



**VIRGINIA
HEALTH CARE
FOUNDATION**

Financial Statements

June 30, 2017 and 2016



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

VIRGINIA HEALTH CARE FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Virginia Health Care Foundation
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Health Care Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, 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; 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.

Auditor's 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. 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 auditor's 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 Virginia Health Care Foundation as of June 30, 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.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

August 30, 2017
Glen Allen, Virginia

VIRGINIA HEALTH CARE FOUNDATION

Statements of Financial Position June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 2,650,871	\$ 1,700,665
Investments	10,849,627	9,855,503
Government appropriations receivable	4,580,571	5,725,714
Interest receivable	19,032	19,003
Contributions receivable	830,066	1,005,579
Prepaid expenses	<u>16,233</u>	<u>14,627</u>
Total current assets	18,946,400	18,321,091
Property and equipment, net	<u>25,720</u>	<u>24,412</u>
Total assets	<u>\$ 18,972,120</u>	<u>\$ 18,345,503</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 38,326	\$ 89,850
Accrued rent	21,545	24,969
Grants payable	<u>4,606,919</u>	<u>4,605,393</u>
Total current liabilities	<u>4,666,790</u>	<u>4,720,212</u>
Total liabilities	<u>4,666,790</u>	<u>4,720,212</u>
Net assets:		
Unrestricted	6,953,463	5,054,448
Temporarily restricted	7,294,406	8,570,843
Permanently restricted	<u>57,461</u>	<u>-</u>
Total net assets	<u>14,305,330</u>	<u>13,625,291</u>
Total liabilities and net assets	<u>\$ 18,972,120</u>	<u>\$ 18,345,503</u>

See accompanying notes to financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Statements of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Government appropriations	\$ -	\$ 4,445,538	\$ -	\$ 4,445,538
Contributions	150,883	1,295,104	57,461	1,503,448
Contract revenue	-	757,166	-	757,166
Investment income	571,684	-	-	571,684
Unrealized net gain on investments	465,562	-	-	465,562
Other income	307,956	-	-	307,956
	<u>1,496,085</u>	<u>6,497,808</u>	<u>57,461</u>	<u>8,051,354</u>
Total support and revenue				
Net assets released from restriction	<u>7,774,245</u>	<u>(7,774,245)</u>	<u>-</u>	<u>-</u>
Expenditures:				
Program services - grants	6,705,436	-	-	6,705,436
Supporting services:				
Management and general	480,570	-	-	480,570
Fundraising	185,309	-	-	185,309
	<u>7,371,315</u>	<u>-</u>	<u>-</u>	<u>7,371,315</u>
Total expenditures				
Change in net assets	1,899,015	(1,276,437)	57,461	680,039
Net assets, beginning of year	<u>5,054,448</u>	<u>8,570,843</u>	<u>-</u>	<u>13,625,291</u>
Net assets, end of year	<u>\$ 6,953,463</u>	<u>\$ 7,294,406</u>	<u>\$ 57,461</u>	<u>\$ 14,305,330</u>

See accompanying notes to financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Statements of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government appropriations	\$ -	\$ 4,580,571	\$ 4,580,571
Contributions	125,508	892,597	1,018,105
Contract revenue	-	1,467,515	1,467,515
Investment income	256,509	-	256,509
Unrealized net gain on investments	16,206	-	16,206
Other income	116,078	-	116,078
	<u>514,301</u>	<u>6,940,683</u>	<u>7,454,984</u>
Total support and revenue			
Net assets released from restriction	<u>5,505,838</u>	<u>(5,505,838)</u>	<u>-</u>
Expenditures:			
Program services - grants	6,878,961	-	6,878,961
Supporting services:			
Management and general	509,073	-	509,073
Fundraising	82,858	-	82,858
	<u>7,470,892</u>	<u>-</u>	<u>7,470,892</u>
Total expenditures			
Change in net assets	(1,450,753)	1,434,845	(15,908)
Net assets, beginning of year	<u>6,505,201</u>	<u>7,135,998</u>	<u>13,641,199</u>
Net assets, end of year	<u>\$ 5,054,448</u>	<u>\$ 8,570,843</u>	<u>\$ 13,625,291</u>

See accompanying notes to financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Statements of Functional Expenses Year Ended June 30, 2017

	Supporting Services			Total
	Program Services - Grants	Management and General	Fundraising	
Salaries	\$ -	\$ 162,388	\$ 107,017	\$ 269,405
Employee benefits/payroll taxes	-	45,100	26,103	71,203
Total salaries and related expenditures	-	207,488	133,120	340,608
Grants	4,935,242	-	-	4,935,242
RX Partnership	111,850	-	-	111,850
The Pharmacy Connection	414,765	-	-	414,765
MAP	247,728	-	-	247,728
Strategic Initiatives	234,851	-	-	234,851
Child Health Insurance Initiatives	374,045	-	-	374,045
Grantee Technical Assistance	86,144	-	-	86,144
Grantmaking	254,109	-	-	254,109
Dental Opportunities Initiative	46,702	-	-	46,702
Contractual services	-	92,241	-	92,241
Office rent	-	50,560	-	50,560
Investment fees	-	57,915	-	57,915
Telephone and fax	-	4,028	419	4,447
Supplies	-	2,025	46	2,071
Computer software and supplies	-	2,339	-	2,339
Printing and copying	-	7,051	131	7,182
Postage	-	3,915	317	4,232
Travel	-	1,703	251	1,954
Meeting/conference costs	-	15,686	375	16,061
Special events	-	5,058	48,464	53,522
Miscellaneous	-	2,039	200	2,239
Insurance	-	13,258	-	13,258
Subscriptions, fees and dues	-	5,256	1,986	7,242
Total expenditures before depreciation and amortization	6,705,436	470,562	185,309	7,361,307
Depreciation and amortization of property and equipment	-	10,008	-	10,008
Total expenditures	\$ 6,705,436	\$ 480,570	\$ 185,309	\$ 7,371,315

See accompanying notes to financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Statements of Functional Expenses Year Ended June 30, 2016

	Supporting Services			Total
	Program Services - Grants	Management and General	Fundraising	
Salaries	\$ -	\$ 200,706	\$ 37,994	\$ 238,700
Employee benefits/payroll taxes	-	56,918	7,172	64,090
 Total salaries and related expenditures	 -	 257,624	 45,166	 302,790
Grants	4,952,517	-	-	4,952,517
RX Partnership	115,000	-	-	115,000
The Pharmacy Connection	369,274	-	-	369,274
MAP	268,158	-	-	268,158
Strategic Initiatives	216,096	-	-	216,096
Child Health Insurance Initiatives	532,901	-	-	532,901
Grantee Technical Assistance	103,879	-	-	103,879
Grantmaking	245,997	-	-	245,997
Dental Opportunities Initiative	75,139	-	-	75,139
Contractual services	-	59,724	-	59,724
Office rent	-	45,215	-	45,215
Investment fees	-	52,785	-	52,785
Telephone and fax	-	4,407	392	4,799
Supplies	-	2,669	639	3,308
Computer software and supplies	-	3,628	286	3,914
Printing and copying	-	13,575	128	13,703
Postage	-	4,057	384	4,441
Travel	-	2,579	244	2,823
Meeting/conference costs	-	12,210	-	12,210
Special events	-	22,000	33,099	55,099
Miscellaneous	-	658	1,601	2,259
Insurance	-	13,227	-	13,227
Subscriptions, fees and dues	-	4,959	919	5,878
 Total expenditures before depreciation and amortization	 6,878,961	 499,317	 82,858	 7,461,136
 Depreciation and amortization of property and equipment	 -	 9,756	 -	 9,756
 Total expenditures	 <u>\$ 6,878,961</u>	 <u>\$ 509,073</u>	 <u>\$ 82,858</u>	 <u>\$ 7,470,892</u>

See accompanying notes to financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Statements of Cash Flows Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 680,039	\$ (15,908)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	10,008	9,756
Net investment income reinvested	(164,294)	(143,823)
Net realized and unrealized gain on investments	(842,169)	(86,898)
Contributions restricted for endowment	(57,461)	-
Change in assets and liabilities:		
Government appropriations receivable	1,145,143	(1,145,143)
Interest receivable	(29)	(5,801)
Contributions receivable	175,513	(174,942)
Prepaid expenses	(1,606)	2,530
Accounts payable and accrued expenses	(54,948)	(100,996)
Grants payable	1,526	791,562
Deferred revenue	-	(103,718)
	<u>891,722</u>	<u>(973,381)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(11,315)	(7,191)
Proceeds from sales of investments	3,012,950	3,122,112
Purchase of investments	<u>(3,000,612)</u>	<u>(3,557,358)</u>
	<u>1,023</u>	<u>(442,437)</u>
Net cash provided by (used in) investing activities		
Cash flow provided by financing activities:		
Contributions restricted for endowment	<u>57,461</u>	<u>-</u>
	<u>950,206</u>	<u>(1,415,818)</u>
Net change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>1,700,665</u>	<u>3,116,483</u>
Cash and cash equivalents, end of year	<u>\$ 2,650,871</u>	<u>\$ 1,700,665</u>

See accompanying notes to financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements

1. **Organization and Business:**

Virginia Health Care Foundation (the “Foundation”) is a Virginia not-for-profit entity which was created in June 1992 as a public/private partnership by the Governor of Virginia and the Virginia General Assembly’s Joint Commission on Health Care. The Foundation’s mission is to enhance access to primary care for Virginia’s uninsured and medically underserved population by helping to foster community-based projects that combine the resources of state government, health care professionals, the business sector local private funds, and revenue from various sources.

2. **Summary of Significant Accounting Policies:**

Basis of Accounting: The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

Net Assets: The Foundation classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include funds that are not subject to donor-imposed restrictions.

Temporarily restricted net assets are those funds subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or passage of time.

Permanently restricted net assets are endowment funds that are restricted to investment in perpetuity, the income from which is expendable to support the various programs sponsored by the Foundation.

Revenue Recognition: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Cash and Cash Equivalents: Cash equivalents consist of investments in money market funds. For purposes of the statements of cash flows, the Foundation considers all highly liquid financial instruments not included in the investment portfolio or with original maturities of three months or less to be cash equivalents.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Concentrations of Credit Risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Foundation places its cash and cash equivalents with multiple financial institutions to help limit this risk. At times, these balances are in excess of the FDIC insurance limit.

The Foundation's receivables are from individuals, corporations, government organizations and foundations. During 2017 and 2016, there were no concentrations in receivables other than the government appropriation. The Foundation believes its credit risk related to these receivables is limited due to the nature of its donors. See Note 11 for additional information on the government appropriation.

The Foundation places its short-term investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities.

Investments: Investments in marketable securities are carried at fair value as determined by the investment managers. Unrealized gains and losses are included in the statements of activities. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements.

Property and Equipment: Property and equipment is recorded at cost for purchased items and at fair value on the date of the gift for contributed items. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives (generally five years) of the assets.

Fair Value of Financial Instruments: The carrying amounts of cash and cash equivalents; government appropriations receivable; interest receivable; contributions receivable; accounts payable and accrued expenses; and grants payable approximate fair value because of the short-term nature of these financial instruments.

Income Taxes: The Foundation received a favorable determination letter from the Internal Revenue Service on October 22, 1996 stating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at June 30, 2017 and 2016. The Foundation is not currently under audit by any tax jurisdiction.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Contributions and Contract Revenue: Contributions to the Foundation are recognized as revenue in the period the promise is made by the donor. Contributions of assets other than cash are recorded at their estimated fair values. Contract revenue is recorded in the year the contract is awarded, provided that the award is unconditional.

Many of the Foundation's contributions are part of a multi-year commitment. Long-term commitments are recognized as contributions in the statements of activities even though a portion of the contribution is receivable in future periods. The long-term contributions are recognized as contributions receivable at their net present value in the statements of financial position.

Donated Services: During 2017 and 2016, the Foundation received professional services at no charge from outside organizations. These services, valued by the donors at approximately \$24,099 in 2017 and \$30,209 in 2016, were recorded as unrestricted contribution revenue and recorded as expenditures in the related expense accounts in the accompanying statements of activities.

Grants: The Foundation makes grants to various Virginia not-for-profit organizations to carry out its mission. A grant is recognized as an expense in the year the board of trustees authorizes the grant. Although certain requirements are stipulated for each grant, management has assessed the possibility that those requirements will not be met as remote and, therefore, they are considered to be unconditional. Grants are generally paid within one year of authorization. The Foundation reduced grants expense by \$213,620 in 2017 and \$164,479 in 2016 for grants recognized in prior years that will not be paid. These reductions relate to terminated or reduced grants resulting from the grantees' inability to fulfill the requirements of the grants, and to grantees that did not spend anticipated funding. All of these funds were reallocated to future grants.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events: Management has evaluated subsequent events through August 30, 2017, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

3. Cash and Cash Equivalents:

Cash and cash equivalents include the following as of June 30, 2017 and 2016:

	2017	2016
Cash on deposit	\$ 2,634,653	\$ 1,674,447
Money market funds	16,218	26,218
	\$ 2,650,871	\$ 1,700,665

4. Investments:

The costs and fair values of investments as of June 30, 2017 and 2016 are summarized as follows:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Money market funds	\$ 626,654	\$ 626,654	\$ 821,450	\$ 821,450
Certificates of deposit	500,000	500,000	-	-
Common stocks	4,935,094	7,003,611	5,001,834	6,560,548
Corporate bonds	2,693,083	2,719,362	2,402,985	2,473,505
	\$ 8,754,831	\$ 10,849,627	\$ 8,226,269	\$ 9,855,503

Investment income and gains and losses for investments are comprised of the following for the years ended June 30:

	2017	2016
Interest income	\$ 195,077	\$ 185,817
Net realized gains	376,607	70,692
	\$ 571,684	\$ 256,509
Net unrealized gains	\$ 465,562	\$ 16,206

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

5. Fair Value Measurements:

The Financial Accounting Standards Board (“FASB”) has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

- Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Foundation did not have any Level 3 assets or liabilities at June 30, 2017 and 2016.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Money market funds: Valued at the cash balance.

Certificates of deposit: Valued at face value and accrued interest.

Securities: Valued at the closing price reported on the active market on which the individual mutual funds and common stocks are traded.

Corporate bonds: Valued at the present value of the bond’s cash flow which includes periodic interest payments and the repayment of principal.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

5. Fair Value Measurements, Continued:

Investments measured at fair value on a recurring basis at June 30, 2017 include the following:

	Fair Value Using		Investments at Fair Value
	Level 1	Level 2	
Assets:			
Money market funds	\$ 626,654	\$ -	\$ 626,654
Certificates of deposit	-	500,000	500,000
Securities:			
Closed end mutual funds	887,742	-	887,742
Consumer discretionary	702,953	-	702,953
Consumer staples	638,025	-	638,025
Energy	477,784	-	477,784
Financials	1,219,965	-	1,219,965
Health care	826,784	-	826,784
Industrials	799,665	-	799,665
Information technology	723,431	-	723,431
Materials	279,137	-	279,137
Real estate investment trusts	361,313	-	361,313
Telecommunication services	39,301	-	39,301
Utilities	47,511	-	47,511
Corporate bonds	-	2,719,362	2,719,362
	<u>\$ 7,630,265</u>	<u>\$ 3,219,362</u>	<u>\$ 10,849,627</u>

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

5. Fair Value Measurements, Continued:

Investments measured at fair value on a recurring basis at June 30, 2016 include the following:

	Fair Value Using		Investments at Fair Value
	Level 1	Level 2	
Investments:			
Money market funds	\$ 821,450	\$ -	\$ 821,450
Securities:			
Closed end mutual funds	701,735	-	701,735
Consumer discretionary	791,477	-	791,477
Consumer staples	748,907	-	748,907
Energy	396,109	-	396,109
Financials	1,372,391	-	1,372,391
Health care	516,719	-	516,719
Industrials	720,262	-	720,262
Information technology	396,380	-	396,380
Materials	262,403	-	262,403
Real estate investment trusts	423,784	-	423,784
Telecommunication services	185,182	-	185,182
Utilities	45,199	-	45,199
Corporate bonds	-	2,473,505	2,473,505
	\$ 7,381,998	\$ 2,473,505	\$ 9,855,503

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

5. Fair Value Measurements, Continued:

The Foundation's investments in certificates of deposit and corporate bonds are subject to restrictions on the frequency of redemptions without penalty. At June 30, 2017, the redemption periods and related amounts were as follows:

Year Ended June 30:	Certificates of Deposit	Corporate Bonds
2018	\$ 500,000	\$ -
2019	-	352,683
2020	-	427,843
2021	-	484,101
2022	-	627,505
2023	-	-
2024	-	350,092
2025	-	102,007
2026	-	185,878
2027	-	189,253
	\$ 500,000	\$ 2,719,362

6. Contributions Receivable:

Contributions receivable are summarized as follows as of June 30, 2017 and 2016:

	2017	2016
Unconditional contributions expected to be collected in:		
Less than one year	\$ 830,066	\$ 1,005,579
Total contributions receivable	\$ 830,066	\$ 1,005,579

There was no discount on future expected cash flows from contributions receivable in 2017 and 2016.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

7. Property and Equipment, Net:

Property and equipment, net as of June 30, 2017 and 2016 is as follows:

	2017	2016
Equipment	\$ 97,971	\$ 89,049
Leasehold improvements	2,949	2,949
Software	42,749	42,749
	143,669	134,747
Less accumulated depreciation and amortization	117,949	110,336
Property and equipment, net	\$ 25,720	\$ 24,412

8. Lease Commitments:

The Foundation is obligated under operating leases for office space and equipment that expire on various dates through March 31, 2020. The office space lease includes scheduled rent increases at specified intervals during the term of the lease. The Foundation recognizes rent expense on a straight-line basis over the life of the related lease. Total rental expense for operating leases was \$104,465 in 2017 and \$103,807 in 2016. Future minimum lease payments as of June 30, 2017 are:

Year Ended June 30:	Amount
2018	\$ 106,647
2019	100,478
2020	76,498
Total	\$ 283,623

9. Restricted Net Assets:

Temporarily restricted net assets are available for program development purposes in the following periods subsequent to June 30, 2017 and 2016:

	2017	2016
For periods after the end of the fiscal year	\$ 7,294,406	\$ 8,570,843

Net assets released from restriction in 2016 and 2015 were released for program development purposes.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

9. Restricted Net Assets, Continued:

During 2017, the Foundation established the *Deborah D. Oswalt Excellence in Leadership Endowment*. The purpose of the endowment is to support, encourage, and sustain Virginia's health safety net leaders. The Foundation has received contributions to the endowment fund totaling \$57,461, which are primarily held in cash at June 30, 2017.

10. Employee Retirement Plan:

The Foundation has an employee retirement plan under Section 403(b) of the IRC. The plan provides for salary reduction contributions by eligible employees and for Foundation contributions, subject to certain limitations. The Foundation's contribution to the plan was \$52,560 in 2017 and \$53,332 in 2016.

11. Government Appropriations:

The Commonwealth of Virginia (the "Commonwealth") has designated an appropriation in its biennial budget to the Foundation of \$4,580,571 for the 2018 fiscal year. This appropriation is to be used to fulfill the purpose of the Foundation. The Foundation has elected to record these funds as a receivable when the Commonwealth has completed action on the current budget, which is done on an annual basis. Since the final action has been taken on the 2018 budget, the appropriation was included as a receivable as of June 30, 2017 in the accompanying financial statements. The amount of the appropriation is subject to change should the Commonwealth experience a budget shortfall; however, the Foundation has taken this possibility into consideration in its 2018 fiscal year budget. These appropriations accounted for 55% of support and revenue for 2017 and 61% of support and revenue for 2016. These appropriations accounted for 85% of total receivables at June 30, 2017 and 84% of total receivables at June 30, 2016.

VIRGINIA HEALTH CARE FOUNDATION

Notes to Financial Statements, Continued

12. New Accounting Guidance:

Not-for-Profit Financial Statements: In August 2016, FASB issued Accounting Standards Update (“ASU”) No. 2016-14, “Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities”, which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Foundation has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. This change is expected to be effective starting with years beginning after December 15, 2018. The Foundation is evaluating the impact that this pronouncement will have on its financial statements.