

THE HEALTH FOUNDATION, INC.
North Wilkesboro, North Carolina

AUDIT REPORT

December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
The Health Foundation, Inc.

We have audited the accompanying financial statements of The Health Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 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.

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 Health Foundation, Inc. as of December 31, 2016 and 2015, 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.

Benson, Blevins & Associates, P.L.L.C.

Certified Public Accountants

North Wilkesboro, NC
August 18, 2017

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 1,000,851	\$ 750,375
Accounts Receivable	139,371	64,335
Unconditional Promises to Give (Note 3) (Net of Allowance for Uncollectible Promises of \$1,999 - 2016 and \$11,930 - 2015)	35,928	214,442
Other Current Assets	<u>11,101</u>	<u>12,744</u>
TOTAL CURRENT ASSETS	<u>\$ 1,187,251</u>	<u>\$ 1,041,896</u>
PROPERTY AND EQUIPMENT (Note 5)		
Property on Operating Leases (Note 5)		
Buildings	\$ 7,552,270	\$ 7,513,138
Site Improvements	1,178,455	1,145,015
Landscaping	81,661	81,661
Paving	176,854	176,854
Equipment & Signs	232,162	202,162
Less: Accumulated Depreciation	<u>(6,615,795)</u>	<u>(6,282,269)</u>
Net Depreciable Assets	\$ 2,605,607	\$ 2,836,561
Land	<u>784,002</u>	<u>784,002</u>
Total	<u>\$ 3,389,609</u>	<u>\$ 3,620,563</u>
Office		
Buildings	\$ 73,522	\$ 73,522
Furniture & Equipment	87,683	85,957
Less: Accumulated Depreciation	<u>(150,147)</u>	<u>(150,680)</u>
Total	<u>\$ 11,058</u>	<u>\$ 8,799</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 3,400,667</u>	<u>\$ 3,629,362</u>
OTHER ASSETS		
Endowment - Cash and Cash Equivalents	\$ 80,940	\$ 19,368
Endowment - Beneficial Interest in Pooled Assets	277,874	264,786
Unconditional Promises to Give (Note 3) (Net of Current Portion, Present Value Discount, and Uncollectible Promises of \$8,655 - 2016 and \$8,909 - 2015)	147,676	151,676
Land	<u>3,592</u>	<u>3,592</u>
TOTAL OTHER ASSETS	<u>\$ 510,082</u>	<u>\$ 439,422</u>
TOTAL ASSETS	<u><u>\$ 5,098,000</u></u>	<u><u>\$ 5,110,680</u></u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

LIABILITIES AND NET ASSETS		
	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 56,943	\$ 53,090
Accrued Salaries and Benefits	35,908	24,693
Deferred Rent	21,911	26,313
Current Installments on Grant Payable-In-Kind Rent (Note 4)	<u>256,010</u>	<u>251,690</u>
TOTAL CURRENT LIABILITIES	\$ 370,772	\$ 355,786
OTHER LIABILITIES		
Grant Payable - In-Kind Rent - Net of Current Installments and Present Value Discount (Note 4)	<u>713,449</u>	<u>885,260</u>
TOTAL OTHER LIABILITIES	<u>\$ 713,449</u>	<u>\$ 885,260</u>
TOTAL LIABILITIES	<u>\$ 1,084,221</u>	<u>\$ 1,241,046</u>
NET ASSETS		
UNRESTRICTED NET ASSETS	<u>\$ 3,171,271</u>	<u>\$ 3,000,845</u>
Temporarily Restricted Donors' Designations and Time Restrictions	<u>\$ 483,430</u>	<u>\$ 571,283</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS (Note 2)	<u>\$ 483,430</u>	<u>\$ 571,283</u>
PERMANENTLY RESTRICTED NET ASSETS (Note 2)	<u>\$ 359,078</u>	<u>\$ 297,506</u>
TOTAL NET ASSETS	<u>\$ 4,013,779</u>	<u>\$ 3,869,634</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,098,000</u></u>	<u><u>\$ 5,110,680</u></u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Unrestricted Contributions	\$ 132,777	\$ 124,489
Investment Return	136	77
Rent Income	904,374	966,095
In-Kind Rent Income	277,986	225,647
Common Area Maintenance & Tax Reimbursement	179,590	115,381
Loss on Disposition of Assets	(784)	0
Gain/(Loss) Beneficial Interest in Assets	<u>13,085</u>	<u>(13,085)</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	\$ 1,507,164	\$ 1,418,604
Net Assets Released from Restrictions; Satisfaction of Program and Time Restrictions	<u>157,596</u>	<u>35,642</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE AND RECLASSIFICATIONS	<u>\$ 1,664,760</u>	<u>\$ 1,454,246</u>
Expenses		
Program Services	\$ 1,261,588	\$ 1,147,163
Supporting Services		
Management and General	184,124	157,346
Fundraising	<u>48,622</u>	<u>51,235</u>
TOTAL EXPENSES	<u>\$ 1,494,334</u>	<u>\$ 1,355,744</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 170,426</u>	<u>\$ 98,502</u>
TEMPORARILY RESTRICTED NET ASSETS		
Designations	\$ 59,617	\$ 477,743
Investment Return	14	73
(Increase) Decrease in Reserve for Uncollectible Promises to Give	10,109	(13,886)
Gain/(Loss) Beneficial Interest in Assets	3	(269)
Net Assets Released from Restrictions; Satisfaction of Program and Time Restrictions	<u>(157,596)</u>	<u>(35,642)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ (87,853)</u>	<u>\$ 428,019</u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
PERMANENTLY RESTRICTED NET ASSETS		
Endowment Fund Support	\$ 61,569	\$ 29,186
Investment Return	<u>3</u>	<u>12</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>\$ 61,572</u>	<u>\$ 29,198</u>
INCREASE IN NET ASSETS	\$ 144,145	\$ 555,719
NET ASSETS, BEGINNING OF YEAR	<u>3,869,634</u>	<u>3,313,915</u>
NET ASSETS, END OF YEAR	<u><u>\$ 4,013,779</u></u>	<u><u>\$ 3,869,634</u></u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund Raising	
Advertising	\$ 110			\$ 110
Bank Charges		\$ 851		851
Brochures & Newsletters	1,529		\$ 0	1,529
Common Area Maintenance	129,593			129,593
Donor Recognition		1,210		1,210
Dues & Subscriptions		2,829		2,829
Grants & Scholarships	393,261			393,261
In-Kind Rent Expense	110,495			110,495
Insurance	16,866	3,775		20,641
Meetings		13,694	0	13,694
Miscellaneous	2,680		0	2,680
1915 Building	10,580			10,580
Office Supplies		29,532	3,046	32,578
Postage		2,513	4,382	6,895
Professional Fees	4,489	25,161		29,650
Real Estate Taxes	26,037			26,037
Repairs & Maintenance	24,950	10,735		35,685
Salaries & Benefits	198,468	69,358	40,577	308,403
Security Sales Commissions			617	617
Training Staff & Board		5,368		5,368
Travel		9,517		9,517
Utilities	9,004	7,539		16,543
<hr/>				
Total Expenses before Depreciation & Amortization	\$ 928,062	\$ 182,082	\$ 48,622	\$ 1,158,766
<hr/>				
Depreciation	333,526	2,042		335,568
<hr/>				
Total Expenses	<u>\$ 1,261,588</u>	<u>\$ 184,124</u>	<u>\$ 48,622</u>	<u>\$ 1,494,334</u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Bank Charges		\$ 659		\$ 659
Common Area Maintenance	\$ 72,968			72,968
Donor Recognition		2,598	\$ 0	2,598
Dues & Subscriptions		1,483		1,483
Grants & Scholarships	297,456			297,456
In-Kind Rent Expense	106,193			106,193
Insurance	16,921	3,615		20,536
Interest Expense	4,673			4,673
Meetings		8,841	0	8,841
1915 Building	10,206			10,206
Office Supplies		23,615	8,504	32,119
Postage		2,920	4,464	7,384
Professional Fees	4,013	15,507		19,520
Real Estate Taxes	28,414			28,414
Repairs & Maintenance	49,346	9,334		58,680
Salaries & Benefits	181,643	64,202	37,564	283,409
Security Sales Commissions			703	703
Training Staff & Board		3,661		3,661
Travel		11,653		11,653
Utilities	6,543	7,503		14,046
<hr/>				
Total Expenses before Depreciation & Amortization	\$ 778,376	\$ 155,591	\$ 51,235	\$ 985,202
Depreciation	368,787	1,755		370,542
Amortization of Loan Fees				
<hr/>				
Total Expenses	<u>\$ 1,147,163</u>	<u>\$ 157,346</u>	<u>\$ 51,235</u>	<u>\$ 1,355,744</u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 144,145	\$ 555,719
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & Amortization	\$ 335,568	\$ 370,542
Change in Allowance for Uncollectible Promises to Give	(10,184)	13,705
Change in Present Value Discount on Unconditional Promises to Give	(558)	4,781
(Gain) Loss on Disposal of Fixed Assets	784	
(Gain) Loss on Beneficial Interest in Assets	(13,088)	13,353
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(75,036)	31,969
Other Current Assets	1,643	3,849
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	3,854	43,832
Grant Payable-In-Kind Rent Net of Present Value Discount	(167,491)	(119,454)
Accrued Salaries & Benefits	11,215	(16,107)
Accrued Interest Payable		(173)
Deferred Rent	(4,402)	9,101
(Increase) Decrease in Contributions Restricted by Time or Purpose:		
Temporarily Restricted Unconditional Promises to Give	193,257	(260,060)
Contributions Restricted for Long-Term Purposes:		
Endowment Contribution	(61,568)	(29,187)
Interest	(3)	(12)
Total Adjustments	<u>\$ 213,991</u>	<u>\$ 66,139</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 358,136</u>	<u>\$ 621,858</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property & Equipment	\$ (107,660)	\$ (37,626)
Change in Endowment Restricted Cash and Cash Equivalents	(61,572)	248,941
Change in Beneficial Interest in Pooled Assets	<u></u>	<u>(278,140)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (169,232)</u>	<u>\$ (66,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Long-Term Debt	\$	\$ (318,449)
Collections of Contributions Restricted for Long-Term Purposes:		
Endowment Fund	61,569	29,187
Interest on Contributions Restricted for Long-Term Purposes	<u>3</u>	<u>12</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ 61,571</u>	<u>\$ (289,250)</u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 250,476	\$ 265,783
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>750,375</u>	<u>484,592</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,000,851</u>	<u>\$ 750,375</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Interest	<u>\$ 0</u>	<u>\$ 4,846</u>
Income Tax (Note 9)	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies:

Nature of Activities:

The Health Foundation, Inc. (a non-profit Organization) was organized on February 14, 1991, as a non-profit organization with its stated purpose and goal to encourage and promote the health and welfare of the citizens of Northwestern North Carolina. The primary purposes of the Organization are: encouraging, inducing, and attracting medical doctors and other qualified trained medical personnel to locate their professions to Wilkes County, North Carolina; to provide financial aid in the form of scholarship and other appropriate financial support for the benefit of deserving persons desiring to enroll in medical schools and other allied health care fields of study willing to locate in and practice their professions in Wilkes County; to promote wellness programs in Northwestern North Carolina; to provide financial support for indigent persons residing in Northwestern North Carolina and needing either medical treatment and/or training in the living of healthy lives; to exercise all powers necessary to implement the purposes of the Organization, including the power to solicit the necessary funds, the power to receive and hold by gift, bequest, devise, grant, or purchase any real or personal property, the power to invest, reinvest, use, mortgage, hypothecate, sell and dispose of all such real and personal property, and the power to make donations of real and personal property and funds for the purposes for which the Organization was created.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents, and cash restricted for construction.

Accounts Receivable:

Accounts receivable arise from the renting of office spaces owned by the Organization. Rents are due monthly and are deemed delinquent within 30 days of due date. No allowance for doubtful accounts is necessary due to historical experience and review of existing receivables.

Fixed Assets:

Property and equipment are stated at cost. Assets with a cost of \$2,500 or more individually or in the aggregate are capitalized. Depreciation, for financial statement purposes, is determined on a straight-line basis over the estimated useful lives of the respective assets.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Beneficial Interest in Pooled Assets:

The Organization has permanently restricted funds invested with the Foundation for the Carolinas. The invested amounts can be transferred back to the Organization if desired. The money is invested in pooled funds and the change in value determined by the Foundation for the Carolinas is allocated monthly among all pooled fund participants. There is no readily determinable fair market value on a day to day basis. The Organization's share of allocated change is recorded in the Statement of Activities. Spendable amounts available for use are determined on an annual basis.

As of December 31, 2016 and 2015 the investment pool has incurred a loss of \$266 and \$13,354, which brought the funds below amounts required by donors.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Donated Materials and Services:

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services, as no objective basis is available to measure the value of such services. Nevertheless, volunteers donated significant amounts of their time and expertise in the Organization's program services.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Restrictions on Net Assets:

Temporarily Restricted:

At December 31, 2016 and 2015, respectively, temporarily restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
HPHC – Duke Endowment	\$ 351,662	\$ 427,047
Buchan Lowe Fund of Funds	20,000	20,000
Wilkes Regional Medical Center:		
Emergency Room Renovations	32,554	70,530
Adult Daycare	17,525	19,166
Miscellaneous Items	36,639	34,540
Adverse Childhood Experiences	<u>25,050</u>	<u>0</u>
TOTAL	<u>\$ 483,430</u>	<u>\$ 571,283</u>

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Permanently Restricted:

Permanently restricted net assets at December 31, 2016 and 2015 consist of endowment funds established to support general foundation purposes and scholarships for students in health care related fields. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for scholarship and general foundation purposes. Some donors have permanently restricted a portion of investment income earned on their donations to compensate for inflation. The Organization has adopted investment and spending policies based on the requirements of the State Uniform Management of Institutional Funds Act (SUMIFA). As a result of the Organization's interpretation of SUMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate. Income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied, unless otherwise permanently restricted by the donor. When the purpose restriction is met, the net assets are reclassified to unrestricted net assets.

The donor-restricted endowment fund is invested in money market funds and investment pools (beneficial interest in assets) pursuant to the Organization's investment and spending objectives of subjecting the fund to low investment risk and providing current income. In accordance with SUMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SUMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as of December 31, 2016 and 2015 in temporarily and unrestricted net assets were \$269 and \$13,085, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and other endowed funds that was deemed prudent by the Board of Directors. As of December 31, 2016 the unrestricted deficiency that existed has been restored by favorable market conditions.

The Organization generally expends the endowment fund's investment income for the donor-designated purpose within a year of receipt.

During the year, the Organization incurred investment fees of \$2,377. These fees are netted with gain/loss on beneficial interest in assets on the Statement of Activities.

The composition of endowment net assets and the changes in endowment net assets as of December 31, 2016 and 2015 are as follows:

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, December 31, 2014	\$ 0	\$ 266	\$ 268,308	\$ 268,574
Contributions			29,186	29,187
Investment income		73	12	85
Gain/(Loss)				
Beneficial Interest in Assets	(13,085)	(269)		(13,354)
Program expenditures	<u> </u>	<u>(70)</u>	<u> </u>	<u>(70)</u>
Endowment, December 31, 2015	\$ (13,085)	\$ 0	\$ 297,506	\$ 284,422
Contributions			61,569	61,569
Investment income		14	3	17
Gain/(Loss)				
Beneficial Interest in Assets	13,085	3		13,088
Program expenditures	<u> </u>	<u>(14)</u>	<u> </u>	<u>(14)</u>
Endowment, December 31, 2016	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 359,078</u>	<u>\$ 359,081</u>

3. Promises to Give:

Unconditional Promises to Give at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 0	\$ 0
Restricted by time	30	1,255
Restricted to payments for designated purpose	<u>202,139</u>	<u>394,169</u>
Gross unconditional promises to give	\$ 202,169	\$ 395,424
Less: Present value discounts	(7,910)	(8,467)
Less: Allowance for uncollectible promises	<u>(10,655)</u>	<u>(20,839)</u>
Net Unconditional Promises to Give	<u>\$ 183,604</u>	<u>\$ 366,118</u>

Unconditional promises to give are primarily from individuals and businesses located in Wilkes County, North Carolina, and are reflected at present value of estimated future cash flows using a discount rate of 5%.

Gross unconditional promises to give are scheduled to be received as follows:

2017	\$ 37,927
2018	163,241
2019	0
2020	<u>1,000</u>
TOTAL	<u>\$ 202,168</u>

4. Grants Payable – In Kind Rent:

Grants Payable – In Kind Rent are to not for profit or governmental entities leasing the organization's facilities at a rate below market. Amounts are reflected at present value using various discount rates. The grants payable decrease over the specific noncancellable lease periods.

THE HEALTH FOUNDATION, INC.
North Wilkesboro, NC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

At December 31, 2016 and 2015, Grants Payable – In Kind Rent consist of the following:

	<u>2016</u>	<u>2015</u>
Discounted leases	\$ 1,185,403	\$ 1,422,154
Less: Present value discounts	<u>(215,944)</u>	<u>(285,204)</u>
Net Grants Payable – In Kind Rent	<u>\$ 969,459</u>	<u>\$ 1,136,950</u>

Gross Grants Payable – In Kind Rent are scheduled to be given as follows:

2017	\$ 256,010
2018	256,010
2019	232,010
2020	195,957
2021	73,770
Thereafter	<u>171,646</u>
TOTAL	<u>\$ 1,185,403</u>

5. Notes Payable:
December 31, 2016

<u>Payee</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>	<u>Security</u>
First Citizens Bank (Interest Month-end LIBOR + 1.5%)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	Deeds of Trust on West Park Property and assignment of future rents

December 31, 2015

<u>Payee</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>	<u>Security</u>
First Citizens Bank (Interest Month-end LIBOR + 1.5%)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	Deeds of Trust on West Park Property and assignment of future rents

As of December 31, 2016 and 2015, the Organization had available a revolving line of credit in the amount of \$300,000. No amounts have been drawn down on the revolving line of credit as of December 31, 2016 and 2015. In addition, as of December 31, 2016 and 2015, a non-revolving line of credit in the amount of \$1,827,533 and \$1,827,533, was available for drawdown.

6. Leases:

Lessor

The Organization currently leases medical facilities and non-medical related commercial space in the Wilkes County area. The majority of these leases are to doctors and other health care Organizations; however, there are some agreements with non-medical establishments. Most of the leases provide for a base rent plus a charge for actual common area maintenance and property taxes if applicable. Some leases are at a discount and the discount will be recognized over the life of the lease. See Note 4.

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Future minimum base rentals to be recognized on non-cancelable leases for the next five years are as follows:

2017	\$ 1,067,936
2018	1,012,037
2019	924,297
2020	702,484
2021	475,746
Thereafter	908,491

7. Fair Value Measurements:

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2016 and 2015, are as follows:

2016:

Description	Fair Value	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investments			
Beneficial interest in pooled assets	<u>\$ 277,874</u>	<u>\$ 0</u>	<u>\$ 277,874</u>
Total long-term investments	<u>\$ 277,874</u>	<u>\$ 0</u>	<u>\$ 277,874</u>

2015:

Description	Fair Value	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investments			
Beneficial interest in pooled assets	<u>\$ 264,786</u>	<u>\$ 0</u>	<u>\$ 264,786</u>
Total long-term investments	<u>\$ 264,786</u>	<u>\$ 0</u>	<u>\$ 264,786</u>

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There was no transfer between levels in the years ended December 31, 2016 and 2015.

The pooled assets are reported on a recurring basis at the fair value of the Organization's beneficial interest. The Organization measures fair value of its beneficial interest from allocated values provided by the custodian.

The reconciliation of the change in the beneficial interest in pooled assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

January 1, 2015	\$ 0
Establishment of Beneficial Interest	278,140
Change in value	<u>(13,354)</u>
December 31, 2015	\$ 264,786
Change in value	<u>13,088</u>
December 31, 2016	<u>\$ 277,874</u>

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The change in value of the beneficial interest is attributable to the unrealized gain/(loss) as of December 31, 2016 and 2015.

8. Concentrations of Credit Risk:

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments and promises to give. As required by its loan agreement, the Organization places its temporary cash investments with its lender and does not limit the amount of credit exposure with this financial institution. Amounts that make up promises to give are due from individuals and companies mainly within the area of northwest North Carolina.

9. Income Taxes:

The Organization is a nonprofit Organization operating under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes.

10. Commitments and Contingencies:

The Organization has established a continuation policy for its scholarship program. Basically, as long as the student maintains a minimum grade point average, the scholarship will be renewed upon request. At December 31, 2016 and 2015, the Organization's maximum potential liability under this program was \$21,000 and \$21,000, respectively.

As of December 31, 2016, commitments for grants in the amount of \$135,806 has been approved by the Organization dependent upon satisfaction and or acceptance of the grant by the grantee.

The Health Foundation, Inc. receives contributions, which at times have been temporarily restricted by time or purpose by the donor. In some instances, contributions received are to be used for the benefit of other nonprofits and governmental type entities in a health related field. Variance power is given to The Health Foundation, Inc. by the donor. The use of these restricted contributions is contingent upon the donee Organization retaining their nonprofit status with the Internal Revenue Service and fulfilling other requirements as determined by The Health Foundation, Inc. Accordingly, no provision has been made in the accompanying financial statements for the refund of contributions should the donee Organization fail to qualify as a nonprofit under the Internal Revenue Code or meet other requirements.

11. Current Vulnerability to Concentration:

Rental income, common area maintenance and tax reimbursements totaled \$1,361,950 and \$1,307,123 for the years ending December 31, 2016 and 2015, respectively. These amounts represent approximately 83% and 68% of total revenue in the years ending December 31, 2016 and 2015 respectively. Additionally, approximately 46% and 45% of rental income, common area maintenance, and tax reimbursements at December 31, 2016 and 2015, were from one tenant.

12. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through August 18, 2017, the date, which the financial statements were available to be issued.

On April 13, 2017 a grant of \$50,000 was committed to SAFE and \$75,000 to various organizations as fundraising match grants.