



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), which comprise the statements of financial position as of September 30, 2019 and 2018, 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, 2019 and 2018, 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.

Monison, Brown, Ariz & Tena

Miami, Florida
December 3, 2019

An independent member of Baker Tilly International

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2019

ASSETS	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 139,705	\$ 1,184,129	\$ -	\$ 1,323,834
Interfund receivable (NOTE 10)	503,073	-	(503,073)	-
Accounts receivable	17,502	-	-	17,502
Other current assets	168,988	53,922	-	222,910
Pledges receivable - current portion, net (NOTE 4)	718,996	8,288,409	-	9,007,405
TOTAL CURRENT ASSETS	1,548,264	9,526,460	(503,073)	10,571,651
Pledges receivable, less current portion, net (NOTE 4)	-	10,377,693	-	10,377,693
Investments (NOTE 6)	79,477	5,449,633	-	5,529,110
Property and equipment, net (NOTE 5)	466,940	-	-	466,940
TOTAL ASSETS	\$ 2,094,681	\$ 25,353,786	\$ (503,073)	\$ 26,945,394
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses (NOTE 8)	\$ 492,822	\$ 22,522	\$ -	\$ 515,344
Interfund payable (NOTE 10)	-	503,073	(503,073)	-
TOTAL CURRENT LIABILITIES	492,822	525,595	(503,073)	515,344
COMMITMENTS AND CONTINGENCIES (NOTE 13)				
NET ASSETS:				
Without donor restrictions	1,601,859	-	-	1,601,859
With donor restrictions	-	24,828,191	-	24,828,191
TOTAL NET ASSETS	1,601,859	24,828,191	-	26,430,050
TOTAL LIABILITIES AND NET ASSETS	\$ 2,094,681	\$ 25,353,786	\$ (503,073)	\$ 26,945,394

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

JACKSON HEALTH FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2018

ASSETS	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 70,287	\$ 1,770,427	\$ -	\$ 1,840,714
Interfund receivable (NOTE 10)	617,729	-	(617,729)	-
Other current assets	142,026	-	-	142,026
Pledges receivable - current portion, net (NOTE 4)	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 4)	-	10,732,080	-	10,732,080
Investments (NOTE 6)	-	5,679,213	-	5,679,213
Deposits	15,333	-	-	15,333
Property and equipment, net (NOTE 5)	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 8)	\$ 365,416	\$ 4,332	\$ -	\$ 369,748
Deferred revenue	-	63,597	-	63,597
Interfund payable (NOTE 10)	-	617,729	(617,729)	-
TOTAL CURRENT LIABILITIES	365,416	685,658	(617,729)	433,345
COMMITMENTS AND CONTINGENCIES (NOTE 13)				
NET ASSETS:				
Without donor restrictions	1,891,980	-	-	1,891,980
With donor restrictions	-	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 ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES:			
Donations for International Kids Fund Program	\$ -	\$ 63,975	\$ 63,975
General gifts	1,572,991	8,592,102	10,165,093
In-kind gifts (including donated use of facilities)	235,129	-	235,129
Provision for estimated uncollectible pledges and change in present value discount of pledges receivable	482,890	(705,550)	(222,660)
Special events, net of direct expenses totaling \$1,148,610	-	636,760	636,760
Total public support, net	2,291,010	8,587,287	10,878,297
Interest income and dividends, net of investment fees	97,447	77,235	174,682
Net realized and unrealized gain (loss) on investments	24,692	(29,833)	(5,141)
TOTAL PUBLIC SUPPORT AND REVENUES BEFORE NET ASSETS RELEASED FROM RESTRICTIONS	2,413,149	8,634,689	11,047,838
Net assets released from restrictions:			
Satisfaction of program restrictions	3,182,365	(3,182,365)	-
TOTAL PUBLIC SUPPORT AND REVENUES	5,595,514	5,452,324	11,047,838
EXPENSES INCLUDING DIRECT SUPPORT PAYMENTS:			
Program services:			
Jackson Health System	1,425,587	-	1,425,587
International Kids Fund	304,634	-	304,634
Other programs	1,231,893	-	1,231,893
Total program services	2,962,114	-	2,962,114
Management and general	621,026	-	621,026
Fundraising	2,302,495	-	2,302,495
TOTAL EXPENSES INCLUDING DIRECT SUPPORT PAYMENTS	5,885,635	-	5,885,635
CHANGE IN NET ASSETS	(290,121)	5,452,324	5,162,203
NET ASSETS AT BEGINNING OF YEAR	1,891,980	19,375,867	21,267,847
NET ASSETS AT END OF YEAR	\$ 1,601,859	\$ 24,828,191	\$ 26,430,050

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

	Without Donor Restrictions	With Donor Restrictions	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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services			Supportive Services		Total
	Jackson Health System	International Kids Fund	Other Programs	Management and General	Fundraising	
Salaries and benefits:						
Salaries	\$ 58,717	\$ 58,717	\$ 117,434	\$ 247,329	\$ 1,330,916	\$ 1,813,113
Payroll taxes and benefits	14,885	14,885	29,771	152,373	337,402	549,316
Total salaries and benefits	73,602	73,602	147,205	399,702	1,668,318	2,362,429
Audit fees	4,461	2,439	13,800	6,900	6,900	34,500
Auto expenses	-	-	8	533	8,046	8,587
Bank charges and ADP fees	3,422	5,219	7,471	11,115	8,186	35,413
Cleaning and janitorial	-	-	-	9,600	9,600	19,200
Computer services	2,160	1,800	7,920	-	154,518	166,398
Depreciation and amortization	-	-	-	57,146	-	57,146
Donor recognition and cultivation	-	2,359	252,291	-	6,201	260,851
In-kind expense	85,345	-	-	-	149,784	235,129
Insurance	-	-	-	25,169	21,562	46,731
Meetings	44	178	30,899	8,367	24,194	63,682
Memberships and sponsorships	-	-	54,112	-	17,955	72,067
Miscellaneous expenses	-	1,595	12,218	2,554	26,315	42,682
Office expenses	-	-	7,271	18,868	25,189	51,328
Postage and courier	-	-	1,605	2,705	710	5,020
Professional services	74,564	32,442	349,083	50,716	110,125	616,930
Program services	1,181,989	183,769	141,415	-	-	1,507,173
Public relations	-	1,231	204,054	-	55,108	260,393
Rent	-	-	-	17,702	-	17,702
Repairs and maintenance	-	-	1,823	2,804	232	4,859
Telephone	-	-	-	3,006	4,894	7,900
VIP and staff parking	-	-	718	4,139	4,658	9,515
Total expenses	<u>\$1,425,587</u>	<u>\$ 304,634</u>	<u>\$ 1,231,893</u>	<u>\$ 621,026</u>	<u>\$2,302,495</u>	<u>\$ 5,885,635</u>

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

	Program Services			Supportive Services		Total
	Jackson Health System	International Kids Fund	Other Programs	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	<u>\$6,063,788</u>	<u>\$ 335,668</u>	<u>\$ 1,082,538</u>	<u>\$ 744,742</u>	<u>\$1,949,478</u>	<u>\$10,176,214</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,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,162,203	\$ (2,255,136)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	57,146	46,878
Provision for estimated uncollectible pledges	905,578	3,769
Loss on disposal of assets	-	267,519
Non-cash stock contributions	(208,849)	(148,073)
(Increase) decrease in market value of investments	(11,500)	170,084
Net realized loss (gain) on sales of investments	16,641	(353,333)
Changes in operating assets and liabilities:		
Accounts receivable	(17,502)	-
Other current assets	(80,884)	(67,449)
Pledges receivable	(6,717,677)	1,561,278
Deposits	15,333	768
Accounts payable and accrued expenses	145,596	89,689
Deferred revenue	(63,597)	(315,342)
TOTAL ADJUSTMENTS	(5,959,715)	1,255,788
NET CASH USED IN OPERATING ACTIVITIES	(797,512)	(999,348)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(73,179)	(433,462)
Proceeds from sales of investments, net of purchases	353,811	475,557
NET CASH PROVIDED BY INVESTING ACTIVITIES	280,632	42,095
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	350,000	500,000
Repayments of line of credit	(350,000)	(500,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(516,880)	(957,253)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	1,840,714	2,797,967
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 1,323,834	\$ 1,840,714
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 6,627	\$ 6,566
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Contribution of stocks	\$ 208,849	\$ 148,073

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

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

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 two classes of net assets based on the existence or absence of donor imposed restrictions. The two net asset categories are reflected in the accompanying financial statements as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

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 net assets without donor restrictions 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, 2019 AND 2018

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
Transportation equipment	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 asset 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 donor restricted support. In addition, all income received under the special fundraising events for distribution to JHS is classified as donor 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, 2019 AND 2018

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, 2019 and 2018, one donor accounted for approximately 65% and 64%, 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, 2019 and 2018.

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 13).

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. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and efforts.

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 2016.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended September 30, 2019, the Foundation adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Foundation has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the Foundation has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Foundation’s financial position and changes in net assets. In addition, the Foundation has elected to continue to present the Statements of Cash Flows using the indirect method and has included separate Statements of Functional Expenses in its financial statements.

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Foundation is currently evaluating the effect the update will have on its financial statements.

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.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Foundation does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible. The Foundation is currently evaluating the effect the update will have on its financial statements.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting (Continued)

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Foundation's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The Foundation is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The effective dates have been tentatively extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Foundation is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through December 3, 2019, which is the date the financial statements were available to be issued.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Foundation maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Foundation monitors its cash balances and also ensures spending is within budget guidelines. Additionally, the Foundation has a line of credit available with borrowing capacity of up to \$1,000,000, which can be used to meet general expenditures within a year (Note 9).

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

The summary below reflects the Foundation's financial assets available within one year as of September 30, 2019, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 1,323,834
Interfund receivable	503,073
Accounts receivable	17,502
Pledges receivable - current portion, net	<u>9,007,405</u>
Total financial assets	<u>10,851,814</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	9,472,538
Less net assets with restrictions to be met in less than one year	<u>(8,288,409)</u>
Total financial assets not available to be used within one year	<u>1,184,129</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,667,685</u>

The Foundation has pledges receivable not included in the table above since these will not be collected within the next year. Additionally, investments are not included in the table above since they will not be available for use within the next year. The Foundation's investment manager invest largely in equity securities and mutual funds which are considered highly liquid as there are no preventative lockups or restrictions and can be readily liquidated.

4. PLEDGES RECEIVABLE, NET

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

	<u>2019</u>	<u>2018</u>
Pledges due in:		
Less than one year	\$ 10,235,687	\$ 3,228,317
One to five years	5,481,940	5,294,098
More than five years	<u>7,609,000</u>	<u>8,975,600</u>
Total	23,326,627	17,498,015
Less: Discount on long-term pledges	(1,142,335)	(1,825,253)
Less: Allowance for doubtful accounts	<u>(2,799,194)</u>	<u>(2,099,763)</u>
Pledges receivable, net	<u>\$ 19,385,098</u>	<u>\$ 13,572,999</u>

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

2020	\$ 10,235,687
2021	1,857,964
2022	1,294,410
2023	1,324,313
2024	1,005,253
Thereafter	<u>7,609,000</u>
	<u>\$ 23,326,627</u>

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

5. PROPERTY AND EQUIPMENT, NET

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

	2019	2018
Office equipment	\$ 17,941	\$ 15,600
Computer software	55,362	55,362
Computer equipment	64,472	62,238
Furniture and fixtures	155,045	139,604
Transportation equipment	12,484	-
Leasehold improvements	335,268	294,590
	640,572	567,394
Less: accumulated depreciation and amortization	(173,632)	(116,487)
	<u>\$ 466,940</u>	<u>\$ 450,907</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. There was no such loss during the fiscal year ended September 30, 2019.

Depreciation and amortization expense was \$57,146 and \$46,878 for the years ended September 30, 2019 and 2018, respectively.

6. INVESTMENTS

Investments consist of the following at September 30,:

	2019	2018
Equity securities	\$ 2,235,338	\$ 2,422,884
Corporate bonds	870,615	999,093
Commodities	72,429	83,654
Mutual funds	2,350,728	2,173,582
	<u>\$ 5,529,110</u>	<u>\$ 5,679,213</u>

Market value of mutual funds, commodities, 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.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

6. INVESTMENTS (CONTINUED)

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

	2019	2018
Interest income and dividends (net of investment fees of \$52,600 and \$53,105, respectively)	\$ 174,682	\$ 158,528
Net realized and unrealized gains on investments	(5,141)	183,249
	<u>\$ 169,541</u>	<u>\$ 341,777</u>

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.

7. 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, 2019 and 2018.

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 as reported in the active market in which the individual securities are traded.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The following table represents the Foundation's financial instruments measured at fair value on a recurring basis at September 30, 2019 for each of the fair value hierarchy levels:

Description	Fair Value 9/30/2019	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Equity securities	\$ 2,235,338	\$ 2,235,338	\$ -	\$ -
Corporate bonds	870,615	870,615	-	-
Commodities	72,429	72,429	-	-
Mutual funds	2,350,728	2,350,728	-	-
	<u>\$ 5,529,110</u>	<u>\$ 5,529,110</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, 2018 for each of the fair value hierarchy levels:

Description	Fair Value 9/30/2018	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
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>

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2019	2018
Accounts payable and other	\$ 343,971	\$ 229,790
Accrued wages, benefits and other	171,373	139,958
	<u>\$ 515,344</u>	<u>\$ 369,748</u>

9. 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 renewable 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, 2019 and 2018, the interest rate on the line of credit was 5.00% and 5.25%, respectively. At September 30, 2019 and 2018, 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, 2019 and 2018. Interest expense for each of the years ended September 30, 2019 and 2018 was approximately \$6,600.

10. NET ASSETS

Net assets without donor restrictions are used to support the operating activities of the Foundation. The major program activities are described in NOTE 1.

Net Assets With Donor Restrictions

The Foundation's net assets with donor restrictions 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.

The following is a summary of net assets with donor restrictions as of September 30,:

	2019	2018
Florence Garrison Trust	\$ 500,000	\$ 500,000
Guardian Angels	498,476	697,991
Holtz Children's Program	901,467	548,548
International Kids Fund	1,758,449	575,498
Frances F. Gordon Trust	1,370,590	1,436,993
JHS Capital Campaign	16,433,219	9,661,877
Other programs and projects	3,365,990	5,954,960
	<u>\$ 24,828,191</u>	<u>\$ 19,375,867</u>

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

10. NET ASSETS (CONTINUED)

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. There were no such deficiencies at September 30, 2019 and 2018.

At September 30, 2019 and 2018, net assets without donor restrictions has an interfund receivable balance of \$503,073 and \$617,729, respectively, due from net assets with donor restrictions as a result of funds held over in the restricted depository account for operating purposes.

11. ENDOWMENT

The Foundation classifies the endowment fund as net assets with donor restrictions. The endowment is classified as net assets with donor restrictions 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 net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

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.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

11. ENDOWMENT (CONTINUED)

For the years ended September 30, 2019 and 2018, the Foundation has elected not to add appreciation for cost of living or other spending policies to its endowment for inflation and other economic conditions.

Summary of Endowment Assets:

Endowment assets are comprised of the following at September 30,:

	2019	2018
Investments	\$ 551,806	\$ 543,532
Total	<u>\$ 551,806</u>	<u>\$ 543,532</u>

Summary of Endowment Net Assets at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 51,806	\$ 500,000	\$ 551,806
Total endowment net assets	<u>\$ 51,806</u>	<u>\$ 500,000</u>	<u>\$ 551,806</u>

Summary of Endowment Net Assets at September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 43,532	\$ 500,000	\$ 543,532
Total endowment net assets	<u>\$ 43,532</u>	<u>\$ 500,000</u>	<u>\$ 543,532</u>

Changes in endowment net assets during the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 43,532	\$ 500,000	\$ 543,532
Appropriated for expenditure	(20,000)	-	(20,000)
Investment income	28,274	-	28,274
Endowment net assets, ending	<u>\$ 51,806</u>	<u>\$ 500,000</u>	<u>\$ 551,806</u>

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

	Without Donor Restrictions	With Donor Restrictions	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>\$ 543,532</u>

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

11. ENDOWMENT (CONTINUED)

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 net assets with donor restrictions. There were no such deficiencies as of September 30, 2019 and 2018.

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 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.

12. 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, 2019 and 2018, the Foundation recorded \$54,354 and \$41,196, respectively, in expenses related to the Plan.

JACKSON HEALTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

13. 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 recognized an amount of \$142,000 during the year ended September 30, 2019.

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,:

2020	\$ 25,000
2021	15,000
2022	14,000
2023	9,000
2024	400
Total	<u>\$ 63,400</u>