

Healthcare Foundation Northern Sonoma County
(a California Not-for-Profit Corporation)

Financial Statements
For the Years Ended December 31, 2017 and 2016

Together with Independent Auditors' Report

Healthcare Foundation Northern Sonoma County

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Independent Auditors' Report

To the Board of Directors
Healthcare Foundation Northern Sonoma County
Healdsburg, California

We have audited the accompanying financial statements of Healthcare Foundation Northern Sonoma County, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Healthcare Foundation Northern Sonoma County as of December 31, 2017 and 2016, 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.

Dillwood Burkel & Millar, LLP

June 18, 2018
Santa Rosa, California

Healthcare Foundation Northern Sonoma County

Statement of Financial Position

As of December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 324,276	\$ -	\$ 324,276
Restricted cash	-	112,440	112,440
Prepaid expenses	15,383	-	15,383
Contributions receivable, current portion	146,050	-	146,050
Total Current Assets	485,709	112,440	598,149
Contributions receivable, net of current portion and discount	75,743	-	75,743
Property and improvements, net	15,404	-	15,404
Deposits	979	-	979
Total Assets	<u>\$ 577,835</u>	<u>\$ 112,440</u>	<u>\$ 690,275</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued expenses	\$ 20,509	\$ -	\$ 20,509
Total Current Liabilities	20,509	-	20,509
Net assets	<u>557,326</u>	<u>112,440</u>	<u>669,766</u>
Total Liabilities and Net Assets	<u>\$ 577,835</u>	<u>\$ 112,440</u>	<u>\$ 690,275</u>

See accompanying Notes to Financial Statements

Healthcare Foundation Northern Sonoma County

Statement of Financial Position

As of December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 414,254	\$ -	\$ 414,254
Restricted cash	-	1,508,330	1,508,330
Contributions receivable, current portion	-	774,293	774,293
Total Current Assets	414,254	2,282,623	2,696,877
Contributions receivable, net of current portion	272,328	-	272,328
Property and improvements, net	3,542	-	3,542
Deposits	979	-	979
Total Assets	<u>\$ 691,103</u>	<u>\$ 2,282,623</u>	<u>\$ 2,973,726</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued expenses	\$ 28,198	\$ -	\$ 28,198
Total Current Liabilities	28,198	-	28,198
Net assets	662,905	2,282,623	2,945,528
Total Liabilities and Net Assets	<u>\$ 691,103</u>	<u>\$ 2,282,623</u>	<u>\$ 2,973,726</u>

See accompanying Notes to Financial Statements

Healthcare Foundation Northern Sonoma County

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 349,728	\$ 390,974	\$ 740,702
Special events	780,746	-	780,746
Management Fees	20,367	-	20,367
Net assets released from restrictions	<u>2,561,157</u>	<u>(2,561,157)</u>	<u>-</u>
Total Support and Revenue	3,711,998	(2,170,183)	1,541,815
Expenses			
Program services	3,463,008	-	3,463,008
Management and general	126,760	-	126,760
Costs of direct benefits to donors	<u>227,809</u>	<u>-</u>	<u>227,809</u>
Total Expenses	<u>3,817,577</u>	<u>-</u>	<u>3,817,577</u>
Changes in Net Assets	(105,579)	(2,170,183)	(2,275,762)
Net Assets, Beginning of Year	<u>662,905</u>	<u>2,282,623</u>	<u>2,945,528</u>
Net Assets, End of Year	<u>\$ 557,326</u>	<u>\$ 112,440</u>	<u>\$ 669,766</u>

Healthcare Foundation Northern Sonoma County

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 561,798	\$ 1,114,755	\$ 1,676,553
Special events	150,786	105,250	256,036
Interest Income	25	-	25
Net assets released from restrictions	<u>657,210</u>	<u>(657,210)</u>	<u>-</u>
Total Support and Revenue	1,369,819	562,795	1,932,614
Expenses			
Program services	1,056,223	-	1,056,223
Management and general	132,692	-	132,692
Costs of direct benefits to donors	<u>62,382</u>	<u>-</u>	<u>62,382</u>
Total Expenses	<u>1,251,297</u>	<u>-</u>	<u>1,251,297</u>
Changes in Net Assets	118,522	562,795	681,317
Net Assets, Beginning of Year	<u>544,383</u>	<u>1,719,828</u>	<u>2,264,211</u>
Net Assets, End of Year	<u>\$ 662,905</u>	<u>\$ 2,282,623</u>	<u>\$ 2,945,528</u>

Healthcare Foundation Northern Sonoma County

Statement of Functional Expenses For the Year Ended December 31, 2017

	Programing	Management and General	Costs of Direct Benefits to Donors	Total
Grants given	\$ 2,883,376	\$ -	\$ -	\$ 2,883,376
Salaries and wages	216,003	54,001	-	270,004
Event expenses	-	-	227,809	227,809
Consultants	49,798	21,342	-	71,140
Advertising	45,521	2,396	-	47,917
Printing and postage	43,953	2,313	-	46,266
Computers and software	33,529	11,176	-	44,705
Mapping and visioning project	41,034	-	-	41,034
Occupancy	28,629	5,052	-	33,681
Other expenses	26,422	6,606	-	33,028
Professional Services	23,228	5,807	-	29,035
Donor cultivation	19,504	2,167	-	21,671
Employee benefits	17,278	4,319	-	21,597
Payroll tax expenses	15,350	3,838	-	19,188
Equipment and supplies	11,107	3,700	-	14,807
Telephone	3,890	1,297	-	5,187
Insurance	4,386	774	-	5,160
	<u>3,463,008</u>	<u>124,788</u>	<u>227,809</u>	<u>3,815,605</u>
Depreciation	<u>-</u>	<u>1,972</u>	<u>-</u>	<u>1,972</u>
Total Expenses	<u><u>\$ 3,463,008</u></u>	<u><u>\$ 126,760</u></u>	<u><u>\$ 227,809</u></u>	<u><u>\$ 3,817,577</u></u>

Healthcare Foundation Northern Sonoma County

Statement of Functional Expenses

For the Year Ended December 31, 2016

	<u>Programing</u>	<u>Management and General</u>	<u>Costs of Direct Benefits to Donors</u>	<u>Total</u>
Grants given	\$ 731,640	\$ -	\$ -	\$ 731,640
Salaries and wages	113,512	62,275	-	175,787
Consultants	66,323	32,207	-	98,530
Event expenses	-	-	62,382	62,382
Computers and software	29,843	2,571	-	32,414
Occupancy	22,790	5,697	-	28,487
Other expenses	20,892	4,683	-	25,575
Professional Services	13,320	4,740	-	18,060
Donor recognition	17,197	-	-	17,197
Payroll tax expenses	11,831	2,958	-	14,789
Employee benefits	11,619	2,905	-	14,524
Equipment and supplies	6,654	2,955	-	9,609
Bad debt expense	-	6,000	-	6,000
Telephone	4,245	1,061	-	5,306
Insurance	3,137	1,739	-	4,876
Printing and postage	3,220	1,012	-	4,232
	<u>1,056,223</u>	<u>130,803</u>	<u>62,382</u>	<u>1,249,408</u>
Depreciation	<u>-</u>	<u>1,889</u>	<u>-</u>	<u>1,889</u>
Total Expenses	<u><u>\$ 1,056,223</u></u>	<u><u>\$ 132,692</u></u>	<u><u>\$ 62,382</u></u>	<u><u>\$ 1,251,297</u></u>

See accompanying Notes to Financial Statements

Healthcare Foundation Northern Sonoma County

Statement of Cash Flows

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
	<i>Increase (decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities		
(Decrease) Increase in net assets	\$ (2,275,762)	\$ 681,317
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,972	1,889
Changes in assets and liabilities affecting operating activities		
Decrease (increase) in assets:		
Prepaid expenses	(15,383)	-
Contributions receivable	824,828	(440,561)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(7,689)	20,971
Net cash (used) provided by operating activities	<u>(1,472,034)</u>	<u>263,616</u>
Cash Flows from Investing Activities		
Acquisition of property and improvements	<u>(13,834)</u>	<u>(3,251)</u>
Net cash used in investing activities	<u>(13,834)</u>	<u>(3,251)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,485,868)	260,365
Cash and Cash Equivalents, Beginning of Year	<u>1,922,584</u>	<u>1,662,219</u>
Cash and Cash Equivalents, End of Year	<u>\$ 436,716</u>	<u>\$ 1,922,584</u>
Unrestricted cash and cash equivalents	\$ 324,276	\$ 414,254
Restricted cash and cash equivalents	<u>112,440</u>	<u>1,508,330</u>
Total Cash and Cash Equivalents	<u>\$ 436,716</u>	<u>\$ 1,922,584</u>

See accompanying Notes to Financial Statements

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 1. Nature of Activities

Healthcare Foundation Northern Sonoma County is a California not-for-profit corporation established in May 2001 to raise funds to support quality healthcare services for all residents of Northern Sonoma County. In 2008, the mission of the Foundation was broadened to focus beyond supporting only capital projects to fundraising in support of healthcare. The Foundation receives its support and revenue primarily from the public.

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Foundation's operations.

Temporarily restricted net assets – Net assets consist of funds and unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, 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 resulting from unconditional promises to give by donors that specify that the assets donated be maintained to provide a permanent source of income. As of December 31, 2017 and 2016, the Foundation did not maintain any permanently restricted net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed which limits the investment's use to long-term.

As of December 31, 2017 and December 31, 2016, respectively, the Foundation held cash and cash equivalents due to donor restrictions placed on the assets. The entire amount of the restricted cash and cash equivalents were designated for the purpose of healthcare grants and programs.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 2. Significant Accounting Policies, *continued*

Contributions Receivable

Verifiable pledges for contributions are recorded as contributions receivable. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in contribution revenue. The Foundation uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. As of December 31, 2017 and 2016, respectively, Management expects all contributions receivable to be collected.

Property and Improvements

It is the Foundation's policy to capitalize all computers, equipment, furniture and computer software at costs greater than \$1,000. Property and improvements are recorded at acquisition cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from 3 to 7 years. Donated property is recorded at its estimated fair value at the day of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires when the asset is purchased.

Contribution Revenues

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to make a gift to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets 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 Foundation sometimes receives donations of marketable securities. Generally, the securities are sold within 7 days of receipt. Investments in marketable securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 2. Significant Accounting Policies, *continued*

Donated Services

A substantial number of volunteers have donated significant amounts of time to the Foundation's program services and to its fundraising campaigns. No amounts have been recognized in the statement of activities since the work done by the volunteers does not fall under the criteria established by the Financial Accounting Standards Board (FASB).

Financial Instruments

The carrying amount of financial instruments approximate fair value based on quoted market prices or discounted cash flow analysis for cash, restricted cash and time deposits and other financial instruments.

Functional Expense Allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Foundation.

Income Taxes

The Foundation is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. These exemptions are subject to periodic reviewed by the taxing authorities. As of December 31, 2017 and 2016, respectively, the Foundation has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. In the opinion of management, there is no unrelated business income subject to income taxes.

The Foundation's exempt organization information returns, IRS Form 990 and California Form 199, are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

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 based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of contributions receivable and depreciable lives of property and improvements. Actual results could differ from those estimates.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 3. Contributions Receivable

Contributions receivable consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 223,350	\$ 1,053,293
Less: unamortized discount	<u>(1,557)</u>	<u>(5,672)</u>
	<u>\$ 221,793</u>	<u>\$ 1,047,621</u>

Contributions are expected to be collected according to the following schedule for December 31, 2017:

2018	\$ 146,050
2019	71,008
2020	<u>4,735</u>
	<u>\$ 221,793</u>

Note 4. Accrued Vacation

Accumulated employee paid absences benefits are recognized as liabilities of the Foundation when earned by employees. Accumulated unpaid absences liability totaled \$11,388 and \$10,826 for the years ended December 31, 2017 and 2016, respectively.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds raised to make grants to the health care agencies in Northern Sonoma County. Temporarily restricted net assets are restricted for specific purposes or until specific events occur. As of December 31, 2017 and 2016, respectively, all temporarily restricted net assets maintained by the Foundation must be used to fund mental health initiative program grant requests made by the non-profit agencies.

Net assets released from program restrictions amounted to \$2,561,157 and \$657,210 for the years ended December 31, 2017 and 2016, respectively.

Following are temporarily restricted net assets as included on the statement of financial position at December 31:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 112,440	\$ 1,508,330
Pledges receivable	<u>-</u>	<u>774,293</u>
	<u>\$ 112,440</u>	<u>\$ 2,282,623</u>

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 6. Grants Given

Grants were given for the following during the years ending December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Healdsburg District Hospital	\$ 2,284,241	\$ 345,165
Alliance Medical Center	106,000	150,000
Alexander Valley Health Care	100,250	103,585
Pediatric Dental Initiative Center	100,000	100,000
Wildfire Relief recipients	178,672	-
Scopa Has A Dream – Corazon	99,213	-
SSU Scholarships	15,000	15,000
Raffanelli Fund	-	17,292
Community health projects	-	598
	<u>\$ 2,883,376</u>	<u>\$ 731,640</u>

Note 7. Commitment under Operating Leases

The Foundation leases office equipment under a long-term operating lease which expires in 2019. The lease requires monthly payments of \$105. The Foundation also leases its administrative office, which requires monthly payments of approximately \$2,600 through June 2019. Future lease commitments are as follows for the years ending December 31:

2018	\$ 32,148
2019	<u>16,860</u>
	<u>\$ 49,008</u>

Rent expense totaled \$25,776 and \$20,976 for years ended December 31, 2017 and 2016, respectively.

Healthcare Foundation Northern Sonoma County

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

Note 8. Concentrations

At various times during the year ended December 31, 2017 and 2016, the Foundation had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. At December 31, 2017, the Foundation had approximately \$200,000 on deposit in excess of the FDIC insured amount.

Note 9. Subsequent events

The Foundation evaluated subsequent events from January 1, 2017 through June 18, 2018, the date which the financial statements were available to be issued, and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.