

JACKSON HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017



MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

JACKSON HEALTH FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jackson Health Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Jackson Health Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of September 30, 2018 and 2017, 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 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.

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 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 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 Jackson Health Foundation, Inc. as of September 30, 2018 and 2017, 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.

Morrison, Brown, Argiz & Farra

Miami, Florida
January 7, 2019

An independent member of Baker Tilly International

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2018

| ASSETS | Unrestricted | Temporarily Restricted | Eliminations | Total |
|--------------------------------------------------------|---------------------|---------------------------|---------------------|----------------------|
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 70,287 | \$ 1,770,427 | \$ - | \$ 1,840,714 |
| Interfund receivable (NOTE 9) | 617,729 | - | (617,729) | - |
| Other current assets | 142,026 | - | - | 142,026 |
| Pledges receivable - current portion, net (NOTE 3) | 961,114 | 1,879,805 | - | 2,840,919 |
| TOTAL CURRENT ASSETS | 1,791,156 | 3,650,232 | (617,729) | 4,823,659 |
| Pledges receivable, less current portion, net (NOTE 3) | - | 10,732,080 | - | 10,732,080 |
| Investments (NOTE 5) | - | 5,679,213 | - | 5,679,213 |
| Deposits | 15,333 | - | - | 15,333 |
| Property and equipment, net (NOTE 4) | 450,907 | - | - | 450,907 |
| TOTAL ASSETS | \$ 2,257,396 | \$ 20,061,525 | \$ (617,729) | \$ 21,701,192 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued expenses (NOTE 7) | \$ 365,416 | \$ 4,332 | \$ - | \$ 369,748 |
| Deferred revenue | - | 63,597 | - | 63,597 |
| Interfund payable (NOTE 9) | - | 617,729 | (617,729) | - |
| TOTAL CURRENT LIABILITIES | 365,416 | 685,658 | (617,729) | 433,345 |
| COMMITMENTS AND CONTINGENCIES (NOTE 12) | | | | |
| NET ASSETS: | | | | |
| Unrestricted | 1,891,980 | - | - | 1,891,980 |
| Temporarily restricted (NOTE 9) | - | 19,375,867 | - | 19,375,867 |
| TOTAL NET ASSETS | 1,891,980 | 19,375,867 | - | 21,267,847 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,257,396 | \$ 20,061,525 | \$ (617,729) | \$ 21,701,192 |

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2017

| ASSETS | Unrestricted | Temporarily Restricted | Eliminations | Total |
|--------------------------------------------------------|---------------------|---------------------------|-----------------------|----------------------|
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 225,830 | \$ 2,572,137 | \$ - | \$ 2,797,967 |
| Interfund receivable (NOTE 9) | 1,318,855 | - | (1,318,855) | - |
| Other current assets | 74,577 | - | - | 74,577 |
| Pledges receivable - current portion, net (NOTE 3) | 873,166 | 1,166,744 | - | 2,039,910 |
| TOTAL CURRENT ASSETS | 2,492,428 | 3,738,881 | (1,318,855) | 4,912,454 |
| Pledges receivable, less current portion, net (NOTE 3) | - | 13,098,136 | - | 13,098,136 |
| Investments (NOTE 5) | - | 5,823,448 | - | 5,823,448 |
| Deposits | 16,101 | - | - | 16,101 |
| Property and equipment, net (NOTE 4) | 331,842 | - | - | 331,842 |
| TOTAL ASSETS | \$ 2,840,371 | \$ 22,660,465 | \$ (1,318,855) | \$ 24,181,981 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued expenses (NOTE 7) | \$ 279,709 | \$ 350 | \$ - | \$ 280,059 |
| Deferred revenue | - | 378,939 | - | 378,939 |
| Interfund payable (NOTE 9) | - | 1,318,855 | (1,318,855) | - |
| TOTAL CURRENT LIABILITIES | 279,709 | 1,698,144 | (1,318,855) | 658,998 |
| COMMITMENTS AND CONTINGENCIES (NOTE 12) | | | | |
| NET ASSETS: | | | | |
| Unrestricted | 2,560,662 | - | - | 2,560,662 |
| Temporarily restricted (NOTE 9) | - | 20,962,321 | - | 20,962,321 |
| TOTAL NET ASSETS | 2,560,662 | 20,962,321 | - | 23,522,983 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,840,371 | \$ 22,660,465 | \$ (1,318,855) | \$ 24,181,981 |

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Unrestricted | Temporarily Restricted | Total |
|-------------------------------------------------------------------------------------------------------------|---------------------|---------------------------|----------------------|
| PUBLIC SUPPORT AND REVENUES: | | | |
| Donations for International Kids Fund Program | \$ - | \$ 162,441 | \$ 162,441 |
| General gifts | 1,999,935 | 5,218,264 | 7,218,199 |
| In-kind gifts (including donated use of facilities) | 119,929 | - | 119,929 |
| Provision for estimated uncollectible pledges and change in present value discount of pledges receivable | 206,665 | (507,925) | (301,260) |
| Special events, net of direct expenses totaling \$1,215,780 | - | 379,992 | 379,992 |
| Total public support, net | 2,326,529 | 5,252,772 | 7,579,301 |
| Interest income and dividends, net of investment fees | 75,588 | 82,940 | 158,528 |
| Net realized and unrealized gain on investments | 58,595 | 124,654 | 183,249 |
| TOTAL PUBLIC SUPPORT AND REVENUES BEFORE NET ASSETS RELEASED FROM RESTRICTIONS | 2,460,712 | 5,460,366 | 7,921,078 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 7,046,820 | (7,046,820) | - |
| TOTAL PUBLIC SUPPORT AND REVENUES | 9,507,532 | (1,586,454) | 7,921,078 |
| EXPENSES INCLUDING DIRECT SUPPORT PAYMENTS: | | | |
| Program services: | | | |
| Jackson Health System | 6,063,788 | - | 6,063,788 |
| International Kids Fund | 335,668 | - | 335,668 |
| Other programs | 1,082,538 | - | 1,082,538 |
| Total program services | 7,481,994 | - | 7,481,994 |
| Management and general | 744,742 | - | 744,742 |
| Fundraising | 1,949,478 | - | 1,949,478 |
| TOTAL EXPENSES INCLUDING DIRECT SUPPORT PAYMENTS | 10,176,214 | - | 10,176,214 |
| CHANGE IN NET ASSETS | (668,682) | (1,586,454) | (2,255,136) |
| NET ASSETS AT BEGINNING OF YEAR | 2,560,662 | 20,962,321 | 23,522,983 |
| NET ASSETS AT END OF YEAR | \$ 1,891,980 | \$ 19,375,867 | \$ 21,267,847 |

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Unrestricted | Temporarily Restricted | Total |
|-------------------------------------------------------------------------------------------------------------|---------------------|---------------------------|----------------------|
| PUBLIC SUPPORT AND REVENUES: | | | |
| Donations for International Kids Fund Program | \$ - | \$ 1,117,243 | \$ 1,117,243 |
| General gifts | 2,113,924 | 2,813,675 | 4,927,599 |
| In-kind gifts | 194,596 | - | 194,596 |
| Provision for estimated uncollectible pledges and change in present value discount of pledges receivable | (217,565) | (799,164) | (1,016,729) |
| Special events, net of direct expenses totaling \$1,192,324 | - | 552,538 | 552,538 |
| Total public support, net | 2,090,955 | 3,684,292 | 5,775,247 |
| Interest income and dividends, net of investment fees | 66,359 | 44,291 | 110,650 |
| Net realized and unrealized gain on investments | 240,336 | 216,822 | 457,158 |
| TOTAL PUBLIC SUPPORT AND REVENUES BEFORE NET ASSETS RELEASED FROM RESTRICTIONS | 2,397,650 | 3,945,405 | 6,343,055 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 5,355,012 | (5,355,012) | - |
| TOTAL PUBLIC SUPPORT AND REVENUES | 7,752,662 | (1,409,607) | 6,343,055 |
| EXPENSES INCLUDING DIRECT SUPPORT PAYMENTS: | | | |
| Program services: | | | |
| Jackson Health System | 1,455,784 | - | 1,455,784 |
| International Kids Fund | 1,371,391 | - | 1,371,391 |
| Other programs | 1,180,667 | - | 1,180,667 |
| Total program services | 4,007,842 | - | 4,007,842 |
| Management and general | 790,573 | - | 790,573 |
| Fundraising | 1,072,949 | - | 1,072,949 |
| TOTAL EXPENSES INCLUDING DIRECT SUPPORT PAYMENTS | 5,871,364 | - | 5,871,364 |
| CHANGE IN NET ASSETS | 1,881,298 | (1,409,607) | 471,691 |
| NET ASSETS AT BEGINNING OF YEAR | 679,364 | 22,371,928 | 23,051,292 |
| NET ASSETS AT END OF YEAR | \$ 2,560,662 | \$ 20,962,321 | \$ 23,522,983 |

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Jackson Health System | International Kids Fund | Other Programs | Supportive Services | | Total |
|-----------------------------------|--------------------------|----------------------------|---------------------|---------------------------|--------------------|---------------------|
| | | | | Management and General | Fundraising | |
| Salaries and benefits: | | | | | | |
| Salaries | \$ - | \$ 55,218 | \$ 165,654 | \$ 220,872 | \$1,033,732 | \$ 1,475,476 |
| Payroll taxes and benefits | - | 18,821 | 56,463 | 92,743 | 281,700 | 449,727 |
| Total salaries and benefits | - | 74,039 | 222,117 | 313,615 | 1,315,432 | 1,925,203 |
| Audit fees | 6,400 | - | 12,800 | 6,400 | 6,400 | 32,000 |
| Auto expenses | - | - | - | 963 | 8,143 | 9,106 |
| Bank charges and ADP fees | 3,094 | 5,613 | 6,208 | 8,216 | 12,274 | 35,405 |
| Cleaning and janitorial | - | 3,100 | 9,300 | - | 3,100 | 15,500 |
| Computer services | - | - | 23,360 | 15,573 | 51,818 | 90,751 |
| Depreciation and amortization | - | - | - | 46,878 | - | 46,878 |
| Donor recognition and cultivation | - | 73 | 218,529 | - | 6,659 | 225,261 |
| In-kind expense | 63,000 | - | 7,096 | - | 49,833 | 119,929 |
| Insurance | - | - | - | - | 26,046 | 26,046 |
| Loss on disposal of assets | - | - | - | 267,519 | - | 267,519 |
| Meetings | 62 | 955 | 228 | 15,402 | 44,892 | 61,539 |
| Memberships and sponsorships | - | 70 | 25,000 | - | 38,395 | 63,465 |
| Miscellaneous expenses | - | - | - | 18,069 | 28,765 | 46,834 |
| Office expenses | - | 3,433 | 7,726 | 16,132 | 26,924 | 54,215 |
| Postage and courier | - | - | 32 | 731 | 4,892 | 5,655 |
| Professional services | 26,115 | 3,422 | 84,489 | 26,827 | 187,539 | 328,392 |
| Program services | 5,862,617 | 231,000 | 421,947 | - | - | 6,515,564 |
| Public relations | - | 2,510 | 9,347 | - | 95,184 | 107,041 |
| Rent | - | 10,355 | 31,064 | - | 31,845 | 73,264 |
| Repairs and maintenance | 102,500 | - | - | 3,078 | - | 105,578 |
| Telephone | - | - | - | 2,783 | 7,932 | 10,715 |
| Utilities | - | 1,098 | 3,295 | - | 1,098 | 5,491 |
| VIP and staff parking | - | - | - | 2,556 | 2,307 | 4,863 |
| Total expenses | \$6,063,788 | \$ 335,668 | \$ 1,082,538 | \$ 744,742 | \$1,949,478 | \$10,176,214 |

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Jackson Health System | International Kids Fund | Other Programs | Supportive Services | | Total |
|-----------------------------------|--------------------------|----------------------------|---------------------|---------------------------|--------------------|---------------------|
| | | | | Management and General | Fundraising | |
| Salaries and benefits: | | | | | | |
| Salaries | \$ 81,161 | \$ 121,848 | \$ 220,757 | \$ 484,541 | \$ 649,290 | \$ 1,557,597 |
| Payroll taxes and benefits | 24,135 | 28,697 | 63,442 | 128,861 | 169,144 | 414,279 |
| Total salaries and benefits | 105,296 | 150,545 | 284,199 | 613,402 | 818,434 | 1,971,876 |
| Audit fees | 4,000 | 7,569 | 16,431 | 4,000 | - | 32,000 |
| Auto expenses | - | 90 | 23 | 258 | 5,080 | 5,451 |
| Bank charges and ADP fees | 1,543 | 9,003 | 4,923 | 9,692 | 8,971 | 34,132 |
| Cleaning and janitorial | 2,244 | 2,244 | 6,731 | 2,244 | 2,244 | 15,707 |
| Computer services | 3,875 | 9,009 | 11,625 | 3,875 | 4,575 | 32,959 |
| Depreciation and amortization | - | - | - | 45,434 | - | 45,434 |
| Donor recognition and cultivation | - | 107 | 222,232 | - | 4,881 | 227,220 |
| In-kind expense | 189,170 | - | 600 | - | 4,826 | 194,596 |
| Insurance | 3,506 | 3,506 | 15,233 | 3,506 | - | 25,751 |
| Meetings | - | 2,028 | 1,634 | 13,181 | 25,191 | 42,034 |
| Memberships and sponsorships | - | - | - | - | 16,653 | 16,653 |
| Miscellaneous expenses | - | 1,062 | - | 10,010 | 22,548 | 33,620 |
| Office expenses | - | 2,869 | - | 21,011 | 14,940 | 38,820 |
| Postage and courier | - | 53 | 954 | 2,159 | 1,803 | 4,969 |
| Professional services | 14,910 | 48,962 | 113,741 | 39,966 | 49,496 | 267,075 |
| Program services | 1,102,180 | 1,118,954 | 327,856 | - | - | 2,548,990 |
| Public relations | 13,670 | - | 126,719 | - | 65,954 | 206,343 |
| Rent | 14,549 | 14,549 | 43,648 | 14,549 | 14,549 | 101,844 |
| Repairs and maintenance | - | - | - | 1,506 | - | 1,506 |
| Telephone | - | - | 1,594 | 4,771 | 9,789 | 16,154 |
| Utilities | 841 | 841 | 2,524 | 841 | 841 | 5,888 |
| VIP and staff parking | - | - | - | 168 | 2,174 | 2,342 |
| Total expenses | <u>\$1,455,784</u> | <u>\$1,371,391</u> | <u>\$ 1,180,667</u> | <u>\$ 790,573</u> | <u>\$1,072,949</u> | <u>\$ 5,871,364</u> |

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30,

| | 2018 | 2017 |
|-----------------------------------------------------------------------------------------|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (2,255,136) | \$ 471,691 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 46,878 | 45,434 |
| Provision for estimated uncollectible pledges | 3,769 | 291,300 |
| Loss on disposal of assets | 267,519 | - |
| Non-cash stock contributions | (148,073) | (103,980) |
| Decrease (increase) in market value of investments | 170,084 | (206,618) |
| Net realized gain on sales of investments | (353,333) | (250,540) |
| Changes in operating assets and liabilities: | | |
| Other current assets | (67,449) | (12,080) |
| Pledges receivable | 1,561,278 | (408,460) |
| Trust agreement receivable | - | 74,000 |
| Deposits | 768 | - |
| Accounts payable and accrued expenses | 89,689 | (1,631,526) |
| Deferred revenue | (315,342) | 13,258 |
| TOTAL ADJUSTMENTS | 1,255,788 | (2,189,212) |
| NET CASH USED IN OPERATING ACTIVITIES | (999,348) | (1,717,521) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property and equipment | (433,462) | (10,810) |
| Proceeds from sales of investments, net of purchases | 475,557 | 326,161 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 42,095 | 315,351 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from line of credit | 500,000 | 250,000 |
| Repayments of line of credit | (500,000) | (250,000) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | - | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (957,253) | (1,402,170) |
| CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR | 2,797,967 | 4,200,137 |
| CASH AND CASH EQUIVALENTS, AT END OF YEAR | \$ 1,840,714 | \$ 2,797,967 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ 6,566 | \$ 1,807 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY: | | |
| Contribution of stocks | \$ 148,073 | \$ 103,980 |

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

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

1. ORGANIZATION

In 1988, Jackson Health Foundation, Inc. (the "Foundation"), formerly known as Jackson Memorial Foundation, Inc., was formed as a private nonprofit corporation organized and operated exclusively for the purpose of soliciting funds in South Florida from the private and public sector to improve the delivery of health care at Jackson Health System ("JHS"); to support teaching and training programs in health care; to support medical and surgical treatment at JHS; to support instruction and training of personnel in duties of medicine and nursing, and to help maintain, construct, repair and furnish the facilities. The Foundation began operations on January 1, 1989.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting. Net assets, revenue, gains and losses are classified into three classes of net assets based on the existence or absence of donor imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

Unrestricted: Net assets whose use by the Foundation is not subject to donor-imposed stipulations. The Board of Directors has discretionary control over these assets and they are available to support the operations of the Foundation. Such assets include all revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets.

Temporarily Restricted: Net assets whose use by the Foundation is limited by donor-imposed stipulations for specific program purposes of the Foundation or to benefit the various programs and activities of JHS. These restrictions can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted: Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation had no permanently restricted net assets at September 30, 2018 and 2017.

When a donor restriction expires, that is, when a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "net assets released from restrictions."

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds at various financial institutions. The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the Statements of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Donated securities are recorded at fair value and sold immediately.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, Net

Pledges receivable, less a provision for uncollectible amounts, represent uncollected promises and are stated at the estimated present value of the future cash flows using a rate of return appropriate for the expected term of the promise to give at the time initially recognized. The majority of pledges are designated by the donors for distribution to JHS. Such amounts subject to collection and fundraising costs and administration fees, when applicable, are distributed to JHS as designated by the donor. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment, Net

Property and equipment is stated at cost or, if donated, at fair value at the date of donation. Additions and major improvements are capitalized, and repairs and maintenance costs are expensed. Upon retirement or sale, any resulting gain or loss is recognized in the appropriate period. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Useful lives are as follows:

| | |
|------------------------|--------------------------------------|
| Office equipment | 3 – 7 years |
| Computer software | 3 – 5 years |
| Computer equipment | 3 – 5 years |
| Furniture and fixtures | 5 – 7 years |
| Leasehold improvements | Shorter of useful life or lease term |

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash, cash equivalents, investments and pledges receivable. The Foundation places its temporary cash and cash equivalents with high quality financial institutions. At times, cash deposits may be in excess of the Federal Deposit Insurance Corporation insured limits. In addition, a significant portion of the Foundation's investments are maintained in U.S. government obligations and corporate bond and marketable equity securities. The Foundation monitors the credit risk related to the portfolio of investments on a periodic basis. Concentrations of credit risk with respect to pledges receivable are limited due to the Foundation primarily receiving pledges from individuals, foundations and corporations with substantial means.

Revenue Recognition

The Foundation recognizes contributions received as revenue in the period received. Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. Conditional promises are recorded when donor stipulations are substantially met. Unconditional promises are recognized at the estimated present value of the future cash flows using a risk-free rate. Promises and contributions of non-cash assets are recorded at their fair value.

The Foundation reports transfers of assets under an accounting standard which establishes standards for transactions in which a donor transfers assets to a recipient organization that (a) uses the assets on behalf of or (b) transfers the assets, the return on investment of the assets, or both, to a beneficiary named by the donor.

Since the Foundation exists to raise, hold and invest assets for JHS, the accounting standards require that the Foundation recognize contribution revenue when it receives assets from the donor. All income received under the various programs for distribution to JHS is classified as temporarily restricted support. In addition, all income received under the special fundraising events for distribution to JHS is classified as temporarily restricted support. Such amounts are subject to collection and fundraising costs and administration fees, when applicable.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

JHS is the operational and trade identity for the Public Health Trust, an agency and instrumentality of Miami-Dade County government which has been delegated broad authority by the Board of County Commissioners and County Mayor to provide hospital and other healthcare services in Miami-Dade County. The Foundation supports certain projects at JHS, which require the funding of needs that are the separate financial responsibility of the respective medical partners. For example, a supported program may require fundraising by the Foundation for capital construction of a facility owned by Jackson Memorial Medical Center, while also requiring funding of other services provided by the University of Miami Medical School and Florida International University Medical School.

During the years ended September 30, 2018 and 2017, one donor and two donors accounted for approximately 64% and 35%, respectively, of total public support.

In-kind Revenue and Expense

Board members and volunteers have donated significant time to the Foundation's activities. However, the value of these services is not reflected in the accompanying financial statements, since such services are not the type that would qualify for recognition.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the year ended September 30, 2015, the Foundation received an in-kind gift valued at \$600,000 for marketing services to be performed over 10 years. Related to this gift, the Foundation recorded \$60,000 in-kind revenue and expense for marketing services received for each of the years ended September 30, 2018 and 2017.

During the year ended September 30, 2018, the Foundation relocated their offices. The new office space is being leased to the Foundation by Public Health Trust with annual rent of \$1. The donated use of facilities is recorded in the accompanying financial statements at fair value (NOTE 12).

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Foundation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Foundation files informational tax returns. The Foundation is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2015.

Adopted Accounting Pronouncement

Fair Value Measurement

In May 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that removes the requirement to include investments in the fair value hierarchy for which fair value is measured at net asset value using the practical expedient. The update also changes certain disclosure requirements. The update is effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early application is permitted. The adoption of this update did not have a material effect on the Foundation's financial statements.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation is currently evaluating the effect the update will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Foundation is currently evaluating the effect the update will have on its financial statements.

Reclassifications

Certain items in the 2017 financial statements were reclassified to conform to the 2018 presentation.

Subsequent Events

The Foundation has evaluated subsequent events through January 7, 2019, which is the date the financial statements were available to be issued.

3. PLEDGES RECEIVABLE, NET

Pledges receivable, net consists of the following at September 30,:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|----------------------|----------------------|
| Pledges due in: | | |
| Less than one year | \$ 3,228,317 | \$ 2,318,080 |
| One to five years | 5,294,098 | 6,490,199 |
| More than five years | <u>8,975,600</u> | <u>10,130,139</u> |
| Total | 17,498,015 | 18,938,418 |
| Less: Discount on long-term pledges | (1,825,253) | (1,527,762) |
| Less: Allowance for doubtful accounts | <u>(2,099,763)</u> | <u>(2,272,610)</u> |
| Pledges receivable, net | <u>\$ 13,572,999</u> | <u>\$ 15,138,046</u> |

The following represents the expected payment schedule of pledges receivable as of September 30,:

| | |
|------------|----------------------|
| 2019 | \$ 3,228,317 |
| 2020 | 1,558,494 |
| 2021 | 1,593,150 |
| 2022 | 1,025,870 |
| 2023 | 1,116,584 |
| Thereafter | <u>8,975,600</u> |
| | <u>\$ 17,498,015</u> |

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at September 30,:

| | 2018 | 2017 |
|-------------------------------------------------|-------------------|-------------------|
| Office equipment | \$ 15,600 | \$ 1,783 |
| Computer software | 55,362 | 55,362 |
| Computer equipment | 62,238 | 54,021 |
| Furniture and fixtures | 139,604 | 99,313 |
| Leasehold improvements | 294,590 | 307,839 |
| | 567,394 | 518,318 |
| Less: accumulated depreciation and amortization | (116,487) | (186,476) |
| | <u>\$ 450,907</u> | <u>\$ 331,842</u> |

During the year ended September 30, 2018, the Foundation relocated to a new office space. The leasehold improvements associated with the former office space were written off during the year ended September 30, 2018 resulting in a loss from the disposal of approximately \$268,000.

Depreciation and amortization expense was \$46,878 and \$45,434 for the years ended September 30, 2018 and 2017, respectively.

5. INVESTMENTS

Investments consist of the following at September 30,:

| | 2018 | 2017 |
|------------------------------|---------------------|---------------------|
| Marketable equity securities | \$ 2,422,884 | \$ 2,546,931 |
| Corporate bonds | 999,093 | 970,715 |
| Commodities | 83,654 | 26,602 |
| Mutual funds | 2,173,582 | 2,279,200 |
| | <u>\$ 5,679,213</u> | <u>\$ 5,823,448</u> |

Market value of mutual funds, commodities, U.S. corporate bonds and equity securities are based on quoted market prices or net asset values. Donors designate any income earned on investments to be utilized to support current operations or be retained to support future programs.

The following summarizes the investment return as shown in the Statements of Activities as of September 30,:

| | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|
| Interest income and dividends (net of investment fees of \$53,105 and \$46,106, respectively) | \$ 158,528 | \$ 110,650 |
| Net realized and unrealized gains on investments | 183,249 | 457,158 |
| | <u>\$ 341,777</u> | <u>\$ 567,808</u> |

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

5. INVESTMENTS (CONTINUED)

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's investment balances and the amounts reported in the Statements of Financial Position.

6. FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described 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 include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

Marketable Equity Securities: Valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds: Valued at the closing price reported in the active market in which the bond is traded.

Mutual Funds and Commodities: Valued at the net asset value ("NAV") of shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table represents the Foundation's financial instruments measured at fair value on a recurring basis at September 30, 2018 for each of the fair value hierarchy levels:

| Description | Total | Fair Value Measurements at September 30, 2018 | | |
|------------------------------|---------------------|----------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Marketable equity securities | \$ 2,422,884 | \$ 2,422,884 | \$ - | \$ - |
| Corporate bonds | 999,093 | 999,093 | - | - |
| Commodities | 83,654 | 83,654 | - | - |
| Mutual funds | 2,173,582 | 2,173,582 | - | - |
| | <u>\$ 5,679,213</u> | <u>\$ 5,679,213</u> | <u>\$ -</u> | <u>\$ -</u> |

The following table represents the Foundation's financial instruments measured at fair value on a recurring basis at September 30, 2017 for each of the fair value hierarchy levels:

| Description | Total | Fair Value Measurements at September 30, 2017 | | |
|------------------------------|---------------------|----------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Marketable equity securities | \$ 2,546,931 | \$ 2,546,931 | \$ - | \$ - |
| Corporate bonds | 970,715 | 970,715 | - | - |
| Commodities | 26,602 | 26,602 | - | - |
| Mutual funds | 2,279,200 | 2,279,200 | - | - |
| | <u>\$ 5,823,448</u> | <u>\$ 5,823,448</u> | <u>\$ -</u> | <u>\$ -</u> |

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at September 30,:

| | 2018 | 2017 |
|----------------------------|-------------------|-------------------|
| Accounts payable and other | \$ 229,790 | \$ 148,739 |
| Accrued wages and benefits | 139,958 | 131,320 |
| | <u>\$ 369,748</u> | <u>\$ 280,059</u> |

8. LINE OF CREDIT

In April 2016, the Foundation entered into a \$1,000,000 revolving line of credit with a third-party financial institution. The revolving line of credit is renewed annually. The line of credit is unsecured and the entire obligation is due and payable on demand. The line of credit has a variable interest rate based on the Wall Street Journal prime rate and cannot be less than 3.5%. At September 30, 2018 and 2017, the interest rate on the line of credit was 5.25% and 4.25%, respectively. At September 30, 2018 and 2017, the amount available on the line of credit is \$1,000,000. There was no outstanding balance on the line of credit at September 30, 2018 and 2017. Interest expense for the years ended September 30, 2018 and 2017 was approximately \$6,600 and \$1,800, respectively.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

9. TEMPORARILY RESTRICTED NET ASSETS AND INTERFUND ACTIVITY

Temporarily Restricted Net Assets

The Foundation's temporarily restricted net assets consist of assets which have been restricted by the donor either for specific operating purposes, the general use of JHS, and various programs for distribution to JHS or Foundation projects that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations. The residual balance or funds earned in excess of the expenses including direct support payments as stated above inures to the benefit of JHS.

As of September 30, 2018 and 2017, there were \$19,375,867 and \$20,962,321, respectively, of temporarily restricted net assets held by the Foundation.

The following is a summary of temporarily restricted net assets as of September 30,:

| | 2018 | 2017 |
|-----------------------------|---------------------|----------------------|
| Florence Garrison Trust | \$ 500,000 | \$ 500,000 |
| Guardian Angels | 697,991 | 636,956 |
| Holtz Children's Program | 548,548 | 595,354 |
| International Kids Fund | 575,498 | 2,372,460 |
| Frances F. Gordon Trust | 1,436,993 | 1,394,473 |
| JHS Capital Campaign | 9,661,877 | 10,967,263 |
| Other programs and projects | 5,954,960 | 4,495,815 |
| | <u>\$19,375,867</u> | <u>\$ 20,962,321</u> |

Funds with Deficiencies and Interfund Receivable / Payable

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor requires the Foundation to retain until expended for a particular purpose. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at September 30, 2018 and 2017.

At September 30, 2018 and 2017, the unrestricted net assets have an interfund receivable balance of \$617,729 and \$1,318,855, respectively, due from the temporarily restricted net assets as a result of funds held over in the restricted depository account for operating purposes.

10. ENDOWMENT

The Foundation classifies the endowment fund as temporarily restricted net assets. The endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board of Directors. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

10. ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

In accordance with the FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation;
- (7) The investment policies of the Foundation.

For the years ended September 30, 2018 and 2017, the Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Assets:

Endowment assets are comprised of the following at September 30:

| | 2018 | 2017 |
|-------------|-------------------|-------------------|
| Investments | \$ 543,532 | \$ 529,105 |
| Total | <u>\$ 543,532</u> | <u>\$ 529,105</u> |

Summary of Endowment Net Assets at September 30, 2018:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|------------------|---------------------------|---------------------------|-------------------|
| Donor-restricted endowment funds | \$ 43,532 | \$ 500,000 | \$ - | \$ 543,532 |
| Total endowment net assets | <u>\$ 43,532</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 543,532</u> |

Summary of Endowment Net Assets at September 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|------------------|---------------------------|---------------------------|-------------------|
| Donor-restricted endowment funds | \$ 29,105 | \$ 500,000 | \$ - | \$ 529,105 |
| Total endowment net assets | <u>\$ 29,105</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 529,105</u> |

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

10. ENDOWMENT (CONTINUED)

Changes in endowment net assets during the year ended September 30, 2018:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|------------------|---------------------------|---------------------------|-------------------|
| Endowment net assets, beginning | \$ 29,105 | \$ 500,000 | \$ - | \$ 529,105 |
| Investment income | 14,427 | - | - | 14,427 |
| Endowment net assets, ending | <u>\$ 43,532</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 543,532</u> |

Changes in endowment net assets during the year ended September 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|------------------|---------------------------|---------------------------|-------------------|
| Endowment net assets, beginning | \$ 28,423 | \$ 500,000 | \$ - | \$ 528,423 |
| Investment income | 682 | - | - | 682 |
| Endowment net assets, ending | <u>\$ 29,105</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 529,105</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the FUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2018 and 2017.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of Board-designated funds that accumulate until the funds are appropriated for expenditure by the Board.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the yield results of the S&P 500 while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a rate of return in excess of the original temporarily restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives on an inflation adjusted basis with moderate volatility, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation does not appropriate for distribution each year a portion of its endowment funds balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

11. RETIREMENT PLAN

The Foundation sponsors a defined contribution plan (the "Plan") which qualifies under Section 401(k) of the IRC. All Foundation employees are eligible to participate after the 90 days employment probation period. The Foundation's contributions are equal to 100% of the employee's voluntary contributions up to 4% of the employee's gross annual salary. Eligible participants are always 100% vested in their contributions to the Plan. Additional amounts may be contributed at the discretion of the Foundation. For the years ended September 30, 2018 and 2017, the Foundation recorded approximately \$41,000 and \$42,000, respectively, in expenses related to the Plan.

12. COMMITMENTS AND CONTINGENCIES

In October 2013, the Foundation entered into an operating lease expiring in October 2018 for office space. During the year ended September 30, 2018, the lessor notified the Foundation that the building was sold and as such the Foundation relocated to another office. In June 2018, the Foundation entered into a five-year operating lease with the Public Health Trust for its new office space. Per the terms of the agreement, the Foundation pays the Public Health Trust an annual rental fee of \$1. The Foundation recognized the estimated market value of the lease from inception through September 30, 2018 of approximately \$47,000 as donated use of facilities in the accompanying Statement of Activities for the year ended September 30, 2018.

The Foundation also has other operating leases for office equipment expiring at various dates through November 2023. Future minimum rental payments are approximately as follows for the years ending September 30,:

| | |
|------------|------------------|
| 2019 | \$ 25,000 |
| 2020 | 25,000 |
| 2021 | 14,000 |
| 2022 | 13,000 |
| 2023 | 8,000 |
| Thereafter | <u>500</u> |
| Total | <u>\$ 85,500</u> |