UNIHEALTH FOUNDATION
(a California Non-Profit Foundation)

Financial Statements
with Independent Auditors' Report

September 30, 2014 and 2013

UNIHEALTH FOUNDATION
(a California Non-Profit Foundation)
As of September 30, 2014 and 2013

Contents

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Independent Auditors' Report

To the Board of Directors
of UniHealth Foundation:

We have audited the accompanying financial statements of UniHealth Foundation (a California nonprofit foundation), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities 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.

Auditors' 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 audit 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 auditors' 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 UniHealth Foundation as of September 30, 2014 and 2013, 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.

LaRue, Corrigan, McCormick + Teasdale LLP

Woodland Hills, California
February 11, 2015

UNIHEALTH FOUNDATION
(a California Non-Profit Foundation)
Statements of Financial Position
As of September 30, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and equivalents	$ 3,670,024	$ 3,752,338
Investments	296,634,571	280,525,510
Grants receivable-current portion	500,000	500,000
Receivables from investments sold	-	3,422,538
Investment income receivable	81,083	362,245
Other assets	75,486	63,487
Total current assets	300,961,164	288,626,118
Property and equipment, net	13,847	8,107
Grants receivable-long term portion	478,011	935,001
Total assets	$ 301,453,022	$ 289,569,226
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 489,823	$ 354,535
Long-term liabilities	766,482	784,040
Total liabilities	1,256,305	1,138,575
Commitments and contingencies		
Net assets:		
Unrestricted	299,218,706	286,995,650
Temporarily restricted	978,011	1,435,001
Total net assets	300,196,717	288,430,651
Total liabilities and net assets	$ 301,453,022	$ 289,569,226

See independent auditors' report and accompanying notes.

UNIHEALTH FOUNDATION
(a California Non-Profit Foundation)
Statements of Activities
For the Years Ended September 30, 2014 and 2013

	2014	2013
Increases in unrestricted net assets:		
Investment income	$ 5,212,212	$ 6,009,815
Net unrealized and realized gain on investments	24,272,164	24,510,182
Other income	1,210,619	35
Net assets released from restrictions	500,000	500,000
Total increases in unrestricted net assets	31,194,995	31,020,032
Decreases in unrestricted net assets:		
Operating costs	2,041,257	1,882,283
Investment management fees	3,377,093	3,004,895
Charitable giving	13,431,569	13,870,985
Depreciation	6,597	7,856
Total decreases in unrestricted net assets	18,856,516	18,766,019
Unrestricted net income from operations	12,338,479	12,254,013
Other changes in unrestricted net assets:		
Excise taxes	(162,396)	(97,750)
Change in estimated allowances	46,973	48,058
Change in unrestricted net assets	12,223,056	12,204,321
Change in temporarily restricted net assets:		
Grant income	43,010	63,107
Net assets released from restrictions	(500,000)	(500,000)
Total change in temporarily restricted net assets	(456,990)	(436,893)
Change in net assets	11,766,066	11,767,428
Net assets at the beginning of the year	288,430,651	276,663,223
Net assets at the end of the year	$ 300,196,717	$ 288,430,651

See independent auditors' report and accompanying notes.

UNIHEALTH FOUNDATION

(a California Non-Profit Foundation)

Statements of Cash Flows

For the Years Ended September 30, 2014 and 2013

	2014	2013
Operating activities:		
Change in net assets	$ 11,766,066	$ 11,767,428
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation	6,597	7,856
Net unrealized and realized gain on investments	(24,272,164)	(24,510,182)
Discount of grant receivable	(43,010)	(63,107)
Allowance for program-related investments	-	117,911
Changes in operating assets and liabilities:		
Grants receivable	500,000	500,000
Receivables from investments sold	3,422,538	(2,495,036)
Investment income receivable	281,162	(340,176)
Other current assets	(11,999)	55,195
Accounts payable and accrued expenses	135,288	(395,797)
Other liabilities	(17,558)	(11,980)
Total adjustments	(19,999,146)	(27,135,316)
Net cash used in operating activities	(8,233,080)	(15,367,888)
Investing activities:		
Purchases of property and equipment	(12,337)	-
Loan disbursements for program-related investments	-	(46,411)
Net sales of marketable securities	8,163,103	14,631,052
Net cash provided by investing activities	8,150,766	14,584,641
Net decrease in cash and equivalents	(82,314)	(783,247)
Cash and equivalents, beginning of year	3,752,338	4,535,585
Cash and equivalents, end of year	$ 3,670,024	$ 3,752,338
Supplemental disclosure of cash flow information:		
Cash paid for:		
Excise taxes	$ 164,000	$ 24,878

See independent auditors' report and accompanying notes.

NOTE 1 – ORGANIZATION

UniHealth Foundation (UH or the Organization) is a California, non-profit private foundation, formed in 1998 as a grant making organization. The Organization's mission is to support and facilitate activities that significantly improve the health and well-being of individuals and communities within its service areas. In carrying out its mission, the Organization examines trends and challenges in the healthcare system, particularly issues pertinent to Southern California hospitals. As a result of their activities, the Organization is committed to furthering its charitable mission by making grants in three priority areas; community health improvement, healthcare systems enhancement and workforce development.

To fulfill the obligations of the charitable trust and maintain conformity with its charitable mission, the Board of Directors, with the consent of the California Attorney General, has established two funds; a Hospital Fund and a General Purpose Fund. The charitable expenditures from the Hospital Fund are restricted to supporting healthcare services and programs provided by or through qualified charitable hospitals in the specified areas of the San Fernando and Santa Clarita Valleys, Westside and Downtown Los Angeles, the San Gabriel Valley, Long Beach and Orange County. The charitable expenditures from the General Purpose Fund are distributed generally to qualified non-profit organizations for health related purposes consistent with the Organization's mission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

The accounts of the Organization are maintained on the accrual basis of accounting. All assets and liabilities of the Organization are recorded at historical cost, less accumulated depreciation and reserves for estimated losses, with the exception of marketable securities that are recorded at fair market value.

Revenues, gains, expenses, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. As of September 30, 2014 and 2013, temporarily restricted net assets consisted of grants receivable from the Facey Medical Foundation. (See Note 4).

Permanently Restricted Net Assets – Net assets that are permanently restricted by donors for investment in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

The Organization reports all of its expenses in the unrestricted fund, regardless of the source of the funds for the expenditures. A transfer of net assets from the restricted fund to the unrestricted fund is reported upon satisfaction of the donor's requirements.

Functional Expenses

Functional expenses for the years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Program services (charitable support)	$ 13,431,569	$ 13,870,985
General and administrative	5,424,947	4,895,034
Total functional expenses	$ 18,856,516	$ 18,766,019

Cash and Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying value reported in the statement of financial position approximates fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Organization's statements of financial position include the following financial instruments: cash and equivalents, grants receivable and accounts payable. Grants receivable have been recorded at their fair values. The Organization considers the carrying amounts of other receivables, other assets and long-term liabilities to approximate the value because of the relatively short period of time between origination of the instrument and their expected realization.

Investments

The Organization accounts for investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958-320 "*Not-for-Profit Entities: Investments – Debt and Equity Securities*". ASC 958-320 requires that investments in debt and equity securities with readily determinable fair values be reported at fair market value in the statement of financial position. Investments in partnerships, for which there is no readily available market, are valued by the Organization using methods that management believes provide a reasonable estimate of fair value. These methods include initial due diligence and ongoing monitoring by management of investment funds.

Sales and purchases of securities are recorded on trade date, which results in receivables and payables on trades that have not yet settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and current market quotations of investments held at the end of the fiscal year.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Organization's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. Market values of such investments are routinely reviewed by the Board of Directors.

Grants Receivable

Grants receivable, originally payable over 10 years, has been discounted to its estimated net present value, which management has determined approximates the fair market value. The U.S. 10-year Treasury Bond rate of 4.6% was used upon initial measurement. Amortization of the discount is recorded as grant income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over lives ranging between 3 and 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of 10 years or the remaining lease term.

Program-Related Investments (PRIs)

In accordance with the Tax Reform Act of 1969, section 4944 of the Internal Revenue Code, the Organization is permitted to make investments that further some aspect of its charitable mission. These investments are anticipated to have lower-than-market returns on a risk-adjusted basis.

Like grants, these investments count toward the Organization's payout requirement in the year of distribution. Return of PRI principal affects the annual payout requirement in a similar manner as a grant refund. Management periodically reviews the collectability of the PRI and determines whether an allowance is required (see Note 6).

Excise and Income Taxes

As a private foundation, the Organization is subject to federal tax at a 2% rate on realized appreciated gains and investment income earned. For the year ended September 30, 2014, the Organization has qualified for a 1% tax rate based on the ratio of the previous five year average of qualified charitable support to the net value of their assets. For the years ended September 30, 2014 and 2013, excise tax expense was $162,396 and $97,750, respectively.

Accounting principles generally accepted in the United States of America require Organizations to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken, and has concluded that as of September 30, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2011.

Charitable Giving

Charitable giving is charged against operations when authorized by the Organization's Board of Directors and disbursed to the grantee. Multi-year grants are not accrued as a liability since the Organization reserves the right to terminate the grant, at its sole discretion, at any time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Organization invests in various types of marketable securities. Marketable securities are subject to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that the changes in the value of marketable securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidation risk levels. These guidelines are periodically reviewed and modified when necessary. Marketable securities are managed by professional investment managers within the established guidelines.

The Organization maintains its cash and equivalents in bank deposit accounts and brokerage accounts, which at times may exceed insured limits. As of September 30, 2014, the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) guaranteed cash balances up to $250,000. Substantially all of the Organization's cash and equivalents are uninsured. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to any significant risk on cash and equivalents. Cash and equivalents represent approximately 1% of the Organization's total investment portfolio.

Reclassifications

Certain reclassifications have been made to 2013 amounts to conform to 2014 financial statement presentation.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization has adopted Accounting Standards Codification No. 820-10, "*Fair Value Measurements and Disclosures*" (ASC 820-10) which 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).

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of inputs that may be used to measure fair value under ASC 820-10 are described below:

> *Level 1* — Quoted prices in active markets for identical assets or liabilities.
>
> *Level 2* — Observable inputs based on quoted prices in non-active markets or in active markets for similar assets and liabilities. Inputs other than quoted prices that are observable or inputs that are not directly, but are corroborated by observable market data. Included in level 2 are investments measured using a Net Asset Value (NAV) per share, or its equivalent, that may be redeemed at the NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.
>
> *Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the measurements of the assets or liabilities. Included in level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions. As these restrictions expire management transfers the investment out of level 3.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of fixed income and equity securities are based on quoted market prices. Alternative investments consist of investments in limited partnerships, which invest primarily in private equity securities and hedge funds. The estimated fair values of these alternative investments are based on valuations provided by the general partner. The Organization reviews and evaluates the NAV provided by the general partner and assesses the methods and assumptions used in determining the fair value of their investments. Other alternative investments are valued in a variety of ways including broker quotations and pricing models. An outside consulting firm has been engaged to monitor and evaluate various fair value calculations for alternative investments. Alternative investments make up approximately 20% of total investments.

Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2014:

		Fair Value Measurements Using		
Investment Category	Year Ended September 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities:				
U.S. Fixed Income Funds	$ 56,832,367	$ 56,832,367	$ -	$ -
Global Fixed Income Funds	15,287,674	15,287,674	-	-
Equity:				
Global Equity Funds	64,111,434	64,111,434	-	-
Other Equity Funds	81,370,906	81,370,906	-	-
Other	4,544,455	4,544,455	-	-
Commingled Funds	15,993,622	-	15,993,622	-
Alternative Assets:				
Private Equity	24,693,619	-		24,693,619
Hedge Funds	33,800,494	-	33,800,494	-
Total	$ 296,634,571	$ 222,146,836	$ 49,794,116	$ 24,693,619

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended September 30, 2014:

	Investment Category
	Private Equity
Beginning Balance	$ 22,196,967
Total Gains or (Losses)	3,658,161
Purchases and Other Acquisitions	5,197,443
Sales and Other Dispositions	(6,358,952)
Net Transfers In (Out) of Level 3	-
Ending Balance	$ 24,693,619
Unrealized Gains or (Losses)	$ 1,539,059

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2013:

		Fair Value Measurements Using		
Investment Category	Year Ended September 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities:				
U.S. Fixed Income Funds	$ 55,318,238	$ 55,318,238	$ -	$ -
Global Fixed Income Funds	6,459,216	6,459,216	-	-
Equity:				
Global Equity Funds	58,764,800	58,764,800	-	-
Other Equity Funds	78,732,198	78,732,198	-	-
Other	3,631,080	3,631,080	-	-
Commingled Funds	22,561,144	-	22,561,144	-
Alternative Assets:				
Private Equity	22,196,967	-	-	22,196,967
Hedge Funds	32,861,867	-	32,861,867	-
Total	$ 280,525,510	$ 202,905,532	$ 55,423,011	$ 22,196,967

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended September 30, 2013:

	Investment Category			
	Commingled Funds	Private Equity	Hedge Funds	Total
Beginning Balance	$ 20,071,386	$ 21,609,393	$ 44,302,891	$ 85,983,670
Total Gains or (Losses)	81,357	2,016,728	5,620,319	7,718,404
Purchases and Other Acquisitions	-	4,097,093	-	4,097,093
Sales and Other Dispositions	(4,087,113)	(5,526,247)	(17,061,343)	(26,674,703)
Net Transfers In (Out) of Level 3	(16,065,630)	-	(32,861,867)	(48,927,497)
Ending Balance	$ -	$ 22,196,967	$ -	$ 22,196,967
Unrealized Gains or (Losses)	$ 686,839	$ (682,062)	$ 3,176,133	$ 3,180,910

During the year ended September 30, 2013, $48,927,497 of level 3 assets were transferred into level 2 due to lock up provisions expiring or the investment could be redeemed within 90 days of the statement of financial position.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2014:

	Strategy	NAV in Funds	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity	Small, mid and large-cap companies, financial restructuring, international equities, real estate and technology.	$24,693,619	12	2 to 10 years	$17,490,503	3 to 6 years from inception.	N.A.*	N.A.	N.A.
Hedge Funds	Distressed asset and fixed income, long/short U.S. cap, value and emerging technologies; bank debt, liquidations, direct lending and global growth.	33,800,494	7	N.A.	-	N.A.	Ranges between monthly redemption with 30 days notice to annual redemption with 95 days notice.	Six funds have lock up provisions of up to three years. Timeframe for restrictions have expired for four funds.	None
Commingled Funds	Global fixed income securities, currency, currency derivatives, private bank loans and high yield fixed income securities.	15,993,622	2	N.A.	-	N.A.	Ranges from daily redemption with 10 days notice to quarterly redemption with 60 days notice.	None	None
Total		$74,487,735	21		$17,490,503				

* These funds are in private equity structure, with no ability to be redeemed.

UNIHEALTH FOUNDATION
(a California Non-Profit Foundation)
Notes to the Financial Statements
September 30, 2014 and 2013

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2013:

	Strategy	NAV in Funds	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity	Small, mid and large-cap companies, financial restructuring, international equities, real estate and technology.	$22,196,967	10	3 to 9 years	$11,639,956	3 to 6 years from inception.	N.A.*	N.A.	N.A.
Hedge Funds	Distressed asset and fixed income, long/short U.S. cap, value and emerging technologies; bank debt, liquidations, direct lending and global growth.	32,861,867	10	N.A.	-	N.A.	Ranges between monthly redemption with 30 days notice to annual redemption with 95 days notice.	Six funds have lock up provisions of up to three years. Timeframe for restrictions have expired for four funds.	None
Commingled Funds	Global fixed income securities, currency, currency derivatives, private bank loans and high yield fixed income securities.	22,561,144	2	N.A.	-	N.A.	Daily redemption with 10 days notice.	None	None
Total		$77,619,978	22		$11,639,956				

* These funds are in private equity structure, with no ability to be redeemed.

NOTE 4 – GRANTS RECEIVABLE

In September 2006, Facey Medical Foundation (FMF) entered into a binding Grant Agreement with UH whereby FMF is required to pay annual grants to UH of $500,000 for a total aggregate of $5,000,000 over 10 years. In addition to the annual grant obligations, FMF shall make additional grant payments of 50% of the amount by which FMF's annual net operating income, as defined in the Grant Agreement, exceeds 1.5% of FMF's annual net revenues, as defined in the Grant Agreement. The additional grant payments shall not exceed $5,000,000 in the aggregate for fiscal years 2006 through 2015. The annual grant and additional grant payments, if any, are due 45 days after receipt of FMF's annual audited financial statements. As of September 30, 2014 and 2013, the grant receivable was $1,000,000 and $1,500,000, respectively, net of a $21,989 and $64,999 discount, respectively. The discount rate used, 4.60%, represents the 10-year treasury rate in existence at the date the Grant Agreement was executed. No amounts have been accrued for the additional grant payments as the requirements of that provision have not been met. FMF may prepay the discounted amounts of any remaining grant obligation or additional grant payment at any time during the 10-year period.

NOTE 5 – OTHER RECEIVABLES

Other receivables include interest and dividend income due and proceeds from sales not yet received as of September 30, 2014 and 2013 related to the Organization's investments in marketable securities, cash and equivalents.

NOTE 6 – PROGRAM-RELATED INVESTMENT (PRI)

In July 2012, the Organization entered into an agreement with a medical corporation to lend funds, providing working capital to expand its present community-based mobile health services to include worksite healthcare services. The terms of the agreement qualified this loan as a PRI. The loan agreement provided for several disbursements, up to $350,000, based on various benchmarks agreed to by both parties. Interest-only payments were payable to the Organization for any outstanding principal balance at a per annum rate of 5% for a period of two years after the first disbursement. All unpaid principal and interest was to then be paid over the remaining term of the loan, which was due in full on August 31, 2019.

During November 2013, the borrower informed the Organization that they will be unable to meet the benchmarks as identified in the agreement due to challenges created by the uncertainty surrounding of the Affordable Health Care Act. Accordingly, the Organization determined it was probable they will be unable to collect the contractual principal and interest payments and recorded an allowance for doubtful accounts and an increase in charitable giving for the entire outstanding loan receivable balance of $117,911. A loan forgiveness letter was executed in February 2014 and the receivable and corresponding allowance were written off.

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities consist of the following at September 30, 2014 and 2013:

	2014	2013
Deferred compensation	$ 439,482	$ 393,921
Employee settlement	327,000	387,000
Bond fees payable	-	3,119
Total long-term liabilities	$ 766,482	$ 784,040

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases office space under a noncancelable operating lease, which contains an annual escalation clause and a renewal option. Effective September 1, 2014 the lease was renewed and expires March 31, 2025. At September 30, 2014, the estimated future minimum rental payments under this lease are as follows:

Year ending September 30,	
2015	$ 150,766
2016	155,289
2017	159,948
2018	164,746
2019	169,688
Thereafter	1,028,982
	$ 1,829,419

Rent expense under operating lease agreements for the years ended September 30, 2014 and 2013 was $140,702 and $152,429, respectively.

Capital Commitments

The Organization invests in several limited partnerships, which require capital commitments. As of September 30, 2014, the remaining balance of the capital commitments on these investments is $17,490,503.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Actions

The Organization and its former subsidiaries are subject to various claims and legal actions that arise in the ordinary course of business, including wrongful termination and workers' compensation claims, among others. In the opinion of management in consultation with counsel, the ultimate resolution of such matters, beyond amounts covered by insurance, will not have a material adverse effect on the Organization's financial position or results of operations.

FEMA Audit

At the time of the January 1994 Northridge Earthquake, UH owned a hospital that applied for a FEMA grant to assist it in paying for damages sustained in the earthquake. FEMA approved the application and payments were made through 2002. In the summer of 2002, FEMA, now under the direction of the Office of Homeland Security, performed an audit of UH's files associated with the payments previously received. During 2004, FEMA indicated to UH that approximately $1,600,000 of the FEMA grant money may have been ineligible for the grant. FEMA has provided UH the opportunity to explain its position and submit additional documentation to support their claim that the payments were eligible and that the reimbursement to FEMA is not owed. An appeals process is also available to UH should FEMA seek reimbursement for any funds previously granted. UH submitted a response refuting FEMA's claims that the payments were ineligible.

On September 12, 2005, the California Office of Emergency Services ("OES") advised the hospital that FEMA had decided to deobligate approximately $1,400,000 that had previously been paid to the hospital as part of a grant for 1994 earthquake repairs. UH filed an appeal with OES and FEMA of that advisement. On September 26, 2006, OES advised UH that its appeal had been denied, but that it could file a second appeal of the issues presented. UH filed a second appeal but it was also denied.

Management and legal counsel have pursued other legal avenues and are unable to determine at this time what amount, if any, UH may be liable to FEMA for possible reimbursement for grants paid for the earthquake repairs. Therefore, no amount has been accrued at September 30, 2014.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The Organization has adopted a defined contribution 403(b) Retirement Plan. All employees of the Organization are eligible to participate. The Organization does not make matching contributions to the Plan.

The Organization also sponsors a Simplified Employee Pension Plan (SEP) whereby the Organization makes contributions to the Plan on behalf of the employees, which are then 100% participant directed. All employees of the Organization are eligible to participate in the SEP Plan. The Organization's contributions to the SEP Plan were $136,782 and $112,294 for the years ended September 30, 2014 and 2013, respectively.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 11, 2015, the date the financial statements were available to be issued, and determined that no matters required disclosure.