership. The Foundation paid a fixed fee of \$54,000 in both 2020 and 2019, to the Society for services of certain employees. At March 31, 2020 and 2019, \$8,045 and \$11,126, respectively, was due to the Society for other shared services and expenses. Additionally, the Foundation uses a portion of the Society's office space and the Society charges them accordingly. The total rent expense for the years ended March 31, 2020 and 2019 was \$30,100 and \$23,802, respectively.

9. Employee Benefits

The Foundation has elected to participate in MSPS's 401(k) plan, which allows an associated organization's employees to be covered by the same plan. MSPS is a wholly-owned subsidiary of the Society. The plan covers all employees meeting certain requirements. The Foundation contributes an amount equal to a percentage (presently 5%) of the employees' earnings within certain established limits. The percentage of contribution can be changed at the discretion of the Board of Governors of the Society by amending the plan. Employees may make voluntary 401(k) plan contributions, subject to Internal Revenue Service regulations. The Foundation's contributions to the plan for years ended March 31, 2020 and 2019 were \$3,786 and \$1,729, respectively.

SUPPLEMENTARY INFORMATION

GREATER LOUISVILLE MEDICAL SOCIETY FOUNDATION, INC.

Schedules of Contribution Revenues and Contributions and Grant Expenses

Years ended March 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Contribution revenues: | | |
| Annual event contributions | \$ 60,880 | \$ 70,880 |
| Membership contributions | 20,800 | 18,500 |
| Medical education income | 33,000 | - |
| COVID-19 contributions | 652 | - |
| Medical missions contributions | 329 | 558 |
| Medical scholarships | 1,433 | 567 |
| Community outreach | 8,963 | 5,861 |
| Gala event contributions | - | 52,656 |
| | <hr/> | <hr/> |
| Total contribution revenues | \$ <u>126,057</u> | \$ <u>149,022</u> |
| Contributions and grant expenses: | | |
| Greater Louisville Medical Society | \$ 18,000 | \$ 18,000 |
| Medical scholarships | 25,000 | 30,000 |
| Community outreach | 14,242 | 18,687 |
| Other contributions | 18,217 | 28,634 |
| | <hr/> | <hr/> |
| Total contributions and grants expenses | \$ <u>75,459</u> | \$ <u>95,321</u> |

See report of independent auditors.