



Financial Statements
June 30, 2018

Northern Arizona Healthcare Foundation

Northern Arizona Healthcare Foundation

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Independent Auditor's Report

To the Board of Directors
Northern Arizona Healthcare Foundation
Flagstaff, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Arizona Healthcare Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Northern Arizona Healthcare Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

As discussed in Note 9 to the financial statements, there was an error in amounts previously reported for unrestricted, temporarily restricted, and permanently restricted net assets as of June 30, 2017, discovered by management of the Foundation during the current year. Accordingly, the June 30, 2017 unrestricted, temporarily restricted, and permanently restricted net assets have been restated to correct the misstatement. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona

May 13, 2019

Northern Arizona Healthcare Foundation
Statement of Financial Position
June 30, 2018

Assets	
Cash and cash equivalents	\$ 11,599,195
Promises to give, net of discount	3,041,799
Investments	34,547,756
Office equipment, net of accumulated depreciation of \$24,472	6,661
Other assets	<u>15,000</u>
Total assets	<u><u>\$ 49,210,411</u></u>
Liabilities and Net Assets	
Accounts payable	\$ 182,499
Accrued expenses	232,275
Deferred revenue	51,285
Deferred compensation	128,867
Grants payable	206,621
Due to Northern Arizona Healthcare Corporation	<u>1,813,391</u>
Total liabilities	<u>2,614,938</u>
Net Assets	
Unrestricted	
Board-designated	7,677,925
Undesignated	<u>5,923,567</u>
	13,601,492
Temporarily restricted	10,239,424
Permanently restricted	<u>22,754,557</u>
Total net assets	<u>46,595,473</u>
Total liabilities and net assets	<u><u>\$ 49,210,411</u></u>

Northern Arizona Healthcare Foundation
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions	\$ 5,994,525	\$ 3,471,300	\$ 1,159,950	\$ 10,625,775
Gifts in kind	81,152	-	-	81,152
Net investment return	409,315	2,246,171	-	2,655,486
Other income and support	4,136	-	-	4,136
Net assets released from restrictions	2,106,162	(2,106,162)	-	-
Total revenue, support, and gains	<u>8,595,290</u>	<u>3,611,309</u>	<u>1,159,950</u>	<u>13,366,549</u>
Expenses and Losses				
Community grants	2,344,072	-	-	2,344,072
Fundraising/Event expenses	180,543	-	-	180,543
General and administrative expenses	2,063,050	-	-	2,063,050
Total expenses and losses	<u>4,587,665</u>	<u>-</u>	<u>-</u>	<u>4,587,665</u>
Change in Net Assets	<u>4,007,625</u>	<u>3,611,309</u>	<u>1,159,950</u>	<u>8,778,884</u>
Net Assets, Beginning of Year, as Previously Reported	3,616,734	10,634,555	23,565,300	37,816,589
Restatement Adjustment	<u>5,977,133</u>	<u>(4,006,440)</u>	<u>(1,970,693)</u>	<u>-</u>
Net Assets, Beginning of Year, as Restated	<u>9,593,867</u>	<u>6,628,115</u>	<u>21,594,607</u>	<u>37,816,589</u>
Net Assets, End of Year	<u>\$ 13,601,492</u>	<u>\$ 10,239,424</u>	<u>\$ 22,754,557</u>	<u>\$ 46,595,473</u>

Northern Arizona Healthcare Foundation
Statement of Cash Flows
Year Ended June 30, 2018

Operating Activities	
Change in net assets	\$ 8,778,884
Adjustments to reconcile change in net assets to net cash from operating activities	
Realized and unrealized gain on investments	(1,936,189)
Change in present value of discount on promises to give	(100,174)
Contributions restricted to endowment	(1,159,950)
Depreciation	14,391
Changes in operating assets and liabilities	
Promises to give	(1,657,451)
Other receivables	6,467
Other assets	9,300
Accounts payable	167,242
Accrued expenses	21,807
Deferred revenue	7,410
Deferred compensation	70,200
Grants payable	206,621
Due to Northern Arizona Healthcare Corporation	<u>1,620,486</u>
Net Cash from Operating Activities	<u>6,049,044</u>
Investing Activities	
Purchases of investments	<u>(4,651,717)</u>
Net Cash used for Investing Activities	<u>(4,651,717)</u>
Financing Activities	
Collections of contributions restricted to endowment	<u>1,159,950</u>
Net Cash from Financing Activities	<u>1,159,950</u>
Net Change in Cash and Cash Equivalents	2,557,277
Cash and Cash Equivalents, Beginning of Year	<u>9,041,918</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 11,599,195</u></u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Northern Arizona Healthcare Foundation (the Foundation) is an Arizona nonprofit organization organized and operated exclusively for charitable, religious, scientific, literary, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The mission of the Foundation is to support Northern Arizona Healthcare Corporation (NAH), while advancing community health care priorities.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to the permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018, no allowance on promises to give was considered necessary.

Office Equipment

Office equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of office equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2018.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for specific projects.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue from investment activities, management fees, other fees and charges, and non-contribution related revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Gifts in Kind

Contributed goods are recorded at fair value as unrestricted support at the date of donation. All donated goods were used in program activities.

Advertising Costs

Advertising costs are expensed as incurred, and were \$35,239 during the year ended June 30, 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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 reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from NAH, and organizations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14 to improve presentation of financial statements for nonprofit entities. The ASU affects all nonprofit entities. The main provisions of this Update that will impact the Foundation include:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. The nonprofits will report amounts for net assets with donor restrictions and net assets without donor restrictions. They will also be required to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes.
- All nonprofits will now be required to disclose an analysis of expenses by both functional and natural classifications.
- All nonprofits will have to add disclosures regarding how they manage liquidity and information that communicates the availability of financial assets to meet cash needs for general expenditures.
- Changes in reporting underwater endowments.

This new standard will be effective for years beginning after December 15, 2017, or July 1, 2018 for the Foundation. The standard requires retrospective application.

Subsequent Events

The Foundation has evaluated subsequent events through May 13, 2019, the date the financial statements were available to be issued.

Note 2 - Fair Value of Assets and Liabilities

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

All investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Money Market	\$ 1,695,504	\$ 1,695,504	\$ -	\$ -
U.S. equities	14,200,175	14,200,175	-	-
U.S. corporate fixed- income funds	6,174,742	6,174,742	-	-
International stock funds	9,276,899	9,276,899	-	-
Global real estate funds	3,200,436	3,200,436	-	-
Total investments	<u>\$ 34,547,756</u>	<u>\$ 34,547,756</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2018:

Interest and dividends	\$ 731,174
Net realized and unrealized gain	1,936,189
Less investment management and custodial fees	<u>(11,877)</u>
	<u>\$ 2,655,486</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2018:

Within one year	\$ 1,110,215
In one to five years	<u>2,031,758</u>
	3,141,973
Less discount to present value at 2.73%	<u>(100,174)</u>
	<u>\$ 3,041,799</u>

At June 30, 2018, one donor accounted for approximately 99% of gross promises to give. One donor accounted for approximately 84% of total contribution revenue for the year ended June 30, 2018. All promises to give received during the year ended June 30, 2018 were time restricted and were reported as restricted contributions.

Note 5 - Endowments

The Foundation's endowment (the Endowment) consists of one fund established by NAH to provide annual funding for specific activities. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2018, there were no such donor stipulations. As a result of this interpretation, permanently restricted net assets are classified at (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	<u>\$ -</u>	<u>\$ 2,954,379</u>	<u>\$ 22,754,557</u>	<u>\$ 25,708,936</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration (underwater endowments). Deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2018, the Foundation had no funds with a deficiency.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the pooled investment portfolio fund, including the endowment fund, that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the pooled investment portfolio assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of fund assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the pooled investment portfolio investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are investment to seek growth of principal over time.

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior 12 quarters at June 30 of each year to determine the spending amount for the upcoming year. During fiscal year 2018, the spending rate maximum was 7.0%. In establishing this policy, the Board of Directors considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

All permanently restricted contributions are in an investment pool. Appreciation, depreciation, income, and expense relative to the pooled endowment investments are allocated to the endowment based upon the ratio of the endowment's investment balance to the total investment pool and are shown as a change in temporarily restricted net assets.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,956,934	\$ 21,594,607	\$ 23,551,541
Investment return, net	-	2,134,416	-	2,134,416
Contributions	-	-	1,159,950	1,159,950
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,136,971)	-	(1,136,971)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,954,379</u>	<u>\$ 22,754,557</u>	<u>\$ 25,708,936</u>

Note 6 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2018 consist of:

Restricted by donors for		
Clinical services		\$ 2,521,541
Facilities		21,328
Patient and family services and colleague support		570,896
Research and education		1,451,528
Volunteer services		124,105
Community health needs		664,063
Endowments		
Subject to spending policy and appropriation		
Support of NAH and quality of healthcare		2,954,379
Total with purpose restrictions		<u>8,307,840</u>
Time restrictions		
Promises to give, net of \$100,174 discount		<u>1,931,584</u>
		<u>\$ 10,239,424</u>

Net assets were released from restrictions as follows during the year ended June 30, 2018:

Satisfaction of purpose restrictions	
Clinical services	\$ 349,886
Facilities	16,424
Patient and family services and colleague support	52,982
Research and education	90,813
Volunteer services	15,796
Community support	<u>443,290</u>
Restricted-purpose spending-rate distributions and appropriations	
Support of NAH and quality of healthcare	616,515
Administrative fees	<u>520,456</u>
	<u>\$ 2,106,162</u>

Permanently Restricted

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity. Distributions from earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation. The permanently restricted net asset balances, classified by restriction on the use of earnings, are as follows at June 30, 2018:

Restricted by donors for	
Support of NAH and quality of healthcare	<u>\$ 22,754,557</u>

Note 7 - Board-Designated Net Assets

As of June 30, 2018, the Foundation's Board has designated unrestricted net assets for the following:

Williams Clinic construction	\$ 5,804,993
Special events	1,317,690
VVMC Cancer Center investments	<u>555,242</u>
	<u>\$ 7,677,925</u>

Note 8 - Related Party Transactions

The Foundation is party to a Shared Services and Facilities Agreement with NAH, by which NAH agreed to provide to the Foundation certain administrative, managerial, and accounting services, as well as facilities rent, telephone, internet, utilities, insurance, and other facilities-related costs to the Foundation. Further, the Shared Services Agreement calls for certain NAH personnel to be under the direction of the Foundation. In accordance with the agreement, the Foundation devotes significant efforts to raising financial support for the NAH Endowment Fund and the NAH Community Health Fund.

Transactions and balances with NAH as of and for the year ended June 30, 2018 consisted of the following:

Transactions	
Contribution for operational support per shared services agreement	\$ 1,330,778
Promise to give, net of present value discount of \$100,174	3,025,607
Endowment contribution	1,221,000
Unrestricted contribution	3,000,000
Contribution to VVMC Dr. Samuel Butman Cardiology Research Fund	<u>422,195</u>
Total contributions	<u>\$ 8,999,580</u>
Grants and fund expenditures	<u>\$ 871,720</u>
Expenses for support services	<u>\$ 1,502,963</u>
Balances	
Promise to give, net of discount	<u>\$ 3,025,607</u>
Payable	<u>\$ 1,813,391</u>

Note 9 - Correction of Error

It was determined that there was a financial statement misstatement for the year ended June 30, 2017. The misstatement includes an overstatement of permanently restricted net assets, an overstatement of temporarily restricted net assets, and an understatement of unrestricted net assets. The misstatement primarily relates to corrections made to reflect the amended and restated grant agreements with NAH and corrections to net asset classifications of endowment investments and earnings and releases from the endowment. As a result of this misstatement, the Foundation has restated these amounts in the statement of activities and an adjustment has been made as of June 30, 2017 to correct the misstatement.

The effect on the Foundation's statement of financial position as of June 30, 2017 is as follows:

	As Previously Reported	Restatement Adjustment	As Restated
Net Assets			
Unrestricted	\$ 3,616,734	\$ 5,977,133	\$ 9,593,867
Temporarily restricted net assets	10,634,555	(4,006,440)	6,628,115
Permanently restricted net assets	23,565,300	(1,970,693)	21,594,607