

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Foundation for Community Health, Inc.

We have audited the accompanying financial statements of the Foundation for Community Health, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 the Foundation for Community Health, Inc. as of December 31, 2017, 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.

***Report on Summarized Comparative Information***

We have previously audited the Foundation for Community Health, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*King, King & Associates*

King, King & Associates, CPAs  
Winsted, CT  
August 8, 2018

**Foundation for Community Health, Inc.**

Statements of Financial Position

December 31, 2017

With Comparative totals for December 31, 2016

	2017	2016
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 36,782	\$ 22,456
Prepaid Expenses	4,901	6,089
<b>Total Current Assets</b>	41,683	28,545
<b>Fixed Assets, Net</b>	17,970	10,054
<b>Other Assets:</b>		
Cash Held in Escrow	-	33,631
Investments	25,531,043	25,445,903
Contribution Receivable - CRT	15,585	13,385
Security Deposit	5,000	5,000
<b>Total Other Assets</b>	25,551,628	25,497,919
<b>Total Assets</b>	\$ 25,611,281	\$ 25,536,518
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Grants Payable	\$ 291,562	\$ 267,341
Accounts Payable & Accrued Expenses	75,109	85,307
<b>Total Current Liabilities</b>	366,671	352,648
<b>Total Liabilities</b>	366,671	352,648
<b>Net Assets:</b>		
Unrestricted-Undesignated	15,242,919	12,590,484
Unrestricted-Designated	6,000,000	9,033,631
Temporarily Restricted	1,715,792	1,273,856
Permanently Restricted	2,285,899	2,285,899
<b>Total Net Assets</b>	25,244,610	25,183,870
<b>Total Liabilities and Net Assets</b>	\$ 25,611,281	\$ 25,536,518

The accompanying notes are an integral part of this financial statement.

**Foundation for Community Health, Inc.**

Statement of Activities

For the Year Ended December 31, 2017

With Comparative Totals for December 31, 2016

	Temporarily Restricted		Permanently Restricted	Total	
	Unrestricted	Restricted		2017	2016
<b>Support and Revenue:</b>					
Contributions	\$ 339,782	\$ -	\$ -	\$ 339,782	\$ 335,198
Investment Income	3,518,235	597,970	-	4,116,205	1,808,473
Change in Value of CRT	-	2,200	-	2,200	(145)
Other Revenues	-	1,765	-	1,765	797
Net Assets Released From Restrictions:					
Satisfaction of Donor Restrictions	159,999	(159,999)	-	-	-
<b>Total Support and Revenue</b>	<b>4,018,016</b>	<b>441,936</b>	<b>-</b>	<b>4,459,952</b>	<b>2,144,323</b>
<b>Expenses:</b>					
Grants and Disbursements	3,729,179	-	-	3,729,179	487,361
Program Expenses	469,170	-	-	469,170	532,351
Management and General	200,863	-	-	200,863	220,322
<b>Total Expenses</b>	<b>4,399,212</b>	<b>-</b>	<b>-</b>	<b>4,399,212</b>	<b>1,240,034</b>
<b>Change in Net Assets</b>	<b>(381,196)</b>	<b>441,936</b>	<b>-</b>	<b>60,740</b>	<b>904,289</b>
<b>Net Assets, Beginning</b>	<b>21,624,115</b>	<b>1,273,856</b>	<b>2,285,899</b>	<b>25,183,870</b>	<b>24,279,581</b>
<b>Net Assets, Ending</b>	<b>\$ 21,242,919</b>	<b>\$ 1,715,792</b>	<b>\$ 2,285,899</b>	<b>\$ 25,244,610</b>	<b>\$ 25,183,870</b>

The accompanying notes are an integral part of this financial statement.

**Foundation for Community Health, Inc.**

Statements of Cash Flows  
December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 60,740	\$ 904,289
Adjustments:		
Depreciation	4,019	6,596
Realized and Unrealized (Gain) Loss on Investments	(3,858,322)	(1,512,366)
Decreases/(Increases) in Assets:		
Prepaid Expenses	1,188	8,167
Contribution Receivable - CRTs	(2,200)	104
Increases/(Decreases) in Liabilities		
Grants Payable	24,221	56,269
Accounts Payable and Accrued Expenses	(10,198)	17,616
Total Adjustments	(3,841,292)	(1,423,614)
Net Cash Used by Operating Activities	(3,780,552)	(519,325)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of Property & Equipment	(11,935)	-
Proceeds from Sales of Investments	4,370,847	1,160,143
Purchase of Investments	(597,665)	(631,305)
Net Cash Provided by Investing Activities	3,761,247	528,838
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(19,305)	9,513
Cash and Cash Equivalents at Beginning of Year	56,087	46,574
Cash and Cash Equivalents at End of Year	\$ 36,782	\$ 56,087
 <b>Supplemental Information:</b>		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

**Foundation for Community Health, Inc.**

Statement of Functional Expenses

For the Year Ended December 31, 2017

With Comparative Totals for December 31, 2016

	Management and General	Programs	Totals	
			2017	2016
Grants and Disbursements	\$ -	\$ 3,729,179	\$ 3,729,179	\$ 487,361
Salaries	71,921	167,817	239,738	249,139
Employee Benefits	16,241	37,896	54,137	51,842
Payroll Taxes	5,663	13,215	18,878	18,769
Unemployment	299	697	996	855
Legal Services	2,670	6,229	8,899	67,798
Administrative Services	8,295	19,355	27,650	27,144
Investment Management Fees	58,717	137,007	195,724	187,067
Program Bank Fees	9	21	30	336
Program Consultants	-	15,199	15,199	46,196
Insurance	1,979	4,618	6,597	6,309
Rent	9,000	21,000	30,000	30,000
Utilities and Fuel	1,269	2,961	4,230	3,622
Telephone	1,172	2,735	3,907	5,167
Postage and Shipping	187	443	630	987
Office and Computer Supplies	2,186	6,749	8,935	8,505
Miscellaneous	-	-	-	460
Dues & Subscriptions	312	728	1,040	675
Meetings, Luncheons, Dinners	3,090	9,691	12,781	6,678
Staff Development	3,275	7,640	10,915	5,497
Travel	1,337	3,121	4,458	2,122
Depreciation	1,206	2,813	4,019	6,596
Accounting	9,740	-	9,740	9,270
Computer Maintenance Contract	500	1,166	1,666	3,517
Software Support	-	-	-	2,430
Payroll Service Fees	620	1,448	2,068	1,757
Equipment Rental and Maintenance	789	1,842	2,631	3,395
Marketing	386	4,779	5,165	6,540
<b>Totals</b>	<u>\$ 200,863</u>	<u>\$ 4,198,349</u>	<u>\$ 4,399,212</u>	<u>\$ 1,240,034</u>

The accompanying notes are an integral part of this financial statement.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Foundation**

The Foundation for Community Health, Inc. (FCH) was formed to maintain and improve the physical and mental health of all residents of the area historically served by Sharon Hospital, Inc. FCH was created under mandate of the Attorney General and the Superior Court of the State of Connecticut. During 2014, FCH changed its status as a Type III Supporting Organization of BTCF to a Type I Supporting Organization to three local community foundations: Berkshire Taconic Community Foundation, Inc., Northwest Connecticut Community Foundation, Inc. and The Community Foundations of the Hudson Valley, Inc. As required by its by-laws, this change was pre-approved by the State of Connecticut's Attorney General. While FCH has decided to keep the balance of its funds in the BTCF Managed Pool, as a good-will measure it funded two \$1,000,000 grants to donor-advised funds at each of the other two community foundations. While FCH has surrendered ownership of the money deposited into the funds, it has maintained an advisory control over how grants are distributed to charities. FCH is a separate, independent corporation governed by its own board of directors.

FCH was created as a result of the sale of Sharon Hospital, Inc. (a not-for-profit corporation) to Essent Healthcare, Inc. (a for-profit corporation) based on a lengthy approval process governed by the Attorney General and the Litchfield County Superior Court. Investment income is utilized to fulfill its mission.

**Basis of Accounting**

The financial statements of FCH have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

**Financial Statement Presentation**

FCH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, FCH is required to present a statement of cash flows. A description of the three net asset categories follows:

*Unrestricted* – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

*Temporarily Restricted* – Net assets whose use by FCH is subject to donor-imposed restrictions that can be fulfilled by actions of the FCH pursuant to those restrictions or that expire by the passage of time. Charitable Remainder Trusts are included in Temporarily Restricted Net Assets.

*Permanently Restricted* - Net assets subject to donor-imposed restrictions that they be maintained permanently by FCH.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FCH's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management's estimates.

**Income Taxes**

FCH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, there is no provision for income taxes.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, FCH considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents maintained in investment accounts for re-investment are excluded from cash and are reported as investments.

**Endowment**

The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). The State of New York has also adopted its version (NYPMIFA) in September, 2010. Prior to the issuance of FAS 117-1, accumulated gains and income on donor restricted endowment assets were classified as unrestricted net assets in accordance with the Uniform Management of Institutional Funds Act (UMIFA). Under SP No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as temporarily restricted net assets until appropriated for expenditure.

**Investments**

Investments consist of FCH's share of the Berkshire Taconic Community Foundation's "Managed Pool," which consists of various types of investments. The Managed Pool has significant investments in equity and debt securities and is therefore subject to concentrations of credit and market risk. Investments are managed by investment advisors who are selected and engaged by the Investment Committee of the Board of Directors of the Berkshire Taconic Community Foundation (BTCF). The policies regarding investment composition, valuation, and spending are those of BTCF, reviewed and adopted by FCH. BTCF engages its own auditors who issued an unqualified opinion on their financial statements for the year ended December 31, 2017.



# FOUNDATION FOR COMMUNITY HEALTH, INC.

## Notes to the Financial Statements

Marketable investments in equities and debt securities are carried at fair value based upon quoted market prices. For limited marketability investments, including alternative investments which are principally absolute return strategies, private equity and real estate, the carrying value is the estimated fair value. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. FCH's alternative investments accessed through limited partnerships are determined by the general partner to be at fair value pursuant to FASB ASC 820-10, as further discussed below, after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings, and the audit opinion from the independent auditor of the limited partnership.

### **Fair Value of Financial Instruments**

In accordance with FASB ASC 820-10, FCH is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

**Level 1:** Values are based on quoted prices in active markets for identical assets.

**Level 2:** Values are based on significant observable market inputs, such as:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for similar assets or liabilities in market that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

**Level 3:** Values are based on significant unobservable inputs for the asset or liability should be used to the extent that observable inputs are not available. Fair value inputs used for absolute return investment, private equity investments, and nonearning assets have been estimated using the estimated net asset value per share of the investments.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment.

In accordance with FASB ASC 820-10, FCH's carrying amount of cash and cash equivalents and grants payable approximate fair value under Level 1. Investments are carried at fair value and are presented in Note 9. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate, which are Level 3 unobservable inputs. Agency funds are carried at fair value based on the underlying investments. Derivatives instruments held in the managed pool are measured at fair value based on Level 2 input. FCH does not directly pursue derivatives or speculative investments; however, in the ordinary course of investing activities, BTCF, pursuant to their investment policies, may hold these investments in the managed pool, of which FCH is a participant.

# FOUNDATION FOR COMMUNITY HEALTH, INC.

## Notes to the Financial Statements

### Spending Policy

The Board adopted spending cap is presently at 4.25% on the average asset base over the past 20 quarters, plus any income received from two permanent trusts and any other unrestricted income received during the year. A schedule calculating the spending policy will be reviewed and approved by the Board of Directors annually.

### Investment Policy

Through BTCF, FCH has adopted investment and spending policies for endowment assets in an effort to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce on average, over long-term horizons, returns that will offset spending plus inflation plus administrative fees.

To satisfy its long-term rate-of-return objectives, BTCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BTCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Property and Equipment

All acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Website	3 years
Furniture and Fixtures	7 years
Computer Equipment and Software	5 years
Leasehold Improvements	15 years

### Contributions and Classification of Net Assets

Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. The Foundation receives annual contributions from two trusts. When a donor-stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as restrictions satisfied by payment. Restricted contributions are reported as increases to unrestricted net assets when restrictions expire (that is, when a stipulated restriction of time ends or purpose is accomplished) in the reporting period that the contributions are reported as revenues.

### Investment Income

Investment income includes interest and dividends earned on savings accounts, as well as any other form of investment income, such as realized and unrealized gains. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

### Grant Awards

Grant awards are recorded as expenses when approved by FCH and when grant terms do not include material conditions.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**Expense Allocation**

Unless expenses can be specifically identified, most expenses are allocated 30% to Management and General and 70% to Programs based on management's estimate and historical experience.

**Advertising Expense**

All advertising and marketing costs are expensed in the period incurred as any future economic benefit cannot be quantified.

**Review for Subsequent Events**

In connection with the preparation of the financial statements of FCH, as of and for the year ended December 31, 2017, events and transactions subsequent to December 31, 2017 through August 8, 2018, the date the financial statements were available to be issued, have been evaluated by FCH management for possible adjustment and/or disclosure.

**NOTE 2 – DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS**

**Cash and Cash Equivalents**

At December 31, 2017, the carrying amounts of FCH's deposits were \$11,782, and the bank balance was \$135,748 all of which is FDIC insured.

**Investments**

Investment return on the investment pool and its classification in the statement of activities consisted of the following:

	<u>2017</u>	<u>2016</u>
Dividends and Interest	\$ 257,883	\$ 296,087
Unrealized Gains (Losses)	2,163,492	1,264,999
Realized Gains (Losses)	1,694,830	247,367
	<u>\$ 4,116,205</u>	<u>\$ 1,808,453</u>

**Fixed Assets**

Fixed Assets consist of the following

	<u>2017</u>	<u>2016</u>
Equipment	\$ 76,839	\$ 64,903
Website	5,228	5,228
	82,067	70,131
Accumulated Depreciation	<u>(64,097)</u>	<u>(60,077)</u>
	<u>\$ 17,970</u>	<u>\$ 10,054</u>

Depreciation Expense was \$4,019 and \$6,596 for the years ended December 31, 2017 and 2016.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**Grants Payable**

As of December 31, grants payable are committed as follows:

	<u>2017</u>	<u>2016</u>
Due in one year or less	\$ 255,355	\$ 267,341
Due in one to five years	36,207	-
	<u>\$ 291,562</u>	<u>\$ 267,341</u>

**Board Designated Net Assets**

Board Designated Net Assets consists of a \$6,000,000 commitment to Health Quest pertaining to the investment of Sharon Hospital. The board made an original commitment of \$9,000,000, of which \$3,000,000 was paid when the sale was consummated during 2017. The balance was intended to be paid as a 50% matching grant over the following 3-4 years to support any significant investments in Sharon Hospital and its services, assuming compliance with all aspects of the Health Quest and FCH grant agreement. See Note 11 for further discussion.

**Temporarily Restricted Net Assets**

Temporarily Restricted Net Assets consists of the following:

	<u>2017</u>	<u>2016</u>
Contribution Receivable - CRT's	\$ 15,585	\$ 13,385
Field of Interest Funds	85,072	81,642
Income on Permanently Restricted Funds:		
Per Adoption of UPMIFA	<u>1,615,135</u>	<u>1,178,829</u>
	<u>\$ 1,715,792</u>	<u>\$ 1,273,856</u>

**Permanently Restricted Net Assets**

Permanently Restricted Net Assets consist of the following:

	<u>2017</u>	<u>2016</u>
Field of Interest Funds	\$ 423,062	\$ 423,062
"Unrestricted Funds"	<u>1,862,837</u>	<u>1,862,837</u>
	<u>\$ 2,285,899</u>	<u>\$ 2,285,899</u>

**NOTE 3 – BENEFICIARY INTEREST IN PERPETUAL TRUSTS**

FCH is an income beneficiary of two irrevocable perpetual trusts, the assets of which are managed by and are in the possession of Bank of America. The assets held in these trusts were valued at \$7,789,757 and \$6,931,644 respectively as of December 31, 2017 and 2016. FCH has interests in the income only, and no provision to receive any principal. FCH received \$298,082 and \$294,948 in income distributions based on the fund's income after certain trust expenses for the years ending December 31, 2017 and 2016.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**NOTE 4 – CHARITABLE REMAINDER TRUSTS**

FCH has a split-interest in a charitable remainder trust, administered by a trustee outside FCH. The charitable remainder trust provides for the payment of distributions to the designated beneficiaries over the trust's term (the beneficiaries' lifetime). At the end of the trust's term, FCH will receive 10% of remaining assets. An asset is reported in the Statement of Financial Position representing the present value of the expected future benefits using a 2.6% discount rate and the Joint and Last survivor table. On an annual basis, FCH revalues the asset. It is reported as Contribution Receivable – CRT.

There are Charitable Remainder trusts which name Sharon Hospital as the beneficiary. FCH is the logical successor; however, it has not yet been named as beneficiary. No contributions from these trusts have been recorded.

**NOTE 5 – LEASE COMMITMENTS**

FCH leased a copier that requires monthly payments of \$191 through March 2017. A new copier lease was entered in to requiring payment of \$167 for 60 months beginning March 2017. Total lease expense for 2017 and 2016 amounted to \$2,075 and \$2,292. Future minimum lease payments under these leases are as follows as of December 31, 2017:

2018	\$2,003
2019	2,003
2020	2,003
2021	2,003
2022	501

On January 15, 2014, FCH entered into a space lease requiring monthly payments of \$2,500 for 5 years through January 14, 2019. Rent expense for 2017 and 2016 totaled \$30,000 and \$30,000. Future minimum lease payments are as follows:

2018	\$30,000
2019	1,250

**NOTE 6 – TAX DEFERRED ANNUITY**

FCH has adopted a 403(b)(7) Tax Deferred Annuity Plan for its employees and has voluntarily contributed 7% of annual salaries for eligible employees. Investment companies maintain the invested assets. The employer contributions to the plan for the years ending December 31, 2017 and 2016 were \$16,228 and \$17,385.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**NOTE 7 – RELATED PARTY TRANSACTIONS**

FCH received investment management and administrative services from BTCF. FCH is a type-one supporting organization of BTCF. The total fees paid for 2017 and 2016 were \$136,963 and \$133,946. The Investment fees of \$109,313 and \$106,802 were based on average assets in the BTCF Managed Pool Fund of \$25,271,070 and \$24,433,946 for the years 2017 and 2016 respectively. Administrative fees were \$27,650 and \$27,144 for 2017 and 2016. Administrative fees are based on the CPI index. Amounts owed to BTCF were \$33,784 and \$34,023 at December 31, 2017 and 2016.

**NOTE 8 – ENDOWMENT FUNDS**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-Restricted Endowment Funds	\$ -	\$ 1,700,207	\$ 2,285,899	\$ 3,986,106
Board-Designated Endowment Funds	21,178,266	-	-	21,178,266
<b>Total Funds</b>	<b><u>\$ 21,178,266</u></b>	<b><u>\$ 1,700,207</u></b>	<b><u>\$ 2,285,899</u></b>	<b><u>\$ 25,164,372</u></b>

Changes in Endowment Assets as of December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment Assets at 12/31/16	\$ 21,500,129	\$ 1,307,227	\$ 2,285,899	\$ 25,093,255
Contributions	339,782	1,767	-	341,549
Investment Income	1,666,509	286,204	-	1,952,713
Net Appreciation	1,851,726	311,766	-	2,163,492
Amounts Appropriated for Expenditure	<u>(4,179,880)</u>	<u>(206,757)</u>	<u>-</u>	<u>(4,386,637)</u>
<b>Endowment Assets at 12/31/17</b>	<b><u>\$ 21,178,266</u></b>	<b><u>\$ 1,700,207</u></b>	<b><u>\$ 2,285,899</u></b>	<b><u>\$ 25,164,372</u></b>

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

BTCF regularly reports the liquidity of invested assets. Applying FCH's percentage ownership in the BTCF pool results in the following projected table of liquidity.

<u>Redemption Terms</u>	<u>Amount of Invested Pool</u>	<u>% of Invested Pool</u>
Daily	\$ 12,424,265	52.8%
Monthly	1,200,071	5.1%
Quarterly	5,341,493	22.7%
Annually	3,011,943	12.8%
Illiquid	1,553,033	6.6%
Total	\$ 23,530,805	100.0%

Requests of funds by FCH during each calendar year of up to 10% of the value of the FCH Fund will be disbursed within 10 days. FCH must provide BTCF with 120 days written notice for any request of funds in excess. In anticipation of the grants to be provided to Health Quest, FCH moved \$2,000,000 into a Money Market Pool which is not in the above liquidity chart.

**NOTE 9 – FAIR VALUE INFORMATION**

<u>Description</u>	<u>December 31, 2017</u>	<u>Net Asset Value</u>	<u>Fair Value Measurements Using</u>		
			<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest in Berkshire Taconic Community Foundation	\$ 25,531,043	\$ -	\$ -	\$ 25,531,043	\$ -
Beneficial Interest in Remainder Trusts	15,585	-	-	-	15,585
Reported as:					
Investments	\$ 25,531,043				
Contribution Receivable	15,585				

The interest in Berkshire Taconic Community Foundation is reported as valued using Level 2 measurements because FCH owns an interest in an investment pool which is periodically measured by BTCF. The intermediation of BTCF results in some assets being classified as Level 2 assets in the table above when they would otherwise be deemed at Net Asset Value or Level 1 if held as direct investments by FCH. BTCF measures approximately 49% (\$12,457,787) of the total \$25,531,043 at Net Asset Value and 51% (\$13,073,256) using Level 1 measurements in its December 31, 2017 financial statements.

BTCF makes valuation adjustments as additional market value information for certain alternative investments is received subsequent to year end. These valuation adjustments are not reflected in FCH. FCH's share of these valuation adjustments is approximately \$145,916.

**FOUNDATION FOR COMMUNITY HEALTH, INC.**  
Notes to the Financial Statements

**Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)**

The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Beneficial Interest in Remainder Trust</u>
Balance, beginning of year	\$ 13,385
Total gains or losses (realized and unrealized) included in the change in net assets	2,200
Purchases and Sales	-
Transfers in and/or out of Level 3	-
Balance, end of year	\$ 15,585
The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains related to assets still held at end of year	\$ -
The amount reported as Change in Value of Split-Interest Agreements Related to Assets Held at Year-end	2,200

**NOTE 10 – SUPPORTED ORGANIZATIONS**

In 2014, FCH established two \$1,000,000 donor-advised funds, one at Northwest Connecticut Community Foundation, Inc. and the other at Community Foundations of the Hudson Valley. Grant disbursements were recommended during the year. Donor-advised fund balances remain above the original gift amount. All remaining funds are held at its third supporting organization, the Berkshire Taconic Community Foundation.

**NOTE 11 – SUBSEQUENT EVENTS**

In August 2016, FCH deemed it to be in the best interest of the community and in furtherance of its charitable purposes, to commit to Health Quest, a grant divided into two parts, which in aggregate will not be more than \$9 million. On August 1, 2017 the first part of the grant, \$3 million toward the purchase of Sharon Hospital, was expensed at the time of the closing of the acquisition transaction. Subsequent to year-end, FCH has delivered a Notice of Breach of the Grant Agreement contract with Health Quest. Soon after, the FCH Board voted to undesignate and unrestrict the remaining \$6 million. The funds were then removed from the Restricted for Sharon Hospital Fund that had been established at BTCF, and returned to the BTCF Managed Pool Fund.