

GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report

GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION

AUDITED FINANCIAL STATEMENTS

Financial Statements

YEAR ENDED JUNE 30, 2016

Statement of Financial Position

Statement of Activities

Statement of Functional Expenses

Statement of Cash Flows

Notes to Financial Statements

2
3
4
5
6-13

GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION

INDEX TO FINANCIAL STATEMENTS

To the Board of Directors of the
Greene County Memorial Hospital Foundation
Waynesburg, PA 15373

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Greene County Memorial Hospital Foundation, a nonprofit organization, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Independent Auditor's Report..... 1

Financial Statements.....

Statement of Financial Position 2

Statement of Activities..... 3

Statement of Functional Expenses..... 4

Statement of Cash Flows 5

Notes to Financial Statements..... 6-13

Our audit was performed in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the Public Company Accounting Oversight Board (PCAOB) for audits of nonprofit organizations. These standards require us to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. We conducted our audit in accordance with these standards and we believe that our audit provides a reasonable basis for our opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present a true and fair view of the financial position of Greene County Memorial Hospital Foundation as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Donald J. ...

Donald J. ...
Waynesburg, PA 15373
November 23, 2015

To the Board of Directors of the
Greene County Memorial Hospital Foundation
Waynesburg, PA 15370

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Greene County Memorial Hospital Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 Greene County Memorial Hospital Foundation as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Palermo/Kissinger & Associates, P.C.

Palermo/Kissinger & Associates, P.C.
Washington, Pennsylvania
November 22, 2016

GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS		
	Unrestricted	Temporarily Restricted
CURRENT ASSETS		
Cash and cash equivalents	\$ 516,223	
Investments	10,965,041	
Prepaid expenses	<u>19,009</u>	\$ 11,500,273
PROPERTY AND EQUIPMENT		
Furniture and equipment	216,740	
Less: accumulated depreciation	<u>(195,004)</u>	21,736
OTHER ASSETS		
Pledges receivable (net of \$11,000, allowance for uncollectible pledges)	\$ 1,371,139	
Land held for future development	508,491	
Construction in progress	<u>1,067,061</u>	<u>2,946,691</u>
TOTAL ASSETS		<u><u>\$ 14,468,700</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,618	
Liability for payroll related withholdings	3,137	
Deferred revenue	4,450	
Line of credit payable	<u>400,000</u>	<u>\$ 432,205</u>
TOTAL LIABILITIES		432,205
NET ASSETS		
Unrestricted net assets:		
Undesignated	\$ 12,940,374	
Temporarily restricted	<u>1,096,121</u>	<u>14,036,495</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 14,468,700</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, AND GAINS			
SUPPORT:			
Contributions and grants	\$ 790	\$1,617,666	\$ 1,618,456
Bequests	11,686	-	11,686
TOTAL SUPPORT	<u>12,476</u>	<u>1,617,666</u>	<u>1,630,142</u>
REVENUE AND GAINS:			
Special events revenue, (net of special events expenses of \$39,829)	16,961	-	16,961
Program revenue	153,412	-	153,412
Investment income	243,941	20	243,961
Realized gain (loss) on investments	173,354	-	173,354
Unrealized gain (loss) on investments	(602,760)	-	(602,760)
TOTAL REVENUE AND GAINS (LOSSES)	<u>(15,092)</u>	<u>20</u>	<u>(15,072)</u>
TOTAL SUPPORT, REVENUE, AND GAINS (LOSSES)	(2,616)	1,617,686	1,615,070
Net assets released from restrictions	675,288	(675,288)	-
TOTAL SUPPORT, REVENUE, GAINS, AND RECLASSIFICATIONS	<u>672,672</u>	<u>942,398</u>	<u>1,615,070</u>
FUNCTIONAL EXPENSES:			
Program services			
Wellness center	379,220	-	379,220
Other program services	507,007	-	507,007
Support services:			
Management and general	125,029	-	125,029
Fundraising	115,535	-	115,535
TOTAL FUNCTIONAL EXPENSES	<u>1,126,791</u>	<u>-</u>	<u>1,126,791</u>
INCREASE (DECREASE) IN NET ASSETS	(454,119)	942,398	488,279
NET ASSETS AT BEGINNING OF YEAR	13,354,493	153,723	13,508,216
PRIOR PERIOD ADJUSTMENT (NOTE 8)	40,000	-	40,000
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>13,394,493</u>	<u>153,723</u>	<u>13,548,216</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,940,374</u>	<u>\$ 1,096,121</u>	<u>\$ 14,036,495</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services		Total Program Services	Supportive Services		Total Supportive Services	Total
	Wellness Center Services	Other Program Services		Management and General	Fundraising		
PERSONNEL EXPENSES							
Salaries and wages	\$ -	\$ 78,698	\$ 78,698	\$ 14,018	\$ 10,493	\$ 24,511	\$ 103,209
Employee taxes and benefits	-	16,750	16,750	2,815	2,234	5,049	21,799
Contracted services	223,795	-	223,795	-	-	-	223,795
TOTAL PERSONNEL EXPENSES	223,795	95,448	319,243	16,833	12,727	29,560	348,803
OPERATING EXPENSES							
Grants to other agencies	-	345,366	345,366	-	-	-	345,366
Occupancy	87,000	11,482	98,482	5,670	3,380	9,050	107,532
Insurance	11,091	5,317	16,408	709	-	709	17,117
Supplies	3,084	1,409	4,493	3,342	1,305	4,647	9,140
Repairs and maintenance	4,743	465	5,208	-	-	-	5,208
Professional services	-	45,412	45,412	31,788	92,768	124,556	169,968
Travel and meetings	-	626	626	3,756	1,190	4,946	5,572
Advertising	18,507	-	18,507	990	3,334	4,324	22,831
Bad debt expense	-	1,000	1,000	-	-	-	1,000
Bank fees	2,179	-	2,179	1,046	-	1,046	3,225
Miscellaneous	-	115	115	607	831	1,438	1,553
Interest	-	367	367	-	-	-	367
Investment management fees	-	-	-	58,147	-	58,147	58,147
Depreciation	28,821	-	28,821	2,141	-	2,141	30,962
TOTAL FUNCTIONAL EXPENSES	\$ 379,220	\$ 507,007	\$ 886,227	\$ 125,029	\$ 115,535	\$ 240,564	\$ 1,126,791

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

OPERATING ACTIVITIES	
Increase in net assets	\$ 488,279
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Prior period adjustment	40,000
Depreciation	30,962
Unrealized loss on investments	602,760
Decreases (increases) in assets:	
Increase in unconditional promises to give, net	(1,264,239)
Increase in prepaid expenses	(9,468)
Increase (decreases) in liabilities:	
Decrease in accounts payable	(37,184)
Increase in payroll taxes payable	1,560
Increase in deferred revenue	4,450
NET CASH USED FOR OPERATING ACTIVITIES	<u>(142,880)</u>
INVESTING ACTIVITIES	
Additions to construction in progress	(901,836)
Sale of investments	957,529
Purchase of investments	<u>(717,981)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(662,288)</u>
FINANCING ACTIVITIES	
Proceeds from line of credit	<u>400,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>400,000</u>
NET DECREASE IN CASH FOR THE YEAR	(405,168)
CASH AND CASH EQUIVALENTS	
JULY 1, 2015	<u>921,391</u>
CASH AND CASH EQUIVALENTS	
JUNE 30, 2016	<u>\$ 516,223</u>
SUPPLEMENTAL DISCLOSURES:	
Cash paid during the period for:	
Interest	<u>\$ 367</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nature of Activities

Greene County Memorial Hospital Foundation (Foundation) is a successor entity to the Greene County Memorial Hospital (Hospital). The Hospital was organized in 1907 to meet the medical needs of the community. In 2005, the hospital operations were sold and the residual assets are now managed by the Foundation. The mission of the Foundation is to promote compassionate and caring healthcare and related outreach programs. The Foundation also operates the Foundation for Wellness, a fitness center open to the public.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of Greene County Memorial Hospital Foundation are presented in accordance with Financial Accounting Standards Codification (FASC) 958-205, Presentation of Financial Statements of Not-for-Profit Entities. Under FASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents

For the purposes of the cash flows statement, the Organization considers investments with a maturity of three months or less to be cash equivalents.

Maintenance, Capitalization and Disposal Policies

Maintenance and repairs are charged to operations when paid. Betterments and renewals are capitalized. Property and equipment are capitalized and depreciated under the straight-line method over the useful lives of the assets using the half-year convention. Estimated useful lives assigned for furniture, fixtures and equipment are three to seven years. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Greene County Memorial Hospital Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Greene County Memorial Hospital Foundation has been classified as an entity that is not a private foundation within the meaning of Section 509 (a). Donors are entitled to deductions from income tax for contributions made to Greene County Memorial Hospital Foundation in accordance with these regulations.

Greene County Memorial Hospital Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10 (formerly Interpretation Number 48 (FIN 48)), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Management has determined that there are no material uncertain tax positions or unrecognized tax benefits and there is no material impact on the financial statements. In addition, there were no penalties or interest recognized on the statements of activity as a result of the adoption. Greene County Memorial Hospital Foundation's ASC 740-10 evaluation was performed for the tax years 2012 through 2015, which are the years that remain subject to examination by the Internal Revenue Service and various state agencies as of June 30, 2016.

Recognition of Revenue

Contributions, bequests, grants, and special events revenue are recognized when the donor makes an unconditional promise to give. Program revenue is recognized in the period in which it is earned.

Contributions

Under generally accepted accounting principles for not-for-profit Organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted in a systematic and rational matter as determined by management.

Fair Value Measurement

The Organization applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Subsequent Events

In accordance with Accounting Standards Codification (ASC) 855-10, *Subsequent Events*, the Organization has evaluated subsequent November 22, 2016, which is the date financial statements were available to be issued.

Compensated Absences

Full-time employees of Greene County Memorial Hospital Foundation are entitled to paid vacation depending on length of service. Compensated absences must be used by the end of each fiscal year. Accordingly, the costs of compensated absences are recognized when it is actually paid to employees.

Significant Concentration of Credit Risk

The organization has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. Periodically the organization will maintain cash balance in excess of FDIC Insurance.

Credit risk for accounts receivable is concentrated as well because substantially all of the balances are receivable from individuals located within the same geographic region.

Advertising costs

Advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2016 were \$22,831.

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments at the interest rate of the line of credit accessible to the Foundation at the end of the fiscal year. The discount rate used in the present value technique to determine fair value of pledges receivable is revised at the end of each fiscal year to reflect current market conditions and the creditworthiness of donors. In addition, management evaluates payment history to estimate allowances for doubtful pledges. Changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue except for changes in the allowance for doubtful pledges, which are reported as program expense at each subsequent reporting date.

As of June 30, 2016, unconditional promises to give were as follows:

Amounts due in:	
Less than one year	\$ -
One to five years	1,454,473
Total	<u>1,454,473</u>
Less fair value adjustments:	
Discount of 1.77% to present value	(72,334)
Allowance for doubtful accounts	<u>(11,000)</u>
Pledges receivable, net, at June 30, 2016	<u>\$ 1,371,139</u>

NOTE 3 – INVESTMENTS

Investments are recorded in the statement of financial position at fair value. Investments at June 30, 2016 consisted of the following:

	<u>Fair Value</u>	<u>Cost Basis</u>
Fixed income	\$ 3,955,570	\$ 3,939,988
Equities	<u>7,009,471</u>	<u>5,988,844</u>
	<u>\$10,965,041</u>	<u>\$ 9,928,832</u>

At June 30, 2016 the investment plan held \$105,034 in cash and cash equivalents.

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 4 – FIXED ASSETS

Fixed assets are recorded at cost. Donated fixed assets are recorded at fair market value on the date of the donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	7 Years
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Renewals and improvements which extend the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses as incurred. Depreciation expense for the year ended June 30, 2016 was \$30,962.

Fixed assets consist of the following:

Furniture and equipment	\$216,740
Less: accumulated depreciation	<u>(195,004)</u>
Net Fixed Assets	<u>\$ 21,736</u>

NOTE 5 – LAND HELD FOR FUTURE DEVELOPMENT/CONSTRUCTION IN PROGRESS

In July 2013, the Foundation began plans for a new recreation center. In conjunction with the project, the Foundation had purchased land in the amount of \$508,491 and incurred \$1,067,061 towards the construction of the new facility through June 30, 2016. The Foundation has funded these acquisition and construction costs with investment proceeds and as well as contributions received from business and individuals. The Foundation anticipates additional construction costs of approximately \$4.5 million, of which approximately \$1.4 million has been pledged for the construction, but not yet received as of June 30, 2016. The Foundation also has access to a \$4,000,000 line of credit with First National Bank for the project. The Foundation estimates the new recreation center will cost a total of \$6.8 million and the project will be completed by October 2017.

NOTE 6 – LINE OF CREDIT

The Foundation maintains a \$4,000,000 line-of-credit arrangement with First National Bank to provide for working capital requirements. The line of credit is secured by the investments held by the Organization and renews annually. Amounts borrowed on the line-of-credit bear interest at the bank's short-term cost of money plus 1.6%, adjusted monthly. At June 30, 2016, this rate was 1.77%. The outstanding balance at June 30, 2016 was \$400,000.

Interest expense related to the line of credit was \$367 for the year ended June 30, 2016.

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 7 - RESTRICTED NET ASSETS

The activity of Temporarily Restricted Net Assets consisted of the following during the year ended June 30, 2016:

Beginning balance – July 1, 2015	\$ 153,723
Plus: contributions and grants	1,617,666
Plus: investment income	20
Less: net assets released from restrictions	<u>(675,288)</u>
Ending balance – June 30, 2016	<u>\$1,096,121</u>

Temporarily Restricted Net Assets at June 30, 2016 consisted of the following:

Tuition assistance awards	\$ 58,280
New recreation center	<u>1,037,841</u>
Total	<u>\$1,096,121</u>

There were no permanently restricted net assets at June 30, 2016.

NOTE 8 – OPERATING LEASES

The Foundation has entered into the following operating leases:

- A) The Foundation entered into a one-year lease for the Foundation for Wellness Center on March 1, 2016 ending February 29, 2017 with monthly installments of \$7,250. Total rent expense paid for the year ended June 30, 2016 under this lease was \$87,000.
- B) The Foundation entered into a lease agreement for its administrative office on December 16, 2011 ending November 14, 2021, at a monthly rate of \$400. Total rent expense paid for the year ended June 30, 2016 under this lease was \$5,400.

Future minimum lease payments are as follows:

<u>Fiscal years ending June 30,</u>	
2017	\$ 62,800
2018	4,800
2019	4,800
2020	4,800
2021	<u>4,800</u>
Total	<u>\$82,000</u>

**GREENE COUNTY MEMORIAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

The financial statements at June 30, 2015, presented an accrued expense for the rent of the wellness center in the amount of \$40,000. During the current fiscal year, it was determined that the \$40,000 accrued liability for rent expense did not exist and a prior period adjustment was made in the amount of \$40,000.

The impact on Net Assets at July 1, 2015 was as follows:

Net Assets at July 1, 2015	\$ 13,508,216
Prior Period Adjustment	<u>40,000</u>
Net Assets at July 1, 2015, as restated	<u>\$ 13,548,216</u>

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances in one financial institution. At June 30, 2016, the cash balance was \$411,189, of which \$161,189 exceeded the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. Although the Foundation maintains cash balances which may exceed federally insured limits, it has not historically experienced any credit loss.

NOTE 11 – CONCENTRATIONS OF RISK ARISING FROM RECEIVABLES

The Organization grants credit without collateral to various agencies and individuals who are deemed to be credit worthy. Management believes that its collection policies are adequate to minimize potential risk.