

UniHealth Foundation

Financial Statements

September 30, 2016 and 2015 (Restated)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
UniHealth Foundation
Los Angeles, California

We have audited the accompanying 2016 financial statements of UniHealth Foundation (a California nonprofit foundation) (the "Organization"), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities 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 (the "U.S."); 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 U.S. 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 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 2016 financial statements referred to above present fairly, in all material respects, the financial position of UniHealth Foundation as of September 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 U.S.

Prior Period Financial Statements

The financial statements as of September 30, 2015, were audited by LaRue, Corrigan, McCormick & Teasdale LLP, whose practice became part of Armanino^{LLP} as of January 1, 2016, and whose report dated December 22, 2015, expressed an unmodified opinion on those statements prior to the restatement discussed at Note 9. We have audited the adjustments related to the restatement and found them to be correct in all material respects.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
Woodland Hills, California

February 7, 2017

UniHealth Foundation
 Statements of Financial Position
 September 30, 2016 and 2015 (Restated)

	2016	(Restated) 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,022,792	\$ 2,991,183
Investments	286,205,179	279,096,293
Grants receivable	-	500,000
Receivable from investments sold	-	178,588
Investment income receivable	89,945	89,032
Prepaid and other current assets	<u>169,972</u>	<u>96,895</u>
Total current assets	<u>289,487,888</u>	<u>282,951,991</u>
Property and equipment, net	<u>13,329</u>	<u>13,859</u>
Total assets	<u>\$ 289,501,217</u>	<u>\$ 282,965,850</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 430,042	\$ 392,848
Payable from investments purchased	17,057	-
Grants payable, current portion	<u>8,365,975</u>	<u>8,008,573</u>
Total current liabilities	<u>8,813,074</u>	<u>8,401,421</u>
Long-term liabilities		
Grants payable, net of current portion	2,663,048	3,323,889
Other long-term liabilities	<u>765,635</u>	<u>721,355</u>
Total long-term liabilities	<u>3,428,683</u>	<u>4,045,244</u>
Total liabilities	<u>12,241,757</u>	<u>12,446,665</u>
Commitment and contingencies (Note 7)		
Net assets		
Unrestricted	277,259,460	270,019,185
Temporarily restricted	<u>-</u>	<u>500,000</u>
Total net assets	<u>277,259,460</u>	<u>270,519,185</u>
Total liabilities and net assets	<u>\$ 289,501,217</u>	<u>\$ 282,965,850</u>

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

UniHealth Foundation
Statement of Activities
For the Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and losses			
Investment income	\$ 5,526,260	\$ -	\$ 5,526,260
Net unrealized and realized gain (loss) on investments	19,693,455	-	19,693,455
Net assets released from restriction	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Total revenues, gains and other support	<u>25,719,715</u>	<u>(500,000)</u>	<u>25,219,715</u>
Operating expenses			
Operating costs	2,001,651	-	2,001,651
Investment management fees	2,938,398	-	2,938,398
Charitable giving	13,424,831	-	13,424,831
Depreciation	3,350	-	3,350
Excise taxes	<u>111,210</u>	<u>-</u>	<u>111,210</u>
Total operating expenses	<u>18,479,440</u>	<u>-</u>	<u>18,479,440</u>
Change in net assets	7,240,275	(500,000)	6,740,275
Net assets, beginning of year	<u>270,019,185</u>	<u>500,000</u>	<u>270,519,185</u>
Net assets, end of year	<u>\$ 277,259,460</u>	<u>\$ -</u>	<u>\$ 277,259,460</u>

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

UniHealth Foundation
Statement of Activities
For the Year Ended September 30, 2015 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and losses			
Investment income	\$ 6,510,307	\$ -	\$ 6,510,307
Net unrealized and realized gain (loss) on investments	(5,792,321)	-	(5,792,321)
Grant income	-	21,989	21,989
Net assets released from restriction	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Total support, revenues and investment returns	<u>1,217,986</u>	<u>(478,011)</u>	<u>739,975</u>
Operating expenses			
Operating costs	1,911,465	-	1,911,465
Investment management fees	3,086,496	-	3,086,496
Charitable giving	15,089,631	-	15,089,631
Depreciation	4,242	-	4,242
Excise taxes	<u>128,806</u>	<u>-</u>	<u>128,806</u>
Total operating expenses	<u>20,220,640</u>	<u>-</u>	<u>20,220,640</u>
Change in net assets	(19,002,654)	(478,011)	(19,480,665)
Net assets, beginning of year	<u>289,021,839</u>	<u>978,011</u>	<u>289,999,850</u>
Net assets, end of year	<u>\$ 270,019,185</u>	<u>\$ 500,000</u>	<u>\$ 270,519,185</u>

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

UniHealth Foundation
Statements of Cash Flows
For the Years Ended September 30, 2016 and 2015 (Restated)

	2016	(Restated) 2015
Cash flows from operating activities		
Change in net assets	\$ 6,740,275	\$ (19,480,665)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,350	4,242
Net unrealized and realized (gain) loss on investments	(19,693,455)	5,792,321
Discount of grant receivable	-	(21,989)
Changes in operating assets and liabilities		
Grants receivable	500,000	500,000
Receivables from investments sold	178,588	(178,588)
Investment income receivable	(913)	(7,949)
Other current assets	(73,077)	(21,409)
Accounts payable and accrued expenses	37,194	87,439
Payable from investments purchased	17,057	(184,414)
Grants payable	(303,439)	1,135,595
Other liabilities	44,280	(45,127)
Net cash used in operating activities	<u>(12,550,140)</u>	<u>(12,420,544)</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,820)	(4,254)
Net sales of marketable securities	12,584,569	11,745,957
Net cash provided by investing activities	<u>12,581,749</u>	<u>11,741,703</u>
Net increase (decrease) in cash and cash equivalents	31,609	(678,841)
Cash and cash equivalents, beginning of year	<u>2,991,183</u>	<u>3,670,024</u>
Cash and cash equivalents, end of year	<u>\$ 3,022,792</u>	<u>\$ 2,991,183</u>

Supplemental disclosure of cash flow information

Cash paid during the year for excise taxes	\$ 137,811	\$ 51,079
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The accompanying notes are an integral part of these financial statements.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

1. NATURE OF OPERATIONS

UniHealth Foundation (UH or the Organization) is a California, nonprofit private foundation, formed in 1998 as a grant making organization. The Organization is committed to being a pacesetter in health philanthropy, identifying and supporting innovative activities, while provoking and sustaining changes that positively impact health outcomes. The Organization's mission is to support and facilitate activities that significantly improve the health and well-being of individuals and communities it serves. In carrying out its mission, the Organization examines trends and challenges in the healthcare system and furthers its charitable mission by making grants in three priority areas: population and community health, healthcare delivery systems, and healthcare workforce.

In September 2015, the Organization reached a consensual agreement with the Office of California's Attorney General to modify some of the restrictions to its grant making. Wellness and prevention were added to the definition of health. The Organization's two funds, the General Purpose Fund and the Hospital Fund, were affirmed. Charitable expenditures from the Hospital Fund are made to nonprofit hospitals and other qualified nonprofits for healthcare services and programs provided by, through, or in close cooperation with qualified charitable hospitals in specified service areas in Los Angeles and northern Orange Counties. Charitable expenditures from the General Purpose Fund are distributed to qualified nonprofit organizations not working in close cooperation with hospitals for health-related purposes consistent with the Organization's mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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 Organization.
- *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, 2015, temporarily restricted net assets consisted of grants receivable from the Facey Medical Foundation (see Note 4).

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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

Allocation of functional expenses consist of the following:

	2016	(Restated) 2015
Program services (charitable support)	\$ 13,424,831	\$ 15,089,631
General and administrative	5,054,609	5,131,009
	\$ 18,479,440	\$ 20,220,640

Cash and cash 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.

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). 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.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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.

Fair value of financial instruments

The Organization's statements of financial position include the following financial instruments: cash and equivalents, grants receivable, accounts payable, and grants 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.

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).

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.
- *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.

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.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)

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 26% 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.

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.

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.

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, 2016, 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, 2016 and 2015, excise tax expense was \$111,210 and \$128,806, 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, 2016, 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.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Excise and income taxes (continued)

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 2013.

Charitable giving

Charitable giving is charged against operations when authorized by the Organization's Board of Directors. The actual payment of the grant may not necessarily occur in the year of authorization.

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, 2016, 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.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which is effective for fiscal years beginning after December 15, 2016 for entities other than public business entities. The ASU eliminates the requirement to categorize investments in the fair value hierarchy if the fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. As permitted by the ASU, the Organization has early adopted this pronouncement and investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Organization, the ASU will be effective September 30, 2019.

Restatement of prior year financial statements

As discussed in Note 9 to the financial statements, the Organization made the decision to begin recognizing grants payable effective October 1, 2015. Accordingly, the Organization reviewed all grants made during the period and made reclassifications to prior year financial statement amounts of grants payable, discount on grants payable, net assets, and charitable giving.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to conform to the current year format. The purpose of the reclassifications is to provide a more accurate representation of investment income. The reclassifications do not affect the presentation of the Organization's overall performance.

Subsequent events

The Organization has evaluated subsequent events through February 7, 2017, the date the financial statements were available to be issued, and determined that no matters required disclosure.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

3. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. fixed income funds	\$ 53,371,429	\$ -	\$ -	\$ 53,371,429
Global fixed income funds	15,490,350	-	-	15,490,350
Global equity funds	56,160,584	-	-	56,160,584
U.S. equity funds	83,930,715	-	-	83,930,715
Other	<u>3,419,324</u>	<u>-</u>	<u>-</u>	<u>3,419,324</u>
	<u>\$212,372,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>212,372,402</u>
Investments measured at net asset value				<u>73,832,777</u>
				<u>\$286,205,179</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. fixed income funds	\$ 56,527,437	\$ -	\$ -	\$ 56,527,437
Global fixed income funds	14,366,211	-	-	14,366,211
Global equity funds	53,355,735	-	-	53,355,735
U.S. equity funds	73,866,569	-	-	73,866,569
Other	<u>3,362,854</u>	<u>-</u>	<u>-</u>	<u>3,362,854</u>
	<u>\$201,478,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>201,478,806</u>
Investments measured at net asset value				<u>77,617,487</u>
				<u>\$279,096,293</u>

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

3. INVESTMENTS (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, 2016:

<u>Product</u>	<u>Strategy</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Amount of Remaining Life</u>	<u>Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>	<u>Redemption Restrictions in Place at Year End</u>
Private Equity	Small, mid and large-cap companies, financial restructuring, international equities, real estate and technology.	\$ 30,095,778	15	1 to 10 years	\$ 17,464,044	3 to 6 years from inception	Funds are in private equity structure with no ability to be redeemed	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	28,231,183	6	N/A	-	N/A	Ranges between monthly redemption with 30 days notice to annual redemption with 95 days notice	None	None
Commingled Funds	Global fixed income securities, currency, currency derivatives, private bank loans and high yield fixed income securities	15,505,816	2	N/A	-	N/A	Ranges from daily redemption with 10 days notice to quarterly redemption with 60 days notice.	None	None
Total		<u>\$ 73,832,777</u>	<u>23</u>		<u>\$ 17,464,044</u>				

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

3. INVESTMENTS (continued)

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2015:

<u>Product</u>	<u>Strategy</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Amount of Remaining Life</u>	<u>Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>	<u>Redemption Restrictions in Place at Year End</u>
Private Equity	Small, mid and large-cap companies, financial restructuring, international equities, real estate and technology	\$ 28,579,709	12	1 to 9 years	\$ 14,493,289	3 to 6 years from inception	Funds are in private equity structure with no ability to be redeemed	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	33,826,218	7	N/A	-	N/A	Ranges between monthly redemption with 30 days notice to annual redemption with 95 days notice	None	None
Commingled Funds	Global fixed income securities, currency, currency derivatives, private bank loans and high yield fixed income securities	15,211,560	2	N/A	-	N/A	Ranges from daily redemption with 10 days notice to quarterly redemption with 60 days notice.	None	None
Total		<u>\$ 77,617,487</u>	<u>21</u>		<u>\$ 14,493,289</u>				

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

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, 2016 and 2015, the grant receivable was none and \$500,000, respectively. No amounts have been accrued for the additional grant payments as the requirements of that provision have not been met.

5. GRANTS PAYABLE

Grants authorized but unpaid as of September 30, 2016 and 2015 are reported as liabilities. The following is a summary of grants authorized and payable as of September 30, 2016 and 2015.

Grants payable consist of the following:

	<u>2016</u>	<u>2015</u>
To be paid in less than one year	\$ 8,365,975	\$ 8,008,573
To be paid in one to two years	2,803,208	3,298,831
To be paid in over two years	<u>-</u>	<u>200,000</u>
	11,169,183	11,507,404
Less: present value discount (5%)	(140,160)	(174,942)
Less: current portion	<u>(8,365,975)</u>	<u>(8,008,573)</u>
Grants payable, net of current portion	<u>\$ 2,663,048</u>	<u>\$ 3,323,889</u>

The Organization is required to distribute annually, to qualifying charitable organizations, an amount equal to 5% of the average fair market value of the Organization's assets (the minimum distribution). If the Organization does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income. If undistributed income is not distributed by the close of the following tax year, a minimum 30% penalty under Internal Revenue Code (IRC) S4942(a) will apply. The Organization met the IRC grant distribution requirement for the years ended September 30, 2016 and 2015.

UniHealth Foundation
Notes to Financial Statements
September 30, 2016 and 2015

6. LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	2016	2015
Deferred compensation	\$ 489,009	\$ 431,702
Employee settlement	276,626	289,653
	\$ 765,635	\$ 721,355

7. 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.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending September 30,

2017	\$ 159,948
2018	164,746
2019	169,688
2020	174,779
2021	180,022
Thereafter	674,180
	\$ 1,523,363

Rent expense under operating lease agreements for the years ended September 30, 2016 and 2015 was \$143,530 and \$130,020, respectively.

Capital commitments

The Organization invests in several limited partnerships, which require capital commitments. As of September 30, 2016, the remaining balance of the capital commitments on these investments is \$17,464,044.

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7. 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.

8. 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 \$127,446 and \$127,543 for the years ended September 30, 2016 and 2015, respectively.

9. RESTATEMENT

During the year ended September 30, 2016, the Organization's management revised its grants payable accounting policy to be more consistent with similar private foundations and will now record grants when authorized. Previously, the Organization recorded grants when they were paid due to provisions in its grant agreements that permitted the Organization to withdraw the funding at any time. As a result of this change, management has restated its previously issued financial statements for the year ended September 30, 2015. The following tables summarize the adjustments made to previously reported amounts of net assets.

The effect of these accounting changes on previously reported amounts of unrestricted net assets is as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Balance, September 30, 2014	\$ 299,218,706	\$ (10,196,867)	\$ 289,021,839
Change in unrestricted net assets	<u>(17,867,059)</u>	<u>(1,135,595)</u>	<u>(19,002,654)</u>
Balance, September 30, 2015	<u>\$ 281,351,647</u>	<u>\$ (11,332,462)</u>	<u>\$ 270,019,185</u>

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9. RESTATEMENT (continued)

The effect of these accounting changes on the September 30, 2015 financial statements is as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Statement of Financial Position			
Grants payable	\$ -	\$ 11,507,404	\$ 11,507,404
Discount on long-term grants payable	<u>-</u>	<u>(174,942)</u>	<u>(174,942)</u>
	<u>\$ -</u>	<u>\$ 11,332,462</u>	<u>\$ 11,332,462</u>
Statement of Activities			
Charitable giving	<u>\$ 13,954,036</u>	<u>\$ 1,135,595</u>	<u>\$ 15,089,631</u>