

THE HEALTHPATH FOUNDATION OF OHIO

Financial Statements

Years Ended December 31, 2016 and 2015

(with Independent Auditors' Report)

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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, 2016 and 2015, 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 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 HealthPath Foundation of Ohio as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 23, 2017

The HealthPath Foundation of Ohio
 Statements of Financial Position
 December 31, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	\$ 406,523	839,121
Investments at fair value	<u>24,499,654</u>	<u>22,752,578</u>
Total assets	<u>\$ 24,906,177</u>	<u>23,591,699</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,568	2,279
Grants payable	<u>425,000</u>	<u>441,250</u>
Total liabilities	<u>428,568</u>	<u>443,529</u>
Net assets:		
Unrestricted	-	-
Temporarily restricted	<u>24,477,609</u>	<u>23,148,170</u>
Total net assets	<u>24,477,609</u>	<u>23,148,170</u>
Total liabilities and net assets	<u>\$ 24,906,177</u>	<u>23,591,699</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
Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and support:			
Investment income	\$ -	386,777	386,777
Net realized losses and net depreciation in fair value of investments	-	(1,170,165)	(1,170,165)
Other	-	1,138	1,138
Net assets released from restrictions	<u>1,935,494</u>	<u>(1,935,494)</u>	<u>-</u>
Total revenues, gains and support	<u>1,935,494</u>	<u>(2,717,744)</u>	<u>(782,250)</u>
Expenses:			
Grants	1,276,931	-	1,276,931
Administrative expenses	547,927	-	547,927
Investment management expenses	<u>110,636</u>	<u>-</u>	<u>110,636</u>
Total expenses	<u>1,935,494</u>	<u>-</u>	<u>1,935,494</u>
Change in net assets	<u>-</u>	<u>(2,717,744)</u>	<u>(2,717,744)</u>
Net assets at beginning of the year	<u>-</u>	<u>25,865,914</u>	<u>25,865,914</u>
Net assets at end of the year	\$ <u>-</u>	<u>23,148,170</u>	<u>23,148,170</u>

See accompanying notes to the financial statements.

The HealthPath Foundation of Ohio
 Statements of Cash Flows
 Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 1,329,439	(2,717,744)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized (gains)/losses and net (appreciation)/depreciation in fair value of investments	(1,879,078)	1,170,165
Effects of change in operating assets and liabilities:		
Accounts payable and accrued liabilities	1,289	(2,164)
Grants payable	<u>(16,250)</u>	<u>125,184</u>
Net cash used by operating activities	<u>(564,600)</u>	<u>(1,424,559)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,858,315	30,686,041
Purchase of investments	<u>(2,726,313)</u>	<u>(28,646,925)</u>
Net cash provided by investing activities	<u>132,002</u>	<u>2,039,116</u>
Net change in cash and cash equivalents	(432,598)	614,557
Cash and cash equivalents at beginning of year	<u>839,121</u>	<u>224,564</u>
Cash and cash equivalents at end of year	\$ <u><u>406,523</u></u>	<u><u>839,121</u></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 emphasis on oral health, prevention of family violence and strengthening Ohio's safety net. 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, 2016 and 2015.

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 statement of financial position. Unrealized gains and losses are included in the statements of activities.

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 23, 2017, the date on which the financial statements were available to be issued.

Reclassifications

Certain items from 2015 have been reclassified to conform to current year presentation.

2. ADMINISTRATIVE EXPENSES AND RELATED PARTY TRANSACTIONS:

Administrative expenses were incurred for the following:

	Charitable and Philanthropic Programs	Management and General	2016 Total	2015 Total
Personnel expenses	\$ 362,175	36,810	398,985	329,961
Audit and insurance expenses	-	14,701	14,701	14,401
Travel	14,608	-	14,608	14,649
Programs' evaluation	103,556	-	103,556	141,084
Communication	-	3,175	3,175	34,393
Software	-	11,000	11,000	-
Other	-	<u>20,734</u>	<u>20,734</u>	<u>13,439</u>
Total expenses	<u>\$ 480,339</u>	<u>86,420</u>	<u>566,759</u>	<u>547,927</u>

Expenses of \$398,235 and \$316,548 for the years ended December 31, 2016 and 2015, 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 Governing Board, determines the fair value measurement policies and procedures in consultation with Bartlett & Co. 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 and Bartlett & Co. and Bahl & Gaynor all evaluate a variety of factors including a review of existing agreements, economic conditions, and industry and market developments.

Fair value methods and assumptions on investments consisting of mutual funds including exchange traded funds, are based on the Level 1 market approach. Other investments consist of private equity funds that are valued on Level 3 inputs provided by the asset custodians and adjusted for any known capital additions or withdraws.

The following tables present the assets as of December 31, 2016 and 2015 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	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	12,237,303	12,237,303	-	-
Other investments	<u>334,025</u>	<u>-</u>	<u>-</u>	<u>334,025</u>
Total	<u>\$ 24,499,654</u>	<u>24,165,629</u>	<u>-</u>	<u>334,025</u>

	December 31, <u>2015</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	\$ 11,164,084	11,164,084	-	-
Common stock	10,984,341	10,984,341	-	-
Other investments	<u>604,153</u>	<u>-</u>	<u>-</u>	<u>604,153</u>
Total	<u>\$ 22,752,578</u>	<u>22,148,425</u>	<u>-</u>	<u>604,153</u>

As of December 31, 2016, the Foundation is committed to provide capital related to the alternative investments in the amount of \$143,000. The following is a reconciliation of the HealthPath Foundation's assets valued at Level 3 inputs as of December 31:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 604,153	900,816
Distributions	(238,858)	(312,000)
Total realized and unrealized gains (losses) still held at year-end	<u>(31,270)</u>	<u>15,337</u>
Balance at end of year	\$ <u>334,025</u>	<u>604,153</u>
Change in unrealized gains or losses for the period included in the change in unrestricted net assets, for assets held at the end of the reporting period	\$ <u>(36,647)</u>	<u>(49,559)</u>

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 Foundation. Grants payable as of December 31, 2016 and 2015 are \$425,000 and \$441,250, respectively. Amounts due greater than one year are immaterial and are not discounted.

