



PASQUESI
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

GRANT HEALTHCARE FOUNDATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

**SEE INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**





INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO THE BOARD OF DIRECTORS
GRANT HEALTHCARE FOUNDATION
LAKE FOREST, ILLINOIS 60045

We have reviewed the accompanying financial statements of GRANT HEALTHCARE FOUNDATION (a not-for-profit corporation), which comprise the statement of financial positions 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Pasquesi Sheppard LLC".

Pasquesi Sheppard LLC
Lake Forest, Illinois

June 6, 2017

GRANT HEALTHCARE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

(See independent accountant's review report)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
ASSETS:		
Cash, including money market funds of \$120,697 and \$49,845, respectively	\$ 150,252	\$ 88,611
Investments	14,094,661	14,135,269
Equipment, net	2,372	425
Cash surrender value of life insurance	243,213	234,639
Beneficial interest in a perpetual trust	343,890	343,308
Total assets	<u>\$ 14,834,388</u>	<u>\$ 14,802,252</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accrued expenses	\$ 5,628	\$ 7,479
Deferred compensation	74,173	95,328
Total liabilities	<u>\$ 79,801</u>	<u>\$ 102,807</u>
NET ASSETS:		
Unrestricted	\$ 14,303,500	\$ 14,248,940
Temporarily restricted	107,197	107,197
Permanently restricted	343,890	343,308
Total net assets	<u>\$ 14,754,587</u>	<u>\$ 14,699,445</u>
Total liabilities and net assets	<u>\$ 14,834,388</u>	<u>\$ 14,802,252</u>

The accompanying notes are an integral part of these financial statements.

GRANT HEALTHCARE FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(See independent accountant's review report)

	<u>2016</u>	<u>2015</u>
<u>UNRESTRICTED NET ASSETS</u>		
REVENUE:		
Interest and dividends	\$ 218,397	\$ 245,533
Gain (loss) on sale of investments	(19,816)	718,077
Unrealized gain (loss) on investments	858,570	(1,649,260)
Contributions	20,991	23,282
Miscellaneous	16,147	40,161
	<u> </u>	<u> </u>
Net revenue	\$ 1,094,289	\$ (622,207)
EXPENSES:		
Grants	\$ 740,000	\$ 1,105,500
Salaries	135,000	135,000
Payroll taxes	11,506	12,271
Investment management fees	57,684	52,875
Professional fees	6,600	6,850
Interest expense	7,640	9,260
Office expense	66,500	56,810
Excise tax	7,575	9,018
Foreign tax	7,004	5,275
Depreciation	220	65
	<u> </u>	<u> </u>
Total expenses	\$ 1,039,729	\$ 1,392,924
	<u> </u>	<u> </u>
Increase (decrease) in unrestricted net assets	\$ 54,560	\$ (2,015,131)
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Unrealized gain (loss) on investments	\$ 582	\$ (26,926)
	<u> </u>	<u> </u>
Increase (decrease) in permanently restricted net assets	\$ 582	\$ (26,926)
	<u> </u>	<u> </u>
INCREASE (DECREASE) IN NET ASSETS	\$ 55,142	\$ (2,042,057)
NET ASSETS AT BEGINNING OF YEAR	14,699,445	16,741,502
	<u> </u>	<u> </u>
NET ASSETS AT END OF YEAR	\$ 14,754,587	\$ 14,699,445
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

GRANT HEALTHCARE FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(See independent accountant's review report)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 55,142	\$ (2,042,057)
Adjustments to reconcile change in net assets to net cash used for operating activities —		
Depreciation	220	65
(Gain) loss on sale of investments	19,816	(718,077)
Unrealized (gain) loss on investments	(859,152)	1,676,186
Changes in operating assets and liabilities —		
Accrued expenses	(1,851)	(18,983)
Cash surrender value	(8,574)	(11,541)
Beneficial interest in a perpetual trust	(582)	26,926
Deferred compensation	(21,155)	(19,589)
Loss reserve	-	(180,000)
Net cash used for operating activities	<u>\$ (816,136)</u>	<u>\$ (1,287,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	\$ (2,167)	\$ -
Purchase of investments	(1,496,245)	(1,038,245)
Proceeds from sale of investments	2,376,189	2,299,612
Net cash provided by investing activities	<u>\$ 877,777</u>	<u>\$ 1,261,367</u>
Net increase (decrease) in cash and money market funds	\$ 61,641	\$ (25,703)
Cash and money market at beginning of year	<u>88,611</u>	<u>114,314</u>
Cash and money market at end of year	<u><u>\$ 150,252</u></u>	<u><u>\$ 88,611</u></u>

SUPPLEMENTARY INFORMATION

Cash paid during the year for interest	<u><u>\$ 7,640</u></u>	<u><u>\$ 9,260</u></u>
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The accompanying notes are an integral part of these financial statements.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(1) DESCRIPTION OF THE FOUNDATION:

The Foundation was organized in 1883 as Grant Hospital of Chicago for the purpose of operating a hospital. In 1994 the Foundation sold substantially all of the assets and certain liabilities of the hospital. Effective on January 1, 1999, the Foundation changed its mission to that of a private foundation and adopted the name Grant Healthcare Foundation (the Foundation). The mission of the Foundation is to continue the tradition of providing healthcare services to the people of Chicago. The Foundation is an Illinois not-for-profit organization.

(2) ACCOUNTING POLICIES AND PRACTICES:

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The following is a summary of the major accounting policies and practices of the Foundation which affect significant elements of the accompanying financial statements:

Basis of Presentation –

For internal accounting and financial reporting purposes, net assets and related revenues and expenses of the Foundation are classified into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted based upon the existence or absence of donor imposed restrictions.

Unrestricted Net Assets, include all resources of the Foundation representing the expendable funds available for support of Foundation operations.

Temporarily Restricted Net Assets are comprised of funds which are restricted by donors for specific purposes or time periods. Temporarily restricted net assets as of December 31, 2016 and 2015, consist of specific healthcare services.

Permanently Restricted Net Assets include contributions which the donors have specified must be maintained in perpetuity. The related income may be expended for specific purposes or if none, for the general purpose of The Foundation. Permanently restricted net assets as of December 31, 2016 and 2015, consist of a beneficial interest in a perpetual trust.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Contributions –

The Foundation recognizes the full amount of the contributions, grants and bequests received in the year that they were made as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Foundation reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Unrestricted contributions of long-lived assets and cash to acquire long-lived assets are treated as unrestricted when the acquired assets are placed in service. The Foundation records non-cash contributions at their estimated fair value at the date of the contribution.

Equipment –

Equipment is stated at cost or at estimated fair value at the date of gift if donated. Depreciation is computed on a straight-line basis over the estimated lives of five years. It is the Foundation's policy to expense equipment with an initial cost of less than \$250. Depreciation expense for the years ended December 31, 2016 and 2015, was \$220 and \$65, respectively. The cost of the equipment and depreciation are as follows at December 31:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 10,368	\$ 10,296
Less: Accumulated depreciation	<u>7,996</u>	<u>9,871</u>
	<u>\$ 2,372</u>	<u>\$ 425</u>

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Income Taxes —

The Foundation is exempt from Federal income taxes, except for unrelated business income and excise tax on investment income, under the provisions of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2016 and 2015. Management follows new accounting provisions which impose a threshold for determining when uncertain tax positions should be disclosed or recorded. The threshold now imposed for financial statement reporting generally is higher than the threshold imposed for claiming deductions in income tax returns. The Foundation utilized the “more likely than not” criteria and determined that all of their tax positions meet that criteria. Therefore, the Foundation has not recorded any adjustments or disclosed any situations that arose from uncertain tax positions. Additionally, there were no returns under review or open to review by taxing authorities in excess of statutory periods.

Fair Value Measurement —

The Foundation follows new accounting standards which provide a framework for measuring fair value. The standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal market for the asset or liability in a transaction between market participants on the measurement date. The standards establish a fair value hierarchy which gives highest priority to observable inputs (Level 1 and 2 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The fair value measurement level of the assets and liabilities within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial Instruments —

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash. The Foundation maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Use of Estimates in Preparing Financial Statements –

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Reclassifications –

Certain accounts and descriptions in the prior year financial statements were reclassified for comparative purposes to the current year presentation.

(3) INVESTMENTS:

Investments are carried at fair value (levels 1 and 2) in the accompanying financial statements. Fair values at December 31 were obtained from quoted market sources and are included in the financial statements as follows:

	<u>2016</u>	<u>2015</u>
Corporate stocks	\$ 996,082	\$ 801,860
Mutual funds	11,510,526	11,865,771
Exchange traded funds	685,570	613,970
Partnerships	902,483	853,668
	<u>\$ 14,094,661</u>	<u>\$ 14,135,269</u>

(4) BENEFICIAL INTEREST IN PERPETUAL TRUST:

The Foundation received a beneficial interest in a trust (the Trust) set up with U.S. Trust. The Trust requires U.S. Trust to make quarterly distributions to the Foundation equal to 5% of the fair value of the trust assets, valued on the first day of each year of the Trust. These payments will continue as long as the Foundation continues in existence. The perpetual interest is valued at the lower of the fair value of the Trust assets or the present value of the discounted future cash flows from the Trust.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

The fair value of the Trust assets for the years ended December 31, 2016 and 2015, were \$343,890 and \$343,308, respectively. The change in the fair value of the Trust assets is recorded as a permanently restricted unrealized gain (loss) of \$582 and \$(26,926) for the years ended December 31, 2016 and 2015, respectively.

The income received from the Trust was \$17,502 and \$18,515 for the years ended December 31, 2016 and 2015, respectively.

(5) DEFERRED COMPENSATION:

Deferred compensation represents an executive salary continuation agreement the Foundation entered into with a former executive of the hospital. The agreement calls for annual payments through the year 2019 with interest charged at a rate of eight percent. The interest expense for 2016 and 2015 was \$7,640 and \$9,260, respectively. In connection with this and another agreement, the Foundation is the beneficiary of insurance policy on the life of a former executive. The cash surrender value of the remaining policy as of December 31, 2016 and 2015, was \$243,213 and \$234,639, respectively.

Future payments for the deferred compensation agreement for the years ending December 31 are as follows:

2017	\$	22,848
2018		24,676
2019		26,649
	\$	<u>74,173</u>

(6) LOSS RESERVES:

Since January 31, 1985, the Foundation's hospital operation had been partially self-insured for professional and general liability through the Chicago Hospital Risk Pooling Program (CHRPP). The Foundation made contributions to CHRPP while it was operating as a hospital. The maximum amount of loss that could be charged to the Foundation under the CHRPP program was a deductible of \$50,000 per occurrence. As of December 31, 2016 and 2015, the Foundation had no open claims with no remaining deductible.

Prior to the Foundation's participation in CHRPP, the Foundation had various professional liability insurance policies. The Foundation is unaware of any outstanding or potential claims for this period.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

During 2015 the Foundation resolved an outstanding worker compensation claim. In connection with this claim, the Foundation had set up a reserve of \$180,000. The final pay out for this claim totaled \$143,912.

(7) SUBSEQUENT EVENTS:

The Foundation's management has performed an analysis of activities and transactions subsequent to December 31, 2016, to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year then ended. Management has performed this analysis through the report date, the date which the financial statements were available to be issued.