

## **The HealthPath Foundation of Ohio**

Financial Statements

Years Ended December 31, 2017 and 2016

with Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
CPAS & ADVISORS

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
The HealthPath Foundation of Ohio:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The HealthPath Foundation of Ohio (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 audits 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 auditors' 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 auditors consider 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 HealthPath Foundation of Ohio 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.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
May 21, 2018

The HealthPath Foundation of Ohio  
 Statements of Financial Position  
 December 31, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	\$ 716,832	406,523
Investments at fair value	<u>27,346,733</u>	<u>24,499,654</u>
Total assets	<u>\$ 28,063,565</u>	<u>24,906,177</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 352	3,568
Grants payable	<u>237,569</u>	<u>425,000</u>
Total liabilities	<u>237,921</u>	<u>428,568</u>
Net assets:		
Unrestricted	-	-
Temporarily restricted	<u>27,825,644</u>	<u>24,477,609</u>
Total net assets	<u>27,825,644</u>	<u>24,477,609</u>
Total liabilities and net assets	<u>\$ 28,063,565</u>	<u>24,906,177</u>

See accompanying notes to the financial statements.

The HealthPath Foundation of Ohio  
Statement of Activities  
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and support:			
Contributions	\$ -	45,100	45,100
Investment income	-	640,297	640,297
Net realized gains and net appreciation in fair value of investments	-	4,022,339	4,022,339
Net assets released from restrictions	<u>1,359,701</u>	<u>(1,359,701)</u>	<u>-</u>
Total revenues, gains and support	<u>1,359,701</u>	<u>3,348,035</u>	<u>4,707,736</u>
Expenses:			
Grants	658,395	-	658,395
Administrative expenses	580,709	-	580,709
Investment management expenses	<u>120,597</u>	<u>-</u>	<u>120,597</u>
Total expenses	<u>1,359,701</u>	<u>-</u>	<u>1,359,701</u>
Change in net assets	<u>-</u>	<u>3,348,035</u>	<u>3,348,035</u>
Net assets at beginning of the year	<u>-</u>	<u>24,477,609</u>	<u>24,477,609</u>
Net assets at end of the year	\$ <u><u>-</u></u>	<u><u>27,825,644</u></u>	<u><u>27,825,644</u></u>

See accompanying notes to the financial statements.

The HealthPath Foundation of Ohio  
Statement of Activities  
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and support:			
Investment income	\$ -	634,005	634,005
Net realized gains and net appreciation in fair value of investments	-	1,879,078	1,879,078
Net assets released from restrictions	<u>1,183,644</u>	<u>(1,183,644)</u>	<u>-</u>
Total revenues, gains and support	<u>1,183,644</u>	<u>1,329,439</u>	<u>2,513,083</u>
Expenses:			
Grants	503,082	-	503,082
Administrative expenses	566,759	-	566,759
Investment management expenses	<u>113,803</u>	<u>-</u>	<u>113,803</u>
Total expenses	<u>1,183,644</u>	<u>-</u>	<u>1,183,644</u>
Change in net assets	<u>-</u>	<u>1,329,439</u>	<u>1,329,439</u>
Net assets at beginning of the year	<u>-</u>	<u>23,148,170</u>	<u>23,148,170</u>
Net assets at end of the year	\$ <u>-</u>	<u>24,477,609</u>	<u>24,477,609</u>

See accompanying notes to the financial statements.

The HealthPath Foundation of Ohio  
 Statements of Cash Flows  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,348,035	1,329,439
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized gain and net appreciation in fair value of investments	(4,022,339)	(1,879,078)
Effects of change in operating assets and liabilities:		
Accounts payable and accrued liabilities	(3,216)	1,289
Grants payable	<u>(187,431)</u>	<u>(16,250)</u>
Net cash used by operating activities	<u>(864,951)</u>	<u>(564,600)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	13,943,296	2,858,315
Purchase of investments	<u>(12,768,036)</u>	<u>(2,726,313)</u>
Net cash provided by investing activities	<u>1,175,260</u>	<u>132,002</u>
Net change in cash and cash equivalents	310,309	(432,598)
Cash and cash equivalents at beginning of year	<u>406,523</u>	<u>839,121</u>
Cash and cash equivalents at end of year	\$ <u>716,832</u>	<u>406,523</u>

See accompanying notes to the financial statements.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following accounting principles and practices of The HealthPath Foundation of Ohio (the "HealthPath Foundation") are set forth to facilitate the understanding of data presented in the financial statements.

### **Organization**

The HealthPath Foundation is recognized as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a charitable organization qualifying under Section 501(c)(3) and recognized as a supporting organization of The Greater Cincinnati Foundation ("GCF"). The HealthPath Foundation was formed effective February 12, 1999, as a result of a voluntary agreement between the State of Ohio, Anthem Insurance Companies, Inc., and Community Insurance Company, with an initial contribution of \$28,000,000. The HealthPath Foundation's mission is to support the health care needs of indigent Ohio citizens in a 36-county region with a current focus on oral health, safe elders and healthy Ohioans. The majority of the HealthPath Foundation's Board of Trustees is appointed by GCF's Governing Board.

### **Temporarily restricted net assets**

Net assets of the HealthPath Foundation are restricted for healthcare needs of indigent Ohio citizens in a 36-county region. As purpose restrictions are satisfied, and as assessments are made for administrative and investment management expenses, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There were no permanently restricted net assets at December 31, 2017 and 2016.

### **Estimates**

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

### **Cash and cash equivalents**

The HealthPath Foundation considers money market funds and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

### **Concentration of credit risk**

The HealthPath Foundation maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The HealthPath Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains are included in the statements of activities.

### **Accounting changes**

Recently issued accounting pronouncements—The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, "Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)." ASU 2015-07 simplifies disclosures and reporting on investments valued at net asset value as a practical expedient. ASU 2015-07 is effective for

fiscal years beginning after December 15, 2016, with earlier adoption permitted. The HealthPath Foundation has implemented this guidance and applied retrospectively to all periods presented. This change has no impact on net assets.

**Subsequent events**

The HealthPath Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 21, 2018, the date on which the financial statements were available to be issued.

**2. ADMINISTRATIVE EXPENSES AND RELATED PARTY TRANSACTIONS:**

Administrative expenses were incurred for the following:

	Charitable and Philanthropic <u>Programs</u>	Management and General	2017 <u>Total</u>	2016 <u>Total</u>
Personnel expenses	\$ 447,333	27,492	474,825	398,985
Audit and insurance expenses	-	15,041	15,041	14,701
Travel	11,680	-	11,680	14,608
Programs' evaluation	43,300	-	43,300	103,556
Communication	-	14,495	14,495	3,175
Software	-	6,981	6,981	11,000
Other	<u>-</u>	<u>14,387</u>	<u>14,387</u>	<u>20,734</u>
Total expenses	<u>\$ 502,313</u>	<u>78,396</u>	<u>580,709</u>	<u>566,759</u>

Expenses of \$439,825 and \$398,235 for the years ended December 31, 2017 and 2016, respectively, are related to various management, administrative and accounting services provided to the HealthPath Foundation by GCF.

**3. FAIR VALUE MEASUREMENTS:**

Generally accepted accounting principles defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value as follows:

Level 1 – Valuations based on quoted price in active markets for identical assets or liabilities that the HealthPath Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

**Valuation policy, techniques, inputs, and process**

The Treasurer, under the supervision of the Board of Trustees, determines the fair value measurement policies and procedures in consultation with Bartlett Wealth Management and Bahl & Gaynor. These policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. In determining the reasonableness of the methodology, the Treasurer, Bartlett Wealth Management and Bahl & Gaynor all evaluate a variety of factors including a review of existing agreements, economic conditions, and industry and market developments.

The HealthPath Foundation values substantially all of its investments at amounts reported by the investment manager and as validated through consideration of the audited financial statements of such investments. Accordingly, the HealthPath Foundation does not use separate quantitative information to value such investments.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

*Common stocks and mutual funds including exchange traded funds:* Valued at the closing price reported on the active market on which the individual stocks or funds are traded.

*Private equity funds:* Valued at net asset value as a practical expedient provided by the asset custodians and adjusted for any known capital additions or withdrawals.

The following tables present the assets as of December 31, 2017 and 2016 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	December 31, <u>2017</u>	Quoted prices in active markets for identical assets or liabilities <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments:				
Mutual funds	\$ 206,668	206,668	-	-
Common stock	<u>26,881,435</u>	<u>26,881,435</u>	-	-
Total assets in the fair value hierarchy	<u>27,088,103</u>	<u>27,088,103</u>	-	-
Investments measured at net asset value	<u>258,630</u>			
Total investments	<u>\$ 27,346,733</u>			
	December 31, <u>2016</u>	Quoted prices in active markets for identical assets or liabilities <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments:				
Mutual funds	\$ 11,928,326	11,928,326	-	-
Common stock	<u>12,237,303</u>	<u>12,237,303</u>	-	-
Total assets in the fair value hierarchy	<u>24,165,629</u>	<u>24,165,629</u>	-	-
Investments measured at net asset value	<u>334,025</u>			
Total investments	<u>\$ 24,499,654</u>			

As of December 31, 2017, the Foundation is committed to provide capital related to the alternative investments in the amount of \$143,000. The investment does not allow for redemption.

#### 4. GRANTS PAYABLE:

Grants payable in the accompanying statements of financial position are approved for payment and are mostly payable within one year of the date of the financial statements of the HealthPath Foundation. Grants payable as of December 31, 2017 and 2016 are \$237,569 and \$425,000, respectively. Amounts due greater than one year are immaterial and are not discounted.

## 5. RECENT ACCOUNTING PRONOUNCEMENTS:

In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the HealthPath Foundation's year ending December 31, 2018.

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the HealthPath Foundation's year ending December 31, 2019.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the HealthPath Foundation's year ending December 31, 2020.

The HealthPath Foundation is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

