



**PASQUESI
SHEPPARD LLC**

ACCOUNTANTS AND CONSULTANTS

GRANT HEALTHCARE FOUNDATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**SEE INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**

The logo for Pasquesi Sheppard LLC features the company name in a serif font. A thick, dark blue diagonal line crosses the text from the top left to the bottom right. Below the company name is a horizontal dark blue bar, and below that, the words "ACCOUNTANTS AND CONSULTANTS" are written in a smaller, all-caps serif font.

**PASQUESI
SHEPPARD LLC**

ACCOUNTANTS AND CONSULTANTS

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, 2019 and 2018, 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

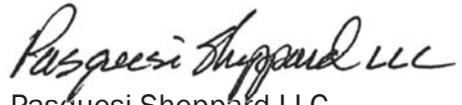
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Pasquesi Sheppard LLC". The signature is written in a cursive, flowing style.

Pasquesi Sheppard LLC
Lake Forest, Illinois

June 5, 2020

GRANT HEALTHCARE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

(See independent accountant's review report)

ASSETS

	2019	2018
ASSETS:		
Cash, including money market funds of \$19,429 and \$19,578, respectively	\$ 54,650	\$ 110,176
Investments	15,685,524	13,714,906
Equipment, net	1,251	1,624
Beneficial interest in a perpetual trust	377,112	322,464
Total assets	\$ 16,118,537	\$ 14,149,170

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accrued expenses	\$ -	\$ 414
Deferred compensation	-	26,650
Total liabilities	\$ -	\$ 27,064
NET ASSETS:		
Without donor restrictions	\$ 15,729,721	\$ 13,787,938
With donor restrictions	388,816	334,168
Total net assets	\$ 16,118,537	\$ 14,122,106
Total liabilities and net assets	\$ 16,118,537	\$ 14,149,170

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

GRANT HEALTHCARE FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(See independent accountant's review report)

	<u>2019</u>	<u>2018</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUE:		
Interest and dividends	\$ 450,255	\$ 441,596
Gain on sale of investments	150,736	539,826
Unrealized gain (loss) on investments	2,320,745	(2,152,803)
Contributions	16,821	14,995
Miscellaneous	539	214,145
	<u>\$ 2,939,096</u>	<u>\$ (942,241)</u>
Net assets released from restrictions	-	95,493
Net revenue	<u>\$ 2,939,096</u>	<u>\$ (846,748)</u>
EXPENSES:		
Grants	\$ 750,000	\$ 750,000
Salaries	150,000	150,000
Payroll taxes	12,617	12,338
Investment management fees	17,469	39,528
Professional fees	7,700	6,500
Interest expense	2,132	4,106
Office expense	35,566	44,553
Excise tax	10,189	19,522
Foreign tax	11,266	11,892
Depreciation	374	374
Total expenses	<u>\$ 997,313</u>	<u>\$ 1,038,813</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 1,941,783</u>	<u>\$ (1,885,561)</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Unrealized gain (loss) on investments	\$ 54,648	\$ (55,806)
Net assets released from restrictions	-	(95,493)
Increase (decrease) in net assets with donor restrictions	<u>\$ 54,648</u>	<u>\$ (151,299)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 1,996,431</u>	<u>\$ (2,036,860)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>14,122,106</u>	<u>16,158,966</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 16,118,537</u></u>	<u><u>\$ 14,122,106</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, 2019 AND 2018

(See independent accountant's review report)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,996,431	\$ (2,036,860)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities —		
Depreciation	374	374
Gain on sale of investments	(150,736)	(539,826)
Unrealized (gain) loss on investments	(2,375,393)	2,152,803
Changes in operating assets and liabilities —		
Accrued expenses	(414)	(24,582)
Beneficial interest in a perpetual trust	(54,649)	55,806
Deferred compensation	(26,650)	(24,676)
Net cash used for operating activities	<u>\$ (611,037)</u>	<u>\$ (416,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	\$ (384,321)	\$ (8,203,133)
Proceeds from sale of investments	939,832	7,831,751
Net cash provided by (used for) investing activity	<u>\$ 555,511</u>	<u>\$ (371,382)</u>
Net decrease in cash and money market funds	\$ (55,526)	\$ (788,343)
Cash and money market at beginning of year	110,176	898,519
Cash and money market at end of year	<u>\$ 54,650</u>	<u>\$ 110,176</u>

SUPPLEMENTARY INFORMATION

Cash paid during the year for interest	<u>\$ 2,132</u>	<u>\$ 4,106</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, 2019 AND 2018

(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 support services of organizations dedicated to improving the health of the people of the Chicago area. 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:

Change in Accounting Principle –

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation's financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 7).

Basis of Presentation –

For internal accounting and financial reporting purposes, net assets and related revenues and expenses of the Foundation are classified into two classes of net assets that are based upon the existence or absence of donor imposed restrictions; net assets without donor restrictions and net assets with donor restrictions.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Net Assets without donor restrictions, include all resources of the Foundation representing the expendable funds available for support of Foundation operations.

Net Assets with donor restrictions are comprised of funds which are restricted by donors for specific purposes and 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. The funds to be maintained in perpetuity totaled \$377,112 and \$322,464 as of December 31, 2019 and 2018, respectively.

Contributions –

The Foundation recognizes the full amount of the contributions, grants and bequests received in the year that they were made as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

The Foundation reports gifts of cash and other assets as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions. Contributions without donor restrictions of long-lived assets and cash to acquire long-lived assets are treated as without donor restrictions 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 to ten 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, 2019 and 2018, was \$374 and \$374, respectively. The cost of the equipment and depreciation are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 10,368	\$ 10,368
Less: Accumulated depreciation	<u>9,117</u>	<u>8,744</u>
	<u>\$ 1,251</u>	<u>\$ 1,624</u>

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018. 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, 2019 AND 2018

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.

Adoption of ASC Topic 606, Revenue from Contracts with Customers –

In May 2014 the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2019, the first day of the Foundation’s fiscal year, using the modified retrospective approach.

As part of the adoption of the ASU, the Foundation elected the following transition practical expedients; (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

There was no impact to net assets as of January 1, 2019, or to revenue for the year ended December 31, 2019, after adopting the ASU, as revenue recognition and timing of revenue did not change as a result of implementing the new ASU.

Reclassifications and prior period adjustment–

Certain accounts and descriptions in the prior year financial statements were reclassified for comparative purposes to the current year presentation. During 2019 the Foundation discovered an overstatement of the amount of net assets released from restrictions. This adjustment in the amount of \$11,704 resulted in an overstatement of the Net Assets without donor restrictions in 2018.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(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>2019</u>	<u>2018</u>
Mutual funds	\$ 15,685,524	\$ 13,711,439
Partnerships	-	3,467
	<u>\$ 15,685,524</u>	<u>\$ 13,714,906</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.

The fair value of the Trust assets for the years ended December 31, 2019 and 2018, were \$377,112 and \$322,464, respectively. The change in the fair value of the Trust assets is recorded as a net assets with donor restrictions unrealized gain (loss) of \$54,648 and \$(55,806) for the years ended December 31, 2019 and 2018, respectively.

The income received from the Trust was \$16,821 and \$14,185 for the years ended December 31, 2019 and 2018, respectively.

(5) DEFERRED COMPENSATION:

Deferred compensation represented an executive salary continuation agreement the Foundation entered into with a former executive of the hospital. The agreement called for annual payments through the year 2019 with interest charged at a rate of eight percent. The interest expense for the years ending December 31, 2019 and 2018, was \$2,132 and \$4,106, respectively.

GRANT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(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, 2019 and 2018, 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.

(7) LIQUIDITY:

The following reflects the Foundation's financial assets as of the statements of financial position dates, reduced by amounts not yet available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position dates:

	<u>2019</u>	<u>2018</u>
Financial assets at year -end	\$ 15,740,174	\$ 13,825,082
Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose	<u>(1,127,112)</u>	<u>(1,179,661)</u>
Financial assets available to meet cash needs for general expenditures in one year	<u>\$ 14,613,062</u>	<u>\$ 12,645,421</u>

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments.

(8) SUBSEQUENT EVENTS:

The Foundation's management has performed an analysis of activities and transactions subsequent to December 31, 2019, 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.