



PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

**GRANT HEALTHCARE FOUNDATION**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**SEE INDEPENDENT ACCOUNTANT'S  
REVIEW REPORT**

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**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, 2018 and 2017, 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 7, 2019

GRANT HEALTHCARE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

(See independent accountant's review report)

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	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Cash, including money market funds of \$19,578 and \$52,874, respectively	\$ 110,176	\$ 898,519
Investments	13,714,906	14,956,501
Equipment, net	1,624	1,998
Beneficial interest in a perpetual trust	322,464	378,270
Total assets	<u>\$ 14,149,170</u>	<u>\$ 16,235,288</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>LIABILITIES:</b>		
Accrued expenses	\$ 414	\$ 24,996
Deferred compensation	26,650	51,326
Total liabilities	<u>\$ 27,064</u>	<u>\$ 76,322</u>
<b>NET ASSETS:</b>		
Without donor restrictions	\$ 13,799,642	\$ 15,673,499
With donor restrictions	322,464	485,467
Total net assets	<u>\$ 14,122,106</u>	<u>\$ 16,158,966</u>
Total liabilities and net assets	<u>\$ 14,149,170</u>	<u>\$ 16,235,288</u>

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

**GRANT HEALTHCARE FOUNDATION**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(See independent accountant's review report)**

	<u>2018</u>	<u>2017</u>
<b><u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
<b>REVENUE:</b>		
Interest and dividends	\$ 441,596	\$ 314,684
Gain on sale of investments	539,826	1,030,028
Unrealized gain (loss) on investments	(2,152,803)	488,279
Contributions	14,995	31,699
Insurance proceeds, net	-	556,787
Miscellaneous	214,145	377
	<u>\$ (942,241)</u>	<u>\$ 2,421,854</u>
Net assets released from restrictions	107,197	-
	<u>\$ (835,044)</u>	<u>\$ 2,421,854</u>
<b>EXPENSES:</b>		
Grants	\$ 750,000	\$ 749,000
Salaries	150,000	135,000
Payroll taxes	12,338	12,046
Investment management fees	39,528	55,839
Professional fees	6,500	6,900
Interest expense	4,106	5,945
Office expense	44,553	62,055
Excise tax	19,522	18,932
Foreign tax	11,892	5,764
Depreciation	374	374
	<u>\$ 1,038,813</u>	<u>\$ 1,051,855</u>
Total expenses	<u>\$ 1,038,813</u>	<u>\$ 1,051,855</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ (1,873,857)</u>	<u>\$ 1,369,999</u>
<b><u>NET ASSETS WITH DONOR RESTRICTIONS</u></b>		
Unrealized gain (loss) on investments	\$ (55,806)	\$ 34,380
Net assets released from restrictions	(107,197)	-
	<u>\$ (163,003)</u>	<u>\$ 34,380</u>
Increase (decrease) in net assets with donor restrictions	<u>\$ (163,003)</u>	<u>\$ 34,380</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ (2,036,860)</u>	<u>\$ 1,404,379</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>16,158,966</u>	<u>14,754,587</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 14,122,106</u>	<u>\$ 16,158,966</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, 2018 AND 2017**

**(See independent accountant's review report)**

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	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,036,860)	\$ 1,404,379
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities –		
Depreciation	374	374
(Gain) on sale of investments	(539,826)	(1,030,028)
Unrealized (gain) loss on investments	2,152,803	(488,279)
Changes in operating assets and liabilities –		
Accrued expenses	(24,582)	19,368
Cash surrender value	-	243,213
Beneficial interest in a perpetual trust	55,806	(34,380)
Deferred compensation	(24,676)	(22,847)
Net cash provided by (used for) operating activities	<u>\$ (416,961)</u>	<u>\$ 91,800</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	\$ (8,203,133)	\$ (3,046,844)
Proceeds from sale of investments	<u>7,831,751</u>	<u>3,703,311</u>
Net cash provided by (used for) investing activity	<u>\$ (371,382)</u>	<u>\$ 656,467</u>
Net increase (decrease) in cash and money market funds	\$ (788,343)	\$ 748,267
Cash and money market at beginning of year	<u>898,519</u>	<u>150,252</u>
Cash and money market at end of year	<u><u>\$ 110,176</u></u>	<u><u>\$ 898,519</u></u>

**SUPPLEMENTARY INFORMATION**

Cash paid during the year for interest	<u>\$ 4,106</u>	<u>\$ 5,945</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, 2018 AND 2017**

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**(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, 2018 AND 2017**

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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 \$322,464 and \$378,270 as of December 31, 2018 and 2017, 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, 2018 and 2017, was \$374 and \$374, respectively. The cost of the equipment and depreciation are as follows at December 31:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Equipment	\$ 10,368	\$ 10,368
Less: Accumulated depreciation	<u>8,744</u>	<u>8,370</u>
	<u>\$ 1,624</u>	<u>\$ 1,998</u>



**GRANT HEALTHCARE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

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**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, 2018 and 2017. 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, 2018 AND 2017**

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**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>2018</u>	<u>2017</u>
Corporate stocks	\$ -	\$ 884,712
Mutual funds	13,711,439	12,351,433
Exchange traded funds	-	797,762
Partnerships	3,467	922,594
	<u>\$ 13,714,906</u>	<u>\$ 14,956,501</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, 2018 AND 2017**

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The fair value of the Trust assets for the years ended December 31, 2018 and 2017, were \$322,464 and \$378,270, respectively. The change in the fair value of the Trust assets is recorded as a net assets with donor restrictions unrealized gain (loss) of \$(55,806) and \$34,380 for the years ended December 31, 2018 and 2017, respectively.

The income received from the Trust was \$14,185 and \$21,486 for the years ended December 31, 2018 and 2017, 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 the years ending December 31, 2018 and 2017, was \$4,106 and \$5,945, respectively. In connection with this and another agreement, the Foundation was the beneficiary of insurance policy on the life of another former executive. The former executive died during 2017 and the Foundation collected the net life insurance death benefit in the amount of \$556,787.

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

2019	<u>\$ 26,650</u>
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**(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, 2018 and 2017, 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, 2018 AND 2017**

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**(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>2018</u>	<u>2017</u>
Financial assets at year -end	\$ 13,825,082	\$ 15,855,020
Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose	<u>(1,179,661)</u>	<u>(1,234,467)</u>
Financial assets available to meet cash needs for general expenditures in one year	<u>\$ 12,645,421</u>	<u>\$ 14,620,553</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, 2018, 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.